

*Annual
accounts*
2012



Ordinary General Shareholders' Meeting

31th May 2013

Translation of a report originally
issued in Spanish. In the event
of a discrepancy, the Spanish
language version prevails.



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Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with regulatory financial reporting framework applicable to the Repsol Group (see Notes 3 and 39). In the event of a discrepancy, the Spanish-language version prevails.

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Repsol, S.A.:

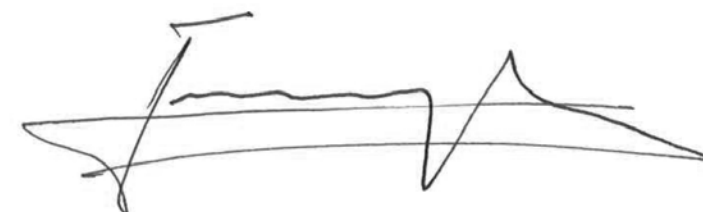
We have audited the consolidated financial statements of Repsol, S.A. and Subsidiaries (the Repsol Group), which comprise the consolidated balance sheet at December 31, 2012 and the related consolidated income statement, consolidated statement of recognised income and expenses, consolidated statement of changes in equity, consolidated cash flow statement and notes to the consolidated financial statements for the year then ended. As indicated in Note 3.1 to the accompanying consolidated financial statements, the directors are responsible for the preparation of the Repsol Group's consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group. Our responsibility is to express an opinion on the consolidated financial statements taken as a whole based on our audit work performed in accordance with the audit regulations in force in Spain, which require examination, by means of selective tests, of the evidence supporting the consolidated financial statements and evaluation of whether their presentation, the accounting principles and policies applied and the estimates made comply with the applicable regulatory financial reporting framework.

In our opinion, the accompanying consolidated financial statements for 2012 present fairly, in all material respects, the consolidated equity and consolidated financial position of Repsol, S.A. and Subsidiaries at December 31, 2012, and the consolidated results of their operations and their consolidated cash flows for the year then ended, in conformity with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group.

Without qualifying our audit opinion, we draw attention to the changes in the composition of the Repsol Group described in Note 5 to the accompanying consolidated financial statements, which indicates that the carrying amount at which the Group has recognised its 51% ownership interest in YPF S.A. was calculated on the basis of the best estimates of the directors of Repsol, S.A., taking into account the uncertainties concerning the outcome of the various lawsuits in progress or that might be initiated in the future. Also, as indicated in Note 3.3 to the accompanying consolidated financial statements, as a result of the aforementioned changes in the composition of the Repsol Group and pursuant to current accounting legislation, the comparative figures in the consolidated income statement and the consolidated cash flow statement for the year ended December 31, 2011 differ from those contained in the consolidated financial statements of the Repsol Group at that date.

The accompanying consolidated management report for 2012 contains the explanations which the directors of Repsol, S.A. consider appropriate about the situation of the Repsol Group, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated management report is consistent with that contained in the consolidated financial statements for 2012. Our work as auditors was confined to checking the consolidated management report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Repsol, S.A. and Subsidiaries.

DELOITTE, S.L.
Registered in ROAC under no. S0692



Jorge Izquierdo Mazón

February 27, 2013



2012

Consolidated Financial Statements

Consolidated Management Report

Annual Report on Corporate Governance



Consolidated Financial Statements

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REPSOL, S.A. AND INVESTEEES COMPRISING THE REPSOL GROUP
CONSOLIDATED BALANCE SHEET at December 31, 2012 and 2011

Millions of euros

ASSETS	Note	12 / 31 / 2012	12 / 31 / 2011
Intangible Assets:		5,514	7,783
a) Goodwill	6	2,678	4,645
b) Other intangible assets	7	2,836	3,138
Property, plant and equipment	8	28,227	36,759
Investment property	9	25	24
Investment accounted for using the equity method	11	737	699
Non-current assets held for sale subject to expropriation	5	5,392	–
Non-current financial assets	13	1,313	2,450
Deferred tax assets	25	3,310	2,569
Other non-current assets	13	242	344
NON-CURRENT ASSETS		44,760	50,628
Non-current assets held for sale	12	340	258
Inventories	14	5,501	7,278
Trade and other receivables		7,781	9,222
a) Trade receivables	15	6,081	6,555
b) Other receivables	15	1,284	2,147
c) Income tax assets	15	416	520
Other current assets		221	220
Other current financial assets	13	415	674
Cash and cash equivalents	13	5,903	2,677
CURRENT ASSETS		20,161	20,329
TOTAL ASSETS		64,921	70,957

Notes 1 to 39 are an integral part of this consolidated balance sheet.

REPSOL, S.A. AND INVESTEEES COMPRISING THE REPSOL GROUP
CONSOLIDATED BALANCE SHEET at December 31, 2012 and 2011

Millions of euros

LIABILITIES AND EQUITY	Note	12 / 31 / 2012	12 / 31 / 2011
Issued share capital		1,282	1,221
Share premium		6,428	6,428
Reserves		247	247
Treasury shares and own equity investments		(1,245)	(2,572)
Retained earnings and other reserves		18,465	17,186
Profit attributable to the equity holders of the parent		2,060	2,193
Dividends and remunerations		(184)	(635)
EQUITY	16	27,053	24,068
Financial assets available for sale		42	(4)
Other financial instruments		15	–
Hedge transactions		(210)	(181)
Translation differences		(198)	(345)
ADJUSTMENTS FOR CHANGES IN VALUE	16	(351)	(530)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	16	26,702	23,538
MINORITY INTERESTS	16	770	3,505
TOTAL EQUITY		27,472	27,043
Grants	17	61	118
Non-current provisions	18	2,258	3,826
Non-current financial liabilities	20	15,300	15,345
a) Bank borrowings, bonds and other securities		15,073	15,137
b) Other financial liabilities		227	208
Deferred tax liabilities	25	3,063	3,839
Other non-current liabilities	23	3,457	3,682
NON-CURRENT LIABILITIES		24,139	26,810
Liabilities related to non-current assets held for sale	12	27	32
Current provisions	18	291	452
Current financial liabilities:	20	3,790	4,985
a) Bank borrowings, bonds and other securities		3,721	4,902
b) Other financial liabilities		69	83
Trade payables and other payables:		9,202	11,635
a) Trade payables	24	4,376	4,757
b) Other payables	24	4,507	6,522
c) Non-current income tax liabilities	24	319	356
CURRENT LIABILITIES		13,310	17,104
TOTAL EQUITY AND LIABILITIES		64,921	70,957

Notes 1 to 39 are an integral part of this consolidated balance sheet.

REPSOL, S.A. AND INVESTEEES COMPRISING THE REPSOL GROUP
CONSOLIDATED INCOME STATEMENT
for the years ended December 31, 2012 and 2011

Millions of euros

	Note	12 / 31 / 2012	12 / 31 / 2011 ⁽¹⁾
Sales		57,193	49,994
Services rendered and other income		1,731	909
Changes in inventories of finished goods and work in progress inventories		(389)	711
Income from reversal of impairment losses and gains on disposal of non-current assets		273	206
Allocation of grants on non-financial assets and other grants	17	13	17
Other operating income		772	800
OPERATING REVENUE	27	59,593	52,637
Supplies		(44,471)	(39,607)
Personnel expenses		(1,977)	(1,809)
Other operating expenses		(6,128)	(5,421)
Depreciation and amortization of non-current assets		(2,587)	(2,069)
Impairment losses recognized and losses on disposal of non-current assets		(144)	(182)
OPERATING EXPENSES	27	(55,307)	(49,088)
OPERATING INCOME		4,286	3,549
Finance income		128	166
Finance expenses		(994)	(871)
Changes in the fair value of financial instruments		26	150
Net exchange gains/ (losses)		11	(308)
Impairment and gains/(losses) on disposal of financial instruments		(28)	1
FINANCIAL RESULT	28	(857)	(862)
Share of results of companies accounted for using the equity method-net of tax	11	117	72
NET INCOME BEFORE TAX		3,546	2,759
Income tax	25	(1,581)	(991)
Net income for the period from continuing operations		1,965	1,768
Net income for the period from continuing operations attributable to minority interests		(75)	(111)
NET INCOME FOR THE PERIOD FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE PARENT		1,890	1,657
Net income for the period from discontinued operations after taxes	5	279	776
Net income for the period from discontinued operations attributable to minority interests	5	(109)	(240)
NET INCOME FOR THE PERIOD FROM DISCONTINUED OPERATIONS ATTRIBUTABLE TO THE PARENT	5	170	536
TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT		2,060	2,193
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		Euros / share	Euros / share ⁽²⁾
Basic	16	1.70	1.72
Diluted	16	1.70	1.72

⁽¹⁾ Includes the necessary modifications with respect to the consolidated financial statements for the year 2011 in connection with the expropriation process of YPF S.A. and YPF Gas S.A. shares in accordance with the contents of Note 3.3 "Comparison of information".

⁽²⁾ Includes the necessary modifications with respect to the consolidated financial statements for the year 2011 in connection with the capital increase carried out as part as the compensation scheme known as the "Flexible Repsol dividend" described in Note 16.1, and according with the contents of Note 3.3 "Comparison of information".

Notes 1 to 39 are an integral part of these consolidated income statements.

REPSOL, S.A. AND INVESTEEES COMPRISING THE REPSOL GROUP
CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSES
for the years ended December 31, 2012 and 2011

Millions of euros

	Note	12 / 31 / 2012	12 / 31 / 2011
CONSOLIDATED NET INCOME FOR THE YEAR ⁽¹⁾ (from the Consolidated Income Statement)	Note	2,244	2,544
INCOME AND EXPENSES RECOGNIZED DIRECTLY IN EQUITY:			
From measurement of financial assets available for sale		39	(14)
From other financial instruments		18	-
From cash flow hedges		(65)	(124)
Translation differences		(489)	527
From actuarial gains and losses and other adjustments		(28)	(17)
Entities accounted for using the equity method		(5)	(3)
Tax effect	16	(1)	24
TOTAL		(531)	393
AMOUNTS TRANSFERRED TO THE CONSOLIDATED INCOME STATEMENT:			
From measurement of financial assets available for sale		26	-
From cash flow hedges		40	77
Translation differences		542	3
Tax effect	16	(14)	(20)
TOTAL		594	60
TOTAL RECOGNIZED INCOME/ (EXPENSE)		2,307	2,997
a. Attributable to the parent company		2,222	2,481
b. Attributable to minority interests		85	516

⁽¹⁾ Corresponds to the addition of the following consolidated income statement headings: "Net income for the period from continuing operations" and "Net income for the period from discontinuing operations after taxes".

Notes 1 to 39 are an integral part of these consolidated statements of recognized income and expense.

REPSOL, S.A. AND INVESTEES COMPRISING THE REPSOL GROUP		premium							
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY									
for the years ended December 31, 2012 and 2011		Millions of euros							
		Equity attributable to equity holders of the parent							
		Capital and reserves			Net income for the year attributable to equity holders of the parent	Adjustments for changes in value	Total equity attributable to equity holders of the parent	Minority interests	Total equity
		Issued share capital	Share premium and reserves	Treasury shares and own equity instruments					
CLOSING BALANCE AT 12 / 31 / 2010		1,221	19,343	–	4,693	(1,117)	24,140	1,846	25,986
Adjustments		–	–	–	–	–	–	–	–
INITIAL ADJUSTED BALANCE		1,221	19,343	–	4,693	(1,117)	24,140	1,846	25,986
TOTAL RECOGNIZED INCOME/ (EXPENSE)		–	(10)	–	2,193	298	2,481	516	2,997
TRANSACTIONS WITH SHAREHOLDERS OR OWNERS									
Increase / (Decrease) of share capital		–	–	–	–	–	–	–	–
Dividends payments		–	(1,276)	–	–	–	(1,276)	(404)	(1,680)
Transactions with treasury shares or own equity instruments (net)		–	(12)	(2,572)	–	–	(2,584)	–	(2,584)
Changes in the scope of consolidation		–	478	–	–	312	790	1,537	2,327
OTHER CHANGES IN EQUITY									
Transfers between equity accounts		–	4,707	–	(4,693)	(24)	(10)	10	–
Other changes		–	(4)	–	–	1	(3)	–	(3)
CLOSING BALANCE AT 12 / 31 / 2011		1,221	23,226	(2,572)	2,193	(530)	23,538	3,505	27,043
Adjustments		–	–	–	–	–	–	–	–
INITIAL ADJUSTED BALANCE		1,221	23,226	(2,572)	2,193	(530)	23,538	3,505	27,043
TOTAL RECOGNIZED INCOME/ (EXPENSE)		–	(17)	–	2,060	179	2,222	85	2,307
TRANSACTIONS WITH SHAREHOLDERS OR OWNERS									
Increase / (Decrease) of share capital		61	(61)	–	–	–	–	–	–
Dividend payments		–	–	–	–	–	–	(70)	(70)
Transactions with treasury shares or own equity instruments (net)		–	45	1,327	–	–	1,372	–	1,372
Changes in the scope of consolidation		–	–	–	–	–	–	(8)	(8)
Other transactions with partners and owners		–	(426)	–	–	–	(426)	–	(426)
OTHER CHANGES IN EQUITY									
Transfers between equity accounts		–	2,193	–	(2,193)	–	–	–	–
Other changes		–	(4)	–	–	–	(4)	(2,742)	(2,746)
CLOSING BALANCE AT 12 / 31 / 2012		1,282	24,956	(1,245)	2,060	(351)	26,702	770	27,472

Notes 1 to 39 are an integral part of these consolidated statements of changes in equity.

REPSOL, S.A. AND INVESTEES COMPRISING THE REPSOL GROUP		Millions of euros		
CONSOLIDATED CASH FLOW STATEMENT				
for the years ended December 31, 2012 and 2011				
		Notes	12 / 31 / 2012	12 / 31 / 2011 ⁽¹⁾
Net income before tax			3,546	2,759
Adjustments to net income			3,410	2,735
Depreciation and amortization of non-current assets		7 y 8	2,587	2,069
Other adjustments to results (net)			823	666
Changes in working capital			696	(2,275)
Other cash flows from operating activities			(1,741)	(1,119)
Dividends received		11	75	62
Income tax received / (paid)			(1,534)	(1,009)
Other proceeds from / (payments for) operating activities			(282)	(172)
CASH FLOWS FROM OPERATING ACTIVITIES ⁽²⁾		29	5,911	2,100
Payments for investing activities:		7-9 y 31	(3,907)	(4,287)
Group companies, associates and business units			(255)	(275)
Property, plant and equipment, intangible assets and investment properties			(3,424)	(3,552)
Other financial assets			(228)	(278)
Other assets			–	(182)
Proceeds from desinvestments:		32	1,144	932
Group companies, associates and business units			640	396
Property, plant and equipment, intangible assets and investment properties			55	103
Other financial assets			449	433
Other cash flows			(122)	2
CASH FLOWS USED IN INVESTING ACTIVITIES ⁽²⁾			(2,885)	(3,353)
Proceeds from/ (payments for) equity instruments		16	1,388	(2,557)
Acquisition			(61)	(2,703)
Disposal			1,449	146
Proceeds from / (payments for) financial liabilities		20	759	134
Issues			7,988	7,626
Return and depreciation			(7,229)	(7,492)
Payments for dividends and payments on other equity instruments		16	(947)	(1,333)
Other cash flows from financing activities			(564)	(890)
Interest payments			(900)	(879)
Other proceeds from/ (payments for) financing activities			336	(11)
CASH FLOWS USED IN FINANCING ACTIVITIES ⁽²⁾			636	(4,646)
Effect of changes in exchange rates			(78)	(81)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS			3,584	(5,980)
Cash Flows from Operating Activities from discontinued operations			867	2,020
Cash Flows from Investment Activities from discontinued operations			(872)	(1,951)
Cash Flows from Financing Activities from discontinued operations ⁽³⁾			(346)	2,143
EFFECT OF CHANGES IN EXCHANGE RATES FROM DISCONTINUED OPERATIONS			(7)	(3)
Net increase / (decrease) in cash and discontinued operations			(358)	2,209
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		13	2,677	6,448
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		13	5,903	2,677
COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR			12 / 31 / 2012	12 / 31 / 2011
(+) Cash and banks			4,036	1,303
(+) Other financial assets			1,867	1,374
TOTAL CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR			5,903	2,677

⁽¹⁾ It includes the necessary modifications respect to the consolidated financial statements for the year 2011 in connection with the expropriation process of YPF S.A. and YPF Gas S.A. shares in accordance with the contents of Note 3.3 "Comparison of information".

⁽²⁾ Corresponds to the cash flows from to continued operations.

⁽³⁾ In 2011 this includes the cash flows from the sale of YPF shares amounting to €1,888 millions (Note 32).

Notes 1 to 39 are an integral part of these consolidated statements of cash flow.

Repsol, S.A. and investees comprising the Repsol S.A. Group Notes to the 2012 Consolidated Financial Statements

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1

General information

Repsol S.A. (previously Repsol YPF, S.A.) and the investees comprising the Repsol Group (hereinafter “Repsol” the “Repsol Group” or the “Group”) constitute an integrated group of oil and gas companies which commenced operations in 1987. The main companies comprising the Group are listed in Appendix I.

The Repsol Group is engaged in all the activities relating to the oil and gas industry, including exploration, development and production of crude oil and natural gas, transportation of oil products, liquified petroleum gas (LPG) and natural gas, refining, the production of a wide range of oil products and the retailing of oil products, oil derivatives, petrochemicals, LPG and natural gas, as well as the generation, transportation, distribution and supply of electricity. The Group operates in more than 40 countries and its Head Office is in Spain. From 1999 until the first quarter of 2012 the Group also operated in Argentina through YPF and YPF Gas (previously “Repsol YPF Gas S.A.”; the change of name was decided during the YPF Gas S.A. Annual Shareholders’ Meeting held on July 6, 2012, challenged by Repsol Butano, S.A.). A significant part of the Group’s investment in these companies is subject to an expropriation process by the Argentinean Government (Note 5 “*Expropriation of Repsol Group’s shares in YPF S.A. and YPF Gas S.A.*”).

The corporate name of the parent of the Group of companies that prepares and files these financial statements is Repsol, S.A., which is registered at the Madrid Commercial Registry in sheet no. M-65289. Its Tax Identification Number (C.I.F) is A-78/374725 and its National Classification of Economic Activities Number (C.N.A.E) is 742. The Annual Shareholders’ Meeting held on May 31, 2012 voted to change the name of the company from Repsol YPF S.A to Repsol, S.A. This change was registered at the Madrid Commercial Registry on June 12, 2012.

The Board of Directors held on May 31, 2012 also voted to move the Head Office to Calle Méndez Alvaro, 44, Madrid. This change was registered at the Madrid Commercial Registry on July 4, 2012. The Shareholder’s Information Offices is located at the same address and its phone number is: 900.100.100.

Repsol S.A. is a private-law entity incorporated in accordance with Spanish legislation, which is subject to the Companies Act (Ley de Sociedades de Capital) approved by Legislative Royal Decree 1/2010 of July 2, and all other legislation related to listed companies.

Repsol, S.A.’s shares are represented by book entries and are all admitted to trading on the Spanish Stock Exchanges (Madrid, Barcelona, Bilbao, and Valencia) and the Buenos Aires Stock Exchange (Bolsa de Comercio de Buenos Aires).

Repsol S.A.’s shares were traded in the form of American Depositary Shares (ADSs) on the New York Stock Exchange (NYSE) until March 4, 2011. On March 9, 2011, the ADS program began to trade on the OTCQX market of the United States, which distinguishes issuers with improved market information and solid business activities.

These consolidated financial statements for 2012, which have been approved by the Board of Directors of Repsol S.A. at a meeting held on February 27, 2013, and the financial statements of the investees, will be submitted for approval by the respective Annual Shareholders’ Meetings, with no modifications expected.

The consolidated financial statements for 2011 were approved at the Annual Shareholders’ Meeting of Repsol, S.A. held on May 31, 2012.

2

Regulatory framework

The activities of Repsol, S.A. and its main subsidiaries are subject to extensive regulation, whose main aspects are described below.

Spain

Spain currently has legislation which implements liberalization of the oil industry, a manifestation of which is the Hydrocarbons Sector Law 34/1998 of October 7, which has been amended by several provisions, including the Law 12/2007 of July 7, and implemented through numerous royal decrees and ministerial orders. This Law establishes the criteria for allocating powers among the Spanish Government and regional administrations.

Law 2/2011, of March 4, on Sustainable Economy, modifying the Hydrocarbon Sector Act, establishes binding guidelines for energy planning under criteria designed to contribute to the creation of a safe, cost-effective, economically-sustainable, and environmentally-friendly energy system. It further establishes measures for cutting greenhouse gas emissions and provides for the creation of a carbon allowance trading fund as well as a broad spectrum of measures affecting nearly all segments of the energy sector.

The Spanish National Energy Commission (“*Comisión Nacional de Energía*” or “*CNE*” for its acronym in Spanish) is a public agency of the Ministry of Industry, Tourism, and Commerce, and is the regulatory authority in charge of ensuring effective competition, objectivity, and transparency in the electricity and liquid and gaseous hydrocarbons markets, seeking the benefit of all market participants, including consumers.

The Sustainable Economy Act extended the powers of the National Energy Commission to the operation of energy systems and competition matters.

From a competition perspective, the Act amended CNE Function fourteen, regarding its authorization for the acquisition of companies carrying out energy regulated activities as well as CNE Function fifteen that requires a CNE prior mandatory report on corporate concentrations in accordance with article 17.2 c) of the Spanish Competition Law 15/2007, of July 3.

Royal Decree Law 13/2012, of March 30, strengthens the CNE’s role as the independent regulatory authority and grants or increases CNE sanctioning functions.

Sector regulations establish and ascribe specific treatment to the so-called “main” and “dominant” operators. Royal Decree-Law 5/2005, of March 11, obliges the CNE to publish a list of main and dominant operators in each market or sector.

Dominant operators are defined as those commanding a share of more than 10% of the corresponding benchmark market.

A main operator, on the other hand, is any operator ranked among the top five players by market share in the following markets or sectors: (I) the generation and supply of electric power within the Iberian Electricity Market (MIBEL); (II) the production and distribution of fuels; (III) the production and supply of liquid petroleum gas; (IV) the production and supply of natural gas.

Designation as a dominant operator, as far as prevailing legislation is concerned, simply implies certain regulatory restrictions in the electricity sector, specifically in relation to the generation of primary energy, importing of electricity into the MIBEL and acting as a representative agent of the special regime in the market.

However, the definition of main operators is significant. Article 34 of the Royal Decree-Law 6/2000, of June 23, following the amendments introduced by Law 14/2000 of December 29, establishes a series of limitations related to the acquisition of voting rights in the equity of companies qualifying as main operators and serving on their boards of directors. Specifically, article 34 stipulates that any natural or legal person holding a 3% or higher equity interest in two or more companies qualifying as main operators in the same market, cannot exercise the voting rights in excess of this ownership threshold in more than one company. It further stipulates that such persons cannot appoint members of the governing bodies of another main operator either directly or indirectly.

Royal Decree-Law 6/2009 definitively repealed supplementary provision twenty-seven of Law 55/1999 (amended by Law 62/2003), which stipulated prior administrative authorization for the acquisition by public entities or entities majority-owned or controlled by public entities of shareholdings of 3% or more in energy companies (the so-called "energy golden share"). This rule had been questioned by the European Court of Justice in a ruling handed down on February 14, 2008.

Liquid hydrocarbons, oil, and petroleum derivatives

In Spain, hydrocarbon deposits and underground storages existing on Spanish territory and in the territorial marine subsoil and ocean bottoms which are under Spanish sovereignty are considered public properties.

The exploration, research, and exploitation of hydrocarbons in Spain is governed by a Sector Law stating that superficial land exploration which is only geological in nature may be carried out freely across the country. The Ministry of Industry, Tourism, and Commerce or the competent regional authorities, where indicated, authorize the areas in which geophysical and other exploration may freely take place, as long as it does not involve deep perforation as defined by legislation.

Research permits are granted by national or regional governments, depending on whether autonomous areas are affected, and exclusive investigation rights are granted for periods lasting six years.

Rights granted for exploiting hydrocarbon reserves allow their owners exclusive exploration rights to them for 30 years, renewable for two successive ten-year periods, as well as the right to continue exploration activities in these areas and obtain authorization for stipulated activities, as well as to freely sell the hydrocarbon products they obtain.

Several of the activities falling within the scope of Law 34/1998 may be subject to prior authorization, permits, and/or concessions. Article 19 of Law 25/2009, of December 22, which amends several pieces of legislation for their adaptation to the Law on free access to service activities and its exercise modifies the Hydrocarbon Act, Law 34/1998 of October 7; this requires, among other aspects, the elimination of the need to obtain prior authorization for natural gas suppliers, LPG wholesalers, bulk LPG retailers, or petroleum product wholesalers, and also establishes the obligation for interested parties to sign a responsibility declaration and issue notification prior to commencing business operations. In addition, direct natural gas consumers are obliged to report the start of business operations.

The construction and operation of refining, transportation, and fixed storage facilities is subject to receiving prior authorization, the granting of which requires meeting the relevant technical, financial, environmental, and safety requirements.

Third parties may access transportation and fixed storage facilities of oil products, such as the facilities of Compañía Logística de Hidrocarburos S.A. ("CLH"), on conditions agreed on an objective and non-discriminatory basis. However, the Spanish Government has the right to establish access tolls for mainland territories and for those areas of the Spanish territory where alternative transport or storage facilities do not exist or are insufficient. As of the date of these financial statements, the Spanish Government has not exercised this right.

Pursuant to Royal Decree Law 6/2000, no physical or legal person may hold, directly or indirectly, ownership of more than 25% of the capital stock of CLH. This same Royal Decree further provides that the aggregate ownership interest in CLH of entities with refining capacity in Spain may not exceed 45% of CLH's capital.

Petroleum derivative prices have been liberalized, with the exception of LPG, which is subject, in some cases, to maximum retail prices. Prices of bulk LPG and LPG sold in bottles that are less than 8 kilograms or more than 20 kilograms have been liberalized.

By means of Ministerial Order ITC/2608/2009, of September 28, the Spanish Government updated the system for setting the quarterly maximum before-tax sales price for bottled LPG, affecting containers holding 8 kilograms or more but less than 20 kilograms, with the exception of containers of LPG blends for use as fuel, by modifying the formula for automatically setting the maximum sales prices indicated in the abovementioned order in an effort to uphold consumer interests in the face of international price volatility.

The Spanish Association of Bottled Liquid Petroleum Gas Operators (AOGLP for its acronym in Spanish) filed an administrative appeal against Ministerial Order ITC/2608/2009 of September 28, which was upheld in June 19, 2012, thereby annulling the Order modifying LPG pricing regulations (Ministerial Order ITC/1858/2008 of June 26).

This firm sentence inexorably revokes ITC/2608/2009. In this way, a resolution passed on September 24, 2012 reinstated Ministerial Order ITC/1858/2008 of June 26.

Royal Decree Law 29/2012, of December 28, temporarily froze the price established by the September 24, 2012 resolution for the final quarter of 2012 until March 1, 2013. A new price revision of bottled liquid petroleum gas will in theory take place on that date, enacting Ministerial Order ITC/1858/2008 of June 26; however, a new price formula might also be applied as contemplated in Royal Decree Law 29/2012.

The retail marketing of LPG cylinders may be carried out freely by any natural or legal person.

Natural gas

Law 12/2007 of July 2, which amended Law 34/1998 on the hydrocarbon sector and incorporated into Spanish Law the European Parliament Directive 2003/55, incorporates measures for achieving a completely liberalized market which will be the basis for greater competition, price reduction and improvement in the quality of service to the end-user.

This legislation establishes the framework for eliminating the tariff system and creates the role of the supplier of last resort with ultimate liability for supplying customers lacking sufficient bargaining power. Moreover, these suppliers are subject to a price cap ("last resort tariff"), which is set by Spain's Ministry of Industry, Tourism, and Commerce. Royal Decree 104/2010, of February 5, regulates the start-up of last resort supply in the natural gas segment; while Ministerial Order ITC/1506/2010 establishes the methodology for calculating this last resort tariff.

Business operations in the natural gas sector can be classified into: (I) regulated activities, essentially the transport (including storage, regasification and transport per se) and distribution of natural gas; and (II) deregulated activities: production, acquisition and retailing of natural gas. The first require prior administrative authorization, their remuneration is regulated and are subject to specific obligations. On the contrary, the latter activities are not regulated, and are therefore not subject to administrative intervention.

Prevailing legislation stipulates functional unbundling (separation) obligations which imply accounting unbundling, in order to prevent cross subsidies and increase toll royalty and tariff calculation transparency, legal unbundling, by means of separate companies, and also separation of regulated activities by requiring them to operate independently of the other companies in their consolidated groups.

In accordance with European Union directives, the distribution of natural gas is fully deregulated in Spain, which means that all Spanish consumers are qualified and are accordingly free to choose their natural gas provider since January 1, 2003. Sector deregulation was substantially reinforced by the elimination on July 1, 2008 of the regulated tariff supply by the distribution companies, which meant that all consumers are required to participate in the deregulated market.

The construction, operation, modification and closing of basic network and carrier network facilities require prior government authorizations.

Enagás, S.A., the Natural Gas System Operator, is responsible for the coordinating and ensuring that the system works properly. Law 12/2007 limits equity ownership interests in Enagás, S.A. to 5%, caps voting rights at 3% as a general rule, although this cap falls to 1% in the case of companies carrying out business activities related to the gas sector and; in any case, the aggregate ownership interest of shareholders whose business activities relate to the gas sector cannot exceed 40%.

Since January 1, 2003, no company or group of companies acting in the natural gas sector can collectively provide natural gas for consumption in Spain in an amount in excess of 70% of domestic consumption. The Spanish Government is authorized to modify that percentage based on changes in the sector and the sector's business structure.

Royal Decree Law 13/2012, of March 30, transposes into Spanish legislation Directive 2009/73/EC of the Parliament and of the Council of July 13, 2009, which requires an amendment of Law 34/1998, of October 7, of the hydrocarbon sector and introduces the concept of separation of ownership of assets, understood to be a situation in which the network owner is appointed network controller and is separate from any company with interests in its production and supply.

The abovementioned Royal Decree Law also transposes Directive 2009/28/EC of the Parliament and of the Council, of April 23, 2009, on the promotion of the use of energy from renewable sources and amends and repeals Directives 2001/77/EC and 2003/30/EC.

Minimum safety stock

Royal Decree 1766/2007, partially amending Royal Decree 1716/2004, regulates the obligation to maintain a minimum stock in the oil and natural gas sectors, the obligation to diversify the natural gas provisions and the activities of the Corporation of Strategic Reserves of Petroleum Products (CORES for its acronym in Spanish).

The minimum safety stock requirement imposed on wholesalers in 2012 was equivalent to 92 days of sales calculated on the prior 12-month sales. Repsol was obliged to directly maintain a stock corresponding to 50 days of sales, while the remaining stocks required to make up the difference with the abovementioned safety stock requirement are held by CORES on behalf of the various operators.

On June 24, 2011, the Spanish Government released 2,274,000 million barrels of the safety stocks held by the parties bound by this requirement for a period of 30 days, as a result of the International Energy Agency's "Libya Collective Action." Subsequently, the minimum oil stock obligation was re-established, with effect from midnight on June 1, 2012.

Spanish legislation does not require these reserves to be handled, measured or stored in any specific manner; indeed any products accounted for by the operators as part of their inventories in the ordinary course of their business operations qualify as strategic reserves to this end. Compliance with the safety stock rules implies regular reporting that minimum levels are held; however, the operators subject to these rules are free to use the inventories held for this purpose so long as the total balance does not fall below the minimum threshold.

Ministerial Order IET/2813/2012 of December 27 set the 2013 quotas payable to the Corporation of Strategic Reserves of Petroleum Products, approving an increase in quotas payable to the Corporation of Strategic Reserves of Petroleum Products during 2013.

Electricity sector regulation in Spain

The deregulation of the Spanish electricity sector began in 1997 with the passage of the Electricity Sector Act (Law 54/1997, of November 27), incorporating into Spanish law Directive 96/92/EC concerning common rules for the internal market of electricity, establishing the rules for sector deregulation across the European Union countries, and subsequent enacting regulations, noteworthy, among which are the Royal Decree 1955/2000, of December 1, that regulates power transmission, distribution, marketing and supply, and the procedures for authorization of electric power facilities, and Royal Decree 2019/1997, of December 26, organizing and regulating the Electricity Production Market. The Electricity Act was later amended by Law 17/2007, of July 4. Meanwhile, Royal Decree 661/2007, of May 25, amended the rules governing the production of electricity under the so-called special regime.

Business operations in the Spanish electricity sector can be classified into: (I) regulated activities – power transport and distribution; and (II) deregulated activities – power generation and retailing.

The first ones require prior administrative authorization, their remuneration is regulated and are subject to specific obligations. In contrast, the second activities are not regulated and are therefore not subject to intervention by the authorities. The retail business in particular is based on the principles of freedom contracting and customer freedom to choose supplier. As a deregulated business, retail prices of electricity are established freely between the parties.

The electric power generation business comprises the generation of electric power under the called 'ordinary' and 'special' regimes. The latter regime is intended to stimulate the gener-

ation of power from renewable sources and cogeneration by establishing a specific and more attractive remuneration regime (Spanish Royal Decree 661/2007), whereas electricity generated under the ordinary regime is remunerated on the basis of market prices.

Spanish Royal Decree Law 1/2012, of January 27, 2012, eliminates the financial incentives for new special regime generation plants under special regime and for ordinary regime plants using technology akin to the technologies governed by the special regime. It further suppresses the process of remuneration based on pre-allocation auctions that entitled producers to the subsidized feed-in tariffs. These measures affect: (I) all generation facilities appropriate for coverage by the special electric power generation regime which, as of the date of effectiveness of Royal Decree Law 1/2012, had not yet qualified for inclusion in the pre-allocation remuneration register or on the special remuneration register in place for photovoltaic facilities; and (II) ordinary regime facilities using technology akin to the special regime technologies which, as of the date of effectiveness of the Royal Decree Law 1/2012, had not obtained government authorization from the Spain's General Directorate of Energy Policy and Mining. The provisions of this new legislation will not apply to facilities which have obtained government approval to make substantial plant changes prior to the date of effectiveness of this Royal Decree Law.

Installation of new generation facilities is deemed a deregulated activity, notwithstanding the pertinent administrative authorizations. Facilities with installed capacity of under 50 MW which fall into one of the categories itemized in the Electricity Act (co-generation installations and those producing power from a renewable primary source) are deemed Special Regime facilities. These facilities can choose between selling the power they produce to the network-owning distributor at a pre-defined feed-in tariff or selling the electricity produced freely to the market through a system managed by the market operator at the price established by this organized market (exchange mechanism) plus certain applicable incentives and/or premiums.

Companies engaged in regulated business activities according to the Law, must have as exclusive object the development of such activities and cannot develop deregulated activities. However, group companies within a consolidated group can engage in regulated and deregulated business activities so long as they are carried on by separate group companies.

The electricity system has been in deficit in recent years, a situation which has led to the accumulation of an annual tariff deficit or shortfall, which has had to be financed by the power utilities companies. To remedy this situation, Royal Decree-Law 6/2009, of April 30, established a series of measures designed to address the tariff deficit, creating a state-guaranteed securitization fund, as well as the introduction of a "social voucher" (an electricity tariff discount for household consumers meeting certain social, usage and income criteria which is to be financed by the power generators).

In Spain, the main duty of Spain's Technical System Operator, Red Eléctrica de España, S.A. (REE), is to ensure power supply security and the correct functioning of the generation and transmission system. Spanish Law 17/2007 limits the interests in REE at 3% of share capital or voting rights with a general extent; this limit falls to 1% in the case of parties engaged in electricity sector business activities. Moreover and, in any case, the aggregate shareholding interests held by companies that participate in the electricity sector business cannot exceed 40%.

Law 15/2012 of December 27, 2012 on tax measures for energy sustainability (effective January 1, 2013) regulates, among other things, three new taxes: tax on electricity production which levies the generation activity on a 7% rate; nuclear tax, which levies the production of radioactive waste resulting from the generation of electricity from nuclear energy; and finally, a tax on the consumption and storage of radioactive waste at authorized sites. Law 15/2012 also amends tax rates for natural gas and carbon, removing existing exemptions on energy products consumed through the production of electricity and cogeneration of electricity power and useful heat.

The Law also reviewed tax rates applicable to different energies used for producing electric power, raising the rate for coal while creating specific rates for fuel and diesel used for generating electricity and the cogeneration of both electricity and useful heat.

Royal Decree-Law 2/2013, of February 1, 2013, regarding urgent measures in the electricity system and in the financial sector, contains new retributions, tariffs and bonuses to be received by electricity industry parties based on applicable sectorial regulations, (including Repsol co-generators) and partially amends Royal Decree 661/2007, of May 25, 2007, on special electricity generation regime.

Other legislative regulation approved in 2012

Many regulations were approved during 2012. These included:

In addition to the aforementioned provisions, the Royal Decree Law 13/2012, of March 30, also introduces new measures aimed at correcting the structural deficit of the electricity and gas sectors, with the purpose of achieving income sufficiency in order to cover the costs of both systems. It also harbours a deeper reform of both sectors.

Law 1/2012 of June 22, this simplified reporting and documentation requirements for capital companies involved in merger and spin-off proceedings.

Royal Decree Law 1/2012 suspended the remuneration pre-assignment procedure and removed economic incentives for new electrical installations which use combined heat and power, renewable energy sources, and waste, as well as the appeal filed on the grounds of its unconstitutionality on November 13, 2012.

Law 5/2012, of July 6, on Mediation in Civil and Commercial Matters, incorporates the European Union Directive 2008/52/EC, of May, 21, 2008, into Spanish law and establishes certain regulations for mediation in civil and mercantile matters.

Law 11/2012 of December 19, 2012 introducing emergency environmental measures, which modified four previous laws: the Water Act, the Natural Heritage and Biodiversity Law, the Contaminated Waste and Land Law, the law regulating the greenhouse gas emission allowances trading scheme, and Securities Market Law (as regards greenhouse gas emission allowances auctions).

Law 16/2012, of December 27, which establishes several tax measures aimed at consolidating public finance as well as boosting economic activity; among them, it is worth emphasizing the revaluation of the balance sheet for Spanish tax purposes. (Note 38 Subsequent Events).

Bolivia

The Bolivian oil and gas industry is regulated by Law 3,058 of May 19, 2005 (the "Hydrocarbons Law").

On May 1, 2006, Supreme Decree 28,701 (the "Nationalization Decree") was published, which nationalized the country's oil and gas and transferred ownership and control to the Bolivian state company Yacimientos Petrolíferos Fiscales Bolivianos (YPFB). Furthermore, the shares required to enable YPFB to control at least 50% plus one vote in different companies, among them Empresa Petrolera Andina, S.A., currently known as YPFB Andina S.A. (YPFB Andina), were nationalized.

As a result, Repsol signed a shareholders' agreement that stipulates, among other provisions: (a) a two-year period of joint operation of YPFB Andina, during which time Repsol is entitled to appoint some executives in certain business areas; (b) mutual right of first refusal over any share sale; (c) certain "Mutually Agreed Decisions" to be taken jointly by the management and boards of Repsol and YPFB.

The joint operation period outlined in (a) above has terminated and therefore the "Appointment of Executive Personnel" clause applies. This clause stipulates that as minority shareholder, Repsol is entitled to propose the persons to be nominated by the Board to certain positions.

Operating contracts

According to the Hydrocarbons Law and the Nationalization Decree, Repsol E&P Bolivia S.A. and its subsidiary YPFB Andina S.A. signed with YPFB the Operating Contracts establishing the conditions for the prospecting and production of hydrocarbons in Bolivia, effective as of May 2, 2007.

In compliance with the terms laid down in the Operating Contracts, on May 8, 2009, Repsol E&P Bolivia S.A. signed the pertinent natural gas and liquid Hydrocarbon Delivery Agreements with YPFB for the various operating areas in which it operates, as well as the Payment Method Agreement, which regulate the terms of Operating Contract Holder Remuneration.

Regarding these Operating Contracts, significant legislation was issued in 2008 and 2009, which had the effect of: setting the conditions and parameters for the recognition and approval by YPFB of the Recoverable Costs within the framework of the Operating Contracts; amending the regulations governing the settlement of royalties and investments with the Bolivian Treasury to conform with the terms of the Operating Contracts; and regulating the tendering, contracting and purchase of materials, works, goods and/or services by Operating Contract Holders.

Further, in compliance with what is established in Ministerial Order 101/2009, the amended Development Plan corresponding the Operating Contract governing the Caipipendi Area, and the Margarita and Huacaya Fields was presented. This Development Plan was approved by YPFB on March 8, 2010.

In respect of the Delivery Agreements, Ministerial Order 088/2010 of March 25, established that the allocation of the hydrocarbons produced to be made by YPFB will be formulated by field and market in accordance with the volumes committed to in the Delivery Agreements signed with YPFB. The order of priority for allocation of natural gas is: (1) Internal Market; (2) Export Markets, in the chronological order in which YPFB entered into the various Natural Gas Purchase Agreements; and for liquid hydrocarbons, the priority order is: (1) Internal Market; (2) Export Market.

The Mines and Energy Ministry modified Decree 387/12 of December 28, 2012 when it issued Ministerial Decree 217 dated August 16, 2012, which approved procedures for calculating YPFB's Share as well as the Holder Remuneration.

Oil Field Incentives were established, through the issue of Tax Credit Notes by the Ministry of Economy and Finance, via Law 233 of April 13, 2012, enacted through Supreme Decree 1202 of April 18, 2012 and Ministerial Decree 128/2012, dated May 18, 2012. Oil Field Incentives are equivalent to \$30/barrel, and are calculated by multiplying that amount by oil production rate measured in the Fiscalization Point expressed in number of barrels per month. Incentives for Marginal and/or Small Gas fields are assigned based on priority allocation of natural gas exports.

Bolivian Constitution

Bolivia enacted its new Constitution on February 7, 2009, stipulating in relation to the oil and gas sector, among other matters, that: hydrocarbons are the inalienable and imprescriptible property of Bolivians; by virtue of belonging to the Bolivian people, securities evidencing a residual ownership interest in Bolivia's natural resources may not be listed and traded on securities markets or used to securitize or pledge financial transactions; YPFB is the sole entity authorized to control and manage the oil and gas productive and commercial chain; YPFB may not transfer its rights and obligations; YPFB is authorized to enter into service agreements with Bolivian and foreign public, mixed or private entities for the execution of certain production chain activities on YPFB's behalf in exchange for compensation or a service fee; YPFB may incorporate mixed economy associations or companies for the execution of hydrocarbon-related activities, in which YPFB must hold a mandatory interest of no less than 51% in these entities' total share capital.

Brazil

Exploration and Production

The Constitution of the Federative Republic of Brazil states that the Federal Government is the holding company (state monopoly) devoted to the exploration, development, and production of oil, gas, and other liquid hydrocarbons, as well as their refining, importation, exportation, and transportation, and is able to engage private or government corporations to assume the above functions, in accordance with the conditions established in legislation.

Law 9,478/97, known as the Oil Act, introduced the first contractual model for exercising exploration activities and encompasses the following:

- It confirms the Brazilian government as the oil and gas monopoly and it creates: (I) the National Council on Energy Policy (CNPE), a body entrusted with establishing energy policies, which is subordinate to the President of the Republic, and (II) the National Agency of Petroleum, Natural Gas and Biofuel (ANP), an independent regulatory agency which falls under the Mines and Energy Ministry which is in charge of establishing upstream and downstream activity guidelines.
- It stipulates that concession contracts must be awarded through specific tenders, and sets minimum bid requirements.
- It also establishes minimum terms and conditions to be included in concession contracts covering the exploration, development, and production of hydrocarbons.
- It provides for the payment of the following amounts by: (I) signature bonuses (paid at the signing of the contract); (II) royalties (paid on a monthly basis, in amounts ranging from 5% to 10% of the oil and/ or natural gas production, depending on the terms set forth in the tender); (III) a special participation (paid in situations involving a large volume of production); and (IV) occupation or are retention payments.

Under the Concession Agreement, the Federal Government grants its concessionaires the right to explore, develop, and produce hydrocarbons in a certain area during a determined period of time established in the agreement; that during the exploration stage may have a validity between three to eight years, and during the production phase, twenty to seven years commencing the date commercial viability is declared (and can be extended by obtaining ANP authorization). It also grants property rights over hydrocarbons produced once they are extracted after fiscal metering point place. However, the concessionaire agrees with ANP to perform a minimum number of tasks in the area so as to guarantee the geological knowledge of the region. The concessionaire also pays the Federal Government the financial compensation as established under above Law 9,478/97.

The main terms and conditions of the concession agreements are included under Article 43 of the Oil Act (Law 9,478/97), and the rights and obligations of the parties are set forth in the Concession Agreement as well as ANP regulations.

Article 41 of Law 9,478/97 establishes the criteria for evaluating bids and tenders offered during the bidding process, apart from other criteria established in the bidding round.

The main rights of the concessionaires are as follows: (I) exclusive exploration, development, and production rights in a granted area; (II) ownership of produced hydrocarbons; (III) the right to commercialize the production; and (IV) the right to export hydrocarbons, taking into account the obligation to supply domestic production in the case of a state of emergency.

Concessionaires assume the following obligations as part of the agreement: (I) all the risks and costs related to the exploration, development, and production of hydrocarbons; (II) compliance with the relative local content and demands; (III) compliance with the demands related to the execution of minimal work; and (IV) payment of government take.

Starting in 2010, apart from the Concession Agreement, a regulatory production sharing regime was introduced, set forth in regulations and the pre-salt areas, as discussed in Laws 12,351/10 and 12,304/10.

Law 12,351/10 covers the specific regulations discussed in the production sharing contracts for the exploration and production of oil and natural gas in the pre-salt areas which are no longer granted under the Concession Agreement and in areas defined as having strategic potential. The Law also stipulates that:

- The exploration and production in areas contemplated in the above regimes must be directly granted to Petrobras, the company controlled by the Federal Government, in exclusive contractual terms, without the necessity of undergoing a bidding process:
- Should a tender protocol exist, Petrobras will always have a 30% minimum share of the winning consortium, and must be designated block operator.
- A new public company, other than Petrobras, will manage the production sharing contracts, and in principle, participate in the consortium agreement signed with Petrobras or other

entities involved, without assuming the risks or investments involved in exploration, development, production, and installation dismantlement;

- Should oil reserves be found, the successful bidders will be allowed to recover in hydrocarbons the costs incurred during the above stages (known as oil cost), as well as the final production minus the cost of crude, royalties, and the participation of the Federal Government in the production (surpluses of crude oil).
- The winner of this regime's bid process will be the company or companies able to provide the largest oil reserves to the Federal Government.
- In relation with the financial compensations, the distribution regime of the production foresees the payment by the successful bidders in the form of: (I) royalties, and (II) signature bonuses.

Law 12,304/10 authorized the Federal Government to create Empresa Brasileira de Administração de Petróleo e Gás Natural S.A. - Pré-Sal Petróleo S.A. (PPSA), a new government-controlled corporation unrelated to Petrobras, as discussed previously, which is devoted to managing production-sharing contracts and those dealing with the commercialization of crude petroleum, natural gas, and other hydrocarbons owned by the Federal Government.

Natural Gas

In 2009, Law 11,909/09 (the Gas Act) was approved; it regulates certain activities within the natural gas industry, including transportation and commercialization (excluding the distribution of piped natural gas, which is the exclusive domain of state governments). The ANP continues to regulate the above activities while also granting concessions and authorizations, as applicable.

The Gas Act introduced three types of pipelines: (I) transportation (pipelines created for natural gas to flow from processing installations, deposits, or other transportation pipelines to deposits, other transfer pipelines, and delivery points to natural gas distributors); (II) transfer (pipelines for a specific purpose, exclusively for their proprietors, beginning and ending within their own installations); (III) evacuation (pipelines integrated in production installations created to move natural gas from production reserves to processing plants or liquefaction units).

The activities related to the new transportation pipelines are regulated by the concession regime (except in situations in which the pipelines in question are subject to international agreements, therefore requiring authorization). It is important to note that the transportation pipelines in existence prior to the Gas Act are valid for a thirty-year period.

Activities related to transfer and evacuated pipelines are subject to authorization, which the ANP may grant to any company or consortium in existence under Brazilian Law. The owners of the transfer and evacuation pipelines are not obligated to allow third-party access to their installations.

Ecuador

In accordance with the Constitution of 2008 and the Hydrocarbons Law of Ecuador, the nation's hydrocarbon fields and the associated substances are the inalienable, imprescriptible and unattachable property of the State. The State explores and operates the oil and gas fields directly through Petroecuador. Petroecuador, in turn, can perform this activity sub-contracting with third parties. It is also possible to incorporate mixed-ownership enterprises between local companies and renowned expert foreign companies that are legally established in Ecuador.

The contractual hydrocarbon exploration and exploitation legal arrangements include, among others, the following:

- I. Hydrocarbon exploration and exploitation share agreements under which the right to explore and exploit oil and gas reserves within the area of the contract, is delegated in the contractor, which bears all exploration, development and production investments, including the related risks. Once production starts, the contractor is entitled to a share of production in the contract area valued at the oil and gas sales prices set for in the contract area; this constitutes the contractor's gross revenue which is then reduced by the corresponding deductions.

II. Hydrocarbon exploration and exploitation service agreements under which the contractor is obliged to use its own financial resources to perform the related exploration and exploitation activities, investing the capital and using the equipment and technology required to this end. When there are, or the service provider discovers, commercially viable hydrocarbon reserves, it is entitled to payment of a set price per net barrel of oil produced and delivered to the State. This price, which constitutes the contractor's gross revenue, is contractually stipulated based on estimated depreciation schedules, cost/expense schedules and a reasonable profit in light of the risk incurred.

In accordance with the provisions set down in the amended legislation of the Hydrocarbons Law and the Internal Tax Regime Law, of July 27, 2010, the agreements for the exploration and exploitation of hydrocarbons under the various contractual forms must be modified to reflect the amended hydrocarbons exploration and exploitation services agreement model provided for in article 16 of the Hydrocarbons Law.

On March 12, 2009, Repsol Ecuador, S.A. (*Sucursal Ecuador*), as the contractor and operator of Block 16, signed an amended investment agreement which had the effect of extending the exploitation term at Block 16 from January 31, 2012 to December 31, 2018, although, it required, within a year, to negotiate and sign a service agreement contract that replaced the investment agreement. That agreement was signed on November 23, 2010. The amended agreement transformed the former contract into a hydrocarbons (crude oil) exploration and exploitation service agreement covering Block 16 in the Ecuadorian Amazon region. The agreement was filed with the Hydrocarbons Register on December 23, 2010 and took effect on January 1, 2011.

In addition, on January 22, 2011, Repsol signed an agreement with the Ecuadorian State amending the services agreement covering the Tivacuno Block. This contract was filed with the Hydrocarbons Register on February 21, 2011.

In accordance with article 408 of the Ecuadorian Constitution of 2008, the State is entitled to a portion of the profits deriving from the nation's oil and gas resources in an amount that will not be less than the earnings of the operator.

The United States

Exploration and Production

The two government agencies responsible for offshore exploration and production are the *Bureau of Ocean Energy Management* (BOEM) and the Bureau of Safety and Environmental Enforcement (BSEE - previously called the *Minerals Management Service*, for its acronym "MMS") of the *U.S. Department of the Interior*.

- I. The BOEM is in charge of responsibly ensuring the economic and environmental development of US offshore resources. Its functions include: offshore leasing, resources evaluation, review and administration of oil and gas exploration, development plans, renewable energies development, National Environmental Policy Act (NEPA) analyses, and environmental studies.
- II. The BSEE is responsible for safety and environmental oversight of offshore oil and gas operations, including permitting and inspections of offshore oil and gas operations. Its functions include the development and enforcement of safety and environmental regulations, permitting offshore exploration, development, and *offshore* production, inspections, *offshore* regulatory programs, oil spill response and newly formed training and environmental compliance programs.

With regards to U.S. onshore exploration and production activities the oil and gas industry is primarily regulated by the laws of the individual states.

Oil and Gas production are considered mining activities and, therefore, cannot be governed by federal law. Each state has the right to regulate its oil and gas production in order to prevent waste and to secure the equitable apportionment among landholders of the migratory oil and gas underlying their land fairly distributing among them the costs of production and of apportionment. As such, the state can regulate the space between wells or limit the area of each well, as well as provide provisions for pooling of operations by the various owners in an oil field. Even

in a jurisdiction in which the ownership-in-place doctrine is accepted, the state has the power to protect the vested rights of all the collective owners by securing a just distribution of oil and gas. Courts have held that in the case of oil and gas, the interest owners within a particular field have the co-equal right to take from the common source of supply. The corresponding state has the power to enforce correlative rights and prevent waste by proration: this is the restriction of the production of oil by allocating the current market demand among the pools of the state and between the wells of each pool in proportion to their potential production in order to secure to each producer his/her fair share of the oil produced from a common reservoir. It is to be noted that the state's powers in this respect generally are not affected by the fact that the production is sold in interstate commerce. Statutes may authorize penalties, fines, and confiscation as punishment for the violation of oil and gas proration legislation.

Federal authorities have exclusive jurisdiction over the sale and transportation of gas and oil in interstate commerce for resale. The power to regulate the production or gathering of natural gas, which involves the physical acts of drawing gas from the earth and preparing it for the first stages of distribution, is reserved exclusively to the states.

Currently, Repsol E&P USA Inc. has operations located in Alaska, Kansas, Oklahoma, and Louisiana, and is therefore subject to their respective laws.

The following state bodies govern exploration and production activities: Alaska - *the Department of Natural Resources, Division of Oil and Gas*; Kansas - *the Oil and Gas Conservation Division of the Kansas Corporation Commission*; Oklahoma: *the Oil and Gas Division of the Oklahoma Corporation Commission*; and in Louisiana, *the state regulator is the Department of Natural Resources*.

Natural Gas

In the US, LNG activity is regulated by *the Federal Energy Regulatory Commission* (FERC), and under *the Natural Gas Act*, is granted exclusive power to authorize the location of the installations created for importing and exporting LNG. In order to receive FERC approval, certain legislative requirements covering various areas of the project must be met (these include: environmental or laws potentially limiting foreign investment, etc.)

States may also collaborate with the FERC during project reviews under the *National Environmental Policy Act* (NEPA), and may contribute to complete environmental reviews of proposed projects.

They also have the authority to veto natural gas installations, as they have to power to refuse permits under the *Clean Water Act*, the *Coastal Zone Management Act*, and *the Clean Air Act*.

The importation and exportation in the US of natural gas requires government approval from the *Department of Energy* (DOE). *The Office of Fossil Energy* is the branch of the DOE that grants these approvals. The approvals must be obtained in order to sell, exchange, or use foreign natural gas.

Peru

Regulation of the hydrocarbons market in Peru is included in its Constitution. The Constitution states that the government promotes the private initiatives, recognizing the economic pluralism, and having the state a subsidiary role in terms of business concerns. The Constitution establishes that private and public business activity must be treated equally under the law, and those national and foreign investments are subject to the same conditions.

The Constitution also establishes the creation of Contract-Law through which the government may establish guarantees as well as grant assurances. These Contract-Law are not subject to legislative amendment.

The Constitution also states that natural resources are National heritage and by Organic Law establishes the conditions of their use and concession to private entities.

Exploration and Production

The Organic Law of Hydrocarbons (OLH), in force and enacted by the Sole Consolidated Text approved by Supreme Decree 042-2005-EM, regulates this natural resource. To provide legal assurance to investors, it states that the contracts entered into under it shall be considered Contract-Law, and therefore can only be modified by written agreement between the two parties. To achieve these goals the OLH creates PERUPETRO S.A. as a State owned Limited Company organized in accordance with the General Corporate Law, to which the State as owner of the hydrocarbons located in the territory of the nation, grants the right of ownership over the hydrocarbons, in aims that PERUPETRO can negotiate, conclude and monitor, exploration and exploitation contracts, through License Agreements, Services Agreements, and other contracting methods authorized by the Ministry of Energy and Mines.

The License Agreements grant Contractors the authorization to explore and exploit hydrocarbons within a determined area. The licensee has ownership over the extracted hydrocarbons and can commercialize them freely. By virtue of the Services Agreements, PERUPETRO grants the Contractor the right to perform hydrocarbon exploration and exploitation activities within the contracted area, and the Contractor receives retribution based on the final certified output. Under this type of agreement, PERUPETRO retains ownership over the extracted hydrocarbons, and therefore is free to arrange for its exportation or its refining and commercialization in the national market.

Article 14 of OLH states that national or foreign individuals or legal entities interested in entering into hydrocarbon exploration and/or exploitation contracts must receive prior authorization from PERUPETRO, which is granted based on their legal, technical, economic, and financial capacity to comply with all its contractual obligations. Additionally, the OLH sets forth a series of conditions included under the agreement, such as the determination of the Lot, phases, and maximum deadlines for carrying out the exploration and exploitation activities, amounts of royalties and retribution to be paid to the Contractor based on the type of contract, among others.

Refining and commercialization of hydrocarbons

The OLH stipulates that any national or foreign individuals or legal entities may install, operate, and maintain petroleum refineries, plants for processing natural gas and condensed, natural asphalt, greases, lubricants, and petrochemicals, subject to the norms established specific by The Mines and Energy Ministry. The OLH does not have established requirements for each activity, and therefore, it is necessary to refer to the Regulations for each of the abovementioned activities.

Although the commercialization of hydrocarbon-derived products is subject to supply and demand, by virtue of Urgency Decree No. 010-2004, the Fuel Price Stabilization Fund ("The Fund") was created to cushion Peruvian consumers from the high volatility of prices of in the national oil markets. The Fund's equity is comprised of the contributions and discounts made by Producers and Importers on the price of each product, depending on whether the Export Parity Prices (EPP) are over or under the price range. The Fund's negative balance represents rights to collect for producers/importers. The price range must be updated on a bimonthly basis, in a manner in which the increase does not surpass 5%; thus, the Fund is usually at a deficit, thereby necessitating the application of the provision requiring the government to provide the Fund with resources from the Public Treasury. UD 005-2012 modified the Fund's regulation, to focus the subsidy on certain products (84- and 90-octane gasoline, bottled LPG and Diesel B5). The Seventh Complementary Provision of Law No. 29552 governing the Financial Balance of the Public Budget determines for the year 2013 that the Fund is permanent in nature.

Law No. 28694, regulating the content of sulphur in diesel fuel, forbids with effect January 1, 2010 the commercialization in the national market of diesel fuel with a sulfur content of more than 50 ppm in volume. From its entrance into force it was also prohibited the importation of Diesel No.1 and Diesel No.2 with sulphur concentrations levels above 2500 ppm.

The said law granted the Mines and Energy Ministry the right to exceptionally establish the geographic areas located in the interior of the country in which diesel fuel with higher content of sulphur may also be sold. Supreme Decree No. 061-2009-EM established the criteria for

determining the geographic areas in which the sale of diesel with a sulphur content over 50 ppm were authorized, while also with effect from January 1, 2010, the commercialization and use of Diesel B2 with a sulphur content greater than 50 ppm, in sales establishments and directly to consumers which sell this automotive fuel in Lima and the Constitutional Province of Callao.

Ministerial Decree No. 139-2012-MEM-DM prohibited the use and sale of Diesel B5 with a sulphur content greater than 50 ppm in Lima, Arequipa, Cuzco, Puno, and Madre de Dios and the Constitutional Province of Callao for a 120-day period starting March 19, 2010. "Refinería la Pampilla, S.A.A." is currently adapting to current regulations, while carrying out investments to reduce the amount of sulphur in the diesel fuel and gasoline it produces.

In April 2012, the *Sistema de Seguridad Energética en Hidrocarburos* (SISE) and the *Fondo de Inclusión Social Energético* (FISE) were created through Law No. 29852. SISE paved the way for establishing infrastructures created to make energy systems safer. It is comprised of networks of ducts and storage installations of strategic interest for the government (infrastructure), and receives remuneration through tariff charges on the national network of ducts and transportation of and liquid hydrocarbons derived from oil and natural gas. The FISE sets up a Social Compensation and Universal Service scheme focused on the more vulnerable members of society. The Fund receives remuneration through: i) a monthly surcharge to free electricity users of interconnected systems based on an equivalent energy charge applicable to electrical transmission tariffs; ii) a surcharge for transportation of and liquid hydrocarbons derived from oil and natural gas equivalent to \$1.00/Bbl applicable to every primary sale made by producers and importers; and iii) a surcharge equivalent to \$55/MMpc on monthly invoicing of the tariffs paid by the users of services transporting natural gas via ducts.

Regarding applicable law and jurisdiction regulating hydrocarbons in general, national or foreign individuals or legal entities that carry out hydrocarbon-related activities will be expressly subject to the laws of the Republic of Peru and waive all diplomatic claims. Claims arising during execution, compliance, and in general, all other hydrocarbons-related activities encompassed by this Law are subject to judicial authority or national or international arbitration.

The bodies in charge of supervising hydrocarbons are: the Mines and Energy Ministry, which prepares, approves, proposes, and implements sector policies while establishing regulations complementary to those already in existence to keep them updated; the Dirección General de Hidrocarburos of the Ministry of Energy and Mines, which is in charge of monitoring regulatory compliance and application; the Organismo Superior de la Inversión en Energía y Minería (OSINERGMIN), which inspects and sanctions individuals or legal entities which perform activities related to electrical / hydrocarbon sub-sectors when they are not in compliance with MINEM and PERUPETRO's legal and technical obligations.

The Organismo de Evaluación y Fiscalización Ambiental (OEFA) of the Ministry of Environment is the technical institution specialized in ensuring compliance with regulations, obligations, and incentives defined in environmental regulations.

Natural Gas

Law No. 27133 on Promoting the Development of the Natural Gas Industry, declared the promotion and development of the natural gas industry to be of national interest and public necessity; this includes the operation, development of infrastructures for transporting natural and condensed gas, as well as its distribution via ducts and industrial use in Peru. As regards natural gas, Law No. 27133 guarantees the supply of the national natural gas market for a minimum period defined within the Agreement, setting a maximum fixed wellhead price for natural gas, and establishes procedures for applying natural gas sale prices and/or conditions.

In addition, Law No. 28176 on Promotion of the Investment in Processing Plants extended the benefits included in the OLH to include the operation of Natural Gas Processing Plants.

Venezuela

The Constitution of the Bolivarian Republic of Venezuela stipulates that the mines and oil and gas fields, irrespective of their nature, located on national territory, under the territorial sea, in the exclusive economic zone or on the continental platform, belong to the Republic, are public-domain goods and are, therefore, inalienable and imprescriptible.

By virtue of organic law and to protect national interests, the Venezuelan State has reserved the Venezuelan oil and gas activities for itself. For reasons of economic and political sovereignty and for national strategic purposes, the State holds all of the shares of *Petróleos de Venezuela, S.A.* (or the entity that may be set up to run the oil and gas industry).

Exploration and Production

Venezuela's Hydrocarbons Organic Law regulates all matters regarding the exploration, operation, refining, industrialization, transportation, storage, sale and conservation of hydrocarbons, including related refined products and the works required to perform these activities.

Activities relating to exploration for hydrocarbon fields, the extraction of hydrocarbons in their natural form, and their collection, transportation and initial storage are called primary activities.

The performance of primary activities is reserved to the State, either conducted directly by the National Executive Power or by wholly-owned State companies. The State may also conduct these activities through companies whose decision-making it ultimately controls by means of holding a majority equity interest (over 50%); these are called mixed-ownership enterprises. The companies dedicated to the performance of primary activities are known as operating companies.

The incorporation of mixed-ownership companies and the terms governing the performance of primary activities require prior approval from the National Assembly. Any subsequent amendment to these terms also requires the National Assembly approval. Accordingly, mixed-ownership enterprises are governed by law and specifically by the terms and conditions established by the Agreement approval of the National Assembly. These companies are also subject to the rules established in the Code of Commerce and other applicable regulations. Mixed-ownership enterprises can be functioning for a maximum term of 25 years; this term can be extended for a period agreed upon by the parties of no more than 15 years.

The State is entitled to a thirty per cent (30%) participation in the hydrocarbon volumes extracted from any of its fields, notwithstanding the companies' requirement to pay all other applicable taxes.

The sale and marketing of natural hydrocarbons and of any derivative products indicated by the National Executive Power by Decree, may only be performed by wholly-owned State companies. As a result, the mixed-ownership enterprises that engage in primary activities may only sell the natural hydrocarbons they produce to companies that are wholly-owned by the State.

Based on the foregoing, and with respect to the activities performed by Repsol in Venezuela, it is worth noting the following:

On June 20, 2006, the Ministry of People's Power for Energy and Petroleum (hereinafter "MPPPM") approved the incorporation of Mixed Enterprise *Petroquiriquire, S.A.*, in which Repsol has a 40% ownership interest, while *Corporación Venezuela del Petróleo, S.A. (CVP)*, a PDVSA subsidiary, holds a 60% stake. On September 2, 2009, Venezuela's National Assembly authorized *Petroquiriquire, S.A.* to pursue exploration and exploitation activities in *Barúa-Motán* as part of its corporate purpose as mixed enterprise.

On February 10, 2010, the MPPPM awarded the operating concession for *Carabobo I* to the consortium incorporated by *Repsol Exploración, S.A.* (11%), *Petronas* (11%), *OVL* (11%) and *Indoil* (7%), for a combined equity interest of 40%, and *CVP*, with a 60% stake. The Decree creating the Mixed Enterprise *Petrocarabobo, S.A.* and the *MENPET* Resolution delimiting its geographic area were published on May 7, 2010.

On January 21, 2011, was incorporated *Carabobo Ingeniería y Construcciones, S.A.*, the holding company held by the Class B Shareholders (*Repsol* 27.5%; *Petronas* 27.5%; *OVL* 27.5% and *Indoil* 17.5%), in order to comply with and perform the delegated management activities stipulated in article 4.1 and Appendix K of the Mixed-Ownership Enterprise Agreement.

Non-associated Natural Gas

Pursuant to the Organic Gaseous Hydrocarbons Law, the following activities may be carried out by the State either directly or through state-owned entities or by private national or foreign bodies, with or without state ownership: (I) activities consisting of exploration for non-associated gaseous hydrocarbons and operation of these fields; (II) the extraction, storage and use of the non-associated natural gas found at these fields and the gas produced in association with oil or other fossil fuels; and (III) the processing, industrialization, transportation, distribution and domestic and foreign trading of such gas.

The abovementioned legislation similarly encompasses liquid hydrocarbons and the non-hydrocarbonated components of the gaseous hydrocarbons as well as the gas deriving from the oil refining process.

Activities to be carried out by private national or foreign bodies, with or without state ownership, do require a license or permit and must be associated with specific projects or uses linked to national development objectives.

A single party may not simultaneously perform or control in a given region two or more production, transportation or distribution activities.

Based on the foregoing, and with respect to the activities performed by Repsol, it is worth noting the following:

On June 20, 2006, the MPPPM agreed to grant an Exploration & Production non-gas hydrocarbons non-Associated License to *Quiriquire Gas, S.A.*, a company jointly owned by *Repsol Venezuela, S.A.* (60%) and *PDVSA GAS, S.A.* (40%). The Gas License was granted in March 2007.

On February 2, 2006, was published Resolution No. 011 granting a License for the Exploration and Operation of Non-Associated Gaseous Hydrocarbons in the *Cardón IV* area, located in the Gulf of Venezuela, to *Cardón IV, S.A.*, a Company jointly owned by *Repsol Venezuela Gas, S.A.* (50%) and *Eni Venezuela B.V.* (50%). On November 1, 2008, *Eni* and *Repsol* signed a joint operating agreement ("JOA"). A preliminary agreement was signed with *PDVSA GAS, S.A.* on November 1, 2011 forming the basis for negotiations with respect to a 25-year Gas Supply Agreement with possibility of making exports. An agreement was ultimately signed on December 23, 2011.

On August 15, the date the MPPPM declared Commercial Viability, the 120-day period began during which the MPPPM may grant a state company the right to acquire up to 35% of *Cardón IV, S.A.*'s share capital. The deadline for doing so was December 15, 2012.

On December 14, 2012, official notification was received in which the MPPPM expressed formal interest in *CVP* becoming a state shareholder in the *Cardón IV, S.A.* Gas License. The corresponding Due Diligence procedures commenced, and are still currently ongoing.

Argentina

The Repsol Group's activities in Argentina carried out through its shareholding in *YPF S.A.* and *YPF Gas S.A.* were interrupted due to the expropriation of 51% of its shares in both companies. Repsol considers the expropriation to be clearly illicit (Note 5, section 5.1, "*YPF and YPF Gas Intervention Decree and Expropriation Law*").

Notwithstanding the description of the established legal framework of the expropriation process made in Note 5, section 5.1 and as far as the participation of the Repsol Group in the share capital of *YPF* and *YPF Gas* results from both shares subject to expropriation, (which still belong to the Group) and the remaining shares, herewith follows the regulatory framework affecting the activities of *YPF* and its subsidiaries investees in Argentina.

The Argentinean oil and gas industry is regulated by Argentinean Law No. 17,319 (hereinafter "Hydrocarbons Law"), which was approved in 1967 and amended in 2007 by Law No. 26,197. The Hydrocarbons Law establishes the legal framework governing the oil and gas exploration and production. It is also regulated by Law No. 24,076 (thereafter "Natural Gas Law"), approved in 1992, which establishes the basis for the deregulation of the natural gas transport and distribution industry. The Argentinean government, through the Energy Secretariat, issues

complementary regulations. Argentinean Law No. 26,197 granted significant powers to the provincial authorities, including the power to supervise and control exploration permits and production concessions and the power to manage the application of investment-related legal and contractual obligations, among others.

Law No. 26,741 declared that 51% of YPF S.A. and YPF GAS S.A.' share capital held respectively by a Repsol YPF S.A. and Repsol Butano, S.A., and their affiliates, directly or indirectly, to be of public utility and subject to expropriation; it also declared of public interest and a national priority for the Argentinean Republic the self-sufficiency in hydrocarbons and its exploitation, industrialization, transportation, and commercialization.

PEN Decree No. 1277/2012 includes the requirements to be developed in the regulatory framework of above Law No. 26,741, and through the Ministry of National Hydrocarbon Planning and Investment (hereinafter "the Planning Commission"), enables the National Executive Office to prepare and develop a yearly National Hydrocarbon Investment Plan establishing general budgets and investment goals for the exploration, exploitation, refining, transportation, and commercialization of hydrocarbons aimed at meeting National Hydrocarbon Policies. Thus, the recently created Planning Committee has taken over the supervision and control of concessionary permits once the domain of provincial authorities.

Exploration and Production

The regulatory framework of Law No. 17,319 was established on the assumption that the reservoirs of hydrocarbons were national properties and "*Yacimientos Petrolíferos Fiscales Sociedad del Estado*", YPF S.A.'s predecessor, was responsible for their operation under a different framework than private companies.

In 1992, Law No.24,145 (referred to as the "YPF Privatization Law,") regulated the privatization of YPF and initiated a process for the transfer of hydrocarbon reservoirs from the Argentinean Government to Provinces, in whose territories they were located. The YPF Privatization Law established that the exploration licenses and production concessions in force at the time this Law was passed would be transferred on expiration of the corresponding legal and/or contractual terms.

The YPF Privatization Law awarded YPF 24 exploration licenses and 50 production concessions and other transportation concessions. The Hydrocarbons Law limits the number and total surface area of the exploration licenses or production concessions which an entity may hold.

In October 2004, the Argentinean Congress enacted Law No. 25,943 creating a new state-owned energy company, Energía Argentina S.A., ("ENARSA."). The corporate purpose of ENARSA is the study, exploration and exploitation of solid, liquid or gas hydrocarbon deposits, the transport, storage, distribution and commercialization of these products and their derivatives products, as well as the transportation and distribution of natural gas, and the generation, transportation and distribution of electricity. This Law granted ENARSA all exploration concessions with respect to offshore areas located beyond 12 nautical miles from the coastline up to the outer boundary of the continental shelf that were vacant at the time the law went into effect in November 2004.

In October 2006, Law No. 26,154 created an incentive regime aimed at encouraging hydrocarbons exploration and operation and which applies to new exploration permits awarded in respect of offshore areas. Interested parties must go into partnership with ENARSA in order to avail themselves of the numerous benefits of this regime.

In accordance with the current legal system (Article 124 of the Argentinean Constitution, Decree PEN No. 546/2003, Law No. 26,197, Law No. 26,741, and Decree PEN No. 1277/2012), hydrocarbons regulation (both legislative and regulatory) falls under the jurisdiction of the National Government, whereas the application of the Hydrocarbons Law and its supplementary regulations will correspond to the Provinces or to the State, depending on where the fields are located. Nevertheless, the powers granted to the provincial authorities must be exercised under the framework of the Hydrocarbons Law and complementary regulations. Certain powers vested in the provincial authorities are shared with the Planning Commission which was created by the National Executive Office via PEN Decree No. 1277/2012. This Decree restricts and/or eliminates the free availability of hydrocarbons by concessionaires, as well as the ability of companies to set prices freely.

According to the Hydrocarbons Law, oil and gas exploration and production activities must be carried on through exploration permits, production concessions, operating concessions or partnership agreements. Under the Hydrocarbons Law, the use of land not covered by existing exploration permits or production concessions can be authorized by the Energy Secretariat or the competent provincial authorities.

Oil and gas production concessions are granted for terms of 25 years and can be extended for periods of up to 10 years. Upon expiration, the oil and gas wells and maintenance and production equipment revert to the Province where the related field is located or to the Argentinean government, depending on the different cases.

Pursuant to Energy Secretariat Resolution No. 324/2006, holders of oil and gas exploration permits and concessions are required to submit proven reserves reports, certified by external auditors.

In November 2008, by virtue of the Decree PEN No. 2014/2008, the program "Petróleo Plus" was set up and aimed to increase the production and reserves through new prospecting and exploitation investments. To this end, it establishes a system of tax incentives for those exploitation companies that increase their production and reserves within the provisions of the program. Via resolution No. 438/2012, the Energy Secretary established a compensation system by virtue of which tax credit certificates are granted to companies exporting crude oil, while the "Petróleo Plus" program continues for the companies not covered by this resolution. The above compensation system was canceled by another resolution issued by the Ministry of Finance (No. 1/2013), replacing it with modified exportations rights, which improve the economic equation for crude oil exporters.

Secretariat of Energy Resolution No. 24/2008, amended by Resolution No. 1031/2008, created an incentive program for the production of natural gas called "Gas Plus," designed with the objective of stimulating the production of natural gas deriving from new reserve findings, new fields, as well as the production of tight gas, etc. The natural gas produced under this program will not be considered as forming part of the volumes taken into consideration in the 2007-2011 Agreement (described in the Market Regulation section below) and therefore its commercial price is not subject to the price conditions provided for in the Natural Gas Producer Agreement 2007-2011.

On February 14, 2013, the Planning Commission published Resolution No. 1/2013 ("Program aimed at stimulating the additional injection of natural gas") in the Official State Gazette. It set compensation to be paid to companies producing additional natural gas, as well as severe penalties to be paid by those not in compliance with additional injection plans.

Transport and Distribution of Natural Gas

The Natural Gas Law passed in June 1992 mandated the privatization of the company operator Gas del Estado Sociedad del Estado and established the regulatory framework governing the transport and distribution of natural gas, while also providing for the deregulation of natural gas prices. It also designated natural gas transport and distribution activities as national public services.

The regulatory framework applicable to the transport and distribution of natural gas establishes an open access system under which the producers have open access to the transport capacity available in the transport and distribution systems on a non-discriminatory basis.

Argentina has built cross-border gas pipelines to enable natural gas producers to export their output. However, in recent years, the Argentinean authorities have adopted a series of measures to restrict natural gas exports from Argentina, including orders to supply the domestic market (Fuel Undersecretariat Ruling No. 27/2004 and Resolution SE No. 265/2004) that implements an export cutoff scheme of natural gas; Resolution SE No. 659/2004, establishes a Program for Rationalizing Gas and the Use of Transport Capacity; and Resolution SE No. 752/2005, creates a Permanent Additional Injection mechanism.

Oil refining and transport of liquid hydrocarbons

Crude oil refining activities are subject to authorization by the Argentinean Government, and to compliance with national, provincial and municipal safety and environmental regulations. Oil companies must be registered: (I) in the registry of oil companies held by the Secretariat of Energy and (II) in the Register of Investments in Hydrocarbons created by Decree No. 1227/2012.

Decree PEN No. 2014/2008 created the “Refino Plus” program designed to encourage the production of diesel and petrol fuels. The decree entitles refineries that undertake construction of a new refinery, to add capacity at an existing refinery and/or convert existing refineries to receive export credits.

The Hydrocarbons Law authorizes the Executive National Power of the Argentinean Government to grant 35-year concessions for the transport of oil, gas and derivative products, subject to presentation of the pertinent competitive tenders. Law No. 26,197 vested Argentina’s provincial governments with the same power. Holders of operating concessions are entitled to receive a concession for transporting their production of oil, gas and derivatives thereof. The terms of these transport concessions can be extended for an additional period of 10 years.

Transport concession holders are obliged to transport third-party hydrocarbons on non-discriminatory terms, although this obligation applies only to oil and gas producers with excess of capacity.

Liquefied Petroleum Gas (LPG)

Law No. 26,020 establishes the basic regulatory framework for the industry and marketing of LPG. The authority established the volumes and sales prices of LPG through various resolutions.

Market regulation

The Hydrocarbons Law authorizes the Executive National Power of the Argentinean Government to regulate the Argentinean oil and gas markets and prohibits the export of crude oil during periods in which the authorities determine domestic production to be insufficient to satisfy domestic demand.

A significant number of rules concerning a broad range of issues affect the various markets with very different scope. PEN Decree No. 1277/2012 states that the Planning Commission must set criteria for internal fuel market operations, and will publish reference prices for the sale of hydrocarbons and fuels.

By the enactment of several rules, the Fuels Undersecretariat restored a record system for the hydrocarbons and derivatives exports and set forth some obligations concerning supply to the local market, including the obligation to import some products as allowances for export, when necessary to meet internal demand. On October 11, 2006, the Secretariat of Internal Commerce demanded refining companies and/or wholesalers and/or retailers that they satisfy the fuel-oil demand in the whole territory of Argentina to meet market growth. Decree PEN No. 1277/2012 grants the Planning Commission the right to establish measures it considers necessary so as to avoid and/or correct unacceptable conduct regarding fuel price and availability; these include sanctions included under Law No. 20,680, “Ley de Abastecimiento y Represión del Agio”.

With Resolution No. 394/2007 of November 15, the ex-minister of Economy and Production increased the taxes on crude and derivative exports in Argentina. According to said scheme, when the export price was initially fixed over the reference price (\$60.9/barrel), the producer had the right to collect \$42 per barrel and the rest up to the reference price would be withheld by the Argentinean Government as an export tax. In the event that the export price was under the international reference price, but over \$45/barrel, a 45% withholding would apply. In the event that the export price was under \$45/barrel, the withholding percentage would be fixed within 90 days’ term. Resolution No. 1/2013 issued by the Ministry of Economy modified these parameters, raising the per-barrel reference price from \$60.9 per barrel to \$80 per barrel, and the cut-off value from \$42 to \$70, thereby improving the economic equation for crude oil exporters.

As already indicated, the natural gas sector has been the subject of intense regulatory activity which has taken the form of resolutions establishing a number of mechanisms for restricting exports and prioritizing the domestic market.

On June 14, 2007 the Resolution No. 599/2007 of the Secretariat of Energy passed a proposal in agreement with the natural gas producers concerning the supply of natural gas to the domestic market for the period 2007 to 2011 (“2007-2011 Agreement”). On January 5, 2012, the Secretariat of Energy published Resolution 172 in its Official Gazette extending the allocation rules and criteria established by means of Resolution 599/2007 until such time as the latter are replaced by new regulations.

Resolution No. 127/2008 issued by Argentina’s Ministry for the Economy increased the export duties levied on natural gas exports from 45% to 100% establishing the basis for the calculation of the value of the natural gas at the highest price provided for by contract to an Argentinean natural gas importer.

In December 2008, Executive PEN Decree No. 2067/2008 created a trust fund for financing imports of natural gas into the national gas pipeline network, when required by the home market demand and established the mechanisms for making contributions to the fund. This was subsequently further developed by ENARGAS Resolution number 1982, of November 14, 2011, which fine-tuned the load unit prices and increased the services included in the scope, such as residential services, gas processing and the electric power generation plants.

In 2011, PEN Decree No. 1722/2011 re-established the requirement that all foreign currency generated from exports made by producers of crude oil and its derivatives, natural gas and liquefied gases and by companies whose core business is mining, should be entered into and traded in the Exchange Market, with effect from October 26, 2011 and in conformity with the provisions of article 1 of PEN Decree No. 2581/1964.

Other countries

Repsol’s operations are subject to an extensive variety of legislation and regulatory frameworks in the other countries in which it operates. All aspects of the activities performed, including, inter alia, land occupancy, production rates, royalties, price-setting, environmental protection, export rates, exchange rates, etc., are covered by such legislation and regulatory frameworks. The terms of the concessions, licenses, permits and agreements governing the Group’s interests vary from one country to another. These concessions, licenses, permits and agreements are generally awarded or jointly carried out with government bodies or state companies and occasionally with private sector organizations.

3

Basis of presentation and accounting policies

3.1

Basis of presentation

The accompanying consolidated financial statements are presented in millions of euros and were prepared from the accounting records of Repsol, S.A. and its investees. They are presented in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) as well as the IFRS adopted by the European Union (EU) as of December 31, 2012. The IFRS approved by the EU and in force differ in some aspects to the IFRSs issued by the IASB; however these differences do not have a significant impact on the Group’s consolidated financial statements for the years presented. The financial statements present fairly the Group’s consolidated equity and financial position at December 31, 2012, as well as the consolidated results of its operations, the changes in consolidated equity and the consolidated cash flows in the year then ended.

The preparation of the consolidated financial statements in accordance with IFRS, which is the responsibility of the Board of Directors of the Group’s parent company, makes it necessary to make accounting estimates and judgments when applying the Standards. The areas, in which very significant judgments, assumptions and estimates have to be made, are detailed in Note 4 “Accounting Estimates and Judgments”.

3.2

New standards issued

A. Below is a list of the standards modifications issued by the IASB and adopted by the European Union, that are mandatorily applicable for the first time in 2012:

- Amendments to IFRS 7 Disclosures: *Transfers of Financial Assets*

The application of the above-mentioned amendment did not have a significant impact on the Group's consolidated financial statements.

B. The standards, interpretations and amendments that have been issued by the IASB and approved by the European Union and will be effective in later periods, are the following:

Mandatory application in 2013:

- IFRS 13 *Fair Value Measurement*.
- Amendments to IFRS 7 Disclosures – *Offsetting Financial Assets and Financial Liabilities*.
- Amendments to IAS 1 *Presentation of Items of Other Comprehensive Income*.
- Amendments to IAS 19 *Employee Benefits*.
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*.
- Amendments to IFRS 1 *Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters*⁽¹⁾.
- Amendments to IAS 12 *Deferred Tax: Recovery of Underlying Assets*⁽¹⁾.

Mandatory application in 2014:

- IFRS 10 Consolidated Financial Statements⁽²⁾.
- IFRS 11 Joint Arrangements⁽²⁾.
- IFRS 12 Disclosure of Interests in Other Entities⁽²⁾.
- IAS 27 revised Separate Financial Statements⁽²⁾.
- IAS 28 revised Investments in Associates and Joint Ventures⁽²⁾.
- Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities.

In respect with the impact that may arise from the changes in the standards, interpretations and amendments itemized in this section, and concretely, in relation with IFRS 11 *Joint Arrangements*, as the Group currently applies the proportionate consolidation method under the criteria of IAS 31, the Groups in the process of analyzing all its joint arrangements in order to determine and document their proper classification as either joint operations or joint ventures, in accordance with the IFRS 11 criteria. The application of this new standard, will require the reclassification on balance sheet and income statement of the amounts currently integrated proportionately related to the participation in joint arrangements, which under IFRS 11 criteria will be classified as joint ventures, to the headings corresponding to the equity method of accounting. In this sense, in Note 26 it is provided a breakdown of the aggregated amounts contributed by the Group's interests in jointly controlled entities.

With regard to the other standards, interpretations and amendments to standards detailed itemized in the current section B), the Group is currently analyzing the impact their application may have on the consolidated financial statements. However, the Group does not expect a significant impact on the Group's consolidated financial statements as a consequence of these said standards and amendments. It might involve the inclusion of certain additional disclosures.

C. At the date of authorizing these financial statements for issue, the standards and amendments that have been issued by the IASB but not yet approved by the European Union, are the following:

⁽¹⁾ These standards were issued by the IASB applicable prospectively to annual periods starting on or after January 1, 2012. These standards were adopted by the European Union applicable prospectively to annual periods starting on or after January 1, 2013. The Group did not early apply these standards.

⁽²⁾ These standards were issued by the IASB with entry into force for to annual periods starting on or after January 1, 2013. These standards were adopted by the European Union with entry into force for annual periods starting on or after January 1, 2014. The Group has not early applied these standards for the periods presented.

Mandatory application in 2013:

- Amendment to IFRS 1 *Government borrowings*.
- Amendments to IFRS 10, 11, and 12 *Transition guide*.
- Improvements to IFRSs 2009-2011

Mandatory application in 2014:

- Amendments to IFRS 10 and 12, and to IAS 27: *Credit institutions*.

Mandatory application in 2015:

- IFRS 9 - *Financial Instruments*⁽³⁾.

The Group is currently analyzing the impact of the amendments included in the current section C) on these consolidated financial statements.

3.3

Comparison of information

As a result of the expropriation process of YPF S.A. and YPF Gas S.A. shares, the income statement and the statement of cash flows for the year ended December 31, 2011 have been restated for comparative purposes with information related to the year 2012 with respect to the consolidated financial statements issued corresponding to the year ended 2011, as described in Note 5 "Expropriation of Repsol Group's shares in YPF S.A. and YPF Gas S.A." and in Note 30 "Segment Reporting".

The profit per share at December 31, 2011 has changed with respect to that recognized in the 2011 consolidated financial statements in accordance with accounting standards, as the average number of outstanding shares considered in the calculation should be based on the new number of shares issued after the capital increase carried out as part of the compensation scheme to shareholders known as the "Flexible Repsol dividend" described in Note 16 "Equity".

3.4

Accounting Policies

3.4.1 Basis of Consolidation

Repsol's consolidated financial statements include the investments in all their subsidiaries, associates and joint ventures.

All the **subsidiaries** over which Repsol exercises direct or indirect control were fully consolidated. Control is the power to govern the financial and operating policies, so as to obtain benefits from its activities. Control is, in general but not exclusively, presumed to exist when the parent owns directly or indirectly more than half of the voting power of the investee.

The share of the minority interests in the equity and profit of the Repsol Group's consolidated subsidiaries is presented under "Minority interests" within *Equity* in the consolidated balance sheet and "Net income attributable to minority interests" in the consolidated income statement, respectively.

Joint ventures are proportionately consolidated and, accordingly, the consolidated financial statements include the assets, liabilities, expenses and income only in proportion to Repsol Group's ownership interest in their capital. Joint ventures are those over which there is shared control and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

The assets, liabilities, income and expenses corresponding to the joint ventures are presented in the consolidated balance sheet and consolidated Income Statement in accordance with their specific nature.

⁽³⁾ Correspond to the first phase of the three-phase project for the replacement of the prevailing IAS 39: "Financial Instruments - Recognition and Measurement" and include the recent amendment issued by the IASB, in which the mandatory effective date for IFRS 9 has been deferred from January 1, 2013 (initially established) to January 1, 2015.

In the case of either non-monetary contributions to a joint controlled entity in exchange for an equity interest, either in the case of sales of assets to a joint controlled entity, the Group only recognizes that portion of the gain or loss that is attributable to the interests of the other venturers.

Associates are accounted for using the equity method. These are companies over which the investor has significant influence but does not exercise effective or joint control. Significant influence is the power to affect financial and operating decisions of a company and is presumed to exist when the investor holds an interest of 20% or more. The equity method involves recognizing under “Investments accounted for using the equity method” in the consolidated balance sheet, the net assets and goodwill, if applicable, of these companies only in proportion to the ownership interest in their capital. The net profit or loss obtained each year through these companies is reflected, only in proportion to the ownership interest in their capital, in the Consolidated Income Statement as “Share of results of companies accounted for using the equity method, net of taxes.”

Losses incurred by an associate attributable to the investor that exceed the latter’s interest in the associate are not recognized, unless the Group is obliged to cover them.

Appendix I contains a list of the main consolidated subsidiaries, associates and joint ventures in which Repsol, S.A. has direct and indirect ownership interests, which were included in the scope of consolidation, as well as the changes in the consolidation scope in 2011 and 2012.

The balances, transactions and profits generated between the fully consolidated companies were eliminated on consolidation. All balances, transactions and profits derived from transactions between the proportionately consolidated companies and other Group companies were eliminated in the proportion of its effective integration. The profit or loss on transactions between Group companies and associates was eliminated in proportion to the Group’s percentage of ownership of these companies.

The accounting policies and procedures used by the Group companies were standardized with those of the parent for the purpose of presenting the consolidated financial statements using uniform measurement bases.

The financial statements of the investees whose functional currency differs from the presentation currency (Note 3.4.4) are translated as follows:

- The assets and liabilities in each of the balance sheets presented are translated applying the exchange rates prevailing on the balance sheet date.
- Income and expense items making up each income statement heading are translated at the exchange rate on the transaction date. For practical reasons, the Group generally applies the average exchange rate for the period in which the transactions were completed.
- Any exchange differences arising as a result of the foregoing are recognized as “*Translation Differences*” under the caption “*Adjustments for changes in value*” of “*Equity*” heading.

On the disposal of a company whose functional currency is not the euro, or in the event of partial disposals resulting in loss of control of a subsidiary that includes a foreign business, the exchange differences posted as a component of equity relating to that subsidiary, are transferred into the income statement when the gain or loss on disposal is recognized. This accounting treatment also applies to partial disposals resulting in the loss of joint control or significant influence.

On the partial disposal of a subsidiary that includes a foreign operation that it does not result in the loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in equity is re-attributed to the non-controlling interests in that foreign operation. In any other partial disposal of a foreign operation, joint venture or significant influence only the proportionate share of the cumulative amount of the exchange differences recognized in equity corresponding to the reduction in the Group’s ownership interest is reclassified to profit or loss.

The exchange rates against the euro of the main currencies used by the Group companies at December 31, 2012 and 2011 were as follows:

	12/31/2012		12/31/2011	
	Year end Rate	Cumulative Average Rate	Year end Rate	Cumulative Average Rate
American Dollar	1.32	1.28	1.29	1.39
Brazilian Real	2.69	2.51	2.43	2.33

3.4.2 Current/Non-current classification

In the accompanying consolidated balance sheet, assets and liabilities maturing within 12 months are classified as current items and those maturing within more than 12 months as non-current items.

3.4.3 Offsetting of balances and transactions

As a general rule, in the consolidated financial statements neither assets and liabilities nor income and expenses are offset, except (I) when offsetting is required or permitted by a given standard or interpretation and (II) when offsetting better reflects the substance of the transaction.

In this respect, revenue and expenses arising on transactions in which the Group has an unconditional and legally-enforceable right to set-off and intends to settle on a net basis or to realize the asset and settle the liability simultaneously are presented at their net amount in the income statement.

3.4.4 Functional currency and foreign currency transactions

a. Functional currency

The items included in these consolidated financial statements relating to the Group companies are measured using their functional currency, which is the currency in the main economic environment in which they operate. The consolidated financial statements are presented in euros, which is the Repsol Group’s functional and presentation currency.

b. Foreign currency

Transactions in currencies other than the functional currency of an entity are deemed to be “foreign currency transactions” and are translated to the functional currency by applying the exchange rates prevailing at the date of the transaction. At each year end, the foreign currency monetary items on the balance sheet are measured applying the exchange rate prevailing at that date and the exchange rate differences arising from such measurement are recorded as “Net exchange gains/(losses)” within “Financial result” in the consolidated income statement in the year incurred. This does not apply to the accounting treatment of monetary items that qualify as hedging instruments (section 3.4.24 of this Note).

3.4.5 Goodwill

Goodwill represents the excess of the cost of a business combination over the acquirer’s interest in the net fair value of the assets acquired and the liabilities assumed at the date of acquisition that meet the pertinent recognition criteria. Goodwill is recognized as an asset at the acquisition date.

In the event of a shortfall, the value of the assets acquired and the liabilities assumed must be re-assessed. If after this re-assessment the shortfall continues to exist, it is recognized in profit or loss under “Other operating income” in the consolidated income statement.

Goodwill is not amortized and is subsequently measured at cost less any accumulated impairment losses (section 3.4.10 below).

3.4.6 Other intangible assets

The Repsol Group initially recognizes intangible assets at acquisition or production cost, except in the case of the emission allowances received for no consideration as described in section b) below. This cost is amortized on a straight-line basis over the assets’ useful lives, except for the assets with indefinite useful lives described below, which are not amortized

but are tested for impairment at least annually, and whenever indicators of impairment are detected. At each balance sheet date, these assets are measured at cost less accumulated amortization and any accumulated impairment losses.

The main intangible assets of the Repsol Group are as follows:

a. Service/Gas stations association rights and other rights

This heading primarily includes the costs associated with the various forms of agreements for acquiring service station association rights, reflagging rights and image rights of publicity and the associated exclusive supply agreements. These costs are amortized over the related contract terms, which range from 5 to 50 years.

b. Carbon emission allowances

Emission allowances are recognized as an intangible asset and are measured at acquisition cost.

Allowances received for no consideration under the National Emission Allowance Assignment Plan, are initially recognized at the market price prevailing at the beginning of the year in which they are issued, and a balancing item is recognized as a grant for the same amount under deferred income. As the corresponding tons of CO₂ are issued, the deferred income is reclassified to profit or loss.

The allowance rights are not amortized as their carrying amount equals their residual value and, therefore, the depreciable basis is zero, as their value is constant until delivery to the authorities; the allowances may be sold anytime. Emission allowances are subject to an annual impairment test (section 3.4.10. below). The fair value of the emission allowances is measured based on the average market price on the *European Union Allowances Exchange* for the last trading session of the year provided by the *ECX-European Climate Exchange*.

The Group records an expense under "Other operating expenses" in the income statement for the CO₂ emissions released during the year, recognizing a provision calculated based on the tons of CO₂ emitted, measured at: (I) their carrying amount in the case of the allowances of which the Group is in possession at year end; and (II) the closing list price in the case of allowances of which it is not in possession at year end.

When the emissions allowances for the CO₂ tons emitted are delivered to the authorities, the intangible assets as well as their corresponding provision are derecognized from the balance sheet without any effect on the income statement.

When carbon emission allowances are actively managed to take advantage of market trading opportunities (note 36), the trading allowances portfolio is classified as *trading* inventories.

c. Other intangible assets

This heading primarily includes the following items:

I. Concessions and others: these are initially recognized at acquisition cost if they are acquired directly from a government or other public sector body, or at the fair value attributable to the concession in question if they are acquired as part of a business combination. They are subsequently measured at acquisition cost less accumulated amortization and impairment loss, if any. These concessions are amortized on a straight-line basis over the term of the concession agreements.

These concessions include contracts for the supply of public services under which the operator has the right to charge tariffs that are established directly with the service's users, although the competent authorities regulate or control either the tariffs or the users to which service must be provided; moreover, the State retains the residual value in the assets at the end of the term of the arrangement. These concessions are initially recognized at fair value.

This heading also includes power distribution concessions in Spain which are not subject to legal or any other limits. Because these intangible assets are considered to have indefinite useful lives they are not amortized but they are tested for impairment at least annually.

II. Exploration permits acquisition costs: the costs incurring to acquire stakes in exploration permits for a given period of time are capitalized under this heading at their purchase price. During the exploration and evaluation phases, these costs are not amortized, although they are tested for impairment at least once a year and whenever indications of

impairment are detected, in accordance with the guidelines set forth in IFRS 6 Exploration for and Evaluation of Mineral Resources. Any impairment losses detected are recognized – or reversed - in profit or loss in accordance with the general rules established in IAS 36 Impairment of Assets. Once the exploration and evaluation phase is completed, if no reserves are found, the amounts previously capitalized are recognized as an expense in the consolidated income statement. If the exploration work yields positive results, giving rise to commercially exploitable wells, the costs are reclassified to "Investments in areas with reserves" (Note 3.4.7 c) at their carrying amount when this determination is made.

III. Development costs are capitalized only if all the conditions stipulated in the applicable accounting standard are met. The Group research costs incurred by the Group are expensed in the Income Statement.

IV. Other costs, including those relating to software and industrial property, are amortized on a straight-line basis over their useful lives (which range between 3 and 20 years).

Trademarks and analogous intangible assets internally developed by the Group are not capitalized; and the related expenses are recognized in the consolidated income statement in the period in which they are incurred.

3.4.7 Property, plant and equipment

The Repsol Group uses the cost model by which items of property, plant and equipment are measured initially at acquisition cost.

a. Cost

The cost of property, plant and equipment includes their acquisition cost, all the costs directly related to the location of assets, making them operational.

Additionally, if applicable the cost of Property Plant and Equipment would include the present value of the expected disbursements necessary for any costs of dismantling and removing the item or restoring the site on which it is located, when such obligations are incurred under certain conditions. Subsequent changes to the measurement of the dismantling obligations and related liabilities resulting from changes in the estimated cash flows and/or in the discount rate are added to or deducted from the asset's carrying amount in the period in which they are incurred, except where the lower corrected value of the liability is greater than the carrying amount of the associated asset, in which case the surplus is recognized in the income statement.

Borrowing costs that are directly attributable to the acquisition or construction of assets that require more than one year to be ready for use are capitalized as part of the cost of these assets, in accordance with the limits established in the applicable accounting rules.

Personnel expenses and other operating expenses directly attributable to the construction of the asset are also capitalized.

The costs of expansion, modernization or improvements leading to increased productivity, capacity or efficiency or to a lengthening of the useful lives of the assets are capitalized, as long as the general capitalization criteria are met.

Repair, upkeep and maintenance expenses are recognized in the income statement as incurred. Furthermore, certain facilities require periodic reviews. In this respect, the assets subject to replacement are recognized specifically and are depreciated over the average term remaining until the next repairs are carried out.

This heading also includes investments relating to oil and gas exploration and production activities (section c below) and the cost of assets held under finance leases (section 3.4.21 below).

b. Depreciation

Property, plant and equipment, other than those items relating to oil and gas exploration and production activities (section c below), are depreciated using the straight-line method on the basis of the acquisition cost of the assets less their estimated residual value, over the years of estimated useful life of the assets. Estimated useful life of the main assets classified as Property, Plant and Equipment are as follows:

	Years of Estimated Useful Life
Buildings and other structures	20-50
Machinery and plant:	
Machinery, fixtures and tools ⁽¹⁾	8-40
Furniture	9-15
Specialized complex plants:	
Units	8-25
Storage tanks	20-40
Pipelines and networks	12-25
Gas and electricity infrastructure and distribution facilities	12-40
Transport equipment	5-25

⁽¹⁾In addition, the Group holds an indirect interest, via Gas Natural Fenosa, in hydro-powered generation assets whose depreciation period can be as high as 100 years, where not held under concession, depending on their estimated useful lives.

Depreciation of these assets starts when the assets become available for use.

Land is classified separately from the buildings or facilities that might be located on it and is deemed to have an indefinite useful life. Therefore, it is not depreciated.

c. Recognition of oil and gas exploration and production transactions

Repsol recognizes oil and gas exploration and production transactions using accounting policies based on the “*successful-efforts*” method, whereby the accounting treatment of the various costs incurred is as follows:

- I. The costs incurred in the acquisition of new interests in areas with proved and unproved reserves (including bonds, legal costs, etc.) are capitalized as incurred under “*Investments in areas with reserves*” associated with proved reserves or unproved reserves, as appropriate when incurred.
- II. *Exploration costs* (geological and geophysical expenditures, expenditures associated with the maintenance of unproved reserves and other expenditures relating to exploration work), excluding exploratory drilling expenditures, are registered in the income statement as incurred.
- III. *Exploratory drilling costs*, including those relating to stratigraphic exploration wells, are recognized as assets under the heading “Other exploration costs” until it is determined whether proved reserves justifying their commercial development have been found. If no proved reserves are found, the capitalized drilling costs are registered in the income statement. However, if as a result of exploratory drilling, including stratigraphic exploratory wells, reserves are found that cannot be classified as proved, their recognition depends on the following:
 - If the area requires additional investments before production can commence, the drilling costs remain capitalized only during the period in which the following conditions are met: (I) the amount of proved reserves found justifies the completion of a productive well if the required investment is made; and (II) the drilling of additional exploratory or stratigraphic wells is underway or planned for the near future. If either of the aforementioned conditions is not met, the drilling costs or the cost of the stratigraphic wells are recorded in the income statement.
 - In all other circumstances, the existence of reserves that can be classified as proved have to be determined within one year from the completion of the prospecting work. Otherwise, the related drilling costs are recorded in the income statement.

Costs incurred in exploratory drilling work that has yielded a commercially exploitable reserve find are reclassified to “Investments in areas with reserves”. Wells are classified as “commercially exploitable” only if they are expected to generate a volume of reserves that justifies their commercial development on the basis of the conditions prevailing when recognized (e.g. prices, costs, production techniques, regulatory framework, etc.).

IV. Development expenditure incurred in lifting proved reserves and in processing and storing oil and gas (including costs incurred in drilling relating to productive wells and dry wells under development, oil rigs, recovery improvement systems, etc.) are recognized as assets under “Investments in areas with reserves”.

V. Future field abandonment and dismantling costs (environmental, safety, etc.) are estimated, on a field-by-field basis, and are capitalized at their present value when they are initially recognized under “Investments in areas with reserves” in assets in the balance sheet, within “Non-Current Provisions.” This capitalization is recorded against the caption dismantling provision (Note 18).

The investments capitalized as described above are depreciated as follows:

- I. Investments in the acquisition of proved reserves are depreciated over the estimated commercial life of the field on the basis of the production for the period as a proportion of the proved reserves of the field at the beginning of the depreciation period.
- II. Investments relating to unproved reserves or fields under evaluation are not depreciated. These investments are tested for impairment at least once a year and whenever indications of impairment are detected. Any impairment losses detected are recognized –or reversed– in profit or loss in accordance with the general rules established in IAS 36 Impairment of Assets.
- III. Cost incurred in drilling work and subsequent investments to develop and lift oil and gas reserves are depreciated over the estimated commercial life of the field on the basis of the production for the period as a proportion of the proved reserves of the field at the beginning of the depreciation period.

The changes in estimated reserves are considered on a prospective basis in calculating depreciation.

At each balance sheet date or whenever there are indications that the assets might have become impaired, their recoverable amount (see section 3.4.10) of this note) is compared to their carrying amount. Any impairment loss or reversal arising as a result of this comparison is recognized under “Impairment losses and losses on disposal of non-current assets” or, if applicable, “Income from reversal of impairment losses and gains on disposal of non-current assets” on the consolidated income statement (section 3.4.10) of this note and Notes 8, 10 and 27).

d. Environmental property, plant and equipment

Property, plant and equipment of an environmental nature, the purpose of which is to minimize environmental impact and to protect and improve the environment, are identified on the basis of the nature of the business activities carried on, based on the Group’s technical criteria, which are based on the guidelines relating to these matters issued by the American Petroleum Institute (API).

Environmental property, plant and equipment and the related accumulated depreciation are recognized in the balance sheet together with other property, plant and equipment, classified by their nature for accounting purposes.

Their cost, depreciation methods and the valuation adjustments to be performed are determined in accordance with the rules relating to these non-current asset items, as explained in sections 3.4.7.a) to 3.4.7.b) of this note.

3.4.8 Investment property

Investment property are those assets (buildings, land) held either to earn rentals or for capital appreciation or both. These assets are not used by the Group’s in the production or supply of goods or services or for administrative purposes. Repsol recognizes investment property using the cost model, applying the same policies as for items of property, plant and equipment (sections 3.4.7.a) and 3.4.7.b) above).

3.4.9 Non-current assets and liabilities held for sale and discontinued operations

The Group classifies a non-current asset (or group of assets) as held for sale if the carrying amount of the asset(s) and associated liabilities will be recovered through a sale transaction rather than through continuing use.

This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. The sale should be expected to be completed within one year from the date of classification although this could take longer depending on regulatory requirements or similar circumstances.

These assets or group of assets are presented at the lower of carrying amount and fair value less costs to sell and, except for the ones mentioned in the paragraph below, are not depreciated as long as they are classified as held for sale or form part of a group of assets classified as held for sale.

In the specific case of financial assets, deferred tax assets, investment properties, and assets related to employee benefits, even when classified as "held for sale" these assets are measured according to their nature.

In addition, the Group classifies as discontinued operations any component (a cash-generating unit or a group of cash-generating units) that represents a separate major line of business or geographical area of operations, or has been sold or disposed of by other means, or that qualifies for classification as held for sale.

Non-current assets held for sale are presented in the consolidated balance sheet separately from other assets under the heading "Non-current assets held for sale," while the liabilities associated with assets qualifying for this classification are presented under "Liabilities related to non-current assets held for sale" described in the previous paragraphs. The after-tax profits or losses generated by discontinued operations are presented in a single heading "Net income for the year from discontinued operations".

The equity investment in shares of YPF S.A and YPF Gas S.A. subject to expropriation by Argentina's government are recognized under "Non-current assets held for sale subject to expropriation" (further information on the measurement bases is provided in Note 5).

3.4.10 Impairment of property, plant and equipment, intangible assets and goodwill

In order to ascertain whether its assets have become impaired, the Group compares their carrying amount with their recoverable amount at the balance sheet date (section 3.4.25 below), or more frequently if there are indications that the assets might have become impaired. For that purpose, assets are grouped into cash-generating units, to the extent that such assets, when individually considered, do not generate cash inflows that are independent of the cash inflows from other assets or CGUs. The grouping of assets into CGUs implies the use of professional judgment.

To perform this test, goodwill acquired on a business combination is allocated among the cash-generating units or groups of cash-generating units (CGUs) that benefit from the synergies of the business combination and the recoverable amount, thereof is estimated, generally, by discounting the estimated future cash flows of each unit.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using the methodology explained in note 3.4.25).

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its net book value, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount, and an impairment loss is recognized as an expense under "Impairment losses recognized and losses on disposal of non-current assets" in the consolidated income statement.

An impairment loss is recognized, first applied, as a reduction of the carrying amount of related goodwill allocated to the cash-generating unit. Any impairment losses in excess of the carrying amount of goodwill is then allocated to the assets comprising the CGU on a pro-rata basis of their carrying amount.

The basis for future depreciation or amortization will take into account the reduction in the value of the asset as a result of any accumulated impairment losses.

On the occurrence of new events, or changes in existing circumstances, which prove that an impairment loss recognized on a prior date could have disappeared or decreased, a new estimate of the recoverable value of the corresponding asset is developed, to determine whether it is applicable to reverse the impairment losses recognized in previous periods.

In the event of a reversal of an impairment previously recorded, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable value, so that the increased carrying amount does not exceed the carrying amount that would have been determined in case no impairment loss had been recognized for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognized under "Income from reversal of impairment losses and gains on disposals of non-current assets" in the consolidated income statement. An impairment loss recognized for goodwill cannot be reversed in subsequent periods.

3.4.11 Current and non-current financial assets

The Group classifies its investments in financial assets when they are initially recognized and reviews their classification at each balance sheet date. The assets are classified on the basis of the purpose for which those assets were acquired.

This category has, in turn, the following sub-categories:

a. Financial assets at fair value with changes through profit or loss

- a.1 Financial assets held for trading: this category comprises derivatives not designated as hedging instruments.
- a.2 Other financial assets at fair value with changes in profit and loss: this category comprises those financial assets acquired for trading or sale in the short-term which are not derivatives.

b. Financial assets available for sale

Financial assets available for sale are financial assets that have either been designated as available for sale or have not been classified in any other financial asset category.

c. Loans and receivables

There are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and for whose the Group does not intend to sell immediately or in the near term. They arise when the Group delivers goods or provides services or financing directly to a third party.

d. Held to maturity investments

"Held to maturity investments" are financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold from the date of purchase to the date of maturity.

A financial asset is initially recognized at fair value (section 3.4.24 of this Note). Transaction costs that are directly attributable to the acquisition or issuance of a financial asset are capitalized upon initial recognition of the asset, except in relation to assets designated as financial assets at fair value through profit or loss that are recognized in the income statement, as incurred.

Subsequent to initial recognition, all financial assets, except for "Loans and receivables" and "Held to maturity investments" are measured at fair value. Equity investments in unlisted companies whose fair value cannot be measured reliably are measured at cost.

In the case of "Other financial assets at fair value with changes in profit and loss," gains and losses from changes in fair value are recognized in the net profit or loss for the year. In the case of "Financial assets available for sale," the gains and losses from changes in fair value are recognized directly in equity until the asset is disposed of or it is determined that it has become impaired, at which time the cumulative gains or losses previously recognized in equity are recognized in the profit or loss for the year.

"Loans and receivables" and "Held to maturity investments" are measured at amortized cost, and the accrued interest income is recognized in profit or loss using the effective interest rate method.

Accounts receivables which do not bear explicit interest are recognized at their face value whenever the effect of not discounting the related cash flows is not significant. In this instance, these assets are subsequently measured at face value also.

An impairment loss on financial assets at amortized cost is recognized when there is objective evidence that the Group will not be capable of collecting all the related amounts under the original terms of the accounts receivable.

The amount of the impairment loss is recognized in the consolidated income statement as the difference between the carrying amount and the present value of the future cash flows discounted at the effective interest rate. The carrying amount of the asset is reduced through an allowance account.

If, in subsequent periods, the value of the financial asset is recovered, the previously recognized impairment loss shall be reversed. The reversal shall not exceed the carrying amount the financial asset prior to the initial recognition of the impairment loss. The amount of the reversal shall be recognized in the income statement for the period.

Finally, an account receivable is considered uncollectible when situations similar to the following occur: dissolution of a company, lack of assets with which to settle the debts or a legal ruling.

The Group derecognizes financial assets when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition.

3.4.12 Inventories

Inventories acquired for our own use are stated at the lower of cost and net realizable value. Cost, basically calculated as the average cost, includes acquisition costs (less trade discounts, rebates and other similar items), transformation and other costs which have been incurred in bringing the inventories to their present location and condition.

In the case of refinery products, the costs are allocated to income in proportion to the selling price of the related products (isomargin method) due to the existing difficulty to recognize the conversion costs of every product.

The Group assesses the net realizable value of the inventories at the end of each period and recognizes in income the appropriate valuation adjustment if the inventories are overstated. When the circumstances that previously caused the impairment no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed.

Net realizable value is the estimated selling price at year end less the estimated costs of completion and costs to be incurred in marketing, selling and distribution.

In the case of commodities and similar products, it is not necessary to write down their carrying amount below cost as long as management expects to recuperate its value through the sale of the finished goods in which they will be incorporated when it will be sold above cost.

“Commodities” inventories for trading activities are measured at fair value less costs to sell and changes in fair value are recognized in income. These transactions do not represent a significant volume of the Group’s inventories (Note 14).

3.4.13 Cash and cash equivalents

Repsol classifies under “Cash and cash equivalents” liquid financial assets, deposits or financial assets that can be converted into a known amount of cash within three months and that are subject to an insignificant risk of changes in value.

3.4.14 Earnings per share

Basic earnings per share are calculated by dividing the profit for the period attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the period taking into account, where appropriate, any treasury shares held by the Group (Notes 16.1 and 16.4).

3.4.15 Financial liabilities

Financial liabilities are initially recognized at fair value less the transaction costs incurred. Except for derivatives, subsequent to initial recognition, the Group measures its financial liabilities at amortized cost, as none of its financial liabilities are classified as held-for-trading. Any difference between the financing received (net of transaction costs) and repayment value is recognized in the consolidated income statement over the life of the debt instrument in question, using the effective interest rate method.

Preference shares, which are detailed in Note 20 correspond to this liability category. They are initially recognized at fair value net of issuing costs and are subsequently measured at amortized cost, unless they form part of a hedging transaction in which case the criteria set forth in section 3.4.24 of this note applies.

Trade payables and other payables are financial liabilities which do not bear explicit interest and which, are recognized at face value, when the effect of not discounting them is not material.

The Group derecognizes financial liabilities when the obligations are cancelled or expire.

3.4.16 Provisions

In accordance with prevailing accounting standards, the Group makes a distinction between:

- a. Provisions: present obligations, either legal or assumed by the Group, arising from past events, the settlement of which is probable to give rise to an outflow of resources the amount and timing of which are uncertain; and
- b. Contingent liabilities: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group, or present obligations arising from past events, the amount of which cannot be measured with sufficient reliability or whose cancellation is not likely to give rise to an outflow of resources embodying future economic benefits.

These provisions are recognized when the liability or obligation giving rise to the indemnity or payment arises, to the extent that its amount can be reliably estimated and it is probable that the commitment will have to be settled.

When a contract qualifies as onerous, the related present liabilities are recognized in the consolidated financial statements as provisions.

Contingent liabilities are not recognized as provisions in the consolidated financial statements. Notwithstanding the above, whenever it is deemed as non-remote that settlement of such a liability will give rise to an outflow of resources, the existence of these liabilities is disclosed (Note 35).

3.4.17 Share-based payments

Repsol Group has in place two share-based employee payment schemes: (I) the share acquisition plan, which is targeted at the Group’s entire workforce; and (II) a share delivery program for beneficiaries of the multi-year bonus schemes (detailed disclosures on both plans are provided in note 19.d).

The estimated cost of the shares to be delivered under the plan described in point (II) above is recognized under the captions “Personnel expenses” and “Retained earnings and other reserves” to the extent that the plan beneficiaries’ rights to receive the shares vest.

3.4.18 Pensions and other similar obligations

a. Defined contribution plans

Repsol has recognized defined contribution pension plans for certain employee groups; directly or indirectly through its shareholding in Gas Natural Fenosa (Note 19).

The annual cost of these plans is recognized under “Personnel expenses” in the consolidated income statement.

b. Defined benefit plans

Repsol’s defined benefit plans are mostly held through Gas Natural Fenosa. The benefits to which the employees are entitled at the date of their retirement are recognized in the income statement as follows:

- I. The current service cost (the increase in the present value of the defined benefit obligation resulting from employee service in the current period), under “Personnel expenses”.
- II. The interest cost (the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement), under “Financial costs”.

III. The return on plan assets and changes in the value thereof, less any costs of administering the plan and less any tax payable by the plan itself, under "Financial costs".

The liability recognized with respect to defined contribution pension plans is the present value of the obligation at the balance sheet date less the fair value of plan assets, net of adjustments for past service costs. The obligation under defined benefit plans is calculated annually by independent actuaries in accordance with the projected credit unit method.

Any actuarial gains or losses arising as a result of changes in the actuarial assumptions used are recognized directly in equity under the heading "Reserves".

3.4.19 Grants

a. Grants related to assets

These are grants related to non-current assets and are measured at either: (I) the amount granted or nominal value; or (II) the fair value of the assets received, if they have been transferred for no consideration. They are classified as deferred income when it is certain that they will be received.

Among other grants, this heading includes the government grants received by Gas Natural Fenosa pursuant to the agreements in place with Spain's Regional Governments for building power and gas infrastructure in towns and other gas and power related investments for which all the conditions established to them have been met; they are measured at the amount granted.

These grants are recognized in profit or loss on straight line basis over the useful life of the assets they are financing. The consolidated financial statements present the assets and the grants received separately.

b. Grants related to income

These are grants are those not related to non-current assets that become receivable by the entity and are recognized as income for the period in which they become receivable.

3.4.20 Deferred income

Deferred income relates mainly to income from the assignment of gas transmission pipeline usage rights, the income relating to the natural gas distribution network relocation to be borne by third parties and the net amounts received each year for new connections to the gas or power grids. This income is credited to income on a straight-line basis over the depreciation period of the related non-current assets, which ranges from 20 to 50 years.

This heading also includes the amounts associated with CO₂ allowances received for no consideration (section 3.4.6 b) within this note).

3.4.21 Leases

Determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

In this category, a distinction can be drawn between:

a. Finance leases

Leases are classified as finance leases whenever the lessor transfers substantially all the risks and rewards of ownership to the lessee. The ownership of the asset may or may not be transferred at the end of the lease term.

When the consolidated companies act as the lessee in finance leases, they present the cost of the leased assets in the consolidated balance sheet, based on the nature of the leased asset, and, simultaneously, recognize a financial liability for the same amount, which will be the lower of the fair value of the leased or the fair value of non-contingent amounts and not related to the provision of services payable to the lessor including, where appropriate, the price of exercising the purchase option, when the exercise thereof is expected with certainty at the beginning of the lease. These assets are depreciated according to criteria applied to the items of property, plant and equipment that are owned or are depreciated over the lease term, whichever is lower, provided there is no reasonable certainty that the lessee shall be granted the ownership at the end of the lease term.

The finance cost derived from the discounted financial liability is allocated to the periods during the lease term through use of a constant interest rate on the remaining financial liability. The resulting finance expense is charged to the heading "Financial result" in the consolidated income statement.

b. Operating leases

Leases in which the ownership of the leased asset and substantially all the risks and rewards incidental to ownership of the leased assets remain with the lessor are classified as operating leases.

Lease costs are recognized under "Other operating expense" in the consolidated income statement as incurred.

When the Group acts as lessor, the resulting income is recognized under "Other operating income" in the consolidated income statement, as accrued.

3.4.22 Income tax

Repsol recognizes in the income statement for the year the accrued tax on the companies' income, which is calculated taking into account the differences between the timing of recognition for accounting purposes and tax purposes of the transactions and other events in the current year recognized in the financial statements, giving rise to temporary differences and, therefore, to the recognition of certain deferred tax assets and liabilities in the balance sheet. These amounts are recognized by applying to the temporary differences the tax rate that is expected to apply in the period when the asset is realized or the liability is settled.

Deferred tax liabilities are recognized for all taxable temporary differences, unless the temporary difference arises from the initial recognition of goodwill for which amortization is not deductible for tax purposes or unless the exception to the deferred tax liabilities is applicable in cases of taxable temporary differences related to investments in subsidiaries, branches and associates.

Deferred tax assets recognized for temporary differences and other deferred tax assets (tax losses and tax deductions carry forwards) are recognized when it is considered probable that the consolidated companies will have sufficient taxable profits in the future against which the deferred tax asset can be utilized. Additionally, deferred tax assets recognized for temporary differences can only be recorded to the extent that they will reverse in the near future.

The accrued income tax expense includes both the deferred income tax expense and the current income tax expense, which is taken to be the amount payable (or refundable) in relation to the taxable net income for the year (Note 25).

"Income tax" in the accompanying consolidated income statement includes both the accrued income tax expense and the net provisions recognized in the year for income tax contingencies.

Current and deferred taxes are recognized outside profit or loss account if they related to items that are recognized outside profit or loss account. Those entries related to items recognized under "Adjustments for changes in value" are recognized under that heading and those recognized directly in equity are recognized within the equity heading in which the impact of the transaction was recognized.

3.4.23 Revenues and expenses recognition

Revenues are measured at fair value of the consideration received or receivable and represent the amounts receivable for the goods and services provided in the normal course of business, net of discounts and any amounts received on account of third parties, such as the Valued Added Tax.

In sales in which the Group acts as agent, the Group does not recognize all the income and expenses associated with the transaction, recognizing as revenue only the margin received or pending to receive.

In order to minimize transport costs and optimize the Group's logistics chain, the Group arranges swaps of oil products of similar nature with other companies in a number of geographical locations. The related agreements include clauses to adjust through an amount of economic consideration the value of the products swapped on the basis of the technical specifications thereof and the delivery and receiving points for the goods. These transactions are not recognized in the income statement as separate purchases and sales (being recognized for the net amount).

Sales of goods are recognized when substantially all the risks and rewards have been transferred. Revenue associated with the rendering of services is also recognized by reference to the stage of completion of the transaction at the balance sheet date, provided the outcome of the transaction can be estimated reliably. Interest income is accrued on a time proportion basis, by reference to the principal outstanding and the effective interest rate applicable. Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.

An expense is recognized when there is a decrease of economic benefits associated to a reduction of an asset, or an increase in a liability, which can be measured reliably.

As a result of the legislation on oil and gas retailing in force in the countries in which the Group operates, Repsol reflects as both revenue and expenses the excise and analogous duties levied specifically on consumption related to the production and/or sale of oil and gas products.

Work relating to water management, atmospheric protection, waste management, remediation of soil and subsoil water and the development of environmental management systems are deemed to be environmental expenses and they are recognized for accounting purposes in accordance with the criteria indicated above.

3.4.24 Financial instruments - derivatives

The Group arranges derivatives to hedge its exposure to financial and commercial risks due to interest rate and exchange rate fluctuations and to changes in the prices of certain commodities. All financial derivative instruments are initially recognized at fair value at the contract date and are subsequently measured at fair value. The derivatives are recognized as an asset when their fair value is positive and as a liability when it is negative. The differences in fair value are recognized in the income statement, except for specific hedge accounting treatment, where applicable.

For the assessment of financial derivative instruments, in case these are available, quotation market prices at the close of the balance sheet are used. This is the case of the futures contracts.

In the absence of quotation market prices for financial derivative instruments contracted, their fair value is estimated discounting the associated future cash flows according to the interest, exchange rates, credit differentials, volatility, and forward price trends in force on the close of the balance sheet. This assessment method has been applied to the following instruments:

- Mixed currency and interest swaps
- Interest rate swaps
- Forward exchange rate contracts
- Swaps on crude oil prices and products Interest rate options
- Crude oil price options

Although the Group applies common assessment market techniques, some changes in the measurement models or in the hypotheses applied therein could lead to different assessments of said instruments than these recognized in the balance sheet, income statement and/or equity.

The valuation and recognition of derivative financial instruments in keeping with specific hedge accounting criteria are as follows:

a. Fair value hedges

These are hedges of the exposure to changes in the fair value of an asset or a liability recognized for accounting purposes, an unrecognized firm commitment or an identified portion of the

aforementioned asset, liability or firm commitment that can be attributed to a particular risk and might affect the profit for the period.

The changes in the fair value of hedging derivatives and the changes in the fair value of the hedged items attributable to the hedged risk, are recognized in the income statement.

b. Cash flow hedges

These are hedges of the exposure to changes in cash flows that: (I) are attributed to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction and that (II) could affect profit or loss for the year.

The effective portion of changes in the fair value of hedging instruments is recognized in equity. The gain or loss relating to the ineffective portion is recognized in the income statement. The cumulative gains or losses recognized in equity are transferred to net profit or loss for the year, in the period in which the hedged items affect the income statement.

c. Hedges of net investment

These are hedges of the exposure to foreign exchange rate changes in relation to investments in the net assets of foreign operations.

Hedges of net investments in a foreign operation are accounted for in a similar way to cash flow hedges, although the exchange rate differences resulting from these transactions are recognized in "Translation differences" under equity in the accompanying consolidated balance sheet.

The cumulative amount of the exchange differences are transferred to the income statement, when the foreign operation subject to the hedge is sold or disposed of in any other way.

For the three types of hedges described above, the Group documents at the inception of the transaction the hedging relationship between the hedging instrument and the hedged items, and the risk management objective and strategy for undertaking the hedge. The Group also documents their assessment, both at the inception of the hedge and subsequently.

Hedge accounting is discontinued when the hedging instrument expires, is sold or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognized in equity is retained in equity until the forecasted transaction occurs.

Long-term oil and gas sale and purchase commitments are analyzed with the aim to determine whether these are in line with the provisions or marketing needs of the normal activity of the Group or whether, on the contrary, these are derivatives and should be recognized in accordance with the criteria set forth in IAS 39.

In those cases in which there are embedded derivatives in other financial instruments or other host contracts of a different nature, they are treated for accounting purposes as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and when the host contracts are not carried at fair value through profit or loss.

3.4.25 Methodology for estimating the recoverable amount

The recoverable amount of assets is generally estimated on the basis of their value in use, calculated on the basis of future expected cash flows derived from the use of the assets.

In the assessment of the value in use, cash flow forecasts based on the best income and expense estimates available of the CGUs using sector forecasts, past results and future expectations of business evolution and market development are utilized. Among the most sensitive aspects included in the forecasts used in all the CGUs, inflation, GDP growth, exchange rates, the purchase and sale prices of hydrocarbons, operating expenses and capital expenditures are highlighted.

The valuation of Exploration & Production assets is based on cash flow projections for a period that covers the economically productive useful lives of the oil and gas fields, limited by the contractual expiration of the operating permits, agreements or contracts. The key valuation assumptions used in this business segment and the general principles to determine those assumptions are summarized below:

a. Oil and gas sales prices. The international price benchmarks used by the Group include Brent, WTI and HH (Henry Hub). In those countries where international listed prices do

not mirror local market circumstances, the prices modeled take into consideration the local market prices. Year one of the projections is based on the annual budgets approved by Repsol's Executive Committee. After year one, prices are projected on the basis of price trends elaborated according to internal reports on the global energy environment that not only take into account in-house forecasts but also consider the "consensus" built from a mixture of consultancy opinions, investment banking estimates and future listed market prices. Prices are consistent with those used by the Group to make investing decisions. Lastly, if the productive lives of the respective fields are longer than the period covered by the corporate price projections, prices are extrapolated in line with operating expenses and capital expenditures.

- b. Reserves and production schedules. Production schedules are estimated on the basis of the development plans in place for each productive field. These schedules are then used to estimate proven and unproven reserves. Proven oil and gas reserves estimates are prepared on the basis of the oil and gas reserves reporting and disclosure requirements and framework established by the Securities Exchange Commission (SEC) and the criteria established by the Society of Petroleum Engineers' Petroleum Resource Management System (PRMS-SPE). Unproved reserves are similarly estimated using PRMS criteria and guidelines and are weighted for the risk factors associated with each class of exploration and production assets.
- c. Inflation and other macroeconomic variables. The key economic indicators are inflation, GDP growth and exchange rates. The Group's annual budgets and the Business Plan contained a macroeconomic framework for all of the countries where the Group has business operations. This data is elaborated on the basis of internal reports about global economic environment which reflect in-house estimates as well as updated external information of relevance (from consultants and specialized organisms).
- d. Operating expenses and capital expenditures. These are calculated in year one on the basis of the Group's budgets and thereafter according to the development plans of the assets. An escalation factor of 2.5% until 2016 and 3% in subsequent years, in line with the forecast for long-term US dollar inflation, was used for the purposes of performing the impairment test in 2012.

The cash flows of the downstream businesses are estimated on the basis of the projected sales trends, unit contribution margins, fixed costs and investment or divestment flows, the investments needed to maintain business volumes, in line with the assumptions modeled in the Annual Budget and in each business' specific strategic plans. However, cash inflows and outflows relating to planned restructurings or productivity enhancements are not considered. The cash flows projection period is generally a five-year period, extrapolating the flows of the fifth year for subsequent years without applying any growth rate.

These estimated net cash flows are discounted to present value using the specific cost of capital to each asset based on the currency in which its cash flows are denominated and the risks associated with the cash flows, including country risk. Repsol discounts projected cash flows using individual pre-tax weighted average costs of capital (WACC) for each country and business. These rates are reviewed at least once a year. The discount rates are intended to reflect current market assessments of the time value of money and the risks specific to the asset. As a result, the discount rates take into consideration: country risk, the interest rate risk associated with the exchange rate and business risk. To ensure that the calculations are consistent and are not duplicated, the cash flow projections do not take into consideration risks that have already been built into the discount rates used. In determining its WACC, the Group uses average sector leverage as a reasonable proxy for the optimal capital structure, to which end it monitors leverage rates at comparable oil and gas companies during the last five years.

The rates used in 2012 and 2011 for the various businesses are in the following ranges:

	2012	2011
Upstream	7.7%-11.8%	7.6% - 14.6%
Downstream	4.3%-12.3%	4.6% - 14.2%

For those Cash Generating Units (CGUs) which contain goodwill and/or other intangible assets with indefinite useful lives, Repsol analyzes whether reasonably possible changes in the key assumptions used to determine their recoverable amounts would have a material impact on the financial statements. For CGUs for which the recoverable amount exceeds the unit's carrying amount by a significant margin, it is assumed that these 'reasonably possible changes' would not have a material impact. For CGUs for which the margin is below the case explained before, the Group performs a sensitivity analysis in order to quantify changes in the recoverable amounts of these CGUs as a result of changes in key assumptions deemed reasonably possible (Note 6).

4

Accounting estimates and judgments

The preparation of financial statements in accordance with generally accepted accounting principles makes it necessary to make assumptions and estimates that affect the amounts of the assets and liabilities recognized, the presentation of contingent assets and liabilities at year end and the income and expenses recognized during the year. The actual results could differ depending on the estimates made.

The accounting policies and areas which require the highest degree of judgment and estimates in the preparation of the consolidated financial statements are: (I) crude oil and natural gas reserves; (II) provisions for litigation and other contingencies; (III) the calculation of income tax and deferred tax assets; (IV) impairment test of assets (Note 3.4.10) and 3.4.25), and (V) derivative financial instruments (Note 3.4.24). Additionally, in Note 5.3, accounting estimates and judgments regarding the expropriation of shares of the Repsol Group in YPF S.A. and YPF Gas S.A. are discussed.

Crude oil and gas reserves

The estimation of crude oil and gas reserves is an integral part of the Company's decision making process. The volume of crude oil and gas reserves is used to calculate the depreciation using unit production ratios and to assess the recoverability of the investments in exploration and production assets (Notes 8 and 10).

Repsol prepares its estimates and assumptions in relation to crude oil and gas reserves taking into account the guidelines and the conceptual framework of the definition of proved reserves established for the oil and gas industry by the U.S. Securities and Exchange Commission (SEC) and the criteria set by the Petroleum Reserves Management System of the Society of Petroleum Engineers (PRMS.SPE).

Provisions for litigation and other contingencies

The final cost of settling claims, grievances and lawsuits could vary due to estimates based on differing interpretations of the rules, opinions and final assessments of the amount of the damages. Therefore, any change in circumstances relating to contingencies of this nature could have a material effect on the amount of the provision for contingencies recognized.

Repsol makes judgments and estimates in recording costs and establishing provisions for environmental clean-up and remediation costs which are based on current information regarding costs and expected plans for remediation. For environmental provisions, costs can differ from estimates because of changes in laws and regulations, discovery and analysis of site conditions and changes in clean-up technology. Therefore, any change in the factors or circumstances related to provisions of this nature, as well as changes in laws and regulations could, as a consequence, have a significant effect on the provisions recognized for these costs (Note 35).

Calculation of income tax and deferred tax assets

The appropriate assessment of the income tax expense is dependent on several factors, including estimates of the timing and realization of deferred tax assets and the timing of income tax payments. Actual collections and payments may differ materially from these estimates as a result of changes in tax laws as well as unanticipated future transactions impacting the Company's tax balances.

5

Expropriation of Repsol Group's shares in YPF S.A. and YPF Gas S.A.

During 1999, and as part of its international growth strategy, the Group acquired through several transactions, 98.94% of YPF S.A., a leading Argentinean petroleum company engaged in the hydrocarbon sector and the former state oil and gas monopolist in Argentina. In 2008, Repsol sold 14.9% of YPF S.A. to Petersen Energía, S.A. (thereafter “**Petersen Energía**”) and granted two purchase options to Petersen Energía for a total additional interest in YPF’s share capital of 10.1% that were exercised in 2008 and 2011 (see section 5.2). During 2010 and 2011, Repsol sold additional interest in YPF S.A. (Note 32). At December 31, 2011, before the loss of control of the Group in YPF as a consequence of the Intervention Decree and the Expropriation Law of YPF S.A. and YPF Gas S.A., Repsol interest in YPF amounted to 57.43%.

5.1

YPF S.A. and YPF Gas S.A. Intervention Decree and Expropriation Law

On April 16, 2012, the National Executive Power of Argentina announced the submission to the Legislative Authority of a draft bill on the sovereignty of the Republic of Argentina over hydrocarbon resources, declaring of public interest and the self-sufficiency in hydrocarbon resources its exploitation, industrialization, transportation, and marketing, as a priority. Section 7 of the draft bill declared of public interest and subject to expropriation 51% of YPF S.A., represented by an equal percentage of “Class D” shares of YPF S.A. held, directly or indirectly, by Repsol and its subsidiaries. The stake held by the Repsol Group in YPF S.A. on that date was 57.43%.

On that same day, the Argentinean government enacted a Decree of Necessity and Urgency (“*Decreto de Necesidad y Urgencia*”) (the Intervention Decree), effective on the same day of its approval, which ordered the temporary seizure of YPF S.A. for a 30-day period, appointing a government minister as the interventor of YPF S.A. and empowering him with all of the faculties of the board of directors of YPF S.A.

Repsol communicated in a “relevant event” filed with the Spanish Securities Market Commission (CNMV) on April 16, 2012 its rejection of the expropriation measures adopted by Argentinean government’s.

On April 18, 2012, the Argentinean government passed a resolution which extended the scope of the Intervention Decree to YPF Gas S.A., at that time named as Repsol YPF Gas S.A., an Argentinean company engaged in the fractioning, bottling, transportation, distribution and marketing of LPG in which Repsol Butano, S.A. had an 84.997% shareholding on that date.

On April 23, 2012, YPF S.A.’s interventor resolved to suspend, until further notice, the general shareholders’ meeting of YPF S.A. set for April 25, to review the financial statements of YPF S.A. closed at December 31, 2011, as well as a proposal to capitalize accumulated results through an issue of fully paid-up share capital totaling 5,789,200,000 Argentine pesos, formulated by the board of directors at their meeting held on March 21.

After a rapid parliamentary adoption procedure, on May 7, 2012, Law 26,741 (YPF Expropriation Law or “*La Ley de Expropiación de YPF*”) was published in Argentina’s Official State Gazette, becoming effective immediately, and establishing the following:

- The self-supply, exploration, exportation, industrialization, transportation and commercialization of hydrocarbons were declared of “public interest”.
- In order to ensure compliance with the objectives indicated above, 51% of YPF S.A.’s equity, represented by an equivalent percentage of “Class D” shares in that company, held directly or indirectly by Repsol and its affiliates, were declared of “national public interest” and subject to expropriation, together with 51% of the equity of YPF Gas, S.A. equivalent to 60% of the “Class A” shares held by Repsol Butano, S.A. and its affiliates.
- The future distribution of the shares subject to expropriation was determined as follows: 51% to the federal government and 49% to the governments of the provinces that form the

National Organization of Hydrocarbon Producing States, as established in the transfer conditions set out in regulatory framework. However, the Argentinean, National Executive Office will exercise, directly or through an appointed public entity, the voting rights associated with all shares subject to expropriation until completion of the transfer of such shares voting and economic rights to the Argentinean government and the provinces.

- It is set forth that the National Executive Office will execute all of the rights conferred by the shares subject to the expropriation, through any appointed representative or public entity, in the terms established to the “temporary seizure” in the Argentinean expropriation legislation.
- The expropriation process will be governed by Law 21,499 (the National Expropriations Act), with the Argentinean National Executive Office acting as the expropriating authority. The price of the assets subject to the expropriation will be determined in conformity with Article 10 and related provisions of the aforementioned Law corresponding the appraisal to the National Appraisal Tribunal.

On May 7, 2012, the president of Argentina’s securities exchange commission called a general meeting of YPF S.A. shareholders to be held on June 4, 2012.

That same day, the Argentinean Republic National Executive Office appointed Mr. Miguel Matías Galuccio General Manager of YPF S.A. during the seizure.

During the shareholders’ meeting held on June 4, 2012, Mr. Galuccio was appointed Chairman of the Board and his appointment as General Manager of YPF, S.A. was ratified. During such shareholders’ meeting, all of the main members and alternate members of the board of directors, main and alternate administrators (“*síndico*”) and the main and alternate members of the Supervisory Committee of YPF S.A. were removed, and their substitutes were appointed. At Repsol’s request, the shareholders’ meeting appointed one independent Director to sit on the 17-member Board of Directors.

On June 15, 2012, the suspension of the notice convening the ordinary General Shareholders’ Meeting of April 25, 2012, previously ordered by the interventor, was suspended and a new meeting was called for July 17, 2012. Among other issues, the following resolutions were passed at the Shareholders’ Meeting:

- To approve the financial statements and the Supervisory Committee’s report for 2011;
- Not to approve the management of the members of the Board of Directors nor the Supervisory Committee for 2011 but, as an exception, to approve the management of those members appointed by the Argentinean government Class A shares;
- To allocate (I) 5,751 million Argentine pesos to constitute an investment reserve; and (II) 303 million Argentine pesos to a dividend payment reserve, authorizing the Board of Directors to determine when, on or before the closing date of 2012 business year, such dividends should be distributed.

The YPF S.A. general shareholders’ meetings held on June 4 and July 17, 2012 as well as the YPF Gas S.A. general shareholders’ meeting held on July 6, 2012 have been challenged by Repsol, S.A. and Repsol Butano S.A., respectively, on the basis that, among other grounds, such meetings were not validly established given that the expropriation process was illegitimate and unconstitutional.

Repsol considers the expropriation is manifestly illicit and gravely discriminatory (the expropriation only affects YPF S.A. and YPF Gas S.A. and no other oil companies in Argentina; additionally it expropriated solely the interest of a shareholder of YPF S.A. and YPF Gas S.A., namely Repsol and not all shareholders); the national public interest is unjustified and is an explicit violation of the obligations assumed by the Argentinean government at the privatization process of YPF.

Repsol also considers that the expropriation violates the most fundamental principles of legal certainty and confidence of the international investment community. Accordingly, Repsol expressly and fully reserves the right to take all available corresponding actions at its disposal to preserve its rights, the value of all its assets and its shareholders’ interests under prevailing Argentinean law, standard rules of the securities markets in which YPF S.A. is listed, and international law, including the “Agreement between the Argentinean Republic and the Kingdom of Spain on the Reciprocal Promotion and Protection of Investments” signed between Spain and Argentina in 1991.

Specifically and, as described in section *Procedures initiated as a consequence of the expropriation of the Group's YPF shares* of Note 35, Repsol has begun legal proceedings based on (I) the violation of the "Agreement between the Argentinean Republic and the Kingdom of Spain on the Reciprocal Promotion and Protection of Investments", (II) the unconstitutional nature of the intervention of YPF and YPF Gas, and the temporary occupation by the Argentinean government of the rights over 51% of YPF S.A. and YPF Gas S.A. shares held directly or indirectly by Repsol and Repsol Butano, S.A., respectively (III) the Argentinean government's failure to comply with its obligation to make a tender offer for the YPF S.A. shares prior to taking control of the company, and (IV) other legal proceedings initiated to avoid the illegitimate use of certain assets owned by YPF by third parties.

5.2

Agreement between Repsol and the Petersen group and other related loan agreements with the Petersen group

After signing a memorandum of understanding in December 2007, Repsol and Petersen Energía formalized in February 2008 a share purchase agreement for the acquisition by Petersen Energía of 58,603,606 Class D shares of YPF S.A. represented by American Depositary Shares (ADSs) equal to 14.9% of YPF S.A.'s share capital. The sale price was \$2,235 million. For this acquisition, the Group granted the first of two loans to Petersen Energía for an amount of \$1,015 million. This loan was guaranteed by a share pledge on the 18,126,746 Class D shares of YPF S.A. in the form of ADSs, acquired by the Petersen group.

In February 2008, Repsol and Petersen Energía also entered into two additional agreements pursuant to which, within a maximum period of four years, Petersen Energía was given the right to exercise two purchase options over additional shareholdings equal to 0.1% and 10% of YPF S.A.'s share capital, respectively. These two options were assigned by Petersen Energía to its affiliate company Petersen Energía Inversora, S.A. (hereafter Petersen Inversora, and together with Petersen Energía, the "Petersen group"). In accordance with the by-laws of YPF S.A., Petersen Energía launch a formal tender offer to acquire the remaining share capital of YPF S.A. in the hands of third parties at a price of \$49.45 per share or ADS. Repsol expressed its intention not to accept this bid. As a consequence of the bid, Petersen Energía acquired a total of 1,816,879 shares and ADSs representing a further 0.462% of YPF S.A.'s share capital.

In addition, the first of these purchase options was exercised in November 2008 by Petersen Inversora, by which it acquired 393,313 Class D shares of YPF S.A. represented by ADSs equal to 0.1% of YPF S.A.'s share capital. The sale price was \$13 million.

In June 2008, Banco Santander granted a loan of \$198 million to Petersen Inversora for the acquisition of the resulting shares pursuant to the first option over 0.1% of the share capital of YPF S.A. and for the financing of aforementioned tender offer Petersen Inversora drew down \$109 million of the maximum principal amount of the loan, which was guaranteed by Repsol pursuant to a guarantee agreement signed also in June 2008. As a counter-guarantee in respect of the obligations of Repsol under this guarantee agreement, Petersen group granted a share pledge over 2,210,192 Class D shares of YPF S.A. represented by ADSs.

In May 2011, Petersen group exercised the second of the two options for the acquisition of 39,331,279 ordinary Class D shares of YPF S.A. represented by ADSs equal to 10% of YPF S.A.'s share capital. The sale price was \$1,302 million. This latter sale was also financed, in part, through a loan from the Repsol Group to the Petersen group in the principal amount of \$626 million. This loan was guaranteed by the constitution share pledge on 3,048,174 Class D shares of YPF S.A., in the form of ADSs, acquired by the Petersen group.

At December 31, 2011 and before the loss of control of the Repsol Group in YPF, the Petersen group held 25.46% of Argentina's oil company.

On May 18, 2012, Banco Santander notified Petersen Inversora of its partial breach of the loan agreement as a result of a default in the mature payment due on May 15, 2012, but did not declare the early termination of the loan. In exercise of its rights under the guarantee agreement, Banco Santander claimed such payment to Repsol, as guarantor, and Repsol made payment of the corresponding sum of \$4.6 million.

On May 30, 2012, in exercise of its contractual rights, Repsol notified the relevant members of the Petersen group of the early termination of both loan agreements with Repsol and demanded the immediate payment of all sums outstanding under both loans. In accordance with the terms of the security documents, Repsol, as lender, is entitled to exercise the voting rights corresponding to the ADSs that are subject to the share pledges, which represent 5.38% of the share capital of YPF S.A.

On November 8, 2012, in its role as security agent and depositary of the YPF S.A. ADS program, Repsol notified the Bank of New York Mellon the execution of the two pledges comprised of 21,174,920 Class D YPF S.A. shares in the form of ADSs.

Repsol does not have any other loan guarantees apart from the abovementioned pledged ADSs.

5.3

Accounting treatment in relation to the expropriation

Intervention, loss of control and facts related to the loss of control

According to the facts mentioned above, Repsol's loss of control of YPF S.A. and YPF Gas has taken place and, consequently, both companies were deconsolidated. That has implied, that Repsol's assets, liabilities, and minority interests have been derecognized, as well as the corresponding translation differences.

From the date of loss control, in accordance with the prevailing accounting regulation, the activities of YPF S.A. and YPF Gas S.A. were considered discontinued operations, and therefore the results contributed to the Group from both companies were recognized under their specific headings. At December 31, 2012, the amounts contributed by YPF S.A. and YPF Gas S.A. to "Net Income for the period attributable to the Parent from discontinued operations" from the results net of taxes and minority interests, from the beginning of business year 2012 until the loss of control date, amounted to €147 million and €2 million, respectively.

The following table includes a breakdown of the assets, liabilities, and minority interests of YPF S.A. and YPF Gas S.A. which formed part of the consolidated balance sheet and that were derecognized:

Millions of euros ⁽¹⁾			
ASSETS	YPF	Repsol YPF Gas	TOTAL
Intangible assets:	2,040	4	2,044
a) Goodwill	1,804	4	1,808
b) Other intangible assets	236	–	236
Property, plant and equipment	8,781	32	8,813
a) Investments in areas with reserves	5,886	–	5,886
b) Other exploration costs	120	–	120
c) Machinery and installations	1,085	7	1,092
d) Items for transportation	51	1	52
e) Other tangible assets	1,639	24	1,663
Investments accounted for using the equity method	33	1	34
Non-current financial assets	83	–	83
Deferred tax assets	210	3	213
Other non-current assets	97	–	97
NON-CURRENT ASSETS	11,244	40	11,284
Inventories	1,270	3	1,273
Trade and other receivables	1,120	29	1,149
Other current assets	73	–	73
Other current financial assets	12	–	12
Cash and cash equivalents	229	22	251
CURRENT ASSETS	2,704	54	2,758
TOTAL ASSETS	13,948	94	14,042
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT ⁽²⁾	(589)	(16)	(605)
MINORITY INTEREST	2,735	7	2,742
Grants	46	–	46
Non-current provisions	1,623	5	1,628
Non-current financial liabilities	741	–	741
Deferred tax liabilities	1,063	–	1,063
Other non-current liabilities	30	–	30
NON-CURRENT LIABILITIES	3,503	5	3,508
Current provisions	172	–	172
Current financial liabilities	1,250	–	1,250
Trade payables and other payables	2,157	39	2,196
CURRENT LIABILITIES	3,579	39	3,618
TOTAL LIABILITIES AND MINORITY INTEREST	9,228	35	9,263
NET VALUE	4,720	59	4,779

⁽¹⁾ The assets, liabilities and minority interests of each of the companies correspond to those recognized on the consolidated balance sheet at March 31, 2012.

⁽²⁾ It corresponds to the accumulated translation differences in equity related to the Group's ownership interest in YPF and YPF Gas.

Accumulated translation differences in net equity in the Group's ownership interest in YPF and YPF Gas, generated until loss of control were transferred to the headings related to discontinued operations of the Group's income statement herein enclosed.

On the other hand, other assets and liabilities related to investments in YPF S.A. have been identified that are affected by the change in control and the expropriation process., such as loans and guarantees granted for the Petersen group's financing of the acquisition of its ownership interest in YPF S.A. The accounting effects of the valuation of these transactions were recognized in the income statement headings related to discontinued operations, since they are closely linked to the expropriation process of the Group's shares in YPF.

The Group had granted the Petersen group two loans, as described in section 5.2 of this note, these loans were guaranteed by several pledges over YPF Class D shares in the form of ADSs owned by the Petersen group. On May 30, 2012, Repsol, in exercise of its contractual powers, notified the Petersen group companies of the early termination of such loan agreements. The amount provisioned for such loans net of the market value of the YPF S.A. pledged shares, totaling an amount of €1,402 million.

On the other hand, and regarding the loan agreement that Banco Santander granted to Petersen group of up to \$198 million, drawn down in the amount of \$109 million (see section 5.2); at March 31, 2012, the amount guaranteed by Repsol amounted to \$96 million. On May 18, 2012, Banco Santander notified Petersen group a partial default of the loan agreement and demanded that payment from Repsol in its capacity as guarantor. Repsol made the payment amounting to \$4.6 million. As a result of the above, the Group provisioned for the associated risks and expenses for a gross amount of €54 million that covers the maximum amount of the liabilities assumed by Repsol, less the amount corresponding to the realizable value of the securities pledged as counter-guarantee, representing 0.56% of YPF S.A.'s share capital.

Repsol Group's ownership interest in YPF and YPF Gas S.A. from the shares subject to expropriation, which still belong to the Group and the remaining shares, as a result of the loss of control, are recognized by its nature, that is, as financial instruments. Specifically, the shares subject to expropriation were initially recognized at the amount of €5,373 million under "Non-current assets held for sale subject to expropriation" (€5,343 million corresponding to YPF S.A. shares subject to expropriation and €30 million corresponding YPF Gas S.A. shares). The remaining shares, which were not included in the expropriation, were recognized as "Available-for-sale financial assets" at an initial amount of €300 million (€280 million corresponding to YPF S.A. and €20 million corresponding to YPF Gas S.A.).

Subsequently, the changes in value of shares classified as "Non-current assets held for sale subject to expropriation" as well as the shares classified in "available-for-sale financial assets" are recognized in equity under "Adjustments for changes in value" until ownership of the shares is transferred or they are determined to experience an impairment, at which time the accumulated profits or losses previously recognized in equity will be transferred to the income statement.

Shares valuation regarding recognition purposes was carried out in accordance with IAS 39. The accounting standard reference to fair value or realizable value makes it necessary to distinguish between the shares subject to expropriation and the remaining shares held by Repsol.

For the former, recognized under "Non-current assets held for sale subject to expropriation", fair value calculation must take as reference the expected recoverable value as a consequence of the expropriation process, that is, the price or compensation that the Argentinean government would finally pay to Repsol. When estimating this value, Repsol took into account the valuation criteria it can reasonably expect to be applied by the state bodies and courts responsible for deciding on the price or indemnity relating to the shares subject to expropriation. Since this price or indemnity has yet to be set and may have to be decided through legal proceedings in which circumstances beyond the control of the Group will influence the outcome, it should be borne in mind that the estimated recoverable value is uncertain in terms of both quantity and the date and manner in which it will be effective. Any modifications to the hypotheses considered reasonable in the jurisdictional proceedings and in the valuation of rights subject to expropriation could generate positive and negative changes in the amount recognized for the interest in YPF S.A. and YPF Gas S.A. and hence in its impact on the Group's financial statements.

Repsol considers that there are solid legal grounds to claim for the restitution to the Group of the shares in YPF S.A. and YPF Gas S.A. subject to expropriation or to receive a compensation from the Argentinean government for an amount equal to the market value of the expropriated

shares prior to expropriation and, in any case, to be compensated for the rest of the damages suffered as a result of the expropriation process. In addition, Repsol considers there are legal avenues to execute and made effective the arbitral award that will take the procedure before ICSID, already initiated by Repsol, to an end. The market value of the shareholdings can be determined for these purposes with valuation methods habitually accepted in the financial community

Notwithstanding the foregoing, Repsol has been drawing since the day after the expropriation, regardless of the market value of the shares to which it is entitled, articles 7 and 28 of the YPF S.A. by-laws establish that if the Argentinean government takes control of the company, the acquirer shall launch a tender offer for all YPF S.A. Class D shares, the acquisition price of which will be paid in cash and calculated in accordance with a predetermined criteria, which constitutes, for the purposes of the accounting of the shares, a valid reference for the estimation of the compensation that, at least, Repsol should receive. The estimation of the value made by Repsol according to this method at the moment of the expropriation results in a valuation of at least \$18,300 million (€13,864 million, as per the exchange rate at year end 2012) for 100% of YPF S.A. shares, and \$9,333 million (€7,070 million) for the 51% subject to expropriation.

However, despite this reference, at the moment of the accountancy it shall be born in mind the inevitable risks and uncertainties which affect the valuation, regarding future events, that in great part such events are beyond Repsol's control. Consequently, the Group has applied conservative criteria when recognizing the shares subject to expropriation, avoiding that a higher valuation would compel to an initial recognition of net profit from the expropriation process which, at this time, is still of a contingent nature.

Regarding YPF S.A. shares, recorded under "Available-for-sale financial assets" (included in the heading "Non-current financial assets" on the balance sheet), they were valued at their market value, which corresponds to their quoted price given that the shares are susceptible to be traded in the relevant exchange market.

Finally, all YPF Gas S.A. shares, since they are not traded on any active market were valued using criteria analogous to those applied to the expropriated YPF S.A. shares.

The income tax effect of all the facts described has originated the recognition of a deferred tax asset amounting to €524 million.

The net effect recognized in the Group's income statement as a result of all the effects described above in connection with the expropriation process, amounts to a loss of €38 million net of tax, which was recognized under "Net income for the period from discontinued operations after taxes" in the income statement.

Subsequent assessment of assets and liabilities after loss of control

From their initial recognition and until November 8, 2012, date in which Repsol executed the pledges associated to the Petersen loans amounting to 21,174,920 Class D YPF shares in the form of American Depositary Shares representing 5.38% of YPF's share capital, the impairment provision increased €33 million due to the change in market value of the pledges shares.

On November 8, 2012, €172 million of the Petersen loans, corresponding to the value of the pledge shares exercised at that date, were derecognized from the balance sheet, and that said shares were recognized under "Available-for-sale financial assets." The amounts corresponding to these loans are totally provisioned at December 31, 2012.

At December 31, and since their initial recognition, the provision for risks and expenses covering the maximum amount of the liabilities assumed by Repsol regarding the Banco de Santander loan granted to Petersen has suffered a variation in the amount of €8 million due to the change in the realizable market value of the shares pledged as counter-guarantee, as well as payments made during the period, and which balance at December 31 amounts to 46 million euros.

The change in value since their initial recognition until December 31, 2012, of shares classified as "Non-current assets held for sale subject to expropriation" and "Available-for-sale financial assets" including those recognized for the exercise of the Petersen loan guarantees were recognized directly in equity under "Adjustments for changes in value", at the pre-tax positive amounts of €19 and €59 million respectively. At December 31, 2012, the amounts registered in both headings for the shares subject to expropriation and for the rest of the shares not subjected to expropriation, amounts to €5,392 million and €530 million, respectively.

5.4

Net income from discontinued operations for the expropriation

In 2012, the caption "Net Income from discontinued operations" recognises the results registered until the loss of control date coming from the consolidation of the operations of YPF S.A., YPF Gas S.A. and their respective group companies. In addition, this item also includes the impact in the income statement derived from the loss of control caused by the expropriation process.

A breakdown by nature of results corresponding to discontinued operations derived from the expropriation process of the Group shares in YPF and YPF Gas is as follows:

Millions of euros	12 / 31 / 2012	12 / 31 / 2011
Operating revenues	2,817	11,095
Operating expenses	(2,400)	(9,839)
Operating Income	417	1,256
Financial results	(25)	40
Share of results of companies accounted for using the equity method	3	3
Income from discontinued operations before taxes	395	1,299
Income taxes related to the results before taxes from discontinued operations	(78)	(523)
Results after taxes from discontinued operations ⁽¹⁾	317	776
Results after taxes of the valuation of the assets and liabilities subject to the expropriation ⁽²⁾	(38)	-
NET INCOME FOR THE PERIOD FROM DISCONTINUED OPERATIONS AFTER TAXES	279	776
Net income from discontinued operations attributable to minority interests ⁽¹⁾	(109)	(240)
NET INCOME FROM DISCONTINUED OPERATIONS ATTRIBUTABLE TO THE PARENT	170	536

⁽¹⁾ These headings include results contributed by YPF and YPF Gas up to the moment of losing control, as well as financial results related to the loan granted to the Petersen Group and other related expenses.

⁽²⁾ Includes the effects of (I) derecognizing the assets, liabilities, and minority interests of YPF and YPF Gas, as well as translation differences corresponding to the companies subject to expropriation, totaling €4,779 million, that includes €605 million of translation differences; (II) a provision for loans and guarantees related to the financing granted to the Petersen group, amounting to €1,456 million, as indicated in the abovementioned paragraphs; (III) recognizing a deferred tax asset amounting to €524 million; and (IV) recognizing the Group's ownership interest in YPF and YPF Gas consisting of both, the shares subject to expropriation and the remaining shares owned, as explained in the above paragraphs, amounting to €5,673 million.

5.5

Comparative information

The income statement for the period ended December 31, 2011 has been restated to make it comparable, with respect to the information published in the consolidated financial statements for the period ended December 31, 2011, classifying the operations affected by expropriation process of the YPF S.A. and YPF Gas S.A. shares held by the Group under the headings referring to discontinued operations, in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations".

In addition, the cash flow statement for the period ended December 31, 2011 included in the accompanying consolidated financial statements has been restated to make it comparable, with respect to the information published in the consolidated financial statements for the period ended December 31, 2011. Thus, the cash flows corresponding to YPF S.A. and YPF Gas S.A. operations have been reclassified in accordance with prevailing accounting standards to specific line items showing the cash flows for discontinued operations as well as operating, investment, and financing activities.

6

Goodwill

The breakdown of goodwill, by company, at year end 2012 and 2011 is as follows:

Millions of euros	2012	2011
Gas Natural Fenosa Group Companies	2,086	2,108
Repsol Portuguesa, S.A.	154	154
Repsol Gas Portugal, S.A.	118	118
EESS de Repsol Comercial P.P, S.A.	96	97
Other companies ⁽¹⁾	224	220
YPF S.A.	–	1,861
Empresas Lipigas S.A. ⁽²⁾	–	87
	2,678	4,645

NOTE: In 2012, as a result of the loss of control and the expropriation process (Note 5) 'Goodwill' corresponding to YPF and YPF Gas, and their Group companies was derecognized.

⁽¹⁾ At December 31, 2011 'Others companies' subheading includes €6 million of YPF Group companies.

⁽²⁾ Company sold in 2012 (Note 32)

The changes in 2012 and 2011 in this line item in the accompanying consolidated balance sheet were as follows:

Millions of euros	2012	2011
Balance at beginning of the period	4,645	4,617
Additions	5	17
Changes in the scope of consolidation	(95)	(28)
Disposals	(1)	–
Translation differences	(2)	2
Write-offs	(6)	–
Reclassifications and other changes	(2)	(22)
YPF e YPF Gas fluctuations ⁽¹⁾	(58)	59
YPF e YPF Gas expropriation ⁽²⁾	(1,808)	–
BALANCE AT END OF THE PERIOD	2,678	4,645

NOTE: The movements in 2011 have been modified with respect to the ones that appears in the consolidated financial statements for the year 2011 in order to present in a separate line item the movements generated by YPF and YPF Gas in that said year.

⁽¹⁾ In 2012, includes the movements of Goodwill relating to YPF and YPF Gas from January 1, 2012 upon loss of control from the Group. In 2011, includes the movements of goodwill relating to YPF and YPF Gas, mainly "Translation differences" in amount of €59 million.

⁽²⁾ This caption disclose the derecognition from the consolidated balance sheet at the moment of the loss of control of YPF and YPF Gas by the Group, according to the facts described in Note 5.

In 2012 "Changes in the scope of consolidation" subheading includes, primarily, the derecognition of the goodwill of Empresas Lipigas, S.A. in the amount of €99 million following the sale of Repsol Butano Chile, S.A., a company that owned 45% of Empresas Lipigas, S.A. (Note 32).

In 2011, "Additions" subheading includes €10 million related to the goodwill generated by Repsol Nuevas Energías U.K. business combination (Note 31).

Also in 2011, "Changes in the scope of consolidation" subheading includes the derecognition related to the EUFER assets swap (see Note 31) in the amount of €20 million. In addition, "Reclassifications and other changes" subheading includes the transfer to "Non-current assets

held for sale" of the investments in the Guatemalan electricity distributors held through Gas Natural Fenosa (Note 32) in the amount of €21 million. Both figures are stated at the Group's proportionate interest in Gas Natural Fenosa.

The breakdown of the gross goodwill and accumulated impairment losses at December 31, 2012 and 2011 is as follows:

Millions of euros	2012	2011
Gross goodwill	2,710	4,671
Accumulated impairment losses (Note 10)	(32)	(26)
Net goodwill	2,678	4,645

Impairment test for goodwill

The breakdown of goodwill at December 31, 2012 and 2011 by operating segment is as follows:

Millions of euros	2012	2011
Upstream ⁽¹⁾	100	87
Downstream ⁽²⁾	492	589
YPF ⁽³⁾	–	1,861
Gas and electricity ⁽⁴⁾	2,086	2,108
TOTAL	2,678	4,645

⁽¹⁾ Corresponds primarily to the CGU comprising the Group's exploration and production net assets in Venezuela.

⁽²⁾ Corresponds to a total of 22 CGUs; the most significant individual CGU accounts for 24% of the segment.

⁽³⁾ The amounts included in this subheading, have been derecognized of the consolidated balance sheet in 2012, as a result of the expropriation process of the YPF S.A. shares held by the Group (Note 5).

⁽⁴⁾ At December 31, 2012 and 2011 includes €1,752 million and €1,763 million respectively, corresponding to the goodwill recognized by Gas Natural Fenosa, due to its own participation in its Group companies.

Repsol considers that, based on current knowledge, the reasonably foreseeable changes in key assumptions for determining fair value, on which the determination of the recoverable amounts was based, would not have any significant impact on the Group's 2012 or 2011 financial statements.

7

Other intangible assets

The breakdown of the intangible assets and the related accumulated amortization at December 31, 2012 and 2011, and of the changes therein is as follows:

Millions of euros	Leasehold, Assignment Surface and Usufruct Rights	Flagging Costs	Exclusive Supply Contracts	Emission Allowances	Computer Software	Other Intangible Assets	TOTAL
COST							
BALANCE AT JANUARY 1, 2011	699	202	82	255	511	2,992	4,741
Additions ⁽¹⁾	5	5	17	9	71	423	530
Disposals and derecognitions	(12)	(5)	(7)	(2)	(46)	(5)	(77)
Translation differences	10	1	–	–	(1)	(9)	1
Changes in the scope of the consolidation ⁽²⁾	1	–	–	–	(1)	128	128
Reclassifications and other changes ⁽³⁾	8	15	(5)	(70)	19	(51)	(84)
YPF and YPF Gas subgroup movements ⁽⁴⁾	1	(23)	–	–	17	100	95
BALANCE AT DECEMBER 31, 2011	712	195	87	192	570	3,578	5,334
Additions ⁽¹⁾	9	6	19	7	82	74	197
Disposals and derecognitions	(13)	(8)	(8)	–	(1)	(7)	(37)
Translation differences	(6)	–	–	–	–	(79)	(85)
Changes in the scope of the consolidation ⁽²⁾	–	–	–	–	(1)	4	3
Reclassifications and other changes ⁽³⁾	12	12	(8)	(78)	(10)	50	(22)
YPF and YPF Gas subgroup movements ⁽⁵⁾	(1)	–	–	–	–	(16)	(17)
YPF and YPF Gas expropriation ⁽⁶⁾	(25)	(1)	–	–	(43)	(672)	(741)
BALANCE AT DECEMBER 31, 2012	688	204	90	121	597	2,932	4,632
ACCUMULATED AMORTIZATION AND IMPAIRMENT LOSSES							
BALANCE AT JANUARY 1, 2011	(343)	(157)	(49)	(1)	(355)	(1,000)	(1,905)
Depreciation charge for the year	(30)	(15)	(9)	–	(63)	(133)	(250)
Disposals and derecognitions	7	5	6	–	47	–	65
Impairment losses (recognised) / reversed	1	–	–	(110)	–	–	(109)
Translation differences	(6)	(1)	–	–	1	6	–
Changes in the scope of the consolidation	–	–	–	–	1	(1)	–
Reclassifications and other changes ⁽³⁾	2	(12)	(1)	35	(18)	13	19
YPF and YPF Gas subgroup movements ⁽⁴⁾	(2)	21	–	–	(7)	(28)	(16)
BALANCE AT DECEMBER 31, 2011	(371)	(159)	(53)	(76)	(394)	(1,143)	(2,196)
Depreciation charge for the year	(31)	(15)	(10)	–	(62)	(113)	(231)
Disposals and derecognitions	8	7	8	–	1	2	26
Impairment losses (recognised) / reversed	1	–	–	(8)	–	1	(6)
Translation differences	4	–	–	–	–	24	28
Changes in the scope of the consolidation	–	–	–	–	1	1	2
Reclassifications and other changes ⁽³⁾	(1)	1	(1)	76	8	(16)	67
YPF and YPF Gas subgroup movements ⁽⁵⁾	–	–	–	–	(2)	11	9
YPF and YPF Gas expropriation ⁽⁶⁾	21	2	–	–	25	457	505
BALANCE AT DECEMBER 31, 2012	(369)	(164)	(56)	(8)	(423)	(776)	(1,796)
CARRYING AMOUNT AT DECEMBER 31, 2011	341	36	34	116	176	2,435	3,138
CARRYING AMOUNT AT DECEMBER 31, 2012	319	40	34	113	174	2,156	2,836

NOTE: The movements in 2011 have been modified with respect to the ones that appears in the consolidated financial statements for the year 2011 in order to present in a separate line item the movements generated by YPF and YPF Gas in that said year.

⁽¹⁾ Additions in 2012 and 2011 relate to direct acquisition of assets.

⁽²⁾ See Note 31 Business Combinations and Note 32 Divestments.

⁽³⁾ In 2012, the column headed 'Emission Allowances' includes mainly €132 million corresponding to CO₂ allowances allocated for no consideration in 2012 under Spain's National Allocation Plan and the derecognition of the liability corresponded to allowances consumed as a result of emissions made during 2011 in the amount of €95 million. In 2011, the same column 'Emission Allowances' included mainly €244 million corresponding to CO₂ allowances allocated for no consideration for 2011 under Spain's National Allocation Plan and the derecognition of the liability corresponding to 2010 in the amount of €178 million.

⁽⁴⁾ In 2011, the breakdown of the most significant movements corresponding to YPF and YPF Gas in 2011 is: (I) Investments amounting to €72 million, (II) Depreciation amounting to €20 million.

⁽⁵⁾ Includes the movements related to YPF and YPF Gas from January 1, 2012 at the moment of losing control of the Group in these companies.

⁽⁶⁾ This caption disclose the derecognition from the consolidated balance sheet at the moment of the loss of control of YPF and YPF Gas by the Group, according to the facts described in Note 5.

"Other intangible assets" primarily includes:

- Intangible assets of Gas Natural Unión Fenosa, in the amount of €540 and €584 million in 2012 and 2011 respectively, which includes basically gas supply contracts and other acquired contractual rights.
- Assets in the amount of €465 and €619 million at year end 2012 and 2011 respectively, related to service concession arrangements under which the operator has the right to charge an established tariff directly to the services users, although the competent authorities regulate or control either the tariffs or the users to which service must be provided; and, in addition, the state retains the right over the residual value of the assets (see Note 3.4.6).

In 2012 these assets comprise primarily the concession arrangements under which Gas Natural Fenosa provides gas transmission and distribution services in Argentina, Brazil and Italy. At December 31, 2011, this heading included assets of YPF and YPF Gas with a residual value of €157 million and corresponded primarily to concession arrangements for the transport of crude, gas and derivatives by YPF S.A. in Argentina; these assets were derecognized in 2012 upon loss of control as a result of the expropriation process described in Note 5.

In 2012 and 2011 the income from the construction services or the improvement of infrastructures amounted to €35 and €28 million, respectively; that were recognized under the heading "Operating revenue".

- Power distribution concessions which the Group holds through the Gas Natural Fenosa Group in the amount of €205 million and €213 million at year end 2012 and 2011, respectively.
- The costs of acquiring stakes in exploration permits in the amounts of €679 and €606 million at year end 2012 and 2011, respectively. The investments recognized in 2012 totaled €20 million (2011: €313 million). In 2012 the main investments recognized correspond to the acquisition of exploration bonds in the Gulf of Mexico and Namibia. The main investments recognized in 2011, in the amount of €216 million, corresponded to the acquisition of 70% of the blocks at 'North Slope' (Alaska) from the companies 70 & 148, Llc. and GMT Exploration Llc, through Repsol Group subsidiary E&P USA, Inc. In 2011 the Group also invested €52 million to acquire rights over blocks in Kurdistan.
- In addition, a €110 million prepayment was made in 2011 to acquire exploratory rights in Angola.

Intangible assets include €206 million of assets with indefinite useful lives at December 31, 2012 and 2011. These assets are not amortized but they are tested at least annually for impairment and relate primarily to the power distribution concessions held by the Group in Spain through Gas Natural Fenosa, as described above (Note 3.4.6).

The leasehold assignment, surface and usufruct rights, the reflagging costs and image rights, the exclusive supply contracts, as well as the administrative concessions and the costs of acquiring interests in exploration permits are legal rights whose ownership is conditioned upon the terms of the originating contract, as described in the Note 3.

In 2012 and 2011, intangible assets included €112 million and €97 million, respectively, of asset acquired under finance leases corresponding to service station association rights.

The Group recognized research and development expenses in the consolidated income statement in the amount of €83 million in 2012 (€74 million in 2011).

8

Property, plant and equipment

The breakdown of "Property, plant and equipment" and of the related accumulated depreciation and accumulated impairment losses at December 31, 2012 and 2011, and of the changes therein is as follows:

	Land, Buildings and Other Structures	Machinery and plant	Investments in areas with reserves	Other exploration costs	Transport Equipment	Other tangible assets	Assets under construction	TOTAL
Millions of euros								
COST								
BALANCE AT JANUARY 1, 2011	2,773	25,368	34,063	2,337	2,024	1,806	4,698	73,069
Additions	17	223	676	459	5	58	1,855	3,293
Disposals and derecognitions	(10)	(77)	(1)	(118)	(8)	(24)	(9)	(247)
Translation differences	13	88	394	38	–	8	3	544
Change in the scope of the consolidation ⁽¹⁾	(3)	133	–	(1)	(2)	(17)	18	128
Reclassifications and other changes ⁽²⁾	224	3,369	396	(650)	6	126	(3,808)	(337)
YPF and YPF Gas subgroup movements ⁽³⁾	15	276	2,385	97	20	37	528	3,358
BALANCE AT DECEMBER 31, 2011	3,029	29,380	37,913	2,162	2,045	1,994	3,285	79,808
Additions	41	220	1,438	514	2	100	845	3,160
Disposals and derecognitions	(8)	(154)	(16)	(134)	(8)	(132)	(24)	(476)
Translation differences	(6)	(27)	(252)	(36)	(31)	3	(3)	(352)
Change in the scope of the consolidation ⁽¹⁾	(16)	(59)	(196)	(2)	(6)	(97)	(2)	(378)
Reclassifications and other changes ⁽²⁾	252	1,425	377	104	6	72	(1,768)	468
YPF and YPF Gas subgroup movements ⁽⁴⁾	(17)	(111)	(596)	20	(5)	(11)	(2)	(722)
YPF and YPF Gas expropriation ⁽⁵⁾	(618)	(4,156)	(25,715)	(295)	(171)	(406)	(1,146)	(32,507)
BALANCE AT DECEMBER 31, 2012	2,657	26,518	12,953	2,333	1,832	1,523	1,185	49,001
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES								
BALANCE AT JANUARY 1, 2011	(800)	(12,894)	(22,720)	(1,420)	(398)	(1,252)	–	(39,484)
Depreciation charge for the year	(54)	(857)	(610)	(144)	(85)	(70)	–	(1,820)
Disposals and derecognitions	7	67	–	117	8	16	–	215
Impairment losses (recognized)/reversed ⁽⁶⁾	–	1	9	–	–	13	–	23
Translation differences	(2)	(18)	(171)	(14)	(1)	–	–	(206)
Change in the scope of the consolidation ⁽¹⁾	1	(36)	–	–	1	15	–	(19)
Reclassifications and other changes ⁽²⁾	(22)	52	121	373	(4)	(42)	–	478
YPF and YPF Gas subgroup movements ⁽³⁾	(19)	(286)	(1,844)	(64)	(9)	(14)	–	(2,236)
BALANCE AT DECEMBER 31, 2011	(889)	(13,971)	(25,215)	(1,152)	(488)	(1,334)	–	(43,049)
Depreciation charge for the year	(63)	(1,007)	(831)	(295)	(84)	(76)	–	(2,356)
Disposals and derecognitions	4	136	14	134	8	125	–	421
Impairment losses (recognized)/reversed ⁽⁶⁾	–	(21)	1	(19)	–	(42)	–	(81)
Translation differences	1	4	112	17	7	(4)	–	137
Change in the scope of the consolidation ⁽¹⁾	5	27	311	2	4	58	–	407
Reclassifications and other changes ⁽²⁾	4	(20)	(204)	(122)	2	1	–	(339)
YPF and YPF Gas subgroup movements ⁽⁴⁾	5	53	322	5	3	5	–	393
YPF and YPF Gas expropriation ⁽⁵⁾	251	3,064	19,828	175	119	256	–	23,693
BALANCE AT DECEMBER 31, 2012	(682)	(11,735)	(5,662)	(1,255)	(429)	(1,011)	–	(20,774)
CARRYING AMOUNT AT DECEMBER 31, 2011	2,140	15,409	12,698	1,010	1,557	660	3,285	36,759
CARRYING AMOUNT AT DECEMBER 31, 2012 ⁽⁷⁾	1,975	14,783	7,291	1,078	1,403	512	1,185	28,227

NOTE: The movements in 2011 have been modified with respect to the ones that appears in the consolidated financial statements for the year 2011 in order to present in a separate line item the movements generated by YPF and YPF Gas in said year.

⁽¹⁾ See Note 31 Business Combinations and Note 32 Divestments.

⁽²⁾ In 2012 this caption includes transfers from "Assets under construction" mainly to "Machinery and plant", in the amount of €891 million, due to the start-up of the enlargement and upgrade work at the Petronor refinery; it also includes €253 million in connection with the new corporate headquarters, known as Campus. In 2011 this heading included €3,184 million in connection with the expansion of the Cartagena refinery. In addition, in 2011, it included transfers to "Non-current assets held for sale" amounting to €209 million corresponding primarily to assets held through Gas Natural Fenosa which were sold in 2011 and related to its gas supply points in the region of Madrid, its Guatemalan power distribution companies and the Arrúbal combined cycle power generation plant (Note 32).

⁽³⁾ The breakdown of the most significant net movements corresponding to YPF and YPF Gas in 2011 is as follows: (I) Investments amounting to €2,119 million, (II) Depreciations amounting to €1,429 millions, (III) Translation differences amounting to €314 millions, (IV) Reclassification and other changes amounting to €123 millions.

⁽⁴⁾ Includes movements related to YPF and YPF Gas from January 1, 2012 upon loss of control of the Group in these companies.

⁽⁵⁾ This caption disclose the derecognition from the consolidated balance sheet at the moment of the loss of control of YPF and YPF Gas by the Group, according to the facts described in Note 5.

⁽⁶⁾ See Note 10.

⁽⁷⁾ At December 31, 2012 accumulated impairment charges totaled €224 million (€215 million in 2011).

In 2012, the main additions were made in Spain (€1,092 million), United States (€792 million), Brazil (€254 million), the rest of Central and South America (€863 million), Russia (€64 million) and Portugal (€58 million). Meanwhile, the investment undertaken by YPF and YPF Gas and their investees in 2012 before the loss of control amounted to €328 million. In 2011, the main additions were made in Spain (€2,040 million), Brazil (€247 million), United States (€234 million), the rest of Central and South America (€631 million) and Portugal (€42 million). In addition, in 2011 were made additions in Argentina amounting to €2,092 million corresponding to YPF and YPF Gas.

The figures corresponding to non-depreciable assets, that is, land and assets under construction, amount, respectively to €638 million and €1,185 million at December 31, 2012 and €766 million and €3,285 million at December 31, 2011, respectively.

Heading "Property, plant and equipment", includes fully depreciated items for an amount of €8,609 million and €12,147 million at December 31, 2012 and 2011, respectively.

Repsol capitalizes financial expenses as part of the cost of the assets as described in section 3.4.7 of Note 3. In 2012 and 2011, the average capitalization cost was 4.19% and 4.87% and the amount of such financial expenses capitalized was €103 million and €117 million, respectively, recorded under the "Finance expenses" heading in the consolidated income statement.

Within the heading "Property, plant and equipment" there are investments carried out by the Group in public concessions, in an amount of €184 million and €158 million at December 31, 2012 and 2011, respectively. These concessions shall revert to the State within a term ranging from 2013 and 2054.

In 2012 and 2011 includes €2,844 million and €2,894 million, respectively, of assets acquired under finance leases. Among the assets acquired under finance leases at the end of these periods, highlight the methane tankers purchased for the transport of the LNG in the amount of €1,475 million and €1,482 million in 2012 and 2011, respectively, as well as gas pipelines and other assets for the transport of natural gas in North America and Canada, which amounted to €1,329 million and €1,388 million December 31, 2012 and 2011, respectively (Note 23).

In accordance with industry practices, Repsol insures its assets and operations worldwide. Among the risks insured are damages to property, plant and equipment, together with the subsequent interruptions in its business that such damages may cause. The Group believes that the current coverage level is, in general, appropriate for the risks inherent to its business.

9

Investment property

The changes in "Investment property" in 2012 and 2011 were as follows:

	Cost	Accumulated Depreciation and Impairment Losses	TOTAL
Millions of euros			
BALANCE AT JANUARY 1, 2011	41	(15)	26
Disposals and derecognitions	(1)	–	(1)
Depreciation charge for the year and other changes	4	(5)	(1)
BALANCE AT DECEMBER 31, 2011	44	(20)	24
Disposals and derecognitions	–	–	–
Depreciation charge for the year and other changes	2	(1)	1
BALANCE AT DECEMBER 31, 2012	46	(21)	25

The market value at December 31, 2012 and 2011 of the assets comprised in this line item amounts to €88 million and €94 million, respectively.

The income recognized in 2012 and 2011 from investment properties amounted to less than €1 million in each period.

10

Impairment of assets

Repsol Group performs a valuation of its intangible assets, property, plant and equipment and other non-current assets whenever there are indications that the assets might have become impaired, and at least annually, to determine whether those assets have incurred an impairment loss. These valuations are performed in accordance with the general principles established in Note 3.4.10.

In 2012 and 2011 the Group recognized net impairment losses on non-current assets in the amount of €94 million and €93 million respectively (see Note 27). This figure includes a €8 million and €110 million impairment loss on CO₂ emission allowances, respectively (see Note 36), which effect was offset, almost in full, by the gain resulting from the transfer to the income statement of the deferred income recognized in connection with emission allowances allocated free of charge under Spain's National Allocation Plan.

In 2012 the Group recognized impairment losses in the amount of €14 million mainly on exploration assets in Sierra Leone due to uncertainty regarding exploration conditions with respect to the associated resources. In addition, it recognized impairment losses of €54 million in the chemicals business assets, as a result of the rationalization of the Group's productive capacity in Spain and Portugal.

In 2011, the Group reversed €55 million of impairment losses recognized in prior years on exploration and production assets in Brazil and Ecuador due to favorable trends in the key business parameters.

Moreover, in 2011 the Group recognized impairment losses in the amount of €11 million on exploration assets in Spain due to a reduction of the original expected value of the Poseidón facility as an underground gas storage facility. In addition, the Group recognized impairments losses totaling €18 million in the chemicals business following the optimization of the Group's productive capacity in Portugal.

11

Investments accounted for using the equity method

The most significant investments in associates companies, which were accounted for using the equity method, at December 31, 2012 and 2011, is as follows:

Millions of euros	2012	2011
Perú LNG Company Ll.c.	238	219
Petrocarabobo	102	86
Transportadora de Gas del Perú, S.A.	65	62
Atlantic 4 Company of Trinidad & Tobago	44	48
Atlantic LNG Company of Trinidad & Tobago	40	43
Dynasol Elastómeros, S.A. de C.V.	43	41
Guará, B.V.	61	40
Oleoducto de Crudos Pesados (OCP), Ltd.	44	37
Transierra, S.A.	29	27
Compañía Logística de Hidrocarburos CLH, S.A.	18	20
Other entities accounted for using the equity method ⁽¹⁾	53	76
	737	699

⁽¹⁾ At December 31, 2011 included €31 million corresponding to the Group Companies YPF and YPF Gas.

Appendix I lists the most significant Group companies consolidated using the equity method of consolidation.

The changes in 2012 and 2011 in this heading in the accompanying consolidated balance sheet were as follows:

Millions of euros	2012	2011
Balance at beginning of year	699	585
Additions	86	26
Disposals	(45)	–
Changes in the scope of consolidation	–	(3)
Result of companies accounted for using the equity method	117	72
Dividends distributed	(75)	(62)
Translation differences	(13)	17
Reclassifications and other changes	(1)	70
YPF and YPF Gas subgroup movements ⁽¹⁾	3	(6)
YPF and YPF Gas expropriation ⁽²⁾	(34)	–
BALANCE AT END OF YEAR	737	699

NOTE: The movements in 2011 have been modified with respect to the ones that appears in the consolidated financial statements for the year 2011 in order to present in a separate line item the movements generated by YPF and YPF Gas in that said year.

⁽¹⁾ In 2012 includes movements which correspond to YPF, YPF Gas and its affiliates from January 1, 2012 upon loss of control by the Group. In 2011 includes the movements of the investments accounting for using the equity method corresponding to YPF and YPF Gas during the year.

⁽²⁾ This caption disclose the derecognition from the consolidated balance sheet at the moment of the loss of control of YPF and YPF Gas by the Group, according to the facts described in Note 5.

The main addition made in 2012 was a €60 million investment in Guará, B.V. In 2011, the Group invested €20 million in this investee.

The main disposal in 2012 relates to the return of capital to the shareholders of Guara B.V. following the sale of an off-shore exploration platform (Note 32).

The breakdown in 2012 and 2011 of the Group's share in the profits or losses of the most significant companies accounted for using the equity method is as follows:

Millions of euros	2012	2011 ⁽¹⁾
Atlantic LNG Company of Trinidad & Tobago	25	25
Compañía Logística de Hidrocarburos CLH, S.A.	15	16
Atlantic 4 Company of Trinidad & Tobago	19	16
Perú LNG Company Ll.c.	25	4
Other entities accounted for using the equity method	33	11
	117	72

⁽¹⁾ At December 31, 2011, this heading includes a share of €3 million in the profits of equity-accounted investees of YPF and YPF Gas, which are classified in the income statement within net income from discontinued operations.

The following companies over which the Group has significant influence, understood as the power of affecting financial and operating decisions of the investee, but does not exercise control or joint control, despite holding an interest of less than 20%, were accounted for using the equity method:

Company	% of ownership
Sistemas Energéticos Mas Garullo ⁽¹⁾	18.00%
Oleoducto Transandino de Chile	18.00%
Regasificadora del Noroeste, S.A. ⁽¹⁾	11.60%
CLH	10.00%
Transportadora de Gas del Perú, S.A.	10.00%
Qalhat LNG SAOC ⁽¹⁾	3.70%

⁽¹⁾ Investees held through the Gas Natural Fenosa Group.

The following table provides the key balances of the Repsol Group associates, calculated in accordance with the group's respective shareholding percentage at December 31, 2012 and 2011 (Appendix I):

Millions of euros	2012	2011 ⁽¹⁾
Balance Sheet		
Total Assets	1,765	1,964
Total Equity	737	699

Millions of euros	2012	2011 ⁽²⁾
Income Statement		
Revenues	650	780
Net income for the period	117	72

⁽¹⁾ At December 31, 2011, this heading includes the following balances with the YPF group: (I) "Total Assets" in the amount of €169 million; and (II) "Total Equity" in the amount of €31 million.

⁽²⁾ It includes the necessary modifications respect to the consolidated financial statements for the year 2011 in connection with the expropriation process of YPF S.A and YPF Gas S.A. shares in accordance with the contents of Note 3.3 "Comparison of information".

12

Non-current assets and liabilities held for sale

The main balance sheet line items classified as assets held for sale and related liabilities at December 31, 2012 and 2011 were as follows:

Millions of euros	2012	2011
Property, plant and equipment and other intangible assets	310	187
Other non-current assets	22	43
Current assets	8	28
	340	258
NON-CURRENT LIABILITIES	7	19
CURRENT LIABILITIES	20	13
	27	32
	313	226

Assets and liabilities classified as held for sale at December 31, 2012

At December 31, 2012, and ever since it was acquired on December 29, 2011, the investment in Eurotek has been classified as a non-current asset held for sale. Repsol Exploración Karabashky B.V. acquired 100% of Eurotek, a company that operates oil and gas exploration and production licenses in the Khanty-Mansiysk and Yamal-Nenets regions of the Russian Federation. This acquisition formed part of an agreement signed in December 2011 by Repsol and Alliance Oil concerning the governance of AR Oil and Gaz, B.V. ("AROG"), a joint venture 49%-owned by Repsol (Note 31, "Business combinations and increases in ownership interest in subsidiaries without change in control"), created to serve as both companies' growth platform in the Russian Federation. Having achieved the milestones laid down in that agreement, Eurotek was sold to AROG, B.V. on January 24, 2013, as described in Note 38, "Subsequent events".

In December 2012, following approval of the Certification of Commercial Viability of the Cardon-IV area in the Gulf of Venezuela, the Group received official notification that Corporación Venezolana de Petróleo (CVP) would participate in the project by acquiring 17.5% of the investment held by Group company, Repsol Venezuela Gas, S.A. As a result, the assets and liabilities associated with this investment, in the amounts of €49 and €7 million, respectively, were classified as non-current assets and liabilities held for sale.

Assets and liabilities classified as held for sale at December 31, 2011

At December 31, 2011, in addition to the investment in Eurotek detailed above, "Non-current assets held for sale" included assets corresponding to approximately 245,000 gas customers and related contracts in the region of Madrid which Gas Natural Fenosa had agreed to sell to the Endesa group for an amount of €11 million on June 30, 2011. These assets were classified as non-current assets held for sale from the date of the agreement. Having secured all the required permits, the sale to Endesa was closed on February 29, 2012. The transaction generated a €6 million pre-tax gain. The amounts in millions of euros are stated at the Group's proportionate interest in Gas Natural Fenosa.

For information on the assets and liabilities classified as held for sale that were sold during 2012 and 2011, see Note 32.

13

Current and non-current financial assets

The breakdown of the different concepts that are included on the balance sheet is as follows:

Millions of euros	2012	2011
Non-current financial assets	1,313	2,450
Other current financial assets	415	674
Currents derivatives on trading transactions ⁽¹⁾	45	68
Cash and cash equivalents	5,903	2,677
	7,676	5,869

NOTE: In 2012, as a consequence of the loss of control and the expropriation process of YPF and YPF Gas (see Note 5) "Non-current financial assets", "Other current financial assets" and "Cash and cash equivalents" corresponding to YPF and YPF Gas and its group companies have been derecognized. At December 31, 2011, the captions includes "Non-current financial assets", "Other current financial assets" and "Cash and cash equivalents" which amounted to €86, €9 and €274 million respectively, corresponding to YPF and YPF Gas Groups.

⁽¹⁾ Classified under the heading "Other receivables".

The detail, by type of assets, of the Group's financial assets at December 31, 2012 and 2011, is as follows:

DECEMBER 31, 2012							
NATURE / CATEGORY	Carrying amount						TOTAL
	Financial assets held for trading	Other financial assets at fair value through profit or loss	Financial assets available for sale	Loans and receivables	Held to maturity investments	Hedging derivatives	
Equity instruments	–	–	641	–	–	–	641
Derivatives	–	–	–	–	–	–	–
Other financial assets	–	84	–	578	10	–	672
LONG TERM / NON-CURRENT	–	84	641	578	10	–	1,313
Derivatives	51	–	–	–	–	7	58
Other financial assets	–	11	–	401	5,893	–	6,305
SHORT TERM / CURRENT	51	11	–	401	5,893	7	6,363
TOTAL ⁽¹⁾	51	95	641	979	5,903	7	7,676

DECEMBER 31, 2011							
NATURE / CATEGORY	Carrying amount						TOTAL
	Financial assets held for trading	Other financial assets at fair value through profit or loss	Financial assets available for sale	Loans and receivables	Held to maturity investments	Hedging derivatives	
Equity instruments	–	–	128	–	–	–	128
Derivatives	–	–	–	–	–	–	–
Other financial assets	–	65	–	2,212	45	–	2,322
LONG TERM / NON-CURRENT	–	65	128	2,212	45	–	2,450
Derivatives	176	–	–	–	–	58	234
Other financial assets	–	84	–	463	2,638	–	3,185
SHORT TERM / CURRENT	176	84	–	463	2,638	58	3,419
TOTAL ⁽¹⁾	176	149	128	2,675	2,683	58	5,869

⁽¹⁾ In 2012, the headings "Other non-current assets", and in the headings "Trade receivables" and "Other receivables" of the balance sheet include an amount of €242 million classified under long term and €7,320 million classified under short-term and in 2011 an amount of €344 million classified under long term and €8,634 million classified under short term, arising out of commercial receivables not included in the breakdown of the financial assets in the previous table. Additionally, nor are the assets presented under "Non-current assets held for sale subject to expropriation" in the consolidated balance sheet, as detailed in Note 5.3; neither are included in the financial asset disclosures provided in the table above.

The classification of the financial assets recognized in the financial statements at fair value, by fair value calculation method level hierarchy, is as follows:

Millions of euros	Level 1		Level 2		Level 3		TOTAL	
	2012	2011	2012	2011	2012	2011	2012	2011
Financial assets at fair value ⁽¹⁾								
Financial assets held for trading	8	23	43	153	–	–	51	176
Other financial assets at fair value through profit and loss	95	149	–	–	–	–	95	149
Financial assets available for sale ⁽²⁾	567	57	–	–	–	–	567	57
Hedging derivatives	–	–	7	58	–	–	7	58
TOTAL	670	229	50	211	–	–	720	440

Level 1: Valuations based on a quoted price in an active market for an identical instrument which basically refer to YPF and YPF Gas shares not subject to expropriation and to investment funds hold by the Group.

Level 2: Valuations based on a quoted price in an active market for similar financial assets or based on other valuation techniques that rely on observable market inputs.

Level 3: Valuations based on inputs that are not directly observable in the market.

⁽¹⁾ Regarding the shares of YPF and YPF Gas subject to expropriation, which are presented within "Non-current assets held for sale subject to expropriation" at their fair value in accordance with IFRS 5, see Note 5, "Expropriation of Repsol Group's shares in YPF S.A. and YPF Gas S.A.".

⁽²⁾ Not includes €74 million and €71 million in 2012 and 2011, respectively, corresponding to equity investments in companies that are measured at acquisition cost under IAS 39 (Note 3.4.11) – "Current and non-current financial assets".

The composition of current and non-current financial assets by category is as follows:

13.1	Financial assets held for trading	Derivatives not designated as hedging instruments are included within this category (see Note 22).
13.2	Other financial assets at fair value through profit or loss	Financial assets measure at fair value through profit or loss in the years 2012 and 2011 mainly correspond to collective mutual funds. Is included the amount of €36 million in 2011 for the investment in debt securities.
13.3	Financial assets available for sale	<p>In 2012 this heading primarily comprises Repsol's 6.43% ownership interest in YPF S.A. and its 33.997% interest in YPF Gas S.A. that were not subject to expropriation by the Argentine government, as well as the 5.38% ownership interest in YPF S.A. foreclosed when the Group called in the pledge on the €530 million loan it had extended to the Petersen group (Note 5). Additionally, this heading includes minority equity interests in companies over which the Group does not have management influence.</p> <p>The movement of financial assets available for sale during the years ended December 31, 2012 and 2011 is the following:</p>

Millions of euros	2012	2011
Balance at beginning of year	128	150
Additions	6	12
Disposals	–	(4)
Adjustments to fair value ⁽¹⁾	38	(16)
Changes in the scope of consolidation	–	(6)
Reclassifications and other changes	–	(8)
YPF and YPF Gas subgroup movements	–	–
YPF and YPF Gas expropriation ⁽²⁾	469	–
BALANCE AT END OF YEAR	641	128

⁽¹⁾ In 2012, this heading corresponds primarily to the change in the market value of the shares not subject to expropriation of YPF (including those foreclosed following execution of the pledge securing the loans granted by the Group to the Petersen group) and of YPF Gas, which gave rise to recognition of a gain of €59 million, and the change in the fair value of the investment in Alliance Oil Company (the company that absorbed the former West Siberian Resources), which gave rise to recognition of a loss of €21 million in 2012 (loss of €13 million in 2011).

⁽²⁾ In 2012 this heading primarily comprises the initial recognition of Repsol's unexpropriated 6.43% ownership interest in YPF S.A. and 33.997% interest in YPF Gas S.A. in the amount of €300 million, as well as the initial recognition of its 5.38% ownership interest in YPF S.A. foreclosed from the Petersen group in the amount of €172 million.

13.4

Loans and receivables

The fair value of the loans and receivables of the Group is detailed in the following table:

Millions of euros	Carrying amount		Fair value	
	2012	2011	2012	2011
Non-current	578	2,212	793	2,432
Current	401	463	401	463
	979	2,675	1,194	2,895

In 2011, non-current loans included, among others, the vendor loans extended by the Group to the Petersen group in connection with the acquisition by the latter of a stake in YPF S.A., as described in Note 5. At December 31, 2012 these loans had been fully provisioned, net of the collateral foreclosed.

This heading includes financing extended by Gas Natural Fenosa to ContourGlobal La Rioja, S.L. amounting to €76 million and 77 million at December 31, 2012 and 2011 respectively (stated in proportion to the Group's interest in Gas Natural Fenosa) in connection with the sale of the Arrúbal (La Rioja province) combined cycle power generation plant in 2011. This loan is secured by the shares in this Company and other assets, accrues interest at market rates and it falls due in 2021.

Current and non-current loans include the loans granted to consolidated companies in the amount not eliminated in the consolidation process of €223 and €310 million in 2012 and 2011, respectively. In 2012 and 2011 those loans included impairment provisions amounting to €21 million.

Current loans and receivables includes €320 and €370 million at year end 2012 and 2011, respectively, in relation with the Group's share of the funding of the electricity tariff deficit through Gas Natural Fenosa. In 2012, nineteen debts issuances of Spanish's Tariff Deficit Securitization Fund (FADE for its acronym in Spanish) were made (see Note 32). The figures stated correspond to the Repsol Group's proportionate interest in Gas Natural Fenosa.

The return accrued on the financial assets disclosed in the table above (without considering financing of the shortfall in regulated electricity tariff settlements) was equivalent to an average interest rate of 6.78% in 2012 and of 7.53% in 2011.

The maturity of non-current loans and receivables is the following:

Millions of euros	2012	2011
Due date		
2013	–	124
2014	19	80
2015	5	76
2016	6	103
2017	20	121
Subsequent years	528	1,708
	578	2,212

NOTE: The 2011 figures include the loans to the Petersen group; in November 2012, the Group foreclosed the shares of YPF S.A. pledged as collateral to secure these loans (Note 5).

13.5

Held to maturity investments

The breakdown of the face value of the held to maturity investments at December 31, 2012 and 2011 is as follows:

Millions of euros	2012	2011
Non-current financial assets	10	45
Current financial assets	–	8
Cash equivalents	1,857	1,327
Cash on hand and at banks	4,036	1,303
	5,903	2,683

The fair value of the financial held to maturity investments is the same as their face value.

Financial investments are mainly from placements in banks and collateral deposits. These financial investments have accrued an average interest of 1.52% and 1.90% in 2012 and 2011, respectively.

The non-current financial assets held-to-maturity mature as follows:

Millions of euros	2012	2011
Due date		
2013	–	12
2014	–	5
2015	–	3
2016	–	3
2017	–	5
Subsequent years	10	17
	10	45

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Inventories

The "Inventories" composition at December 31, 2012 and 2011 is as follows:

Millions of euros	2012	2011
Crude oil and natural gas	2,139	2,459
Finished and semi-finished goods	2,932	4,197
Supplies and other inventories	430	622
TOTAL	5,501	7,278

NOTE: In 2012, as a consequence of the loss of control and the expropriation process (Note 5) "Inventories" corresponding to YPF and YPF Gas and its group companies have been derecognized. At December 31, 2011, the captions includes "Inventories" which amounted to €1,274 million corresponding to YPF and YPF Gas groups.

In 2012 the Group recognized net gains of €10 million and in 2011 the Group recognized net expenses of €33 million, in the line item "Changes in inventories of finished goods and work in progress inventories" as a result of the measurement of inventories of finished goods and raw materials at the lower of cost and net realizable value.

In relation with raw materials, in 2012 the Group recognized a net revenue of €5 million under the "Supplies" heading relating to the measurement of raw materials at the lower of cost and net realizable value. In 2011 the amount registered by the Group under this line item was lower than €1 million.

At December 31, 2012 and 2011, the balance of inventories at fair value less costs to sell amounted to €365 million and €229 million, respectively, and the effect of their measurement at market value represented an expense of €41 million in 2011 and an expense of €51 million in 2011.

The Repsol Group complies, both at December 31, 2012 and December 31, 2011, with the legal requirements regarding minimum safety stocks established under prevailing legislation (See Note 2) through its Spanish Group companies.

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Trade and other receivables

The breakdown of this heading at December 31, 2012 and 2011 was the following:

Millions of euros	2012	2011
Trade receivables for sales and services	6,479	6,959
Doubtful accounts provision	(398)	(404)
Trade receivables	6,081	6,555
Other trade creditors and other receivables ⁽¹⁾	879	1,248
Debtors from personnel transactions	39	101
Receivables from public bodies	321	730
Derivatives held for trading ⁽²⁾	45	68
Other receivables	1,284	2,147
Income tax assets	416	520
Trade and other receivables	7,781	9,222

NOTE: In 2012, as a consequence of the loss of control and the expropriation process of YPF and YPF Gas (Note 5) "Trade and other receivables" corresponding to YPF and YPF Gas and its group companies have been derecognized. At December 31, 2011, the caption includes "Trade and other receivables" which amounted to €1,322 million respectively corresponding to YPF and YPF Gas groups.

⁽¹⁾ In 2011 the Group recognized an impairment provision of €132 million as a result of the temporary revocation by the Argentine authorities of the tax benefits granted under the country's "Petróleo Plus" program. This provision was derecognized by the Group in 2012 as a result of the YPF expropriation (Note 5).

⁽²⁾ This heading includes the items outlined in Note 13.

The changes in the provision for doubtful accounts in 2012 and 2011 were as follows:

Millions of euros	2012	2011
Balance at beginning of the year	404	289
Impairment losses recognized/ (reversed)	92	63
Change in the scope of consolidation	(2)	(1)
Translation differences	2	4
Reclassifications and other movements	(2)	42
YPF and Repsol YPF Gas subgroup movements ⁽¹⁾	(2)	7
YPF and Repsol YPF Gas expropriation ⁽²⁾	(94)	–
BALANCE AT END OF THE YEAR	398	404

⁽¹⁾ In 2012 this heading includes the changes in the bad debt provision corresponding to YPF and YPF Gas between January 1, 2012 and the loss of control event. In 2011 it includes the changes in the bad debt provision corresponding to YPF and YPF Gas that year.

⁽²⁾ This heading reflects the derecognition upon loss of the Group's control of YPF and YPF Gas, as a result of the expropriation of its shares in YPF S.A. and YPF Gas S.A. (Note 5).

16

Equity

16.1

Share capital

The share capital at December 31, 2012 and 2011, registered with the Commercial Registry, consisted of 1,256,178,727 and 1,220,863,463 fully subscribed and paid up shares of 1 euro par value each, in book entry form, and all listed on the Spanish stock exchanges and Buenos Aires Stock Exchange.

Following the most recent free-of-charge capital increase closed in January 2013, outlined below, the share capital of Repsol, S.A. is currently represented by 1,282,448,428 shares, each with a par value of €1. According with the accounting regulations, and considering that the mentioned capital increase had been registered with the Commercial Registry before the approval of the consolidated financial statements by the Board of Directors, this capital increase has been recognized in the Group's financial statements as of December 31, 2012.

On February 22, 2011, the Company officially filed to delist its ADSs from the New York Stock Exchange (NYSE). Repsol's ADSs ceased trading on that exchange on March 4, 2011. On the basis of the application filed by the Company with the US Securities and Exchange Commission (SEC) on March 7, 2011, the ADSs were officially deregistered with SEC in June 2011.

The Company still has an ADS program. Since March 9, 2011 its ADSs are traded on the OTCQX market. This US over-the-counter platform distinguishes issuers with the best reporting policies and solid business activities.

Repsol executed its first scrip dividend in 2012 under the umbrella of its "Flexible Dividend Program", approved at the Annual Shareholders' Meeting on May 31, 2012. This scrip dividend replaced what would have been the traditional final dividend against 2011 profits and the interim dividend drawn from 2012 profits. This program materializes in two capital increases charged to voluntary reserves derived from retained earnings with the irrevocable commitment on the part of Repsol to purchase the free-of-charge allocation rights deriving from the capital increase at a guaranteed fixed price. Under this program, Repsol offers its shareholders the choice of receiving their remuneration in the form of newly issued paid-up shares of the Company or cash, or a mix thereof. The cash option is availed of by selling free-of-charge allocation bonus share rights either in the market at their list price or to the Company at the guaranteed sale price.

The Board of Directors authorized the execution of the first of these capital increases on June 19, 2012. The free-of-charge allocation rights traded on the Spanish stock exchanges between June 21 and July 5, 2012. Holders of 63.64% of the free-of-charge allocation rights (a total of

776,935,821 rights) elected to receive new-issue shares of Repsol in the proportion of 1 new share for every 22 rights held.

Within the term stipulated to this end, the holders of 36.36% of the free-of-charge allocation rights (443,927,625 rights) accepted the irrevocable commitment assumed by Repsol to purchase the rights at a guaranteed pre-tax price of €0.545 per right, and the respective payment was made to Repsol shareholders on July 10, 2012. As a result, Repsol acquired the above-mentioned rights for a pre-tax sum of €242 million, renouncing the shares corresponding to the rights acquired by virtue of its purchase commitment.

The final number of shares of 1 euro par value issued in this first capital increase was 35,315,264, representing an increase of approximately 2.89% of the share capital of Repsol before the capital increase.

This capital increase was registered the Madrid Commercial Registry on July 10, 2012 and the new shares were listed on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges through the Spanish Automated Quotation System (*Mercado continuo*, by its name in Spanish) on July 13, 2012. Afterwards were also listed in the Buenos Aires Stock Exchange.

The Board of Directors of Repsol authorized on December 19, 2012 the execution of the second capital increase approved by the the Annual Shareholders' Meeting. The trading period on the Spanish stock exchanges of the free-of-charge allocation rights began on December 25, 2012 and ended on January 10, 2013.

The holders of 69.01% of the free-of-charge allocation rights (a total of 866,900,145 rights) elected to receive their remuneration in the form of new-issue shares of the Company in the proportion of one new share for every 33 rights held. The holders of the remaining 30.99% of the free-of-charge allocation rights (389,278,581 rights) accepted the irrevocable commitment assumed by Repsol to purchase the rights at a guaranteed pre-tax price of €0.473 per right, and the respective payment was made to Repsol shareholders on January 15, 2013, giving rise to a pre-tax outlay of €184 million. Repsol renounced the shares corresponding to the free-of-charge allocation rights acquired by virtue of this purchase commitment.

A total of 26,269,701 ordinary shares (each with a par value of €1) were issued as a result of this second capital increase, increasing share capital by approximately 2.09% with respect to share capital prior to this second issue.

The capital increase was registered with the Commercial Registry of Madrid on January 15, 2013 and the new shares began to trade on the continuous market of the Madrid, Barcelona, Bilbao and Valencia stock exchanges on January 18, 2013. Application has also been made to list the new shares on the Buenos Aires stock exchange.

Following the above mentioned capital increases, the share capital of Repsol, S.A. amounts to €1,282,448,428 fully subscribed and paid up, consisting of 1,282,448,428 shares with nominal value of 1 euro each.

Since Repsol S.A.'s shares are represented by the book-entry method, it is not possible to ascertain the Company's precise updated shareholder structure. The data provided below reflect the latest information available to Repsol, S.A. and are based on information furnished by Spain's central counterparty clearing house (IBERCLEAR for its acronym in Spanish) and information provided by the shareholders to the Company and the CNMV (Spanish securities market regulator).

According to the latest information available, the significant shareholders of the Company, deemed related parties of Repsol, are:

Significant shareholders	% total over share capital Lastest available information
CaixaBank, S.A.	12.20
Sacyr Vallehermoso, S.A. ⁽¹⁾	9.53
Petróleos Mexicanos ⁽²⁾	9.37

⁽¹⁾ Sacyr Vallehermoso, S.A. holds its stake through Sacyr Vallehermoso Participaciones Mobiliarias, S.L.

⁽²⁾ Petróleos Mexicanos (Pemex) holds its stake through Pemex Internacional España, S.A., PMI Holdings, B.V. and through several swap instruments (equity swaps) with certain financial entities that enable Pemex to exercise the economic and political rights.

At December 31, 2012, the following Group companies' shares were publicly listed:

Company	Number of listed shares	% of share capital listed	Stock exchanges	Year-end market price	Average last quarter	Currency			
Repsol, S.A.	1,256,178,727	100%	Spanish stock exchanges (Madrid, Barcelona, Bilbao, Valencia)	15.34	15.67	euros			
			Buenos Aires	135.00	129.42	pesos			
			OTCQX ⁽¹⁾	20.90	20.26	dollars			
Gas Natural SDG, S.A.	1,000,689,341	100%	Spanish stock exchanges (Madrid, Barcelona, Bilbao, Valencia)	13.58	12.23	euros			
Refinería La Pampilla, S.A.	901,599,999	100%	Lima Stock Exchange	0.63	0.64	soles			
Compañía Logística de Hidrocarburos, CLH	1,779,049	2.54%							
			Serie A	90,000	100.00%	Spanish stock exchanges	22.50	22.96	euros
			Serie D	1,689,049	100.00%	(Madrid, Barcelona, Bilbao, Valencia)			

⁽¹⁾ Repsol's American Depositary Shares (ADSs) are traded on the OTCQX, an OTC (over the counter) US trading platform.

16.2

Share premium

The share premium at December 31, 2012 and 2011 amounted to €6,428 million. The Spanish Companies Act expressly permits the use of the share premium account balance to increase capital and does not establish any specific restrictions as to its use.

16.3

Reserves

Legal reserve

Under the Spanish Companies Act, 10% of net income for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

Revaluation Reserve

The balance of "*Revaluation Reserve*" (Royal Decree-Law 7/1996 of June 7) can be used, free of tax, to offset losses (both prior years' accumulated losses, current year losses or losses which might arise in the future), and to increase capital. From January 1, 2007, the balance of this account can be taken to unrestricted reserves, provided that the monetary surplus has been realized. The surplus will be deemed to have been realized in respect of the portion on which depreciation has been taken for accounting purposes or when the revalued assets have been transferred or derecognized. The distribution of these reserves would give rise to entitlement to a dividend double taxation tax credit. If this balance were used in a manner other than as exposed it would be subject to taxation.

Other reserves

It includes mainly the transition to IFRS reserve, which comprises the adjustments related to the differences between the previous accounting principles and the IFRS, from events and transactions before the transition date to IFRS (January 1, 2004) and all the results created and not distributed as dividends, which had not been recognized in any of the different reserves previously mentioned.

16.4

Treasury shares and own equity instruments

The Annual Shareholders' Meeting held on April 30, 2010, authorized the Board of Directors for the derivative acquisition of shares of Repsol, by sale, purchase, exchange or any other onerous legal business modality, directly or through controlled companies, up to a maximum number of shares, that added to those already own directly or through controlled companies, not exceeding 10% of the share capital and for a price or equivalent value that may not be lower than the nominal value of the shares nor exceed the quoted price on the stock exchange.

The authorization is valid for 5 years from the date of the Shareholders' Meeting and leaved without effect, in the non-used part the equivalent resolution approved by the Annual Shareholders' Meeting held on May 14, 2009.

On December 20, 2011, Repsol acquired 122,086,346 treasury shares of 1 euro par value each, representing 10% of its share capital, in furtherance of the resolution unanimously adopted by the Board of Directors on 18 December. The decision was adopted after receiving news that the creditor banks of Sacyr Vallehermoso had decided not to renew the credit facility previously awarded in order to acquire 20% of Repsol, or would condition its partial refinancing upon the sale of 10% of its shares in the company. This package was acquired at a price of €21.066 per share for a total of €2,572 million.

In January 2012, Repsol made a placement among professional and qualified investors of 61,043,173 of its own shares (treasury shares), representing 5% of Repsol share capital at a price of 22.35 euros per share for a total amount of €1,364 million. Repsol agreed with the placing entities that the remaining 5% of the treasury shares that was still held on that date will have a lock up period of 90 days. At the date of these consolidated financial statements the lock up period was finalized.

Under the framework of the Share Acquisition Plan approved at the Annual Shareholders' Meeting on April 15, 2011, in 2012 the Group acquired a total of 585,441 shares representing 0.046% of current share capital (which stands at 1,282,448,428 shares following the capital increases detailed in section 16.1 above, "Share capital") at a cost of €9.1 million. These shares have been delivered to the employees of the Repsol Group signed up to the scheme. In 2011, under the umbrella of this same plan, the Company acquired a total of 298,117 shares, representing 0.024% of share capital, at a cost of €6.6 million, which were delivered to the Repsol Group employees signed up to the scheme.

In conjunction with first of the capital increase detailed in section 16.1 above, "Share capital", in July the Group received a total of 2,936,789 new shares corresponding to the shares held as treasury stock and representing 0.23% of Repsol's share capital after the said capital increase (1,256,178,727 shares).

In addition, the Group acquired 3,619,332 own shares in 2012, representing 0.28% of share capital after the capital increase described in section 16.1 above, "Share capital", each with a par value of €1, for a total of €52 million. During the year, the Group sold 4,736,702 shares representing 0.37% of share capital for a pre-tax sum of €76 million. In 2011, the Group acquired a total of 6,685,499 own shares, each with a par value of 1 euro, representing 0.55% of share capital, for €125 million. These shares were sold during the year for a pre-tax sum of €140 million.

In January 2013, as a result of the second of the bonus share issues detailed in section 16.1 above, "Share capital", the Group received a total of 1,904,926 new shares corresponding to the shares held as treasury stock and representing 0.15% of Repsol's share capital after the said capital increase.

At December 31, 2012 and 2011, the treasury shares held by Repsol and/or other companies within the Group, represented 5.05% and 10.00% of its share capital respectively.

16.5

Adjustments for changes in value

This heading includes:

Financial assets available for sale

It comprises the profits and losses, net of the related tax effect, corresponding to changes in the fair value of non-monetary assets classified within the category of financial assets available for sale.

Other financial instruments

This heading recognizes the fair value changes, net of the related tax effect, which are recognized directly in equity, on the shares subject to expropriation (section 5.3 of Note 5).

Hedging transactions

It comprises the effective part, net of the related tax effect, of changes in the fair value of derivative instruments defined as cash flow hedges (section 3.4.24 of Note 3 and Note 22).

Translation differences

This item corresponds to exchange differences recognized in equity as a result of the consolidation process described in Note 3.4.1, and the measurement at fair value of the financial instruments assigned as net investment hedges in foreign transactions (see note 22) in accordance to the method described under section 3.4.24 of Note 3.

The movement in adjustments for changes in value is presented in the consolidated statement of recognized income and expenses by item and before the corresponding tax effect. The tax effects of the changes set out in the 2012 and 2011 statements of recognized income and expense are broken down in the following table:

	Recognized in equity		Transfer to the income statement		TOTAL	
	2012	2011	2012	2011	2012	2011
Millions of euros						
Measurement of financial assets available for sale	(11)	4	(8)	–	(19)	4
Other financial instruments	(4)	–	–	–	(4)	–
Cash flow hedges	6	24	(6)	(20)	–	4
Translation differences	(1)	(9)	–	–	(1)	(9)
Actuarial gains and losses and other adjustments	9	5	–	–	9	5
	(1)	24	(14)	(20)	(15)	4

16.6

Shareholder remuneration

The following table details the dividends and other forms of remuneration paid by Repsol, S.A. to its shareholders in 2012 and 2011:

	DECEMBER 31, 2012			DECEMBER 31, 2011		
	% Nominal	Euros per share	Amount	% Nominal	Euros per share	Amount
Ordinary shares	57.75%	0.5775	635	105.0%	1.050	1,282
Remaining shares (without vote, recovery, etc.)	-	-	-	-	-	-
Total dividends paid	57.75%	0.5775	635	105.0%	1.050	1,282
a) Dividends charged to results	57.75%	0.5775	635	105.0%	1.050	1,282
b) Dividends charged to reserves or share premium	-	-	-	-	-	-
c) Dividends in kind	-	-	-	-	-	-

The remuneration received by shareholders in 2011 corresponds to the interim dividend from 2010 profits, which amounted to €641 million (€0.525 per share before tax) and was paid on January 13, 2011 and the final dividend from 2010 profits, approved at the Annual Shareholders' Meeting of Repsol, S.A. on April 15, 2011, which amounted to €641 million (€0.525 per share before tax) and was paid on July 7, 2011.

The remuneration received in 2012 includes the interim dividend from 2011 profits, which totaled €635 million (€0.5775 per share before tax) and was paid on January 10, 2012 in respect of each of the Company's outstanding shares carrying dividend rights.

In 2012 shareholders also was remunerated through a scrip dividend scheme under the "Repsol Flexible Dividend" program which replaced the traditional final dividend against 2011 profits. Under this program, the Company's shareholders can choose to receive their remuneration in cash or paid-up shares. This program materializes in two bonus share issues along with an irrevocable commitment on the part of Repsol, S.A. to purchase the free-of-charge allocation rights deriving from the capital increase at a guaranteed fixed price, as detailed in section 16.1 above, "Share capital".

In June and July 2012, the months in which the final cash dividend in respect of the prior-year earnings was traditionally paid, the Company undertook a free-of-charge capital increase under the framework of its Flexible Dividend Program.

Under the scrip dividend program, holders of 443,927,625 rights accepted the irrevocable commitment assumed by Repsol, S.A. to purchase their rights at a guaranteed pre-tax price of €0.545 per right. As a result, Repsol, S.A. acquired the above-mentioned rights for a pre-tax sum of €242 million, renouncing the shares corresponding to the free-of-charge allocation rights acquired by virtue of its purchase commitment. In addition to the above €242 million cash payment, shareholder remuneration included a further €423 million share-based payment, corresponding to the 35,315,264 new shares issued as a result of the execution of the capital increase, which increased share capital by approximately 2.89%.

In December 2012 and January 2013, a further capital increase was completed, as approved in resolution 11 of the agenda for the Annual Shareholders' Meeting of May 31, 2012, in order to execute, once again, the scrip dividend program, which replaced what would have traditionally been the interim dividend against 2012 profits (see section 16.1, "Share capital" above).

Under this program, the holders of 389,278,581 rights accepted the irrevocable commitment assumed by Repsol, S.A. to purchase the rights at a guaranteed pre-tax price of €0.473 per right. As a result, Repsol, S.A. acquired the above-mentioned rights for a pre-tax sum of €184 million, renouncing the shares corresponding to the bonus share rights acquired by virtue of its purchase commitment. In addition to the above €184 million cash payment, shareholder remuneration included a further €410 million share-based payment, corresponding to the 26,269,701 new shares issued as a result of the bonus share issue, which increased share capital by approximately 2.09%.

16.7

Earnings per share

Earnings per share at December 31, 2012 and 2011 are detailed below:

	2012	2011
Net income attributable to the parent company (millions of euros)	2,060	2,193
Net income attributable to the parent company for discontinued operations (millions of euros)	170	536
Weighted average number of shares outstanding (millions of shares)	1,213	1,273
EARNINGS PER SHARE ATTRIBUTED TO THE PARENT (EUROS)	2012	2011
Basic		
BPA basic attributed to parent	1.70	1.72
BPA basic attributed to parent for discontinued operations	0.14	0.42
Diluted		
BPA basic attributed to parent	1.70	1.72
BPA basic attributed to parent for discontinued operations	0.14	0.42

Two bonus share issues took place in July 2012 and January 2013 under the umbrella of the scrip dividend scheme known at the Company as the "Repsol Flexible Dividend" program. These issues were recognized for accounting purposes on June 30, 2012 and December 31, 2012, respectively, so that share capital at year end 2012 comprised 1,282,448,428 shares.

The number of shares outstanding at December 31, 2011 was 1,220,863,463; however, the weighted average number of shares outstanding at year end 2011 has been modified with respect to the number used to calculate earnings per share in the 2011 financial statements in order to reflect the impact of these bonus share issues, in keeping with applicable accounting regulations (Section 3.3 of Note 3.3 "Comparison of information").

16.8

Minority interests

The equity attributable to minority interests at year end 2012 and 2011 relates basically to the following companies:

Millions of euros	2012	2011
YPF S.A.	-	2,762
Gas Natural Fenosa group companies ⁽¹⁾	485	494
Refinería La Pampilla, S.A.	134	134
Petronor, S.A.	103	100
Other companies	48	15
TOTAL	770	3,505

NOTE: In 2012, as a result of the loss of control and the expropriation process (Note 5), "Minority interests" corresponding to YPF and YPF Gas were derecognized.

⁽¹⁾ This heading includes preference shares issued by Unión Fenosa Preferentes, S.A., part of the Gas Natural Fenosa Group, with a face value of €225 at December 31, 2012 and 2011 respectively (proportionate to Repsol Group's interest in Gas Natural Fenosa).

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Grants

The Grants recognized in the consolidated balance sheet in the amounts of €61 million at year end 2012 and €118 million at year end 2011 correspond mainly to subsidies for the construction of gas or electrical infrastructure (€51 million at year end 2012 and €64 million at year end 2011). At December 31, 2011 several grants from YPF were included for €48 million which at 2012 has been derecognized from the consolidated balance sheet after the loss of control of YPF and YPF Gas.

Revenues at December 31, 2012 and 2011 in relation to non-financial assets grants are transferred to the income statement under the heading "Allocations of grants on non-financial assets and other grants" amounting to €13 million and €17 million respectively. Meanwhile, grants related to income are recognized in the income statement under the heading "Other operating income" and amounted to €21 million in 2012 and €2 million in 2011. Grants released to income in 2011 corresponding to YPF amounted to €70 million and have been reclassified to "Net income for the year from discontinued operations".

18

Current and non-current provisions

The breakdown of provisions at year end and the changes in this heading in 2012 and 2011 are as follows:

Millions of euros							
	Provisions for pensions ⁽¹⁾	Provision for field dismantling costs	Provisions for contracts	Environment ⁽⁸⁾	CO ₂ Emissions	Other provisions	TOTAL
Current and non-current provisions for contingencies and expenses							
BALANCE AT JANUARY 1, 2011	257	1,433	417	254	182	1,633	4,176
Period provisions charged to results ⁽¹⁾	14	26	30	4	94	140	308
Reversals of provisions with a credit to results ⁽²⁾	(1)	(4)	(73)	(3)	–	(98)	(179)
Provisions released due to payment	(24)	(2)	(42)	(10)	(2)	(93)	(173)
Changes in the scope of consolidation	(1)	–	–	–	–	–	(1)
Translation differences	–	22	2	–	–	2	26
Reclassifications and other changes ⁽³⁾	9	216	–	–	(179)	(74)	(28)
YPF and YPF Gas subgroup movements ⁽⁴⁾	1	153	(32)	10	–	17	149
BALANCE AT DECEMBER 31, 2011	255	1,844	302	255	95	1,527	4,278
Period provisions charged to results ⁽¹⁾	14	30	60	13	112	233	462
Reversals of provisions with a credit to results ⁽²⁾	–	(13)	–	(2)	–	(80)	(95)
Provisions released due to payment	(22)	(1)	(50)	(8)	–	(201)	(282)
Changes in the scope of consolidation	–	(4)	–	–	–	(17)	(21)
Translation differences	5	(12)	(4)	–	–	(4)	(15)
Reclassifications and other changes ⁽³⁾	26	159	–	–	(95)	(4)	86
YPF and YPF Gas subgroup movements ⁽⁵⁾	(1)	(35)	1	(16)	–	(13)	(64)
Expropriation YPF and YPF Gas ⁽⁶⁾	(29)	(1,150)	(99)	(191)	–	(331)	(1,800)
BALANCE AT DECEMBER 31, 2012	248	818	210	51	112	1,110	2,549

NOTE: The movements in 2011 have been modified respect to the one that appears in the consolidated financial statements 2011 in order to separate the changes generated by YPF and YPF Gas in that mentioned year.

⁽¹⁾ Includes €132 and €93 million in relation with discounting provisions to the present value in 2012 and 2011 respectively.

⁽²⁾ Includes the cancellation of provisions for certain items recognized by Group companies in several countries, due to changes in the circumstances that had given rise to their initial recognition.

⁽³⁾ Column headed "Provision for field dismantling costs" includes €159 and €216 million in 2012 and 2011 respectively corresponding to additions to property, plant and equipment and the provision made for field dismantling charges. In addition, "Other provisions" in 2011 in the table above reflects the reclassification to "Trade payables" of €355 million following the agreement reached between Gas Natural Fenosa and Sonatrach resolving their dispute over the price applicable to the gas supply agreements with Sagane, S.A., a Gas Natural Fenosa Group company, which were settled in 2011. The figures stated correspond to the Group's proportionate interest in Gas Natural Fenosa. In 2011 this heading also includes additions as a result of risks associated with foreign transactions (Note 25).

⁽⁴⁾ The breakdown of the net changes corresponding to YPF e YPF Gas in 2011 were as follows: (I) Period provisions charged to results amounting to €228 million, (II) Reversals of provisions with a credit to results amounting to €9 million, (III) Provisions released due to payment amounting to €189 million, (IV) Translation differences amounting to €61 million, (V) Reclassification and other changes amounting to €58 million.

⁽⁵⁾ Includes movements related to YPF and YPF Gas from January 1, 2012 to the loss of control of the Group in these companies.

⁽⁶⁾ This caption discloses the derecognition from the consolidated balance sheet at the moment of the loss of control of YPF and YPF Gas by the Group, according to the facts described in Note 5.

⁽⁷⁾ Note 19.

⁽⁸⁾ Note 36.2.

"Other provisions" includes the provisions recognized to cover liabilities deriving principally from tax claims and legal and arbitration proceedings. Additional information is disclosed in Note 25 "Tax Situation" and Note 35 "Contingent liabilities and obligations".

The next table provides an estimate of when the Group is likely to have the settlement timetable of provisioned contingencies and expenses recognized at the end of the reporting period. Nevertheless, due to the nature of the risks provisioned, these timing assessments are subject to uncertainty and changes that are beyond the Group's control. As a result, this schedule could change in the future according to the circumstances underpinning the estimates.

Millions of euros				
	Less than one year	One to five years	More than five years and/or undetermined	TOTAL
Provisions for pensions	–	83	165	248
Provisions for field dismantling costs	2	113	703	818
Provision for contracts	–	175	35	210
Environment	–	51	–	51
CO ₂ Emissions	112	–	–	112
Other	177	350	583	1,110
TOTAL	291	772	1,486	2,549

19

Pension plans and other personnel obligations

a. Defined contribution pension plans.

Repsol has defined contribution plans for certain employees in Spain, which conform to current legislation. The main features of these plans are as follows:

- I. They are mixed plans to cover retirement, disability and death of the participants.
- II. The sponsor (Repsol) undertakes to make monthly contributions of certain percentages of serving employees' salaries to external pension funds.

Outside Spain, through its subsidiaries, the Group also has a defined contribution pension plan for their employees and directors of its main companies, in which the company contributes basically the same amount as the participant up to a stipulated ceiling.

Also, the Gas Natural Fenosa Group has defined contribution pension plans for certain employees.

The annual cost charged to "Personnel expenses" in the consolidated income statement in relation to the defined contribution plans detailed above amounted to €51 million in 2012 and €52 million in 2011 (€4 million corresponded to YPF S.A. and YPF Gas S.A.).

Executives of the Repsol Group in Spain are beneficiaries of an executive pension plan that complements the standard pension plan denominated "Plan de previsión de Directivos" (Management remuneration plan) which covers the participant retirement, disability and death. Repsol makes defined contributions based on a percentage of participants' salaries. The plan guarantees a fixed return equivalent to 125% of the prior year National Consumer Price Index. The plan is instrumented through collective insurances that cover pension obligations, subscribed with an insurance entity. Premiums paid under these policies finance and externalize the Group's commitments in respect of ordinary contributions, as well as the fixed return mentioned above. The officer (or his/her beneficiaries) becomes entitled to receive the plan benefits in the event of retirement, death or total permanent disability, and under certain other circumstances defined in the plan rules. The cost of this plan recognized under "Personnel expenses" in the 2012 and 2011 consolidated income statement was €13 million and €3 million, respectively.

b. Defined benefit pension plans

Repsol, primarily through Gas Natural Fenosa, has arranged defined benefit pension plans for certain employee groups in Spain, Brazil, Colombia and the United States, among other countries. The breakdown of the provisions recognized in connection with these plans is as follows:

Millions of euros	2012	2011 ⁽¹⁾
Spain (see b.1)	114	107
Colombia (see b.2)	105	85
Brazil (see b.3)	20	18
United States	8	33
Other	1	12
TOTAL	248	255

NOTE: In 2012, as a result of the loss of control and the expropriation process (Note 5), intercompany balances with YPF and YPF Gas were derecognized. At December 31, 2011 it includes amounts with YPF Group through its subsidiary YPF Holdings in "United States" amounting €27 million and "Rest" amounting to €3 million euros.

b.1. At December 31, 2012 and 2011, the Group maintained, through Gas Natural Fenosa, the following commitments for certain employee groups in Spain:

- Pensions for retirees, disabled employees, widows and orphans in certain employee groups.
- Commitments to top up defined benefit pensions for inactive personnel of the former Unión Fenosa Group retiring before November 2002 and a residual portion of serving employees.
- Retirement and life insurance cover for certain employee groups.
- Gas bill discounts for serving and retired personnel.
- Electricity for serving and retired personnel.
- Commitments through official retirement age to employees opting for early retirement schemes and early retirement schemes.
- Salary supplements and social security contributions for a group of early retirees until ordinary retirement age.
- Healthcare coverage and other benefits.

b.2. At December 31, 2012 and 2011 the Group had the following commitments to certain groups of employees in Colombia:

- Pension commitments to retired employees.
- Electricity for active and retired personnel.
- Healthcare insurance and other post-retirement benefits.

b.3. At December 31, 2012 and 2011, Repsol maintained, through its interest in Gas Natural Fenosa, the following commitments for certain employee groups in Brazil:

- A post-employment defined benefit plan providing cover for retirement, workplace death, disability pensions, and general amounts.
- Post-employment healthcare insurance.
- Other post-employment defined benefit plans guaranteeing temporary pensions, life insurance and general amounts depending on years of service.

The breakdown of the main provisions for pension and other similar commitments recognized in the accompanying consolidated balance sheet by country, and the changes in the present value of the related commitments and the fair value of the plan assets, is as follows:

Millions of euros	2012				2011			
	Spain	Colombia	Brazil	U.S.	Spain	Colombia	Brazil	U.S.
Present value of plan commitments								
AT JANUARY 1	340	85	56	33	362	81	52	4
Changes to consolidation scope	–	–	–	–	–	–	–	–
Annual service cost	1	–	–	1	1	–	–	1
Interest expense	15	7	5	–	14	6	5	–
Actuarial gains and losses	41	11	8	1	(13)	9	8	1
Benefits paid	(26)	(11)	(3)	–	(27)	(10)	(4)	–
Transfers and cancellations	(5)	6	1	–	3	(3)	–	–
Currency translation differences	–	7	(6)	–	–	2	(5)	–
YPF and YPF Gas subgroup movements	–	–	–	–	–	–	–	27
YPF and YPF Gas expropriation	–	–	–	(27)	–	–	–	–
AT DECEMBER 31	366	105	61	8	340	85	56	33
Fair value of plan assets								
AT JANUARY 1	233	–	37	–	253	–	35	–
Changes to consolidation scope	–	–	–	–	–	–	–	–
Expected return	10	–	5	–	10	–	4	–
Contributions	2	–	2	–	3	–	2	–
Actuarial gains and losses	30	–	4	–	(13)	–	4	–
Benefits paid	(20)	–	(3)	–	(20)	–	(3)	–
Transfers	(3)	–	–	–	–	–	–	–
Currency translation differences	–	–	(4)	–	–	–	(4)	–
YPF and YPF Gas subgroup movements	–	–	–	–	–	–	–	–
YPF and YPF Gas expropriation	–	–	–	–	–	–	–	–
AT DECEMBER 31	252	–	41	–	233	–	38	–
Provision for pensions and similar commitments	114	105	20	8	107	85	18	33

The amounts recognized in the consolidated income statement for all the above-listed pension plans are the following:

Millions of euros	2012				2011 ⁽¹⁾			
	Spain	Colombia	Brazil	U.S.	Spain	Colombia	Brazil	U.S.
Annual service cost	1	–	–	1	1	–	–	–
Interest expense	15	7	5	–	14	6	5	–
Expected return on plan assets	(10)	–	(5)	–	(10)	–	(4)	–
Income statement charge	6	7	–	1	6	6	1	–

⁽¹⁾ Includes the necessary modifications with respect to the consolidated financial statements for the year 2011 in connection with the expropriation process of YPF S.A. and YPF Gas S.A. shares in connection with Note 3, Section 3.3 *Comparison of information*.

The accumulated balance of actuarial gains and losses, net of tax, recognized directly in equity was a net loss of €19 million and €12 million in 2012 and 2011 respectively.

The pension plans outlined above are primarily invested in bonds, and to a lesser extent, other securities and real estate assets.

The actual return on plan assets held through Gas Natural Fenosa Group companies in 2012 and 2011, corresponding to Spain and Brazil, was €15 million and €14 million respectively.

The actuarial assumptions used were the following:

	2012				2011			
	Spain	Colombia	Brazil	U.S.	Spain	Colombia	Brazil	U.S.
Discount rate ⁽¹⁾	1.0% - 4.7%	4.8 - 6.5%	9.8%	4.09% - 4.68%	3.1% - 4.9%	7.8%	11.4%	5.61% - 3.4%
Expected return on plan assets ⁽¹⁾	1.0% - 4.7%	4.8 - 6.5%	9.8%	N/A	3.1% - 4.9%	7.8%	12.8%	N/A
Assumed salary growth ⁽¹⁾	3.0%	2.5% - 3.3%	7.7%	N/A	3.0%	2.75%	7.6%	N/A
Assumed pension growth ⁽¹⁾	2.5%	2.5% - 3.3%	5.5%	N/A	2.5%	2.75%	5.5%	N/A
Inflation rate ⁽¹⁾	2.5%	2.5%	5.5%	N/A	2.5%	2.75%	5.5%	N/A
Mortality table	PERMF 2000	RV08	AT-83	N/A	PERMF 2000	RV08	AT-83	N/A

⁽¹⁾ Annual.

c. Medium and long-term incentive plan

The company has implemented a loyalty building program aimed at senior executives and other persons occupying positions of responsibility in the Group, consisting of medium/long-term incentives as part of their benefit package. The purpose of this program is to strengthen the identification of executives and managers with shareholders' interests, based on the company's medium and long-term earnings sustainability as well as the compliance with the strategic business plan targets, while at the same time facilitating the retention by the Group of key personnel.

The President of the Company is not a recipient of any plan of the incentives available to date, although in his current compensation package, the level of success of each program at expiration serves as reference to determine the multi-annual compensation corresponding to each period, which is credited in the following period.

At year end, the 2009-2012, 2010-2013, 2011-2014 and 2012-2015, incentive programs were in force, although it is important to point out that the first of these plans (2009-2012) was closed, as originally stipulated, on December 31, 2012 and its beneficiaries will their bonuses, if any, during the first semester of 2013.

The three plans of this type in force (2010-2013, 2011-2014, and 2012-2015 incentive plans) are independent of each other but their main characteristics are the same. All four are specific pluri-annual remuneration plans covering the stated years. Each plan is tied to the Group attaining a series of strategic objectives. Fulfillment of the respective objectives entitles the beneficiaries of each plan to receive an amount of variable remuneration at medium term in the first quarter of the year following the last year of the plan. However, in each case, receipt of this incentive payment is tied to the beneficiary remaining in the Group's employ until December 31 of the last year of the plan, except in the special cases envisaged in the terms and conditions of the related plan.

In all cases, the pluri-annual incentive payment, if received, will consist of an amount determined at the time the incentive is granted, to which a first variable coefficient will be applied on the basis of the extent to which the objectives set are achieved, which will be then multiplied by a second variable coefficient tied to the beneficiary's average individual performance under the Target Management scheme during the years used for benchmarking under each incentive program; these results are in turn used to determine performance-based pay.

None of these plans involve the delivery of shares or options and the incentive payments are not tied to the value of Repsol shares, even though the beneficiaries of these plans may also be entitled to simultaneously participate in the payment plans disclosed in Note 19.d) i).

To reflect the commitments assumed under these incentive plans, the Group recognized a charge of €11 and €17 million in the 2012 and 2011 consolidated income statement, respectively. In 2012 and 2011 the Group had recognized provisions totaling €45 and €56 million to meet its obligations under all the aforementioned plans respectively.

d. Share-based payment plans

Two Repsol, S.A. share-based payment plans proposals were approved at the Company's General Meeting on April 15, 2011:

I. "Plan for Delivery of Shares to Beneficiaries of the Pluri-annual Remuneration Programs".

This plan, which is divided into five cycles (2011-2014, 2012-2015, 2013-2016, 2014-2017 and 2015-2018), is targeted to Executive Directors, the rest of the executives and Group employees that are named beneficiaries of certain of the pluri-annual remuneration plans currently in effect, and allows the beneficiaries that wish to do so, (the "Participants") the possibility of investing in up to 50% of the pre-tax pluri-annual bonus payment received in year one of each cycle in Repsol, S.A. shares. Such investments must be made no later than May 31 of each calendar year, following receipt of the corresponding pluri-annual bonus payment (Initial Investment).

The Participants in each of the Plan Cycles will be entitled to receive one Repsol, S.A. share for every three purchased in the Initial Investment corresponding to each cycle, as long as all the shares acquired in the Initial Investment are held by the beneficiary for a three-year period (Vesting Period).

A total of 187 employees and officers have signed up for the Second Cycle of the Plan (2012-2015), to which end they acquired a total of 294,689 shares at an average price of €12.2640 per share on May 31, 2012. As a result, the Group's commitment to delivering shares to those employees that meet the Plan's vesting requirements at the end of the three-year vesting period totals 98,161 shares.

As part of this Second Cycle, the current members of the Executive Committee acquired a total of 131,395 shares. Adding in the number of shares acquired under the First Cycle (a total of 79,611), Repsol has committed to deliver 26,534 shares at the end of the vesting period for the First Cycle and 43,795 shares at the end of the vesting period for the Second Cycle, in all instances subject to delivery of the vesting terms.

A total of 350 employees signed up for the First Cycle of the Plan (2011-2014) to which end they acquired a total of 227,498 shares at an average price of €23.5357 per share on May 31, 2011, which implies that the Group is committed to delivering 75,710 shares to those employees who comply with the Plan requirements after the three-year Vesting Period ends.

As a result of this Plan, at December 31, 2012 and 2011, the Group had recognized an expense of €0.66 and €0.23 million under "Personnel expenses" with a counterbalancing entry under "Retained earnings and other reserves" in equity, respectively.

II. "2011-2012 Share Acquisition Plan".

This plan is targeted at Repsol Group executives and staff in Spain and is designed to enable interested beneficiaries to receive up to €12,000 of their annual remuneration in 2011 and 2012 in the form of Company shares in accordance with the closing price of Repsol, S.A. on the continuous market of the Spanish stock exchanges on the date of delivery to the beneficiaries (established monthly).

As disclosed in Note 16.4), in 2012 and 2011 585,441 and 298,117 treasury shares were acquired for a total of €9.1 and €6.6 million for delivery to employees. These shares represented 0.046% and 0.024% of the share capital of the parent company.

The shares to be delivered under both plans i) and ii) may be sourced from Repsol's directly or indirectly held treasury shares, new-issued shares or from third party entities with whom the Group has entered into agreements to guarantee coverage of the commitments assumed.

At the Annual General Meeting of May 31, 2012, a voluntary Share Acquisition Plan for 2013-2015 was approved for executives and other employees of the Repsol Group in Spain. Under this Plan, the beneficiaries can choose to receive some of their compensation in either or each of 2013, 2014 and 2015 in the form of Repsol shares up to an annual limit, namely the maximum monetary equivalent of shares which, in keeping with prevailing tax legislation in each year and territory, is not considered taxable income for personal income tax purposes. The shares to be delivered will be valued at Repsol's closing share price on the continuous Spanish stock market on the date of delivery to the beneficiaries.

20

Financial liabilities

This note discloses the categories of financial liabilities included in the balance sheet line-items outlined below.

Millions of euros	2012	2011
Non-current financial liabilities	15,300	15,345
Non-current derivatives on trading transactions ⁽¹⁾	–	3
Current financial liabilities	3,790	4,985
Current derivatives on trading transactions ⁽¹⁾	41	42
	19,131	20,375

NOTE: In 2012, as a result of the loss of control and the expropriation process (Note 5) “Non-current financial liabilities” and “Current financial liabilities” corresponding to YPF, YPF Gas and their group companies were derecognized. At December 31, 2011 “Non-current financial liabilities” and “Current financial liabilities” corresponding to YPF Group and YPF Gas Group amounted to €741 million and €1,468 million, respectively.

⁽¹⁾ Recognized under “Other payables” in the consolidated balance sheet.

Following is a breakdown of the financial liabilities acquired, most of which are secured with a personal guarantee, at December 31, 2012 and 2011:

Millions of euros	DECEMBER 31, 2012				
	Financial liabilities held for trading	Financial liabilities at amortized cost	Hedging derivatives	Total	Fair value
Bank borrowings	–	3,457	–	3,457	3,467
Bonds and other securities ⁽¹⁾	–	11,616	–	11,616	12,228
Derivatives	28	–	199	227	227
Long-term debts/ non-current financial liabilities	28	15,073	199	15,300	15,922
Bank borrowings	–	2,164	–	2,164	2,164
Bonds and other securities	–	1,556	–	1,556	1,578
Derivatives	105	–	6	111	111
Short-term debts/current financial liabilities	105	3,720	6	3,831	3,853
TOTAL ⁽²⁾	133	18,793	205	19,131	19,775

Millions of euros	DECEMBER 31, 2011				
	Financial liabilities held for trading	Financial liabilities at amortized cost	Hedging derivatives	Total	Fair value
Bank borrowings	–	4,806	–	4,806	4,819
Bonds and other securities ⁽¹⁾	–	10,331	–	10,331	10,476
Derivatives	6	–	203	209	209
Long-term debts/ non-current financial liabilities	6	15,137	203	15,346	15,504
Bank borrowings	–	2,896	–	2,896	2,901
Bonds and other securities ⁽¹⁾	–	2,006	–	2,006	2,007
Derivatives	115	–	12	127	127
Short-term debts/current financial liabilities	115	4,902	12	5,029	5,035
TOTAL ⁽²⁾	121	20,039	215	20,375	20,539

⁽¹⁾ Includes preference shares amounting to €3,182 million and €3,179 million at December 31, 2012 and 2011, respectively.

⁽²⁾ At year end 2012 and 2011, the balance sheet includes €2,745 million and €2,864 million, respectively recognized under “Other non-current liabilities” and €224 million and €223 million, respectively recognized under “Other payables” corresponding to finance leases measured using the amortized cost method not included in the table above.

The classification of the financial liabilities recognized in the financial statements at fair value, by fair value calculation method level hierarchy, is as follows:

Millions of euros	Level 1		Level 2		Level 3		TOTAL	
	2012	2011	2012	2011	2012	2011	2012	2011
Financial liabilities held for trading	15	16	118	105	–	–	133	121
Hedging derivatives	–	–	205	215	–	–	205	215
TOTAL	15	16	323	320	–	–	338	336

Level 1: Valuations based on a quoted price in an active market for an identical instrument.

Level 2: Valuations based on a quoted price in an active market for similar financial assets or based on other valuation techniques that rely on observable market inputs.

Level 3: Valuations based on inputs that are not directly observable in the market.

In relation with liquidity risk, disclosure of maturities relevant to Repsol funding at December 31, 2012 and 2011 is provided in paragraph 21.1.2).

The breakdown of average balances outstanding and cost by instrument is as follows:

	2012		2011	
	Average volume	Average cost	Average volume	Average cost
Bank borrowings	5,535	2.85%	6,456	3.67%
Preference shares	3,182	4.78%	3,229	3.70%
Obligations	9,550	4.69%	8,474	4.43%
	18,267	4.15%	18,160	4.03%

20.1

Bank borrowings

The Group closed three standalone financing agreements for an aggregate €1 billion in June and July 2012 by arranging certain derivatives for a 12-month term. These liabilities are recognized under “Bank borrowings, bonds and other securities” on the Group’s balance sheet. To secure its payment obligations under these derivative instruments, the Group

has pledged a total of 104,762,387 shares of Gas Natural SDG owned by the Repsol Group (representing 10.47% of this entity's share capital), as provided for in Legislative-Royal Decree 5/2005. The above transactions do not imply the transfer of ownership of the shares of Gas Natural SDG, S.A. At all times Repsol will maintain the voting and dividend rights attaching to these shares.

20.2 Bonds and other securities

The chart below discloses issues, buybacks and repayments of debt securities (recognized under current and non-current "Bonds and other securities") in 2012 and 2011:

Millions of euros	BALANCE AT 12/31/2011	(+) Issuances	(-) Repurchases or reimbursement	(+/-) exchange rate and other adjustment	(-) YPF y R. YPF Gas derecognition	BALANCE AT 12/31/2012
Bonds and other debt securities issued in the European union with prospectus	11,836	5,168	(4,271)	123		12,856
Bonds and other debt securities issued outside European Union	501	43	(54)	6	(180)	316
TOTAL	12,337	5,211	(4,325)	129	(180)	13,172

Millions of euros	BALANCE AT 12/31/2010	(+) Issuances	(-) Repurchases or reimbursement	(+/-) exchange rate and other adjustment	BALANCE AT 12/31/2011
Bonds and other debt securities issued in the European Union with prospectus	11,453	5,325	(4,912)	(30)	11,836
Bonds and other debt securities issued outside European Union	988	130	(602)	(15)	501
TOTAL	12,441	5,455	(5,514)	(45)	12,337

Main issues in 2012

The Group, through Repsol International Finance B.V., holds a medium term note program "Euro 10,000,000,000 Guaranteed Euro Medium Term Note" (EMTNs, registered on October 27, 2011 and up to a maximum amount of €10 billion and registered with the Luxembourg *Commission de Surveillance du Secteur Financier*. On January 19, 2012 the Group, through Repsol International Finance, B.V., issued €750 million of 4.875% bonds under this program; the bonds mature seven years and one month after the issue date. This issue was increased on February 14, 2012 with the placement of a further €250 million at the same rate and with the same maturity. Both issues, secured by Repsol, S.A., are part of the same series of bonds. Their aggregate face value of €1,000 million and they are listed on the Luxembourg Stock Exchange. In addition, on September 20, 2012, the Group issued €750 million bonds under this program ; the bonds of 4.375% fixed interest rate, due five years and five months after the issuance date and are traded on the Luxembourg Stock Exchange. This program was renewed on October 25, 2012.

In addition, the Group, through its subsidiary Repsol International Finance, B.V., holds a Euro Commercial Paper (ECP) Program, arranged on March 26, 2010, up to a maximum amount of €1,500 million which is guaranteed by Repsol S.A. The ECP Program was increased to €2,000 million on October 25, 2010. During 2012, RIF issued €2,192 nominal million and \$57.3 nominal million under this Program. The balance outstanding of the issuances under this program stood at €189 nominal million at December 31, 2012.

Gas Natural Fenosa has a European Medium Term Notes (EMTN) program for up to €3,600 million at December 31, 2012. In February 2012, it issued €225 million of eurobonds due 2018 under this program; in September 2012 it issued €240 million due 2020; and in October 2012 it issued €150 million due 2017. At December 31, 2012, Gas Natural Fenosa had drawn down a total of €2,881 million under its EMTN program. The amounts in millions of euros are stated at the Group's proportionate interest in Gas Natural Fenosa.

Additionally, Gas Natural Fenosa, holds a €300 million Euro Commercial Paper (ECP) program, arranged on March 23, 2010. The issuer is one of its group companies, Gas Natural Fenosa Finance B.V. (before known as Unión Fenosa Finance B.V). In 2012, a total amount of €588 million of commercial paper under this program was issued. The balance outstanding under this program stood at €47 million at December 31, 2012, leaving an undrawn balance of €253 million. Gas Natural Fenosa has not renewed its €300 million corporate promissory note program (last renewed in July 2011). Issues outstanding under this program at year end 2012 totaled €4 million. The amounts in millions of euros are stated at the Group's proportionate interest in Gas Natural Fenosa.

During 2012 Gas Natural Fenosa, through its subsidiary Gas Natural, S.A. ESP, domiciled in Colombia, arranged an Ordinary Bond Program for the issuance of up to 150,050 million Colombian pesos (€65 million) in the local capital markets. In October, it placed two issues under this program, one raising 30,010 million Colombian pesos (13 million euros), maturing in five years, and the other raising 60,020 million Colombian pesos (€26 million), maturing in seven years. The balance outstanding under this program stood at 60,020 million Colombian pesos (€26 million) at December 31, 2012. The amounts in millions of euros are stated at the Group's proportionate interest in Gas Natural Fenosa.

Main issues in 2011

On December 12, 2011, the Group, through Repsol International Finance B.V., issued €850 million of 4.250% bonds in the eurobond market under the EMTN program registered on October 27, 2011; the bonds mature four years and two months after the issue date and are traded on the Luxembourg Stock Exchange.

In addition, through its subsidiary Repsol International Finance, B.V., the Group completed two issues under the Euro Commercial Paper (ECP) program arranged on March 26, 2010, one for €3,456 million and the other for €54 million. The balance outstanding under this program at year end 2011 was €707 million.

On February 9 and May 24, 2011, Gas Natural Fenosa issued €180 million and €150 million, respectively, of bonds in the euromarket under its EMTN program. At December 31, 2011, the amount issued under this program totaled €2,415 million.

In addition, Gas Natural Fenosa under the ECP program formalized on March 23, 2010, issue during 2011 a total amount of €626 million of commercial paper. The drawn balance under this program stood at €80 million on December 31, 2011 leaving an undrawn balance of €220 million. Gas Natural Fenosa also renewed its €300 million corporate Promissory Notes program in July 2011. At December, 31 2011 it had issued €21 million under this shelf program. The amounts in millions of euros are stated at the Group's proportionate interest in Gas Natural Fenosa.

In June 2011, YPF issued 300 million Argentine pesos (€51 million) of 18-month bonds in the Argentine bond market which were derecognized by the Repsol Group in 2012 as a result of the expropriation of its shares in YPF S.A. (Note 5).

In May 2011, Gas Natural Fenosa, through its subsidiary Gas Natural México, S.A. de C.V., registered a 3,001 million Mexican peso (€163 million) security program (*certificados bursátiles*) in the Mexican Stock Exchange. A total of 1,200 million Mexican pesos (€70 million) of four and seven year paper, secured by Gas Natural SDG, S.A., has been issued under this program. The amounts in millions of euros are stated at the Group's proportionate interest in Gas Natural Fenosa.

On February 8, 2011, the \$725 million of "Series A" preference shares issued by Repsol International Capital LTD. and guaranteed by Repsol, S.A. were redeemed.

Issues of securities representing debt guaranteed

The table below discloses the amounts guaranteed by the Group in 2012 and 2011 for issues, buybacks and redemptions undertaken by associates, joint ventures (at the percentage not consolidated) and non-Group companies:

	BALANCE AT 12 / 31 / 2011	(+) Granted	(-) Cancelled	(+/-) Exchange rate and other adjustment	BALANCE AT 12 / 31 / 2012
Millions of euros					
Issues of securities representing debt guaranteed by the group (guaranteed amount)	31	-	(1)	(1)	29

	BALANCE AT 12 / 31 / 2010	(+) Granted	(-) Cancelled	(+/-) Exchange rate and other adjustment	BALANCE AT 12 / 31 / 2011
Millions of euros					
Issues of securities representing debt guaranteed by the group (guaranteed amount)	30	-	-	1	31

In general, the financial debt agreements include the early maturity clauses customary in agreements of this nature.

Bond issues, representing ordinary debt, of Repsol International Finance, B.V. and guaranteed by Repsol, S.A., face value of €6,486 millions, contain clauses whereby Repsol undertakes to pay interest when due and liabilities before maturity (cross-default provisions) and to not constitute charges or guarantees on Repsol, S.A. assets for this issue or in future issues of debt securities. In the event of default, the trustee, at its sole discretion or at the request of the holders of at least one-fifth of the debentures, or by means of an extraordinary resolution, can declare all the aforementioned debentures issues due and payable. In addition, the holders of the bonds issued in 2009, 2011 and 2012 may choose to have their bonds redeemed upon a change of control at Repsol provided such change in control results in, if and only if Repsol's credit ratings fall below investment grade status as a result of the change of control.

Moreover, in 2012 and 2011, Gas Natural Fenosa group keeps €384 million and €447 million, respectively, of bank debt that is subject to compliance with certain covenants. Most of the debt in question is debt contracted by the former Unión Fenosa group and borrowings taken on by Latin American subsidiaries without recourse to the parent. Elsewhere, certain investment projects have been financed specifically with loans pledged with these projects' equity. The outstanding balance on this project financing at year end 2012 and 2011 amounted to €212 million and €244 million. The amounts in millions of euros are stated at the Group's proportionate interest in Gas Natural Fenosa.

At the date of authorizing the accompanying financial statements for issue, the Repsol Group was not in breach of any of its financial obligations or of any other obligation that could trigger the early repayment of any of its financial commitments.

Preference shares

In May and December 2001, Repsol International Capital issued two new series of preference shares amounting to €1 billion and €2 billion, respectively, under the following terms:

Dividend : variable at a rate of 3-month Euribor with a minimum of 4% APR and a maximum of 7% APR for the first 10 years, and Euribor plus 3.5% from the tenth year onwards. The dividend is payable quarterly.

Term : perpetual, with the option for the issuer of early redemption from the tenth year onwards at face value.
 Guarantee : subordinated Repsol, S.A. guarantee.
 Remuneration : payment of preference dividends is conditional upon the obtainment of a consolidated profit or upon the payment of dividends on common shares. If no dividend accrues, there is no subsequent obligation to pay it.

The carrying amount of the foregoing instruments at December 31, 2012 and 2011 amounted to €3,000 million recorded under the item "Bank borrowings, bonds and other securities" within non-current financial liabilities in the accompanying consolidated balance sheet.

In addition, the Gas Natural Fenosa group, through Unión Fenosa Financial Services USA, has preference shares outstanding for a nominal amount of €183 million. The carrying amount of these preference shares at year end 2012 and 2011 was €182 million and €179 million, respectively and was recognized under "Bank borrowings, bonds and other securities" within non-current financial liabilities in the accompanying consolidated balance sheet. The amounts in millions of euros are figures proportional for the Group taking into account the percentage of participation by Repsol in Gas Natural Fenosa.

Repsol Group through its subsidiary Repsol International Capital held on October 1997, an issue of preference shares amounting to \$725 million. The 100% of the preference shares, which were listed on the NYSE, redeemed on February 8, 2011. The securities were redeemed for \$25 per preference share plus the balance of dividends accrued and unpaid between December 31, 2010 and the date of cancellation, which totaled \$0.20 for every preference share redeemed.

21

Financial risk and capital management

21.1

Financial risk management

The Group businesses expose the financial statements to a series of financial risks: market risk, credit risk and liquidity risk. Repsol has in place a risk management structure and systems that enable it to identify, measure and control the risks to which the Group is exposed.

21.1.1 Market Risk

Market risk is the potential loss faced due to adverse movements in market variables. The Group is exposed to several types of market risks: exchange rate risk, interest rate risk and commodity risk.

The Company monitors exposure to market risk through ongoing sensitivity analysis. These strategies are complemented with other risk management measures when required by the nature of the risk exposure.

For each of the market risk factors detailed below, there is a table depicting the sensitivity of Group profit and equity (within the headings comprising "Adjustments for changes in value") to the main risks to which its financial instruments are exposed, in accordance with the requirements stipulated in IFRS 7 *Financial instruments: disclosures*.

This sensitivity analysis uses variations on significant risk factors based on its historical performance. The estimates made depict the impact of favorable and adverse changes. The impact on profit and/or equity is estimated as a function of the financial instruments held by the Group at each year end.

a) Exchange rate risk

The Group's profit and equity are exposed to fluctuations in the rates of exchange of the currencies in which it transacts. The Group's most significant foreign currency exposure is to the US dollar.

Repsol obtains part of its financing in dollars, either directly or indirectly through the use of foreign exchange derivatives (see Note 22).

The sensitivity of net profit and equity to exchange rate risk, via appreciation or depreciation and based on the financial instruments held by the Group at year end, is illustrated below:

Effect of fluctuations in the euro against the dollar:

Millions of euros	Currency appreciation(+)/ depreciation (-)	2012	2011
Impact on profit after tax	5%	3	(2)
	-5%	(4)	2
Impact on equity	5%	(287)	98
	-5%	318	(109)

In addition, a 5% appreciation of the euro against the Brazilian real at December 31, 2012 would have resulted in an approximate variation in profit after tax, for a decrease of €6 million in 2012 and a decrease of €5 million in 2011.

Meanwhile, a 5% appreciation of the euro against the Brazilian real in 2012 would have resulted in a decrease in equity of €0.1 million in 2012 and also a decrease of €0.7 million in 2011.

In 2012, euro appreciation of 5% against the Argentine peso would not have had any impact on profit after tax, considering the instruments held at year end, whereas it would have decreased equity by €2 million. In 2011, euro appreciation of 5% against the Argentine peso would have increased profit after tax by approximately €50 million, considering the instruments held at year end. Currency appreciation of this same magnitude in 2011 would have increased equity by €0.1 million.

Euro appreciation of 5% against the Russian rupee in 2012 would have eroded equity by €1 million but would not have had any impact on net income.

b. Interest rate risk

Fluctuations in interest rates can affect interest income and expense through financial assets and liabilities with variable interest rates; which can also impact the fair value of financial assets and liabilities with a fixed interest rate.

Repsol occasionally enters into interest rate derivative transactions to mitigate the risk of changes in its finance costs or in the fair value of its debt. Generally, these derivatives are designated as hedging instruments for accounting purposes (Note 22).

At year end 2012, the net debt balance including preference shares, at fixed rates was €11,943 million (2011: €9,468 million), equivalent to 97% and 64% respectively of total net debt including preference shares and also including interest rate derivatives.

The sensitivity of net profit and equity to fluctuations in interest rates, based on the financial instruments held by the Group at year end, is illustrated in the following table:

Millions of euros	Increase (+)/ decrease (-) in interest rate (basis points)	2012	2011
Impact on profit after tax	+50	(7)	(27)
	-50	7	26
Impact on equity	+50	48	48
	-50	(48)	(51)

c. Commodity price risk

As a result of its trade operations and activities, the Group's results are exposed to volatility in the prices of oil, natural gas and their derivative products.

Repsol enters into derivative transactions to mitigate its exposure to price risk. These derivatives provide an economic hedge of the Group's results, although not always designated as hedging instruments for accounting purposes (see Note 22).

The impact of a 10% increase or decrease in crude and oil product prices on net profit, based on the financial instruments held by the Group at year end 2012 and 2011, is illustrated in the following table:

Millions of euros	Crude & oil products prices increase(+)/ decrease (-)	2012	2011
Impact on profit after tax	+10%	(23)	(55)
	-10%	23	59

21.1.2 Liquidity Risk

Liquidity risk is associated to the ability of the Group to finance its obligations at reasonable market prices, as well as to carry out its business plans with stable financing sources.

In accordance with its conservative financial policy, Repsol held sufficient cash, other liquid cash equivalents and undrawn credit lines which cover 76% of total gross debt and 63% if preference shares are included. The Group had €5,899 and €5,482 million in undrawn credit lines at year end 2012 and 2011, respectively.

The tables below present an analysis on the maturities of the financial liabilities existing at December 31, 2012 and 2011:

Millions of euros	Maturity Date						Subsequent year	TOTAL
	2013	2014	2015	2016	2017	Subsequent year		
Trade payables	4,376	-	-	-	-	-	-	4,376
Other payables	4,507	-	-	-	-	-	-	4,507
Loan and other financial debts ⁽¹⁾	3,944	3,531	1,840	1,798	1,792	4,811	17,716	
Preference shares ^{(1) (2)}	140	140	316	122	112	3,000	3,830	
Derivatives ⁽³⁾	105	64	32	20	10	52	283	

DECEMBER 31, 2011							
Millions of euros	MATURITY DATE						TOTAL
	2012	2013	2014	2015	2016	Subsequent year	
Trade payables	4,757	–	–	–	–	–	4,757
Other payables	6,522	–	–	–	–	–	6,522
Loans and other financial debts ⁽¹⁾	5,305	3,014	3,534	1,753	1,721	3,917	19,244
Preference shares ^{(1) (2)}	164	343	156	156	152	3,000	3,970
Derivatives ⁽³⁾	104	28	56	15	10	65	278

NOTE: The amounts shown are the contractual undiscounted cash flows; therefore, they differ from the amounts included on the consolidated balance sheet.

⁽¹⁾ Corresponding to future maturities of the amounts recognized under the headings "Non-Current financial liabilities" and "Current financial liabilities" including future interest or dividends associated with these financial liabilities.

⁽²⁾ The preference shares issued are perpetual, redeemable only at the choice of the issuer. The above schedule for 2012 as same as 2011 is underpinned by the assumption that the preference shares will be redeemed after 2017. The column "Subsequent years" includes only the face value of the instruments. The assumptions made are conventional and must not be interpreted as forecasts of the decisions the Group shall take in the future.

⁽³⁾ The contractual maturities of the derivatives included under this heading are outlined in Note 22.

21.1.3 Credit Risk

Credit risk is defined as the possibility of a third party not complying with its contractual obligations, thus creating losses for the Group.

Credit risk in the Group is measured and controlled in relation to the customer or individual third party. The Group has its own systems for the permanent credit evaluation of all its debtors and the determination of risk limits with respect to third parties, in line with best practices.

The exposure of the Group to credit risk is mainly attributable to commercial debts from trading transactions, whose amounts are shown on the consolidated balance sheet net of allowances for impairment provisions (Note 15) for an amount of €7,202 million and €8,147 million, respectively at December 31, 2012 and 2011.

The allowances for doubtful accounts are measured by the following criteria:

- The seniority of the debt
- The existence of bankruptcy proceedings
- The analysis of the capacity of the customer to return the credit granted..

Note 15 "Trade and other receivables" includes the registered impairment losses on December 31, 2012 and 2011. These allowances represent the best estimates of the Group for the losses incurred in relation to its accounts receivable.

The Group's exposure to credit risk in 2012 also derives from debts with a financial nature which are carried in the consolidated balance sheet net of the corresponding impairment provisions. The breakdown of impaired financial assets and the impact on the consolidated income statement are provided in Note 13 "Current and non-current financial assets".

The maximum exposure to credit risk of the Group, according to the type of financial instruments and without excluding the amounts covered by guarantees and other arrangements mentioned below, is detailed below at December 31, 2012 and 2011:

Maximum exposure ⁽¹⁾			
Millions of euros	Note	2012	2011
Commercial Debts	15	7,602	8,683
Derivatives	13	58	234
Cash and Cash equivalents	13	5,903	2,677
Other non-current financial assets ⁽²⁾	13	2,147	2,343
Other current financial assets ⁽³⁾	13	82	138

⁽¹⁾ In relation to the exposure associated with the shares subject to the expropriation of YPF and YPF Gas, registered under "Non-current assets held for sale and subject to expropriation" at fair value, see what is described in Notes 5 and 35.

⁽²⁾ At December 31, 2011 the heading "Non-current loans and receivables" included €1,542 million for loans granted to the Petersen Group to acquire its stake in YPF SA. In 2012 those loans have been fully provided for as described in Note 5, and in Note 13..

⁽³⁾ This balance excludes €320 million and €370 million at December 31, 2012 and 2011 respectively corresponding to the funding of the electricity tariff deficit, to which the Group is exposed through its shareholding in Gas Natural Fenosa.

The credit risk affecting liquid funds, derivatives and other financial instruments is generally more limited than the accounts receivables because the counterparties are bank or insurance entities that meet the standards of solvency in accordance with the market conventions regulating these kinds of financial transactions. Likewise, the vast majority of the accounts receivable neither due nor provisioned have a credit quality according to the valuations of the Group, based on the solvency analysis and the payment habits of each customer.

The Group's credit risk on trade receivables is not significantly concentrated as it is spread out among a large number of customers and other counterparties. The maximum net exposure to a third party, including official bodies and public sector entities, does not exceed 6.5%, and no single private client accumulates risk exposure of more than 1%.

As a general rule, the Group establishes a bank guarantee issued by the financial entities as the most suitable instrument of protection from credit risk. In some cases, the Group has contracted insurance credit policies whereby this transfers partially to third parties the credit risk related to the business activity of some of their businesses.

Effective third party guarantees extended to the Group commercial activity amounted to €3,899 million at December 31, 2012 and €3,732 million at December 31, 2011. Of this amount, commercial debts at December 31, 2012 and 2011 covered by guarantees amounted to €925 million and €973 million, respectively.

During 2012, the Group executed guarantees received for an amount of €26 million. During 2011 this figure was €14 million.

The following table discloses the aging of the non-provisioned due debt:

Due date	2012	2011
Millions of euros		
Not due debt	5,890	6,835
Due debt 0-30 days	304	570
Due debt 31-180 days	341	410
Due debt for more than 180 days ⁽¹⁾	667	332
TOTAL	7,202	8,147

⁽¹⁾ Mainly corresponds to guaranteed debt or debt with official bodies and public entities.

21.2

Capital Management

Repsol, as an essential part of its strategy, has committed to a policy of financial prudence. The financial structure targeted is defined by this commitment of solvency and the aim to maximize shareholder returns, by optimizing the cost of capital.

Determination of the Group's target capital structure takes into consideration two leverage ratios, specifically the ratio of net debt (including preference shares, as appropriate) and the capital employed, that includes the net debt, including preference shares, plus the equity:

$$\text{Leverage ratio}_1 = \frac{\text{Net Debt}}{\text{Capital Employed}}$$

$$\text{Leverage ratio}_2 = \frac{\text{Net Debt including Preference Shares}}{\text{Capital Employed}}$$

Calculation of these leverage ratios takes into account the following considerations:

- Preference shares are factored into the process of monitoring the Group's leverage ratios on account of their significant weight in the Group's capital structure; however the fact that they are perpetual securities equates them to equity instruments in terms of solvency analysis and creditor claims (see Note 20).
- The leverage ratios used net debt concept instead of gross debt in order to factor in the mitigating impact of financial investments. In keeping with its conservative financial policy, Repsol held sufficient cash, other liquid cash equivalents and undrawn credit lines which cover 76% of total gross debt and 63% if preference shares are included. As a result, these ratios provide a better picture of Group solvency when factoring in net debt rather than gross debt.

The breakdown of the calculations of these leverage ratios, based on the following consolidated balance sheet headings at year end 2012 and 2011, is as follows:

Millions of euros	2012	2011
Non-current financial liabilities	15,300	15,345
Preference shares	3,182	3,179
Other non-current financial liabilities	12,118	12,166
Current financial liabilities	3,790	4,985
Other current financial liabilities	3,790	4,985
Non-current financial assets	(1,313)	(2,450)
Less Financial assets available for sale (Note 13)	641	128
Other current financial assets ⁽¹⁾	(95)	(304)
Cash and cash equivalent	(5,903)	(2,677)
Interest rate hedges (Note 22)	(300)	(185)
Net debt including preference shares ⁽²⁾	12,120	14,842
Equity	27,472	27,043
Capital employed ⁽³⁾	39,592	41,885
Net debt including preference shares / Capital employed	30.6%	35.4%
Less preference shares	(3,182)	(3,179)
Net debt	8,938	11,663
Net debt / Capital employed	22.6%	27.8%

⁽¹⁾ Excludes €320 million and €370 million in 2012 and 2011 respectively, recognized under "Other current financial assets" in the consolidated balance sheet, corresponding to the funding of the tariff deficit in the regulated electricity segment, to which the Group is exposed through its shareholding in Gas Natural Fenosa.

⁽²⁾ Excludes €2,969 million and €3,087 million of current and non-current finance leases (Note 23.1).

⁽³⁾ Capital employed includes that corresponding to discontinued operations.

The trends in these leverage ratios are monitored systematically. Similarly, leverage projections are a key, and restrictive, input into Group investment decision-making and dividend policy. At year end 2012, the ratio of net debt to capital employed stood at 22.6%, while the ratio of net debt including preference shares to capital employed stood at 30.6%. At December 31, 2011 the ratios stood at 27.8% and 35.4%, respectively.

At December 31, 2012, the ratio of net debt to capital employed, excluding discontinued operations from capital, was 26.5% and the ratio of net debt including preference shares to capital employed, again excluding discontinued operations, was 35.9%.

22

Derivative transactions

During 2012 the Repsol Group carried out the following types of hedging transactions:

1. Fair value hedges of assets or liabilities.
2. Cash flow hedges.

In addition, the Repsol Group performed other transactions with derivative instruments in 2012 and 2011 that do not qualify as accounting hedges.

The table below reflects the impact on the balance sheet of derivative instruments at December 31, 2012 and 2011 as a result of changes in their fair value since their origination:

Millions of euros	DECEMBER 31, 2012				
CLASSIFICATION	Non-current Assets	Current Assets	Non-current Liabilities	Current Liabilities	Fair Value
Hedge derivative instruments	–	7	(199)	(6)	(198)
Fair value:	–	4	–	–	4
Interest rate	–	–	–	–	–
Exchange rate	–	4	–	–	4
Cash Flow:	–	3	(199)	(6)	(202)
Interest rate	–	–	(199)	(2)	(201)
Exchange rate	–	–	–	(3)	(3)
Commodities prices	–	3	–	(1)	2
Other derivatives instruments	–	51	(28)	(105)	(82)
TOTAL ⁽¹⁾	–	58	(227)	(111)	(280)

Millions of euros	DECEMBER 31, 2011				
CLASSIFICATION	Non-current Assets	Current Assets	Non-current Liabilities	Current Liabilities	Fair Value
Hedge derivative instruments	–	58	(203)	(12)	(157)
Fair value:	–	53	–	–	53
Interest rate	–	–	–	–	–
Exchange rate	–	53	–	–	53
Cash Flow:	–	5	(171)	(12)	(178)
Interest rate	–	–	(171)	(10)	(181)
Exchange rate	–	4	–	–	4
Commodities prices	–	1	–	(2)	(1)
Net Investment	–	–	(32)	–	(32)
Other derivatives instruments	–	176	(6)	(115)	55
TOTAL ⁽¹⁾	–	234	(209)	(127)	(102)

⁽¹⁾ Includes, in 2012 and 2011, derivatives with a negative measurement of €200 and €185 million in respect of interest rates, respectively.

The breakdown of the impact of the fair value restatement of derivatives on consolidated profit before tax and on consolidated equity is as follows:

	2012			2011		
	Operating income	Financial result	Adjustment for changes in value	Operating income	Financial result	Adjustment for changes in value
Millions of euros						
Fair value hedges	3	(2)	-	(7)	26	-
Cash Flow hedges	9	(49)	(25)	(9)	(67)	(47)
Hedge of a net investment	-	-	-	-	-	(12)
Other transactions	(43)	27	-	(128)	46	-
TOTAL ^{(1) (2)}	(31)	(24)	(25)	(144)	5	(59)

⁽¹⁾ The derivative instruments hired to manage the risk exposure of those assets and liabilities related to YPF investments, which were involved in the loss of control and the expropriation process of YPF and YPF Gas (Note 5), have generated in 2012 a negative result of €32 million, recorded under "Net Income attributable to discontinued operations after tax".

⁽²⁾ The financial impacts recognized in the income statement presented in the schedule above do not include any impact due to ineffectiveness of financial instruments designated as accounting hedges.

In addition to the effects disclosed in the table above, in 2012, the aggregated translation differences that had been generated on hedges of the Group's net investment in YPF until the loss of control, were transferred to the subheadings related to the discontinued operations in the income statement, in accordance to what is described in Note 5.3. In 2011, negative translation differences of €57 million, which had been generated on hedges of the Group's net investment in YPF, corresponding to the shares in YPF sold during 2011, were transferred to "Retained earnings and other reserves".

There follows a detailed disclosure of the Group's derivatives at year end 2012 and 2011, including their fair values, maturity schedules and the related notional amounts.

22.1

Fair value hedges of assets or liabilities

These are hedges of the exposure to changes in the fair value of an asset or a liability recognized for accounting purposes, an unrecognized firm commitment or an identified portion of the aforementioned asset, liability or firm commitment that can be attributed to a particular risk and might affect the net income for the period.

The transactions outstanding at December 31, 2012 and 2011 are as follows:

	DECEMBER 31, 2012							Fair value
	MATURITY							
Millions of euros	2013	2014	2015	2016	2017	Subs.	TOTAL	
Exchange rate:								
USD	171	-	-	-	-	-	171	4
BRL	5	-	-	-	-	-	5	-
DHN	2	-	-	-	-	-	2	-
MAD	2	-	-	-	-	-	2	-
								4

	DECEMBER 31, 2011							Fair value
	MATURITY							
Millions of euros	2012	2013	2014	2015	2016	Subs.	TOTAL	
Exchange and interest rate:								
Cross-currency interest rate swaps	1	-	-	-	-	-	1	-
Exchange rate:								
USD	1,163	3	-	-	-	-	1,166	53
BRL	3	-	-	-	-	-	3	-
MAD	2	-	-	-	-	-	2	-
								53

The other instruments outstanding, whose net fair value at December 31, 2012 stood at €4 million, correspond mainly to hedges arranged by the Group through its investment in Gas Natural Fenosa.

At December 31, 2011, this balance included hedges linked to the acquisition of LNG transportation tankers under finance leases for a notional amount of \$1,426 million (€1,057 million) with a positive fair value of €45 million at the end of the reporting period. These hedges were discontinued in 2012.

22.2

Cash flow hedge

These are hedges of the exposure to variability in cash flows that: (I) is attributed to a particular risk associated with a recognized asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecasted transaction; and (II) could affect profit or loss.

The breakdown of the most significant transactions is as follows:

	DECEMBER 31, 2012							Fair Value
	MATURITY							
Millions of euros	2013	2014	2015	2016	2017	Subs.	TOTAL	
Interest rate:								
Swaps (EUR)	17	196	77	1,061	41	7	1,399	(77)
Swaps (USD)	8	9	8	9	23	333	390	(123)
Swaps (MXN)	5	21	23	-	-	-	49	-
Collar (EUR)	1	1	1	-	-	-	3	-
Exchange rate:								
USD	147	1	1	-	-	-	149	(3)
Commodity price ⁽¹⁾ :								
EUR	100	-	-	-	-	-	100	1
USD	11	-	-	-	-	-	11	1
								(201)

⁽¹⁾ These correspond to natural gas and electricity price swaps arranged by Gas Natural Fenosa.

DECEMBER 31, 2011								
Millions of euros	MATURITY							Fair Value
	2012	2013	2014	2015	2016	Subs.	TOTAL	
Interest rate:								
Swaps (EUR)	1,004	17	196	1	1,001	8	2,227	(50)
Swaps (USD)	61	8	8	8	10	374	469	(131)
Swaps (MXN)	4	4	20	-	-	-	28	-
Collar (EUR)	4	1	1	1	-	-	7	-
Exchange rate:								
USD	113	-	-	-	-	-	113	4
BRL	13	-	-	-	-	-	13	-
Commodity price ⁽¹⁾:								
EUR	74	1	-	-	-	-	75	(1)
USD	11	-	-	-	-	-	11	-
								(178)

⁽¹⁾ These correspond to natural gas and electricity price swaps arranged by Gas Natural Fenosa.

In June 2011, the Group arranged a series of interest rate swaps with a notional value of €1,000 million related to the preference shares issued in 2001 through Repsol International Capital, Ltd (see Note 20). By virtue of this instrument, the Group pays a weighted average interest rate of 2.26% and receives 3-month EURIBOR. At December 31, 2012 and 2011, the fair value of these swaps was €66 million and €37 million negative, respectively.

At both year ends, the Group also held interest rate swaps taken out to hedge the financing arranged to fund the investment in the LNG project in Canaport, Canada. Under this swap, the Group pays a weighted average fixed rate of 5.28% and receives 3-month LIBOR. At year end 2012 the notional amount hedged was €315 million while the fair value of the instrument implied a loss of €109 million. At year end 2011 the notional amount hedged was €328 million while the fair value was €115 million.

In 2011, the Group arranged an interest rate swap on a notional amount of €750 million to hedge the bonds issued by Repsol International B.V. (Note 20). By virtue of this instrument, the Group paid an interest rate of 4.23% and received 3-month EURIBOR. At December 31, 2011, the fair value of these swaps was a negative €5 million. This instrument matured in 2012.

The other outstanding instruments at both balance sheet dates correspond primarily to hedges arranged by the Group through its shareholding in Gas Natural Fenosa.

In 2007 the cash flow hedge provided by two interest rate swaps for a notional amount of €674 million associated with a preference shares issue was discontinued as the hedges were no longer effective. At December 31, 2012 and 2011 the cumulative loss deferred in "Adjustments for changes in value" in respect of this instrument amounted to €30 and €33 million, respectively. In 2012 and 2011, a loss of €3 million was transferred from "Adjustments for changes in value" to the consolidated income statement.

22.3

Hedges of a net investment

These instruments hedge the foreign currency risk arising from net investments in foreign operations.

Occasionally, Repsol arranges forward currency purchase and sale contract as part of its global strategy of management exposure to foreign currency exposure via its foreign investments.

The derivative transactions in existence at December 31, 2011 are the following:

DECEMBER 31, 2011								
Millions of euros	MATURITY							Fair Value
	2012	2013	2014	2015	2016	Subs.	TOTAL	
Cross currency IRSs								
Fixed to fixed contract/notional amount (EUR)	-	-	158	-	-	-	158	(32)
								(32)

In 2012, as a consequence of the loss of control and the YPF expropriation process (note 5), the hedge instruments of the Group share holdings in this company were discontinued, section 22.4.a).

Additionally, in 2011 the Group arranged swaps which were settled in full during the year and which generated translation losses totaling €7 million.

22.4

Other derivative transactions

Additionally, Repsol has arranged a series of derivatives to manage its exposure to interest rate, foreign exchange and price risk that do not qualified as accounting hedges under IAS 39.

a. Interest rate contracts

DECEMBER 31, 2012								
Millions of euros	MATURITY					Subs.	TOTAL	Fair Value
	2013	2014	2015	2016	2017			
Floating to fixed IRSs Contract/notional amount (EUR)	-	158	-	-	-	-	158	(28)
Floating to fixed IRSs Contract/notional amount (JPY)	-	-	-	-	-	67	67	(1)

DECEMBER 31, 2011								
Millions of euros	MATURITY					Subs.	TOTAL	Fair Value
	2012	2013	2014	2015	2016			
Floating to fixed IRSs Contract/notional amount (JPY)	-	-	-	-	-	67	67	(4)

b. Exchange Rate

Repsol has arranged other forward contracts as part of its global strategy of managing exposure to foreign currency risk.

DECEMBER 31, 2012								
	MATURITY						TOTAL	Fair Value
	2013	2014	2015	2016	2017	Subs.		
Millions of euros								
USD/Euro	2,898	-	-	-	-	-	2,898	(49)
Euro/USD	1,018	-	-	-	-	-	1,018	(2)
Euro/RUB	223	-	-	-	-	-	223	(5)
CAD/USD	14	-	-	-	-	-	14	-
CLP/USD	14	-	-	-	-	-	14	-
Euro/GBP	8	-	-	-	-	-	8	-
NOK/USD	5	-	-	-	-	-	5	-
PEN/USD	4	-	-	-	-	-	4	-
USD/RUB	4	-	-	-	-	-	4	-
EUR/NOK	1	-	-	-	-	-	1	-

DECEMBER 31, 2011								
	MATURITY						TOTAL	Fair Value
	2012	2013	2014	2015	2016	Subs.		
Millions of euros								
USD/Euro	5,381	-	-	-	-	-	5,381	110
Euro/USD	2,623	-	-	-	-	-	2,623	(59)
Euro/RUB	144	-	-	-	-	-	144	-
CLP/USD	133	-	-	-	-	-	133	(2)
USD/PEN	115	-	-	-	-	-	115	-
CAD/USD	17	-	-	-	-	-	17	-
USD/BRL	12	-	-	-	-	-	12	-
Euro/GBP	3	-	-	-	-	-	3	-
USD/NOK	3	-	-	-	-	-	3	-
USD/RUB	2	-	-	-	-	-	2	-

c. Future contracts on commodities

The risk associated with future physical crude oil and other oil product purchase or sale transactions is hedged through the arrangement of derivative instruments, primarily futures and swaps. The commodity hedges outstanding at December 31, 2012 and 2011 are as follows:

DECEMBER 31, 2012								
	MATURITY						TOTAL	Fair value
	2013	2014	2015	2016	2017	Subs.		
Millions of euros								
Purchase contracts								
BRENT (000 barrels)	9,443	-	-	-	-	-	9,443	16
WTI (000 barrels)	1,741	10	-	-	-	-	1,751	2
NYMEX HHO (000 gallons)	54,012	5,615	-	-	-	-	59,627	4
IPE GO (000 tons)	445	1	-	-	-	-	446	(3)
RBOB (000 gallons)	145,110	-	-	-	-	-	145,110	9
PALM OIL (000 tons)	2	-	-	-	-	-	2	-
SOY (000 pounds)	76,860	-	-	-	-	-	76,860	-
Sale contracts								
BRENT (000 barrels)	9,381	-	-	-	-	-	9,381	(20)
WTI (000 barrels)	2,553	10	-	-	-	-	2,563	(5)
NYMEX HHO (000 gallons)	71,064	-	-	-	-	-	71,064	(2)
IPE GO (000 tons)	586	1	-	-	-	-	587	-
RBOB (000 gallons)	156,660	-	-	-	-	-	156,660	(10)
SOY (000 pounds)	49,140	-	-	-	-	-	49,140	-
Options								
Call (000 barrels)	3,290	-	-	-	-	-	3,290	(9)
Swaps								
Brent (tons)	495	-	-	-	-	-	495	2
Freight (tons)	524	-	-	-	-	-	524	-
JET (tons)	163	-	-	-	-	-	163	-
GO (tons)	723	-	-	-	-	-	723	(2)
Fuel Oil (tons)	3,421	20	-	-	-	-	3,441	-
Propane (tons)	426	-	-	-	-	-	426	-
Gasoline (tons)	3	-	-	-	-	-	3	-
Nafta (tons)	90	-	-	-	-	-	90	-
Ethanol (tons)	1	-	-	-	-	-	1	-
AGC NG Index	1,085	1,100	-	-	-	-	2,185	(3)
AGC NG Basis	-	4,545	-	-	-	-	4,545	(1)
NBP DA Index	-	33,100	-	-	-	-	33,100	1

DECEMBER 31, 2011

	MATURITY					Subs.	TOTAL	Fair value
	2012	2013	2014	2015	2016			
Millions of euros								
Purchase contracts								
BRENT (000 barrels)	1,777	-	-	-	-	-	1,777	-
WTI (000 barrels)	1,498	-	-	-	-	-	1,498	1
NYMEX HHO (000 gallons)	14,616	-	-	-	-	-	14,616	-
IPE GO (000 tons)	442	-	-	-	-	-	442	(4)
RBOB (000 GALLONS)	3,066	-	-	-	-	-	3,066	-
SOY (000 pounds)	37,620	-	-	-	-	-	37,620	1
ETHANOL (000 gallons)	522	-	-	-	-	-	522	-
Sale contracts								
BRENT (000 barrels)	2,967	-	-	-	-	-	2,967	2
WTI (000 barrels)	2,108	-	-	-	-	-	2,108	(11)
NYMEX HHO (000 gallons)	49,602	-	-	-	-	-	49,602	-
IPE GO (000 tons)	606	-	-	-	-	-	606	7
RBOB (000 gallons)	16,506	-	-	-	-	-	16,506	-
ETHANOL (000 gallons)	522	-	-	-	-	-	522	-
SOY (000 pounds)	11,040	-	-	-	-	-	11,040	-
Options								
Call (000 barrels)	7,927	-	-	-	-	-	7,927	(6)
Put (000 barrels)	1,089	-	-	-	-	-	1,089	-
Swaps								
WTI (000 barrels)	1,050	-	-	-	-	-	1,050	(2)
BRENT (000 barrels)	6,883	-	-	-	-	-	6,883	22
DUBAI (000 barrels)	100	-	-	-	-	-	100	-
JET (000 tons)	309	-	-	-	-	-	309	(1)
GO (000 tons)	506	-	-	-	-	-	506	-
Fuel Oil (000 tons)	1,030	-	68	-	-	-	1,097	1
Propane (000 tons)	73	-	-	-	-	-	73	3
Gasoline (000 tons)	108	-	-	-	-	-	108	-
Nafta (000 tons)	60	-	-	-	-	-	60	-
Tetco M3 Basis Swaps (000 MBTU)	143	-	-	-	-	-	143	-
Henry Hub Index Swap (000 MBTU)	3,100	-	-	-	-	-	3,100	1
Henry Hub Swing Swap (000 MBTU)	1,163	-	-	-	-	-	1,163	-
Henry Hub Futures (000 MBTU)	3,710	-	-	-	-	-	3,710	-
AGT NG BASIS	200	-	-	-	-	-	200	-

At year end 2012 and 2011, "Other receivables" includes €20 and €8 million corresponding to the fair value of commodity purchase agreements measured in accordance with IAS 39, respectively, as detailed in Note 3.4.24.

d. CO₂ emission allowance transaction:

The Group arranges emission allowance future contracts and swaps (EUAs and CERs) which are measured at fair value under IAS 39 with a view to minimizing the cost of the Group's emissions each year. The fair value of these instruments at both year ends implied an asset of €2 and a liability of €5 million, in 2012 and 2011, respectively.

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Other non-current liabilities

"Other non-current liabilities" includes the following items:

Millions of euros	2012	2011
Obligations under finance leases	2,745	2,864
Guarantees and deposits	199	230
Deferred income	235	203
Derivatives from commercial operations (Note 22)	-	3
Others	278	382
	3,457	3,682

NOTE: In 2012, as a consequence of the loss of control and the expropriation process of YPF and YPF Gas shares (Note 5) the "other non-current financial liabilities" of both companies have been derecognized.

23.1

Obligations under finance leases

The breakdown of the amounts payable under finance leases at December 31, 2012 and 2011 is as follows:

	Lease payments		Present value of minimum lease payments	
	2012	2011	2012	2011
Within one year	301	300	224	223
Between two and five years, both included	1,195	1,207	704	732
After six years	4,102	4,652	2,041	2,132
	5,598	6,159	2,969	3,087
Less:				
Future finance expenses	(2,629)	(3,072)		
	2,969	3,087		
Recognised as:				
Non-current obligations under finance leases			2,745	2,864
Current obligations under finance leases			224	223
			2,969	3,087

The effective average interest rate on obligations under finance leases at December 31, 2012 was 7.22% (2011: 7.25%).

The main liabilities related to finance leases of gas pipelines shown in this heading are as follows:

- On May 15, 2006 the Group signed an agreement with Emera Brunswick Pipeline Company, Ltd. for the transportation of natural gas through a pipeline that connects the Canaport plant with the US border. The agreement has an initial term of 25 years (renewable for up to an additional 30 years). It came into effect in July 2009. At December 31, 2012 and 2011, the amount recognized in this heading was \$499 million (€378 million) and \$504 million (€390 million), respectively.
- In addition, on April 21, 2006 the Group signed an agreement with Maritimes & North East Pipeline for the transportation of Canadian natural gas from the Canadian border to Dracut for an initial term of 25 years (renewable for up to an additional 30 years). The agreement became effective in March 2009, the corresponding liability recognized in this heading at

year end 2012 and 2011 amounted to \$1,252 million (€949 million) and \$1,269 million (€981 million), respectively.

Moreover, the Group has a fleet of LNG transportation tankers acquired under finance lease arrangements amounting to €1,476 and €1,842 million at December 31, 2012 and 2011 respectively. The main characteristics of these tanker leases are the following:

- In 2010, the company purchased through time-charter agreements, four methane ships for the transport of LNG in Peru amounting to €818 million. The Barcelona Knutsen, Sevilla Knutsen and Valencia Knutsen tankers, which have a capacity of 173,410 m³, were purchased under a 20-year time-charter arrangement. The agreement can be extended for consecutive 5-year periods. The Castillo de Santiesteban tanker, with a capacity of 173,600 m³ was likewise acquired under a 20-year time-charter agreement with a purchase option upon expiration.
- In 2009 Repsol (50%) and Gas Natural Fenosa (50%) jointly acquired a 138,000 m³ methane ship under a 25-year time-charter arrangement. The agreement can be extended for consecutive 5-year periods and represents a combined investment of €142 million, a figure which corresponds to the present value of installment commitments.
- In December 2007 Repsol (50%) and Gas Natural Fenosa (50%) jointly acquired a 138,000 m³ methane ship under a 25-year time-charter arrangement. The agreement can be extended for consecutive 5-year periods and represents a combined investment of €162 million, a figure which corresponds to the present value of installment commitments.
- Finance leases at year end 2012 also include seven methane tankers acquired prior to 2006 for the LNG transport, which mature between 2022 and 2029. Four of these tankers are owned by Gas Natural Fenosa and the other three by Repsol.

23.2

Guarantees and deposits

This heading includes, among others, deposits received by Repsol Butano, S.A. from the users of gas bottles in accordance with applicable legal regulations. These amounts are refundable when the corresponding contracts are canceled.

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Trade payables and other payables

In 2012 and 2011 Repsol had the following accounts payable classified under "Trade payables and other payables":

Millions of euros	2012	2011
Trade payables	4,376	4,757
Obligations under finance leases (Note 23.1)	224	223
Tax Payables	935	1,099
Derivative financial instruments (Note 22)	41	42
Others	3,307	5,158
Other payables	4,507	6,522
Income tax liabilities	319	356
TOTAL	9,202	11,635

NOTE: In 2012, as a consequence of the loss of control and the expropriation process (Note 5) "Suppliers", "Other payables" and "Income tax liabilities" corresponding to YPF and YPF Gas and its group companies have been derecognized. At December 31, 2011, the captions includes "Suppliers", "Other payables" and "Income tax liabilities" which amounted to €220, €2,203 and €17 million respectively corresponding to YPF and YPF Gas Groups.

The fair value of these current items does not differ significantly from their carrying amount.

Information regarding deferrals of payments settled with suppliers. Additional Provision Three "Disclosure requirements" of Law 15/2010, of July 5

As required under additional provision three of Law 15/2010, of July 5, 2010, and in accordance with consultation No. 7/2011 of the ICAC (acronym for the Audit and Accounting Institute) Newsletter No. 88, the required disclosures on the deferrals of payments to trade suppliers are presented.

The information regarding deferrals of payments settled with suppliers in 2012 and 2011 in accordance with additional provision three, "Disclosure requirements," of the aforementioned legislation is as follows:

Millions of euros	2012		2011	
	Amount	%	Amount	%
Within the maximum legal term	13,442	99%	11,752	99%
Other	79	1%	112	1%
Total payments during the year	13,521		11,864	
Weighted average term by which payments were deferred over the legal period stipulated (days)	37		24	
Payments which at the year-end were outstanding by more than the maximum legal term	17		8	

According to the transitional provision of the law 15/2010 the maximum legal payment deadline is 75 days in 2012 (85 days in 2011).

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Tax situation

Income tax

In view of the geographical dispersion and markedly international nature of the business activities carried on by the companies comprising the Repsol Group, the Group is subject to various different tax and income tax jurisdictions.

a. In Spain

Most of the entities resident in Spain pay income tax under the special consolidation regime. Under this regime, the companies in the Consolidated Tax Group jointly determine the Group's taxable profit and tax charge, which is allocated among the companies in the Tax Group in accordance with the criteria established by the Spanish Accounting and Audit Institute (ICAC) for the recognition and determination of the individual tax charge.

Repsol, S.A. is the parent of Consolidated Tax Group 6/80, which includes all the companies resident in Spain that are directly or indirectly at least 75% owned by the parent and that meet certain requirements. This Group consists of 47 companies in 2012, of which the main companies in terms of volume of business are as follows: Repsol, S.A., Repsol Petróleo, S.A., Repsol Trading, S.A., Repsol Química, S.A., Repsol Butano, S.A., Repsol Exploración, S.A. and Repsol Comercial de Productos Petrolíferos, S.A.

Petróleos del Norte, S.A. ("Petronor") is the parent of Consolidated Tax Group 02/01/B, which includes Asfalnor, S.A. that paid income taxes under the Vizcaya Corporation Tax regulations.

Additionally, the consolidated financial statements include, through proportional consolidation, all the corporation tax items of the Gas Natural Fenosa Group. This Group is also taxed for corporation tax purposes under the special consolidated tax regime in Consolidated Tax Group 59/93, of which Gas Natural SDG, S.A. is the parent. The main companies of this Tax Group, in terms of volume of business, are the following: Gas Natural SDG, S.A., Gas Natural Distri-

bución SDG, S.A., Gas Comercial Comercializadora, S.A., Gas Natural Aproveccionamientos, S.A. and Unión Fenosa Distribución, S.A. and Gas Natural S.U.R. SDG, S.A.

Lastly, the other companies resident in Spain and not included in either of the aforementioned Tax Groups file individual corporation tax returns.

The Spanish companies, whether they pay tax on an individual or consolidated basis, apply the standard rate of 30%, with the exception of Repsol Investigaciones Petrolíferas, S.A., which is taxed individually at a rate of 35% under the Special Oil and Gas Regime, and the Petronor Group, which pays tax at 28% under the Vizcaya Corporation Tax regulations.

b. In the other countries

The other Group companies are taxed in each of the countries in which they operate by applying the prevailing income tax rate to their profit or loss for the year. In addition, minimum presumed income taxes supplementing the regular income tax are recognized in certain countries.

On the other side, the Group companies resident in Spain that carry on a portion of their business activities in other countries are subject to the income tax in force in those countries on the portion of their profit or loss obtained there. This is the case of the branches of the Spanish companies that carry on oil and gas exploration and production activities in other companies (such as Libya, Algeria, Peru or Ecuador).

The (nominal) income tax rates applicable in the main jurisdictions where the Group operates are as follows:

- Libya: 65%
- Algeria: 30-38% plus the Tax on Extraordinary Income (TPE)
- Trinidad and Tobago: 35% (gas), 55% and 57.25% (oil)
- United States: 35% (federal tax rate)
- Brazil: 34%
- Ecuador: 23%
- Peru: 30%
- Bolivia: 25%
- Venezuela: 34% (gas) and 50% (oil)
- The Netherlands: 25%
- Portugal: 25-31.5%

Income tax expense for accounting purposes

The breakdown of the income tax expense for accounting purposes in 2012 and 2011, calculated on the basis of the criteria indicated in section 3.4.22 of Note 3, Accounting Policies, is as follows:

2012			
Millions of euros	Spanish companies	Other companies	TOTAL
Accounting profit before tax and before share of results of companies accounted for using the equity method	2,513	916	3,429
Adjustment to accounting profit			
Non-temporary differences	(3,393) ⁽¹⁾	47	(3,346)
Temporary differences	9	(186)	(177)
Taxable profit	(871)	777 ⁽²⁾	(94)
Tax charge	(255)	416	161
Tax credits	(4)	–	(4)
Current tax payable	(259)	416	157
Adjustment to current tax and foreign taxes	1,383	8	1,391
TOTAL CURRENT INCOME TAX EXPENSE	1,124	424	1,548
Deferred tax for the year	(3)	29	26
Other adjustments to the income expense	(6)	13	7
TOTAL DEFERRED TAX EXPENSE	(9)	42	33
TOTAL INCOME TAX EXPENSE	1,115	466	1,581

⁽¹⁾ Corresponds primarily to dividends received from other Group companies that are included in taxable profit for Spanish income tax purposes. This heading also includes exemptions and other income related to foreign transactions.

⁽²⁾ This reflects the net sum of taxable profits and tax losses from various tax jurisdictions.

2011⁽¹⁾			
Millions of euros	Spanish companies	Other companies	TOTAL
Accounting profit before tax and before share of results of companies accounted for using the equity method	1,351	1,336	2,687
Adjustment to accounting profit			
Non-temporary differences	75	(152)	(77)
Temporary differences	(323)	(183)	(506)
Taxable profit	1,103	1,002	2,105
Tax charge	332	514	846
Tax credits	(180)	–	(180)
Current tax payable	152	514	666
Adjustment to current tax and foreign taxes	490	24	514
TOTAL CURRENT INCOME TAX EXPENSE	642	538	1,180
Deferred tax for the year	97	37	134
Other adjustments to the income expense	(301)	(22)	(323)
TOTAL DEFERRED TAX EXPENSE	(204)	15	(189)
TOTAL INCOME TAX EXPENSE	438	553	991

⁽¹⁾ The table includes necessary modification with respect to the consolidated financial statements for the year 2011 in connection with the expropriation process of YPF S.A. and YPF Gas S.A. in accordance with Note 3.3.

⁽²⁾ This reflects the net sum of taxable profits and tax losses in various tax jurisdictions.

The breakdown of the deferred tax assets and liabilities recognized in the consolidated balance sheet is as follows:

Millions of euros	2012⁽¹⁾	2011	Variation
Deferred tax assets			
Bad debt impairment provision	65	68	(3)
Provisions for staff cost	122	113	9
Provisions for contingencies	67	185	(118)
Other provisions	361	411	(50)
Differences in amortisation/depreciation	382	445	(63)
Tax assets	2,110	1,109	1,001
Other deferred tax asset	203	238	(35)
	3,310	2,569	741
Deferred tax liabilities			
Tax incentives	(13)	(12)	(1)
Deferred gains	(127)	(102)	(25)
Differences in amortization	(1,581)	(1,507)	(74)
Functional currency	(32)	(717)	685
Goodwill acquired in bussines combinations allocated to assets	(817)	(1,130)	313
Other deferred tax liabilities	(493)	(371)	(122)
	(3,063)	(3,839)	776

NOTE: In 2012, as a consequence of the loss of control and the expropriation process (Note 5) "Deferred tax assets" and "Deferred tax liabilities" corresponding to YPF and YPF Gas and its group companies were derecognized. At December 31, 2011, "Deferred tax assets" and "Deferred tax liabilities" corresponding YPF S.A. and YPF Gas S.A. Groups, which amounted to €214 and €1,109 million were included.

⁽¹⁾ At December 31, 2012 deferred tax assets have increased €1,001 million due to tax credits related to not applied deductions and tax losses capitalized, basically associated to the application of the free tax depreciation incentive.

The accumulated balance of deferred taxes in relation to items charged directly to equity in 2012 and 2011 was €3 million and €27 million, respectively.

The Group did not recognize deferred tax assets in the amount of €306 million in 2012 corre-

sponding mainly to unused tax losses carried forward and unused tax credits, as they did not meet the IFRS recognition criteria (€596 million in 2011 including YPF S.A. and YPF Gas S.A.). More specifically, in 2012 this unrecognized amount corresponds mostly (over 90%) to tax losses which the Group does not expect to be able to offset against tax profits within the timeframes allowed under prevailing tax law in the various jurisdictions in which they were generated, which for the most part range between 3 and 10 years.

The Group has not recorded deferred tax liabilities in the amount of €126 million and €120 million, in 2012 and 2011, respectively, as it corresponds to taxable temporary differences related to investments in subsidiaries, branches and associated companies that meet the requirements established in IFRS to apply the recognition exception.

Other tax related disclosures

Deductions taken in 2012 and 2011 amounted to €4 and €180 million respectively, arising from the mechanics to avoid double taxation, both domestically and internationally and from the investments incurred in.

Judicial and administrative decisions have been taken both in this period and in previous periods, leading to tax consequences contrary to the Group's expectations.

Repsol considers that it has acted lawfully in these matters at all times and that its actions are based on reasonable interpretations of the applicable legislation and, therefore, it has filed the appropriate appeals to defend its interests and those of its shareholders.

However, in view of the uncertainty concerning the materialization of the existing tax risks associated with lawsuits and other tax contingencies, at year end the Group had accrued provisions under "Other provisions" (Note 18) that are deemed adequate to cover previously mentioned tax risks. The amount recognized in the consolidated balance sheet in this respect at December 31, 2012 is €700 million (€837 million at year end 2011).

The accrued provisions associated with tax lawsuits in process relate to a large number of cases, none of which, individually, represents a material percentage of the overall provision.

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Joint ventures

The most significant jointly controlled entities in which the Group participates at December 31, 2012 are:

Companies	% of ownership
Quiriquire Gas, S.A. ⁽¹⁾	60.00%
Repsol Sinopec Brasil, S.A. ⁽¹⁾	60.00%
Repsol Gas Natural LNG, S.L. ⁽²⁾	50.00%
AR Oil & Gas B.V.	49.00%
Saneco	49.00%
TNO (Tafnefteotdacha)	49.00%
YPFB Andina, S.A. (former Empresa Petrolera Andina)	48.92%
Petroquiriquire, S.A.	40.00%
Grupo Gas Natural SDG, S.A.	30.01%
BPRY Caribbean Ventures Llc.	30.00%
Atlantic LNG 2/3 Company of Trinidad & Tobago	25.00%
Bahía de Bizkaia Electricidad, S.L.	25.00%
Occidental de Colombia Llc. (former R. Occidental Corporation)	25.00%

⁽¹⁾ The Group considers that its investments in Quiriquire Gas, S.A. and Repsol Sinopec Brasil, S.A. constitute joint control arrangements on the basis of existing contracts that stipulate that certain strategic decisions of both financial and operating nature require the unanimous consent of all the venturers sharing control.

⁽²⁾ In addition, the Group holds an interest through Gas Natural SDG (which holds the remaining 50%).

The breakdown of the consolidated amounts included under the main headings of Repsol consolidated financial statements as a result of the proportionate consolidation of the joint ventures at December 31, 2012 and 2011, is as follows:

Millions of euros	2012	2011 ⁽¹⁾
BALANCE SHEET		
Current assets	8,241	8,275
Non-current asset	14,402	14,520
Current liabilities	(3,767)	(4,395)
Non-current liabilities	(8,504)	(8,205)
INCOME STATEMENTS		
Operating income	10,125	9,132
Operating expenses	(8,432)	(7,259)
Other incomes	154	196
Other expenses	(968)	(1,087)
Net income attributable to the parent	878	982

⁽¹⁾ At December 31, 2011, the following amounts corresponded to companies belonging to the YPF and YPF Gas groups: €273 million in "Current assets", €369 million in "Non-current assets", €214 million in "Current liabilities" and €114 million in "Non-current liabilities"; these amounts were derecognized in 2012 upon loss of control (Note 5).

⁽²⁾ The table includes necessary modifications with respect to the consolidated financial statements at December 31, 2011 in connection with the expropriation process of YPF S.A. and YPF Gas S.A. in accordance with the contents of Note 3.3 *Comparison of Information*.

Additionally, at December 31, 2012, the Group had interests in the jointly controlled assets and operations listed in Appendix II, as a result of which, it obtains income and incurs in expenses on the basis of its respective percentage ownership interests.

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Operating revenues and expenses

Sales and services rendered and other income

The distribution by geographic area corresponds of the caption "Sales" and "Services rendered and other income" headings on the accompanying consolidated income statement, depending on the markets to which they correspond, is as follows:

Millions of euros	2012	2011 ⁽¹⁾
Geographic area		
Spain	30,287	28,988
European Union	8,990	5,502
O.E.C.D. Countries	6,917	6,651
Other countries	12,730	9,762
TOTAL	58,924	50,903

⁽¹⁾ It includes the necessary modifications with respect to the consolidated financial statements for the year 2011 in connection with the expropriation process of YPF S.A. and YPF Gas S.A. shares as described in Note 5. At December 31, 2011 the amounts that were provided by that said companies and that have been excluded from the table above were €49 million in Spain, €92 million in European Union, €115 million in O.E.C.D. countries and €10,340 million in other countries.

This heading "Sales" includes excise tax and similar taxes levied on the production and/or sale of oil and gas products amounting to €5,244 million in 2012 and €5,390 million in 2011.

Income and expenses from impairment losses and gains and losses on disposal of non-current assets

Income includes the following items:

Millions of euros	2012	2011 ⁽¹⁾
Income from release of impairment provisions (Note 10)	10	64
Gains on disposal of non-current assets (Note 32)	263	142
TOTAL	273	206

⁽¹⁾ It includes the necessary modifications respect to the consolidated financial statements for the year 2011 in connection with the expropriation process of YPF S.A and YPF Gas S.A. shares in accordance with the contents of Note 3.3 "Comparison of information".

The gains on the disposal of non-current assets in 2012 in the table above relate mainly to the sale of the liquid petroleum gas distribution subsidiary Repsol Butano Chile, S.A. (€195 million) and the sale of Amodaimi Oil Company (€48 million).

The gains on the disposal of non-current assets in 2011 correspond mainly to the sale of 300,000 gas distribution points in Madrid by Gas Natural Fenosa (€84 million), the sale of the Gaviota underground storage facility (€28 million) and the sale of Repsol's liquid petroleum gas distribution business in Brazil (€11 million) (Note 32).

"Impairment losses recognized and losses on disposal of non-current assets" include the following items:

Millions of euros	2012	2011 ⁽¹⁾
Impairment losses recognized (Note 10)	104	157
Losses on disposal of non-current assets	40	25
TOTAL	144	182

⁽¹⁾ It includes the necessary modifications respect to the consolidated financial statements for the year 2011 in connection with the expropriation process of YPF S.A and YPF Gas S.A. shares in accordance with the contents of Note 3, Section 3.3 "Comparison of information".

Supplies

This heading includes the following items:

Millions of euros	2012	2011 ⁽¹⁾
Purchases	44,393	39,875
Changes in inventory	78	(268)
TOTAL	44,471	39,607

⁽¹⁾ It includes the necessary modifications respect to the consolidated financial statements for the year 2011 in connection with the expropriation process of YPF S.A and YPF Gas S.A. shares in accordance with the contents of Note 3, Section 3.3 "Comparison of information".

The heading "Purchases" includes excise tax and similar taxes levied on the production and/or sale of oil and gas products disclosed in "Sales" section of this note.

Personnel expenses and headcount

This heading includes the following items:

Millions of euros	2012	2011 ⁽¹⁾
Salaries and others ⁽²⁾	1,502	1,368
Social security expenses	475	441
TOTAL	1,977	1,809

⁽¹⁾ It includes the necessary modifications respect to the consolidated financial statements for the year 2011 in connection with the expropriation process of YPF S.A and YPF Gas S.A. shares in accordance with the contents of Note 3, Section 3.3 "Comparison of information".

⁽²⁾ The 2011 balance includes income of €8 million corresponding to the reversal of the provision recognized in prior years in respect of the Management remuneration plan (Note 19) in relation to a payment received from insurance entities in 2011.

Repsol Group employed a total of 29,985 people at December 31, 2012, geographically distributed as follows: Spain (20,085 employees), Latin America (6,541 employees) and rest of the world (3,395 employees). Average headcount in 2012 was 29,997 employees and in 2011 was 45,095 employees. The decline in headcount is primarily attributable to the derecognition of the heacounts of YPF S.A. and its group companies and of YPF Gas S.A., which ceased to qualify as Repsol Group companies following the loss of control triggered by the expropriation outlined in Note 5.

At December 31, 2012, Upstream and Downstream business Repsol and its corporate areas (Note 30) has a total of 607 handicapped employees in Spain, 437 of which were hired directly, while the remaining 170 persons were employed through alternative hiring arrangements (3.19% of headcount using legal computation methods).

In compliance with Organic Law 3/2007, dated March 22, which promotes true equality between men and women, published in the BOE (Official State Gazette) issued on March 23, 2007, the following tables reflect the Group's total headcount distributed by professional categories and gender at year end 2012 and 2011.

	2012		2011 ⁽¹⁾	
	Men	Women	Men	Women
Number of employees				
Managers	545	134	598	125
Senior line pesonnel	2,138	639	2,755	695
Other line pesonnel	8,833	4,448	14,119	5,407
Operating staff (manual workers, administrative)	8,992	4,256	16,580	6,296
TOTAL	20,508	9,477	34,052	12,523

⁽¹⁾ At December 31, 2011 16,458 people were employees of YPF S.A. e YPF Gas S.A Note 5).

Other operating expenses

"Other operating expenses" includes the following items:

Millions of euros	2012	2011 ⁽¹⁾
Taxes other than income tax	727	683
External services	4,037	3,651
Transport and freight costs	971	687
Other expenses	393	400
TOTAL	6,128	5,421

⁽¹⁾ It includes the necessary modifications respect to the consolidated financial statements for the year 2011 in connection with the expropriation process of YPF S.A and YPF Gas S.A. shares in accordance with the contents of Note 3, Section 3.3 "Comparison of information".

Exploration costs amounted to €551 and €390 million in 2012 and 2011, of which €315 and €182 million, respectively, are recognized in the heading "Amortization". The amounts for the year 2011 includes the necessary modifications respect to the consolidated financial statements for the year 2011 in connection with the expropriation process of YPF S.A and YPF Gas S.A. shares in accordance with the contents of Note 3.3 "Comparison of information".

The breakdown of income and expenses from operations in the periods 2012 and 2011 is as follows:

Millions of euros	2012	2011 ⁽¹⁾
Interest income	122	154
Borrowing costs	(790)	(692)
Net interest expense (including preference shares)	(668)	(538)
Due to interest rate	4	(36)
Change in fair value of financial instruments	4	(36)
Due to exchange rate	35	(119)
Change in fair value of financial instruments	24	189
Exchange differences	11	(308)
Other positions	(2)	(3)
Change in fair value of financial instruments	(2)	(3)
Net gains / (losses) from financial instruments exposure ⁽²⁾	37	(158)
Impact of discounting provisions to present value	(83)	(63)
Capitalised interest ⁽³⁾	135	133
Leases	(221)	(204)
Impairment and gains (losses) on disposal of financial instruments	(28)	1
Other income	6	12
Other expenses	(35)	(45)
Other financial expenses	(278)	(236)
FINANCIAL RESULT	(857)	(862)

⁽¹⁾ The table includes the necessary modifications respect to the consolidated financial statements for the year 2011 in connection with the expropriation process of YPF S.A and YPF Gas S.A. shares in accordance with the contents of Note 3, Section 3.3 "Comparison of information".

⁽²⁾ This heading includes exchange gains and losses generated by the measurement and settlement of foreign-currency monetary items (Section 3.4.4 of Note 3) as well as the gains and losses recognized as a result of the measurement and settlement of derivatives.

⁽³⁾ Capitalized interest is recognized in the consolidated income statement under "Finance expenses".

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Cash flows from operating activities

The composition of the caption "Cash flows from operating activities" regarding to the ongoing activities of the consolidated cash flow statement in the years 2012 and 2011 is as follows:

Millions of euros	Notes	2012	2011 ⁽¹⁾
Net income before tax		3,546	2,759
Adjustments to net income		3,410	2,735
Depreciation and amortization of assets	7 y 8	2,587	2,069
Net changes in operating provisions	18	421	216
Gains (losses) on sale of non-commercial assets	32	(224)	(117)
Financial Result	28	857	862
After-tax share of results of companies accounted for using the equity method	11	(117)	(72)
Other adjustments (net)		(114)	(223)
Change in working capital		696	(2,275)
Other cash flow from/(used in) operating activities		(1,741)	(1,119)
Dividends received		75	62
Income tax received / paid		(1,534)	(1,009)
Other proceeds from / (payments for) from operating activities		(282)	(172)
Cash Flow from operating activities		5,911	2,100
Cash Flow from discontinued operating activities		867	2,020

⁽¹⁾ The table includes the necessary modifications respect to the consolidated financial statements for the year 2011 in connection with the expropriation process of YPF S.A and YPF Gas S.A. shares in accordance with the contents of Note 3.3 "Comparison of information".

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Segment reporting

The segment reporting disclosed by the Group in this section is presented in accordance with the disclosure requirements of IFRS 8 Operating segments.

The organizational structure of the Group and its various operating segments is based on the activities from which the Group may earn revenue or incur in expenses. On the basis of this Board-approved structure, the Group's management team (Repsol Executive Committee) analyzes the main operating and financial indicators in order to make decisions about segment resource allocation and to assess how the Company is performing. The Group has not aggregated any operating segments for presentation purposes.

The organizational structure is oriented to support the company's growth projects, as well as to establish the basis for future developments. At December 31, 2012, the operating segments of the Group are:

- Upstream, corresponding to oil and gas exploration and production operations.
- LNG, corresponding to midstream (liquefaction, transport and regasification) natural gas operations and marketing of natural gas and liquid natural gas, except for Gas Natural Fenosa.
- Downstream, corresponding to refining, sales activities for oil products, chemicals and LPG.
- Gas Natural Fenosa, (through its shareholding in Gas Natural SDG, S.A. strategic company for the Group) corresponding to the sales activities for natural gas and power generation, distribution and sale of electricity.

In 2012, as a consequence of the loss of control and the expropriation process of YPF and YPF Gas, these holdings have been classified under the caption "Non-current assets held for sale subject to expropriation" from the shares subject to expropriation and "Available-for-sale financial assets" from the remaining shares, which were not included in the expropriation. The activities of both companies and other related to the process of expropriation have been considered interrupted operations (related to the expropriation process of YPF S.A. and YPF Gas S.A, as described in Note 5).

In light of the foregoing, YPF's operations no longer qualify as an operating segment. In addition, the investment in YPF Gas and the loans extended to the Petersen group, assets which used to be presented within the Downstream and Corporation segments, respectively, are no longer included in these segments. In light thereof, the segment information provided below for 2011 has been restated with respect to that previously published in the 2011 consolidated financial statements in keeping with the provisions of IFRS 5 *Non-current assets held for sale and discontinued operations* and IFRS 8 *Operating segments* in order to remove these activities from the operating segments.

The table below details the Repsol Group's main income statement headings broken down into the operating segments defined above:

Operating Revenue Millions of euros	Operating revenue external		Operating revenue inter-segment		Total operating revenue	
	12 / 31 / 2012	12 / 31 / 2011 ⁽¹⁾	12 / 31 / 2012	12 / 31 / 2011 ⁽¹⁾	12 / 31 / 2012	12 / 31 / 2011 ⁽¹⁾
Segments						
Upstream	3,843	2,945	1,859	766	5,702	3,711
LNG	2,611	2,396	379	262	2,990	2,658
Downstream	45,888	40,930	98	147	45,986	41,077
Gas Natural Fenosa	7,223	6,349	364	215	7,587	6,564
Corporation	28	17	1,455	415	1,483	432
(-) Inter-segment adjustments and eliminations of operating income(2)		-	(4,155)	(1,805)	(4,155)	(1,805)
TOTAL	59,593	52,637	-	-	59,593	52,637

⁽¹⁾ Information corresponding to 2011 has been restated for comparative purposes compared to the information published in financial statements at December 31, 2011, considering that YPF and YPF Gas and Petersen's borrowings at December 31, 2012 are not included in Repsol's operating segments.

⁽²⁾ These correspond primarily to the elimination of commercial transactions between segments.

Operating income	Millions of euros	
	12 / 31 / 2012	12 / 31 / 2011 ⁽¹⁾
Segments		
Upstream	2,208	1,413
LNG	535	386
Downstream	1,013	1,182
Gas Natural Fenosa	920	887
Corporation	(390)	(319)
Total Operating income pertaining to the reported segments	4,286	3,549
(+/-) Results not assigned (Financial result)	(857)	(862)
(+/-) Other results (Share of results of companies accounted for using the equity method)	117	72
CONSOLIDATED NET INCOME FOR THE YEAR	3,546	2,759
Income tax	(1,581)	(991)
Net income for the period from continuing operations	1,965	1,768
Net income for the period from continuing operations attributable to minority interests	(75)	(111)
NET INCOME FOR THE PERIOD FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE PARENT	1,890	1,657
Profit/ (Loss) after tax for the year from discontinued operations	279	776
Net income for the period from discontinued operations attributable to minority interests	(109)	(240)
NET INCOME FOR THE PERIOD FROM DISCONTINUED OPERATIONS ATTRIBUTABLE TO THE PARENT ⁽²⁾	170	536
TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT	2,060	2,193

⁽¹⁾ Information corresponding to 2011 has been restated for comparative purposes compared to the information published in financial statements at December 31, 2011, considering that YPF and YPF Gas and Petersen's borrowings at December 31, 2012 are not included in Repsol's operating segments.

⁽²⁾ Includes profit after tax attributable to equity owners of the parent and minority interests contributed by YPF S.A., YPF Gas S.A. and both companies' investees in both years, as well as that contributed by the loans granted to the Petersen group and the accounting effects of the expropriation of the shares of YPF S.A. and YPF Gas S.A.

The breakdown of assets by operating segment:

Segments	Millions of euros	
	31 / 12 / 2012	31 / 12 / 2011 ⁽¹⁾
Upstream	12,638	11,025
North America and Brazil	4,346	3,632
North Africa	918	881
Rest of the world	7,374	6,512
LNG	4,176	4,425
Downstream	18,993	19,806
Europe	17,706	18,331
Rest of the world	1,287	1,475
YPF	-	14,037
Gas Natural Fenosa	12,658	12,968
Corporation and other adjustments ⁽²⁾	10,534	8,696
Total Asset per segment ⁽³⁾	58,999	70,957
Assets of disrupted operations (Note 3 and 4)	5,922	-
TOTAL ASSETS	64,921	70,957

⁽¹⁾ At December 31, 2011, YPF was considered an operating segment. The Downstream segment also included €74 million of assets corresponding to YPF Gas, while the Corporation segment included €535 million corresponding to financial assets held by YPF and YPF Gas. Following the loss of control of YPF and YPF Gas (Note 5), the Group's assets in both companies were reclassified to discontinued operations.

⁽²⁾ Includes financial assets in the amount of €6,670 million and €5,303 million, respectively, in 2012 and 2011.

⁽³⁾ Includes in every segment the amount of the investments accounted for using the equity method.

⁽⁴⁾ Includes the assets affected by the expropriation of YPF and YPF Gas (Note 5).

Other segment metrics for the years ended December 31, 2012 and 2011:

Millions of euros	Upstream	LNG	Downstream	Gas Natural Fenosa	Corporation and Adjustments	TOTAL
	2012					
Investments accounted for using the equity method participation	307	322	78	30	-	737
Share of results of companies accounted for using the equity method	27	70	17	3	-	117
Depreciation and amortization	(1,169)	(177)	(638)	(540)	(63)	(2,587)
Profit (loss) from impairment of assets	(24)	1	(72)	-	-	(95)
Operating investments ⁽¹⁾	2,423	35	666	432	165	3,721

Millions of euros	Upstream	LNG	Downstream	YPF	Gas Natural Fenosa	Corporation and Adjustments	TOTAL
	2011						
Investments accounted for using the equity method participation ⁽²⁾	256	310	73	-	29	-	668
Share of results of companies accounted for using the equity method ⁽²⁾	4	45	21	-	2	-	72
Depreciation and amortization ⁽²⁾	(809)	(168)	(507)	-	(526)	(59)	(2,069)
Profit (loss) from impairment of assets ⁽²⁾	35	-	(102)	-	(25)	(1)	(93)
Operating investments ^{(1) (2)}	1,813	18	1,704	-	582	165	4,282

⁽¹⁾ Include the investments accrued during the period. Does not include investments in 'Other financial assets'

⁽²⁾ Information corresponding to 2011 has been restated for comparative purposes compared to the information published in financial statements at December 31, 2011, considering that YPF, YPF Gas and Petersen's borrowings at December 31, 2012 are not included in Repsol's operating segments.

The breakdown of the main key figures by geographical area is as follows:

Millions of euros	Operating revenue		Operating income		Operating investments	
	2012	2011 ⁽¹⁾	2012	2011 ⁽¹⁾	2012	2011 ⁽¹⁾
Upstream	5,702	3,711	2,208	1,413	2,423	1,813
North American and Brazil	1,423	983	380	419	1,144	745
North Africa	1,581	303	1,298	99	44	57
Rest of the world	2,801	2,510	530	895	1,235	1,011
Adjustments	(103)	(85)	–	–	–	–
LNG	2,990	2,658	535	386	35	18
Downstream	45,986	41,077	1,013	1,182	666	1,704
Europe	44,651	39,889	723	1,012	612	1,637
Rest of the world	4,641	4,003	290	170	54	67
Adjustments	(3,306)	(2,815)	–	–	–	–
YPF	–	–	–	–	–	–
Gas Natural Fenosa	7,587	6,564	920	887	432	582
Corporation and other adjustments	(2,672)	(1,373)	(390)	(319)	165	165
TOTAL	59,593	52,637	4,286	3,549	3,721	4,282

⁽¹⁾ Information corresponding to 2011 has been restated for comparative purposes compared to the information published in financial statements at December 31, 2011, considering that YPF, YPF Gas and Petersen's borrowings at December 31, 2012 are not included in Repsol's operating segments.

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Business combinations and increases in ownership interests in subsidiaries without change in control

Repsol prepares its consolidated financial statements including the investments in all its subsidiaries, affiliated companies and joint ventures. Appendix I of the consolidated financial statements details the most significant subsidiaries, affiliated companies and joint ventures, held directly or indirectly by Repsol, S.A., which were included in the scope of consolidation during 2012 and 2011. The main business combinations made in 2012 and 2011 are detailed below.

2012 Acquisitions

In August 2012, in keeping with the milestones laid down in an agreement signed on December 22, 2011 by Repsol and Alliance Oil, Repsol Exploración, S.A. acquired a 49% interest in AR Oil and Gaz, B.V. ("AROG") from Alliance to serve as a growth platform in the Russian Federation for both companies. Prior to this acquisition, and under the scope of the abovementioned agreement, Alliance had contributed 100% of its subsidiary Saneco, which encompasses its exploration and production activities in the Samara region (in the Volga-Urals basin), to AROG. In December 2012, Alliance Oil contributed 99.54% of its subsidiary TNO (Tafnefteotdacha), with assets in the Russian region of Tatarstan (in the Volga-Urals basin) to AROG in consideration for which Repsol Exploración S.A. acquired additional shares of AROG from Alliance Oil so as not to dilute its 49% stake.

The above-mentioned two transactions entail a total outlay of \$301 million (€233 million), of which \$143 million (€109 million) were pending from payment as of December 31, 2012 as the last agreement milestone (the sale by Repsol of Eurotek to AROG) was still pending (Note 38 "Subsequent events"). The breakdown of the net assets acquired in this business combination, stated on the basis of the Group's 49% interest in AROG and AROG's interests in Saneco and TNO (Tafnefteotdacha) is shown below:

Millions of euros	Fair value	Carrying amount at the acquiree
Current assets	55	55
Non-current assets	203	130
TOTAL ASSETS	258	185
Current liabilities	16	16
Non-current liabilities	9	9
TOTAL LIABILITIES	25	25
NET ASSET	233	160

The impact of the transaction on net income for the year ended December, 31 2012 was not significant. Had the acquisition taken place on January 1, 2012, the additional contribution to consolidated revenue and net income for the year would not have been significant either. The purchase price allocation resulted in a revaluation to fair value of the property, plant and equipment corresponding to the exploration and production assets acquired.

2011 Acquisition

In April 2011, Repsol Sinopec Brasil, S.A., through its affiliate, Repsol Sinopec Brasil, B.V. (hereinafter "Repsol Sinopec Brasil"), acquired from Petrobras a 10% shareholding in Agri Development, B.V. (hereinafter "Agri"), a company whose core business is the lease of oil and gas operating assets. Repsol Sinopec Brasil also acquired a 10% of the borrowings owed by Agri to Braspetro Oil Services Company to finance its business operations. This transaction implied a total outlay of \$44 million (€31 million). The breakdown of the net assets acquired in this business combination, stated on the basis of the Group's 60% interest in Repsol Sinopec Brasil, is shown below:

Millions of euros	Fair value	Carrying amount at the acquiree
Current assets	3	3
Non-current assets ⁽¹⁾	54	29
TOTAL ASSETS	57	32
Current liabilities	–	–
Non-current liabilities	5	–
TOTAL LIABILITIES	5	–
NET ASSET	52	32
Cash consideration paid in the business combination	31	
Gain net of the related tax effect	21	

⁽¹⁾ The company's most significant non-current assets are a floating production storage and offloading unit (FPSO) and drilling rigs (X-mas trees).

This business combination gave rise to a gain, net of the related tax effect, of \$29 million (€21 million). The abovementioned gain was recognized following the re-assessment of the assets acquired and liabilities assumed at the acquisition date and a review of the methods used to measure the amounts recognized. The net income contributed by this company to the consolidated financial statements since the acquisition date amounts to €23 million. Had the acquisition taken place on January 1, 2011, it had been estimated that the additional contribution to consolidated revenue and net consolidated income for the year would have been less than €1 million.

In June 2011, Repsol acquired 100% of British company Sea Energy Renewables, later renamed Repsol Nuevas Energías U.K., a company dedicated to the development of offshore wind farms in Scotland. Through this acquisition, Repsol obtained the rights to develop three offshore wind farms on the Scottish coast. In addition, Repsol reached an agreement with EDP Renovaveis for the joint development of two of these facilities, the 1,500 MW Moray Firth wind farm and

the 905 MW Inch Cape wind farm. The Group's ownership interests in these wind farms after this transaction are 33% and 51%, respectively. Further, Repsol owns 25% of the Beatrice wind farm, in which the company Scottish and Southern Renewables owning the remaining 75%. These projects gave Repsol the right to develop, build and operate a total of 1,190 MW in the UK. The agreements provide the possibility of incorporating Gas Natural Fenosa into the project. This transaction implied an investment of €46 million (£41 million). The breakdown of the net assets acquired and the corresponding goodwill is the following:

Millions of euros	Fair value	Carrying amount at the acquiree
Current assets	4	3
Non-current assets	44	4
TOTAL ASSETS	48	7
Current liabilities	2	2
Non-current liabilities	10	-
TOTAL LIABILITIES	12	2
NET ASSETS	36	5
Business combination costs	46	-
Goodwill	10	-

At the date of authorizing the accompanying consolidated financial statements for issue, this business combination has been accounted for on a provisional basis. Following the purchase price allocation process with respect to the acquisition-date carrying amounts of the net assets acquired, the main assets and liabilities restated to fair value correspond to the rights to operate the wind farms recognized as intangible assets and the deferred tax liabilities corresponding to the mentioned fair value restatements for the amount estimated not to be deductible.

The net loss contributed by this company to the consolidated income statement since the acquisition date amounted to €2 million. If the acquisition had taken place on January 1, 2011, it is estimated that the additional contribution to consolidated revenue and net income for the year would not have been significant.

In May 2011, the assets and liabilities swap pursuant to the agreement reached in August 2010 between Gas Natural Fenosa and Enel Green Power to terminate the renewable energy joint venture held through Enel Unión Fenosa Renovables, S.A. (EUFER), a company in which each held a 50% interest, has been consummated. As a result of this transaction, Gas Natural Fenosa had acquired approximately one-half of the business and the corresponding assets and liabilities of EUFER, having transferred the corresponding human and other resources required for the performance of the renewable power generation business, so that this transaction has been accounted for as a business combination and not an asset acquisition. The cost of this business combination net of the debt assumed coincided with the fair value, as appraised by third parties engaged specifically to value the transaction. The breakdown of the net assets acquired (proportionate to Repsol Group's interest in Gas Natural Fenosa) is shown below:

Millions of euros	Fair value	Carrying amount at the acquiree
Current assets	18	18
Non-current assets	262	210
TOTAL ASSETS	280	228
Minority interest	2	2
Current liabilities	27	23
Non-current liabilities	166	165
TOTAL LIABILITIES AND MINORITY	195	190
NET ASSETS	85	38
Business combination costs	86	-
Goodwill	1	-

The impact on net income in 2011 has not been significant. Had the acquisition taken place on January 1, 2011, it is estimated that the additional contribution to consolidated revenue and net income for the year would have not have been significant either. The main outcome of the purchase price allocation process has been the revaluation of the fair value of intangible assets, corresponding to the permits to operate the assets received, mainly wind farms.

In addition, through its investment in Gas Natural Fenosa, the Group undertook other acquisitions in 2011 as detailed below (all amounts proportionate to Repsol Group's interest in Gas Natural Fenosa):

- In September 2011, Gas Natural Fenosa signed a purchase agreement for ACS's direct and indirect interests in five wind farms in Spain with aggregate capacity of 95.5 MW for €20 million, increasing its interest in Explotaciones Eólicas Sierra de Utrera, S.L. from 50% to 75% and in Energías Ambientales EASA, S.A. from 33.3% to 100%. Had the acquisition taken place on January 1, 2011, it is estimated that the additional contribution to consolidated revenue and net income for the year would have been €4 million and €1 million, respectively.
- In December 2011, Gas Natural Fenosa subscribed the acquisition from Gamesa Energía of 100% of Sistemas Energéticos Alto de Seixal, S.A. (a sole shareholder company), which operates a 30 MW wind farm, for €3 million.
- In December 2011, Gas Natural Fenosa signed the purchase agreement for the acquisition of 100% Favellato Reti, S.R.L., an Italian company, whose core business is the distribution of natural gas in several Italian provinces, for €3 million.

Divestments and disposals of ownership interests in subsidiaries without loss of control

Divestments

The following table provides the proceeds from the sale of equity ownerships recorded in 2012 and 2011:

Millions of euros	2012	2011 ⁽¹⁾
Divestments		
Group companies, associated companies and business units	640	396
Property, plant and equipment, intangible assets and investment properties	55	103
Other financial assets	449	433
TOTAL	1,144	932

⁽¹⁾ Includes the necessary changes regarding the consolidated financial statements for the year 2011 in relation with the expropriation of the shares of YPF S.A. and YPF Gas, S.A. as described on section 3.3 "Comparison of information".

Group companies, associated companies and business units

The main divestments of shareholdings in Group companies and associates in 2012 and 2011 are listed in Appendix Ib – Main changes in the consolidation scope completed on December 31, 2012. The most significant are described below.

Fiscal Year 2012

In June 2012 Repsol agreed the sale of 100% of Repsol Butano Chile, S.A., the subsidiary holding the 45% interest in Empresas Lipigas, S.A. (a company active in the Chilean LPG supply market) and other financial assets in a consortium of Chilean investors. These assets were classified as non-current assets held for sale from the sale agreement date. Once all the usual closing conditions were met, the sale was closed in July 2012 for \$540 million. This disposal generated a gain of €195 million (an amount which includes the historical exchange differences registered under "Adjustments for changes in value" in equity in the amount of €62 million) and has been recognized in "Income from reversal of impairment losses and gains on disposal of non-current assets". The carrying amounts of the assets and liabilities derecognized as a result of this disposal are broken down below:

	Millions of euros
Cash and cash equivalents	164
Other current assets	29
Non-current assets	203
TOTAL ASSETS	396
Minority interest	4
Current liabilities	37
Non-current liabilities	48
TOTAL LIABILITIES AND MINORITY INTERESTS	89
NET ASSETS	307

In August 2012 Repsol was authorized by the government of Ecuador to sell 100% of its local subsidiary Amodaimi Oil Company to Tiptop Energy Ltd, a subsidiary of China's Sinopec. This disposal generated a gain of €48 million (an amount which includes the historical exchange differences registered under "Adjustments for changes in value" in equity in the amount of €2 million) that has been recognized in "Income from reversal of impairment losses and gains on disposal of non-current assets". The net book value of the written off net assets are as follows:

	Millions of euros
Cash and cash equivalents	–
Other current assets	89
Non-current assets	90
TOTAL ASSETS	179
Current liabilities	56
Non-current liabilities	30
TOTAL LIABILITIES AND MINORITY INTERESTS	86
NET ASSETS	93

In December 2012, as a result of the sale of an *off-shore* exploration platform by Guara B.V., a 15%-owned Repsol investee, this investee returned capital to its shareholders in the amount of the proceeds from the sale, with Repsol collecting €41 million.

On June 30, 2011, Gas Natural Fenosa agreed to sell approximately 245,000 gas supply customers and associated contracts in the Madrid region for €11 million. Since the date of agreement, these assets have been classified as non-current assets held for sale. Having secured all the required permits, the sale to Endesa was closed on February 29, 2012. The transaction generated a €6 million pre-tax gain. The amounts in millions of euros are stated at the Group's proportionate interest in Gas Natural Fenosa.

Fiscal Year 2011

On February 7, 2011, Gas Natural Fenosa agreed to sell approximately 300,000 gas supply points in the Madrid region to a company of the Group Madrileña Red de Gas for €136 million. These assets were classified as non-current assets held for sale from the agreement date. Once all required permits were obtained, the sale closed on June 30, 2011, generating a gain of €84 million. The amounts in millions of euros are stated at the Group's proportionate interest in Gas Natural Fenosa.

On May 19, 2011, Gas Natural Fenosa agreed the sale of its investments in power distributors in Guatemala, Distribuidora de Electricidad de Oriente, S.A. and Distribuidora de Electricidad de Occidente, S.A., and in other companies with energy operations in Guatemala. The assets were sold for €64 million. The sale generated a pre-tax loss of €3 million. The figures are stated at the Group's proportionate interest in Gas Natural Fenosa.

In October 2011, the Group sold its Brazilian liquid petroleum gas (LPG) subsidiary, Repsol Gas Brasil, to Brazil's Ultragaz for €20 million. This sale generated an after-tax gain of €11 million, which is recognized in "Income from reversal of impairment losses and gains on disposal of non-current assets."

On January 16, 2012, the Group reached an agreement to sell its subsidiary Repsol France S.A., whose core activity was the distribution of liquid petroleum gas (LPG) in France, to Totalgaz, a subsidiary of the Total group. This transaction has been accounted for with effect from December 31, 2011.

Property, plant and equipment, intangible assets and investment properties

On April 14, 2011, Gas Natural Fenosa agreed the sale of its 800 MW Arrúbal combined cycle plant in La Rioja. Having obtained all the required permits, the sale closed on July 28, 2011 and Gas Natural Fenosa transferred ownership of the plant for a total of €94 million. The transaction did not generate any gain or loss in the consolidated income statement. The agreement included a vendor loan of €77 million which accrues interest at market rates; it also encompassed the signature of gas supply and power offtake agreements (for less than 50% of forecast production) between the plant and Gas Natural Comercializadora SDG, S.A. for a maximum term of 10 years. These assets were classified as non-current assets held for sale from the date the agreement was reached until the sale was closed. The amounts in millions of euros are stated at the Group's proportionate interest in Gas Natural Fenosa.

Also in April 2011 and having obtained all the required permits, Gas Natural Fenosa sold the Alpiq group, its 400MW combined cycle generation terminal in *Plana del Vent* for €60 million. The transaction did not generate any gain or loss in the consolidated income statement. In

addition, Alpiq has an exclusive right to use and operate another 400 MW group for a two-year period, holding a call option on the asset at the end of the period for a total of €59 million (the market value of the call option). The amounts in millions of euros are stated at the Group's proportionate interest in Gas Natural Fenosa.

Having received an advance payment of €70 million in 2010 and once all the required permits had been obtained from the competent authorities, the sale of the Gaviota underground gas storage facility to Enagás for €79 million closed on October 3, 2011, generating a pre-tax gain of €28 million, which was recognized under "Income from reversal of impairment losses and gains on disposal of non-current assets" plus an additional divestment of €9 million.

Other financial assets

In 2012 and 2011, the Group collected €208 and €385 million respectively (stated at the Group's proportionate interest in Gas Natural Fenosa) in connection with Gas Natural Fenosa's share of the financing of the electricity tariff deficit. This was mainly as a result of the nineteen and eleven issuances completed by the FADE (the acronym in Spanish for the electricity system deficit securitization fund) in the course of the years by virtue of which outstanding collection rights are irrevocably transferred to the Securitization Fund.

Disposals of ownership interests in subsidiaries without loss of control

In 2012, as a result of the expropriation process of the Repsol shares in YPF SA and YPF Gas SA's (described in Note 5), the Group lost the control over YPF and YPF Gas with accounting effects and impacts described on the previously mentioned Note.

Sales of interest in YPF in 2011

In 2011 the Group made the following sales of YPF shares, which are included under the reference "Cash flow from financing activities from discounted operations" in consolidated cash flow statement:

- Repsol reached an agreement to sell 3.83% of the share capital of YPF to Lazard Asset Management and other funds for a net sum of \$632 million (€446 million) on March 14, 2011. Specifically, Lazard Asset Management acquired 2.9% of YPF share capital, while other investors acquired a 0.93% interest. In addition, Repsol granted Lazard Asset Management a put option on the purchased shares in the proportional part of the acquired shares which exceed 20% of the YPF's free float. This option was exercisable at any time until October 10, 2011 and expired unexercised.
- Also in March 2011, Repsol sold, through a secondary offering, 30.15 million YPF shares in the form of American Depositary Shares (ADSs) representing 7.67% of YPF's share capital, raising total net proceeds of \$1,209 million (€862 million).
- Subsequently, in May 2011, the Petersen Group exercised its call option 10% of YPF, ahead of the exercise deadline on February 2012. The deal size was \$1,302 million (€913 million). Part of the transaction was funded by way of a \$626 million (€439 million) loan by Repsol to the Petersen Group. Following the transaction date, the Petersen Group owns 25.46% of the Argentine oil company.
- During 2011, the Group sold additional minority interests in YPF in the market.

Taking into account all these transactions on the Argentine oil company's share capital during 2011, the Group sold YPF shares in 2011 representing 22.38% for a net amount of \$3,292 million (€2,327 million euro).

In the wake of these transactions, the Group's ownership interest in YPF at December 31, 2011 stood at 57.43%.

The 2011 sales implied a €1,537 million increase in "Minority interests" at the year ended December 31, 2011. In 2011, the resulting pre-tax gain, which is recognized within "Retained earnings and other reserves," amounted to €478 million, net of the €312 million impact of the associated accumulated negative translation differences.

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Information on related party transactions

Repsol undertakes transactions with related parties under general market conditions.

For the purposes of presenting this information, the following are considered to be related parties:

- a. Major Shareholders: the major shareholders in the company at December 31 that are considered related parties of Repsol are:

Major shareholders	% total of share capital DECEMBER 31, 2012
CaixaBank, S.A.	12.53
Sacyr Vallehermoso, S.A. ⁽¹⁾	9.73
Petróleos Mexicanos ⁽²⁾	9.43

⁽¹⁾ Sacyr Vallehermoso, S.A. which holds through de Sacyr Vallehermoso Participaciones Mobiliarias, S.L.

⁽²⁾ Petróleos Mexicanos (Pemex), which holds through Pemex Internacional España, S.A., PMI Holdings, B.V. and through several equity swaps with financial entities that give Pemex dividend and voting rights.

The figures provided reflect the information in the hands of Repsol, S.A. at December 31, 2012 on the basis of the latest reports provided by Spain's central clearing house, IBERCLEAR (Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U.) and the information submitted by the Company's shareholders at General Shareholders' Meetings and to Spain's securities market regulator (the CNMV for its acronym in Spanish) in compliance with its transparency requirements.

- b. Executives and Directors: includes members of the Board of Directors and of the Executive Committee.
- c. People or Group companies: includes transactions with Group companies or entities for the part not eliminated in the consolidation process (corresponding to the non-owned portion in the proportionately consolidated companies and transactions undertaken with companies accounted for using the equity method). When control of YPF S.A. and YPF Gas S.A. was lost (Note 5) they ceased to be considered Group companies.

Income, expenses and other transactions recorded in 2012 with related parties were as follows:

Millions of euros	Major shareholders	Executives and Directors	Group companies or entities ⁽¹⁾	TOTAL
EXPENSE AND INCOME:				
Financial expenses	16	–	3	19
Management or cooperation agreements	–	–	1	1
Operating leases	2	–	22	24
Receipts from services	6	–	318	324
Purchase of goods (finished or in progress) ⁽³⁾	4,002	–	5,848	9,850
Other expenses	29	–	13	42
TOTAL EXPENSES	4,055	–	6,205	10,260
Financial income	25	–	14	39
Management or cooperation agreements	–	–	4	4
Leases	1	–	–	1
Transfer of R&D and license agreements	–	–	–	–
Provision of services	44	–	40	84
Sale of goods (finished or in progress)	269	–	1,299	1,568
Gains from derecognition or disposal of assets	–	–	4	4
Other income	5	–	66	71
TOTAL INCOME	344	–	1,427	1,771

Millions of euros	Major shareholders	Executives and Directors ⁽²⁾	Group companies or entities ⁽¹⁾	TOTAL
OTHER TRANSACTIONS				
Purchase of property, plant and equipment, intangible and other assets	96	–	–	96
Finance agreements: credits and capital contributions (lender)	1	–	223	224
Amortisation or cancellation of loans and leases (lessor)	–	–	–	–
Disposal of property, plant and equipment, intangible or other assets	245	–	–	245
Finance agreements: credits and capital contributions (lessor) ⁽⁴⁾	773	–	4	777
Guarantees given ⁽⁵⁾	219	–	1,121	1,340
Guarantees received	57	–	–	57
Commitments acquired ⁽⁶⁾	696	–	12,796	13,492
Cancelled commitments/guarantees	71	–	–	71
Dividends and other profit distributed ⁽⁷⁾	467	–	–	467
Other transactions ⁽⁸⁾	1,639	–	–	1,639

⁽¹⁾ The table above on expenses and income, includes transactions made by Group with YPF, YPF Gas and their Group companies until the of loss of control (Note 5). On the contrary, in Other Transactions table does not include balances with said companies.

⁽²⁾ See Note 34 Information on the Members of the Board of Directors and Executives for disclosure on operations made with members of Executive and Directors. The balance of the loans granted to Executives and the dividends distributed is less than €1 million.

⁽³⁾ These purchases included those made under the provisions of a crude oil purchase contract signed for an indeterminate period with the Pemex Group, which in 2012 were fixed at 100,000 barrels per day.

⁽⁴⁾ Included credit lines amounting to €558 million arranged with La Caixa.

⁽⁵⁾ Includes €1,035 million corresponding to two guarantees provided by Repsol S.A. in relation to the lease agreements on two floating platforms entered into by its subsidiary Cuará B.V. in Brazil (Note 35). It does not include the counter-guarantee associated with these guarantees as it does not correspond to related parties.

⁽⁶⁾ Corresponds to purchase commitments outstanding at the reporting date, net of sales commitments.

⁽⁷⁾ Amounts recognized as dividends and other profits distributed include payment of a 2011 interim dividend on January 10, 2012, and the corresponding amounts from the sale to Repsol, at the guaranteed fixed price, the free allotment rights arising from scrip closed in July 2012, under the compensation program "Repsol Flexible Dividend". Conversely, it does not include amounts for sale to Repsol, at the guaranteed fixed price, the free allotment rights arising from scrip closed in January 2013, which in the case of significant shareholders amounted to €132 million. Repsol shares subscribed in such capital increases are not included.

⁽⁸⁾ Includes remunerated accounts and deposits in the amount of €667 million, exchange rate hedges in the amount of €158 million and interest rate hedges in the amount of €115 million arranged with Caixa Group.

Income, expenses and other transactions recorded in 2011 with related parties were as follows:

Millions of euros	Major shareholders	Executives and Directors	Group companies or entities ⁽¹⁾	TOTAL
FINANCIAL EXPENSES				
Management or cooperation agreements	26	–	–	26
Operating leases	–	–	2	2
Receipts from services	2	–	33	35
Purchase of goods (finished or in progress) ⁽²⁾	8	–	428	436
Pérdidas por baja o enajenación de activos	2,751	–	5,755	8,506
Other expenses	11	–	18	29
TOTAL EXPENSES	2,798	–	6,236	9,034
Financial income	36	–	18	54
Management or cooperation agreements	–	–	4	4
Dividendos recibidos	1	–	–	1
Leases	–	–	–	–
Provision of services	42	–	34	76
Sale of goods (finished or in progress)	109	–	1,262	1,371
Other income	4	–	80	84
TOTAL INCOME	192	–	1,398	1,590

Millions of euros	Major shareholders	Executives and Directors ⁽³⁾	Group companies or entities ⁽¹⁾	TOTAL
OTRAS TRANSACCIONES				
Purchase of property, plant and equipment, intangible and other assets	124	–	–	124
Finance agreements: credits and capital contributions (lender)	–	–	346	346
Amortization or cancellation of loans and leases (lessor)	–	–	–	–
Disposal of property, plant and equipment, intangible or other assets	187	–	–	187
Finance agreements: credits and capital contributions (lessor) ⁽⁴⁾	783	–	7	790
Guarantees given ⁽⁵⁾	193	–	133	326
Guarantees received	70	–	–	70
Commitments acquired ⁽⁶⁾	585	–	15,782	16,367
Cancelled commitments/guarantees	1	–	254	255
Dividends and other profit distributed	519	–	–	519
Other transactions ⁽⁷⁾	1,321	–	–	1,321

⁽¹⁾ The amounts corresponding to transactions with YPF, YPF Gas and their group companies that are included in the figures shown in the column headed *Group companies or entities* are: (I) Lease expenses amounting to €12 million; (II) Expense for services rendered to the Group amounting to €29 million; (III) Purchase of goods amounting to €61 million; (IV) Finance income amounting to €2 million; (V) Revenue from the provision of services amounting to €5 million; (VI) Revenue from sales of goods amounting to €284 million; (VII) Finance agreements as borrower amounting to €49 million and (VIII) Guarantees and sureties extended by the Repsol Group to secure obligations of equity-accounted investees of the YPF group amounting to €46 million. In addition "Commitments acquired in respect of Group companies or entities" include €98 million of sale commitments net of firm purchase commitments.

⁽²⁾ These purchases included those made under the provisions of a crude oil purchase contract signed for an indeterminate period with the Pemex Group, which in 2011 were fixed at 85,000 barrels per day.

⁽³⁾ See Note 34 Information on the Members of the Board of Directors and Executives for disclosure on operations made with members of the Executive Committee. The balance of the loans granted to Executives and the dividends distributed was less than €1 million.

⁽⁴⁾ Included €53 million of credit lines arranged with Caixa Group.

⁽⁵⁾ Included €64 million corresponding to guarantee issued by the Group in relation with the financing agreements of Perú LNG, S.R.L. (Note 35).

⁽⁶⁾ Corresponded to purchase commitments outstanding at the reporting date, net of sales commitments.

⁽⁷⁾ Included short term investments in the amount of €416 million, exchange rate hedges in the amount of €173 million and interest rate hedges in the amount of €209 million, arranged with the Caixa Group.

The transactions performed by Repsol, S.A. with its Group companies and those performed by the Group companies among themselves form part of the Company's ordinary business activities in terms of their purpose and terms and conditions.

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Information on the members of the board of directors and executives

34.1

Remuneration of the members of the Board of Directors (Directors)

The remuneration earned by Executive Board Members, as detailed under paragraphs a), b) and c) of this Note, amounted to €7.7 million, representing 0.37% of the net income attributed to the parent company.

a. Due to membership of the Board

In accordance with Article 45 of the Articles of Association, the Company may pay a remuneration equivalent to 1.5% of its net income to its Board members each year, but this amount can only be paid once the appropriations to the legal reserve and other obligatory appropriations have been made and a dividend of at least 4% has been recognized to shareholders.

Under the system established and approved by the Nomination and Compensation Committee, the amounts of the annual remuneration earned in 2012 and 2011 by virtue of membership of each of the Group's managing bodies are as follows:

Euros	2012	2011
Governing Body		
Board of Directors	176,594	176,594
Delegate Committee	176,594	176,594
Audit and Control Committee	88,297	88,297
Strategy, Investment and Corporate Social Responsibility Committee	44,149	44,149
Nomination and Compensation Committee	44,149	44,149

The amount of remuneration earned in 2012 by the members of the Board of Directors in their capacity as Board members against the aforesaid assignment in the Articles of Association amounted to €4.812 million, the detail being as follows:

Remuneration of Membership to Governing Bodies (Euros)

	Board	Delegate C	Audit C	Nomination C	Strategy C	TOTAL
Antonio Brufau	176,594	176,594	–	–	–	353,188
Luis Suárez de Lezo	176,594	176,594	–	–	–	353,188
Pemex Internacional España, S.A.	176,594	176,594	–	–	44,149	397,337
Henri Philippe Reichstul	176,594	176,594	–	–	–	353,188
Paulina Beato	176,594	–	88,297	–	–	264,891
Javier Echenique Landiribar	176,594	176,594	88,297	–	–	441,486
Artur Carulla Font	176,594	176,594	–	44,149	–	397,337
Juan Abelló Gallo	176,594	176,594	–	–	44,149	397,337
José Manuel Loureda Mantiñán	176,594	–	–	44,149	44,149	264,891
Luis Carlos Croissier Batista	176,594	–	–	–	44,149	220,743
Isidro Fainé	176,594	176,594	–	–	–	353,188
Juan María Nin	176,594	–	–	44,149	44,149	264,891
Ángel Duráñez Adeva	176,594	–	88,297	–	–	264,891
M ^a Isabel Gabarró Miquel	176,594	–	–	44,149	44,149	264,891
Mario Fernández Pelaz	176,594	–	–	44,149	–	220,743

Additionally, it should also be noted that:

- The members of the Board of Directors of Repsol, S.A. have not been granted any loans or advances by any Group company, jointly controlled entity or associate.
- No Group company, jointly controlled entity or associate has pension or life insurance obligations to any former or current member of the Board of Directors of Repsol, S.A., except in the case of the Executive Chairman, and the General Counsel, whose remunerations, as Executive Directors, are subject to the commitments set forth in their respective contracts for services, which envisage a defined contribution system.

b. Due to the holding of executive positions and performing executive duties.

The annual monetary fixed remuneration earned in 2012 by the members of the Board of Directors who, during that period had performed executive tasks at the Group, amounted to €3.351 million, of which €2.368 million was earned by Mr. Antonio Brufau and €0.983 million by Mr. Luis Suárez de Lezo.

Additionally, the remuneration in-kind (residence allowances and other), annual variable, and multi-annual variable compensation paid to Mr. Antonio Brufau, calculated on the basis of the level of success with respect to the objectives of the Medium-term Incentives Program for senior management personnel corresponding to the 2009-2012 period totaled € 1.885 million. The amounts received by Mr. Luis Suárez de Lezo for in-kind, annual variable, and multi-annual variable compensation under the aforementioned program totaled € 1.305 million.

These figures mentioned above do not include the amounts reflected in paragraph e) below.

c. Due to membership to the Boards of Directors of subsidiaries affiliates

The remuneration earned in 2012 by the members of the parent's Board of Directors in their capacity as directors of other Group companies, jointly controlled entities and associates amounted to €0.445 million, according to following detail:

Euros	YPF	Gas Natural	TOTAL
Antonio Brufau Niubó	19,899	265,650	285,549
Luis Suarez de Lezo Mantilla	19,899	139,150	159,049

d. Due to third-party liability insurance premiums

The members of the Board of Directors are covered by the same third-party liability insurance policy as that covering all the directors and executives of the Repsol Group.

e. Due to retirement, disability and life insurance policies, contributions to pension plans and long service bonus.

The cost of retirement, disability and death insurance policies and the contributions to pension plans and long service bonus including, if applicable, the related on account payments, incurred by the Company on behalf of the members of the Board of Directors with executive functions at the Group amounted to € 3.037 million in 2012. Of this amount, €2.739 million correspond to Mr. Antonio Brufau and €0.298 million to Mr. Luis Suárez de Lezo.

At the request of D. Antonio Brufau, Repsol will stop making contributions to its pension plan from next March 12, 2013.

f. Incentives

Directors not holding executive positions at the Company have not been paid multi-annual variable compensation.

34.2 Indemnity payments to members of the Board of Directors

No director received any indemnity payment from Repsol in 2012.

34.3 Transactions with Directors

Except for the remuneration earned, the dividends received from the shares they hold, other remuneration received in their status of shareholders, and in the case of institutional outside directors, the transactions described in Note 33 ("Information on Related Party Transactions – Significant Shareholders"), the directors of Repsol did not perform any material related-party transactions with the Company or Repsol Group companies outside of ordinary business or under conditions other than market conditions.

Notwithstanding the foregoing, the Executive Directors have signed up for the 2011-2014 and 2012-2015 Cycles of the Plan for Delivery of Shares to Beneficiaries of the Pluri-annual Remuneration Programs, as detailed in Note 19.d) section i).

Except as detailed in Appendix III, none of the directors nor people or entities to which they are related have ownership interests or hold positions in companies engaging in an activity that is identical, similar or complementary to the activity constituting the corporate purpose of Repsol.

In addition, except as detailed in Appendix III, none of the directors have performed, as independent professionals or as employees, activities that are identical, similar or complementary to the activity that constitutes the corporate purpose of Repsol.

In 2012, the resolutions of the Board of Directors and the Nomination and Compensation Committee in respect of (I) directors re-elections; (II) committee members appointments or re-elections; and (III) position appointments within the Board of Directors, were adopted in the absence of the directors affected by the resolution in question.

In addition, the Executive Directors did not participate in the approval of Board of Directors resolutions regarding their compensation for the performance of executive duties at the Company.

Lastly, the resolution approved by the Board of Directors on February 28, 2012 in relation to the subscription between Repsol and Petróleos Mexicanos (Pemex) of an industrial strategic alliance, was adopted with the abstention of the Director Pemex International España, S.A.

34.4 Remuneration of executives

a. Scope

For reporting purposes, in this section Repsol considers "executives" to be the members of the Repsol Group's Executive Committee. This consideration, made purely for reporting purposes herein, neither substitutes nor implies an interpretation of other senior management or similar concepts applicable to the Company under prevailing legislation (such as Royal Decree 1382/1985), nor does it have the effect of creating, recognizing, amending or extinguishing any existing legal or contractual rights or obligations.

The information included in this Note relates to the eight people who have been members of the Executive Committee of the Group in 2012, excluding, unless stated otherwise, those who are also members of the Parent Company Board of Directors, since the information relating to them is disclosed in the paragraph 1) of this note.

b. Wages and salaries

Executives receive fixed and variable remuneration. The latter consists of an annual bonus calculated as a given percentage of the fixed remuneration earned on the basis of the degree to which certain targets are met and, where appropriate, the payment relating to the multi-annual incentive plan.

The total remuneration earned in 2012 by executives who form or formed part of the Executive Committee, is as follows:

Description	Millions of euros
Salary	5.211
Attendance fees	0.325
Variable remuneration	5.395
Remuneration in kind	0.633

In accordance with the foregoing, total compensation amounted to €11.56 million.

c. Executive welfare plan and long service bonus

In 2012, the contributions made by the Group to its executives in both instruments amounted to €1.520 million.

d. Pension fund and insurance premiums

The contributions made by the Group in 2012 to the hybrid defined contribution pension plans for executives adapted to the Pension Plans and Funds Law (Note 3.4.18 and Note 19) plus the life and accident insurance premiums paid totaled €0.528 million (this amount is included in the disclosures reported in section b) above).

Executives are covered by the same civil liability insurance policy as that covering all the directors and senior management personnel of the Repsol Group.

e. Advances and loans granted

At December 31, 2012, the Company had granted loans to its executives amounting to € 0.058 million, which earned average interest of 2.80%. All these loans were granted before 2003.

34.5 Indemnity payments to executives

The executives to which this note is referred (Note 34.4.a) have, in their respective contracts, the right to receive a compensation in the event of termination of relationship with the company, provided that the termination was not due to a breach of obligations of the such management member, due to retirement, handicap or the employee's voluntary withdrawal not founded in some of the compensable assumptions gathered in the mentioned contracts.

Said compensations shall be recognized as a provision and a personnel expense only when the termination of the relationship between the executive and the Group is due to a reason that entitled him or her to such perception. The Group has a collective insurance policy contracted which aims to guarantee the payment of such compensations to the executives to which this Note is referred (Note 34.4.a), including the General Counsel Director.

No executive received any indemnity payment from Repsol in 2012.

34.6

Transactions with executives

Except for the information disclosed in sections 4 and 5 of this Note and the dividends received from the shares of the Company held by them, the executives of Repsol did not perform any material related-party transactions with the Company or Repsol Group companies outside of ordinary business or under conditions other than market conditions.

Notwithstanding the foregoing, the executives (including Executive Directors) have signed up for the 2011-2014 and 2012-2015 Cycles of the Plan for Delivery of Shares to Beneficiaries of the Pluri-annual Remuneration Programs, as detailed in Note 19.d.i), subscribing for 211,006 shares in total.

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Contingencies, commitments, and guarantees

35.1

Legal and arbitration contingencies

35.1.1 Proceedings initiated as a consequence of the expropriation of the Repsol Group's shares in YPF S.A. and YPF Gas S.A. (Note 5)

On April 16, 2012, Argentina's President announced to the country the expropriation of 51% YPF S.A.'s Class D shares of the main Argentinean oil company, which were held, by the Spanish Repsol Group. Days later, the expropriation was extended to 60% of Repsol Group's stake in the Argentinean company YPF Gas S.A., a butane and propane gas distributor. This participation represents 51% YPF Gas S.A.'s share capital. In addition, on April 16, the Argentinean government ordered the takeover of the officers and members of the management committee, were forcedly expelled and company management was seized (Decreets 530 and 557). Meanwhile, within 21 days, an exceptional law was passed regarding the expropriation of YPF and YPF Gas shares held by the Repsol Group. Expropriation Law N° 26.741. Law 26.741 apart from declaring the public interest of such shares and therefore subject to expropriation, and also set forth the temporary seizure by the National Executive Power of, all the intrinsic rights associated with the portion of Repsol's shares subject to expropriation. Neither court decision was previously rendered, nor prior compensation or consignment for the value of the affected shares were offered.

Despite declaring that "the self-supply, exploration, exploitation industrialization, transportation, and commercialization of hydrocarbon are of national public interest", the aforementioned "temporary" seizure and subsequent expropriation only affects YPF S.A. and YPF Gas S.A. No other Argentinean oil companies are affected; in addition, the Repsol Group is the only negatively-affected party and no other shareholder.

Under the Agreement for the Reciprocal Promotion and Protection of Investments signed between Spain and Argentina in 1991, the Argentinean government committed to protect investments made by investors from the other country, Spain (article III.- Section 1): not to disrupt the management, maintenance or use of such investments throughout unjustified or discriminatory measures, and to grant fair and equitable treatment of investments made by Spanish investors (article IV.- Section 1). Additionally, Argentina committed not to act in a discriminatory manner when nationalizing or expropriating Spanish investments and

compensate expropriated investors with an adequate consideration in convertible currency without any unjustified delay (article V). In addition, Argentina undertook the obligation to grant Spanish investors the most favorable treatment it had granted to any foreign investors (article IV.- Sections 1 and 2).

On the other hand, article 17 of the Argentinean Constitution establishes that "property is inviolable, and no inhabitant of the State can be deprived of it except by virtue of a sentence grounded in law. Expropriation for purposes of public interest must be qualified by law and compensated prior to the expropriation. [...] No armed body may make requisitions, or demand assistance of any kind". Furthermore, article 20 states that: "Foreigners enjoy in the territory of the Nation all the civil rights of a citizen; they may engage in their industry, trade or profession, own, purchase or transfer real estate property [...]".

Moreover, at the time of YPF S.A.'s privatization, and for the purpose of attracting foreign investors, in 1993 the Argentinean government amended YPF S.A.'s bylaws. The aim of this amendment grants investors with a 100% tender offer if the government or any other interested party should intend to gain control of YPF S.A. or acquire 15% or more of YPF share capital; the share price under the tender offer should be calculated in accordance with a determined formula established in Articles 7 and 28 of the YPF by-laws and published in the YPF prospectus filed with the U.S. *Securities and Exchange Commission* (SEC). Until this happens, according to YPF S.A.'s by-laws Argentinean government's interest in YPF cannot be counted for purposes of reaching a quorum in YPF S.A.'s shareholder meetings thus no voting or economic rights will accrue to the Argentinean government either.

The Repsol Group considers that the above-mentioned expropriations processes are illegitimate and will initiate all pertinent legal actions to defend its rights and interests as well as to obtain full compensation for the severe damages suffered.

The most relevant legal steps taken are as follows:

1. Dispute under the Agreement for the Reciprocal Promotion and Protection of Investments.

On May 10, 2012, Repsol, S.A. and Repsol Butano, S.A. addressed Argentina's President the formal dispute notification regarding the expropriation of Repsol's controlling participation in YPF S.A. and YPF Gas S.A. and other related acts. This notification opened a negotiation period for reaching an out-of-court settlement according to the Agreement on the Reciprocal Promotion and Protection of Investments between the Kingdom of Spain and the Republic of Argentina. Since then, Repsol, S.A. and Repsol Butano, S.A. have insisted in their petition for having amicable conversations; however, the Argentinean government has declined to meet with Repsol Group representatives on several occasions, alleging different formal excuses.

On December 3, 2012, once 6 months period had elapsed since the controversy regarding the expropriation of YPF S.A. and YPF Gas S.A.'s shares, was notified to the Argentinean government, Repsol, S.A., and Repsol Butano, S.A. filed with the International Center for Settlement of Investment Disputes (ICSID), the request for against the Argentinean Republic grounded on the violation of the Reciprocal Promotion and Protection of Investments between the Kingdom of Spain and the Republic of Argentina signed on October 3, 1991.

The above request for arbitration summarizes the facts and legal issues to be taken into consideration. On December 18, 2012, the ICSID registered the request for arbitration. The constitution of the Arbitration Tribunal is still pending. Once it has been constituted, parties shall submit their written memos with complete allegations on the matter. Those written memos will specify the compensation and damages that Repsol, S.A. and Repsol Butano, S.A. will claim to the Argentinean government; notwithstanding that the parties may cease this proceeding at any time by reaching an agreement.

Repsol considers it has solid legal arguments to claim to restitution of the expropriated shares, as well as a right to receive adequate compensation for the damages caused by the Argentinean government as a result of the the expropriation of YPF S.A. and YPF Gas S.A.

2. Lawsuit claiming the unconstitutionality of the intervention in YPF and YPF Gas by the Argentinean government and the "temporary seizure" of rights over 51% of Shares of YPF S.A. and YPF Gas S.A. held by Repsol

On June 1, 2012, Repsol filed two lawsuits (regarding YPF S.A. and YPF Gas S.A.) before the Argentinean courts requesting declaration of unconstitutionality: (I) of articles 13 and 14 of Law n° 26,741 ("Expropriation Law") and any other regulation, resolution, act, investigation

and/or action issued and/or performed under these regulations as being in clear violation of articles 14, 16, 17, 18 and 28 of the Argentinean Constitution; (II) of PEN Decree N° 530/2012, PEN Decree 532/2012, and PEN Decree 732/2012 (taken together, the "Decrees"), and any other regulation, resolution, act, investigation and/or action issued and/or performed under the Decrees as standing in violation of articles 1, 14, 16, 17, 18, 28, 75, 99 and 109 of the Argentinean Constitution. Certain injunctive relief that was also requested was dismissed. This matter should be ruled by the Federal Contentious Administrative jurisdiction. With respect to the injunctive relief requested in connection with YPF Gas S.A., the Court of Appeals dismissed the appeal filed by the Repsol Group against first instance dismissal of the requested injunctive relief. The Repsol Group requested the remission of the lawsuit which was finally notified to the Presidential General National Secretary. The next step would be the reply to the lawsuit by Argentinean government before the April 4, 2013 deadline.

The Repsol Group considers it has solid arguments for the Argentinean courts to rule the takeover and temporary seizure of YPF is unconstitutional.

3. *"Class Action Complaint" filed before the District of New York Southern regarding the Argentinean government's failure to comply with its obligation to launch a tender offer for YPF shares before taking control of YPF.*

On May 15, 2012, Repsol and Texas Yale Capital Corp. filed a class action complaint in the Southern District of New York (in defense of interests of holders of Class D YPF shares, excluding those shares subject to expropriation by the Argentinean government). The purpose of the lawsuit is: (I) to establish the obligation of the Argentinean government to launch a tender offer for Class D shares on the terms defined in YPF's by-laws, (II) to declare that the shares seized without a tender offer are void of voting and economic rights; (III) to order the Argentinean government to refrain from exercising voting or economic rights over the shares seized until it launches a tender offer; and (IV) that the Argentinean government indemnify the damages caused by its failure to comply with its obligation to launch a tender offer (the damages claimed have not been quantified yet in the proceedings).

This lawsuit against the Argentinean government is currently at the serving of process to the Argentinean Government.

Repsol considers that it has solid arguments for the recognition of its corresponding rights to the YPF shares that have not been expropriated.

4. *Lawsuit filed with the Southern District Court of New York for the failure of YPF to present form 13D as obliged by the Securities and Exchange Commission (SEC) due to intervention by the Argentinean Government.*

On May 12, 2012, Repsol filed a lawsuit with the New York Southern District Court of New York requesting that the Argentinean government shall be requested to comply with its reporting requirements in conformity with section 13(d) of the U.S. Securities Exchange Act. This section requires that whoever acquires direct or indirect control over more than 5% of a share class in a company listed in the USA, report certain information (through a 13D form) including the number of shares controlled; the source and amount of funds to be used for the acquisition of these shares; information on any contracts, agreements, or understandings with any third party regarding the shares of the company in question; and the business and governance plans the controlling entity has with respect to this company.

This lawsuit was served to the Argentinean Government. Currently, it is being discussed whether the case has enough legal grounds in order to determine if US courts have jurisdiction to rule over this case ("Motion to Dismiss").

Repsol considers that it has solid legal arguments for its claim to be recognized.

35.1.2 Other legal and arbitration proceedings

At December 31, 2012, Repsol's consolidated balance sheet included litigation provisions for a total amount of €57 million (excluding tax risk provisions described in Note 25 "Tax Situation" under "Other tax related disclosures"). This amount is recognized in section "Other provisions" in Note 18 list.

Companies in Repsol Group may be a party in certain legal or arbitration proceedings in the ordinary course of its business. The following is an overview of the most relevant proceedings updated to the closing date of these consolidated financial statements.

As a result of the YPF group expropriation, the proceedings cited below do not include any legal proceedings in the United States of America and Argentina in which only YPF S.A. or YPF subsidiaries were named as defendants.

Argentina

Claims brought by former YPF employees (Share Ownership Plan)

A former employee of YPF (prior to its privatization, in 1992) who was excluded from the National YPF Employee Share Ownership Plan (PPP for its acronym in Spanish) set up by the Argentinean government, filed a claim in Bell Ville (Province of Cordoba, Argentina) against YPF S.A. and Repsol to seek recognition of his status as a shareholder of YPF S.A. In addition, the so called "Federation of Former Employees of YPF" joined the lawsuit acting on behalf of other former employees excluded from the PPP. Repsol acquired its ownership interest in the capital of YPF S.A. in 1999.

The Bell Ville Federal Court of First Instance initially granted a preliminary injunction (the Preliminary Injunction) as requested by the plaintiff, ordering that any sale of shares of YPF or any other transaction involving the sale, assignment or transfer of shares of YPF carried out either by Repsol or by YPF, shall be suspended, unless the plaintiff and other beneficiaries of the PPP (organised in the Federation of Former Employees of YPF) were involved or participated in such transactions. YPF and Repsol filed an appeal against this decision in the Cordoba Federal Court. The Federal Court of First Instance allowed the appeal and suspended the effects of the Preliminary Injunction. Simultaneously, in March 2011, the Buenos Aires Contentious Administrative Federal Judge reduced the Preliminary Injunction to only 10% of the ownership participation interest held by Repsol in the capital of YPF. In other words, Repsol is allowed to freely dispose of its shares in YPF provided that Repsol continues directly or indirectly owning at least 10% of the share capital of YPF. According to the jurisprudence of the Federal Supreme Court of Argentina (upholding numerous decisions of the relevant Courts of Appeals), neither company is likely to be held liable for claims of this nature related with the PPP. In accordance with Law 25,471, the National Government of Argentina assumed sole responsibility for the matter and for any compensation that may be payable to former employees of YPF who were excluded from the PPP, under the procedure established therein. On July 21, 2011, the judge of the First Instance upheld the claim of lack of jurisdiction made by of YPF and Repsol and ordered to transfer the case to the Federal Courts in the autonomous city of Buenos Aires. This decision was confirmed by the Court of Appeals on December 15, 2011. The aforementioned Court overruled the decision handed down by the judge in the Court of First Instance of Bell Ville, limiting it to only 10% of the shares owned by Repsol, S.A. which their ownership is claimed by the plaintiffs. The ruling is final. In April 2012, the dossier was based with the National for Federal Contentious Administrative No. 12 which resolved on May 30, 2012 to transfer the Karcz case to the National Court of First Instance No. 9 with Jurisdiction in Federal Civil and commercial matters. The plaintiff appealed this decision which was upheld on August 23, 2012. On February 5, 2013, the Federal Court of Appeals on Contentious-Administrative Matters found the Federal Civil and Commercial No.9 jurisdiction to be competent and the case to be transferred to it. On the other hand, on August 23, 2012, a writ was filed in this dossier requesting the inhibition of the Judge presiding over the Labor Court of First Instance of Rio Grande in the suit filed by López, Osvaldo Federico et al. against Repsol, S.A. in the terms of the preliminary injunction defined below (Dossier No. 4444). The National Court for Federal Contentious Administrative decided not to rule these matters until the jurisdiction matters were resolved.

Preliminary injunction filed by López, Osvaldo Federico and others against Repsol, S.A. (Dossier n° 4444)

Through the information included in a "relevant event" published by YPF S.A. on April 26, 2012, Repsol became aware of the existence of a injunctive relief of "no innovation" ("*medida cautelar de no innovar*" in Argentinean legal terminology) issued on April 20, 2012 and served to YPF S.A., currently going before the Labor Court of First Instance of Rio Grande, Tierra de Fuego Province; such injunction orders a suspension of the exercise of the voting and economic rights envisaged in YPF S.A.'s bylaws with respect to the 45,215,888 ADSs each representing one common Class D share of YPF S.A. sold by Repsol in March 2011, until the nullity alleged is solved. On May 30, 2012, Repsol appeared before the court to file a motion to reverse the injunction with an alternative appeal against it included.

Subsequently, through the information included in a “relevant event” published by YPF on June 1, 2012, Repsol became aware of a ruling handed down on May 14, 2012 modifying the injunction and replacing it with the unavailability of any funds that Repsol may receive as payment for the expropriation of its shares, which will be determined for these purposes by the National Appraisal Tribunal. Such ruling indicates that the previous injunction has ceased to be effective, which means that the holders of those shares can freely exercise their intrinsic rights. On June 18, 2012, Repsol filed a motion to reverse the modification of the injunction referred above with an alternatively appeal against it included.

On August 31, 2012, the judge rejected Repsol’s motion to reverse with an alternative appeal against resolutions dated on April 20, 2012 and May 14, 2012; Repsol also lodged an appeal against that decision, which was also dismissed. Repsol filed a motion to reverse the injunction. It has been ordered the transfer of the proceedings to the Court of Appeals.

On the other hand, Repsol received notification of the lawsuit filed in relation to López, Osvaldo Federico et al. against Repsol, S.A. (Dossier 4440) on June 25, 2012, and replied to it on August 28, 2012. On September 20, 2012, the judge overruled, among others, Repsol’s arguments of lack of jurisdiction and incapacity to act; Repsol filed an appeal against this decision which was dismissed. The Federal Court of Appeals is now evaluating Repsol’s appeal.

Claim filed against Repsol and YPF by the Union of Consumers and Users

The plaintiff claims the reimbursement of all the amounts the consumers of bottled LPG were allegedly charged in excess from 1993-2001, corresponding to a surcharge for such product. The claim is based on the fine imposed on YPF S.A. during the period 1993 - 1997, by the Secretariat of Industry and Commerce through its resolution of March 19, 1999. It should be noted that Repsol has never participated in the LPG market in Argentina and that the fine for abusing a dominant position was imposed on YPF S.A. and, moreover, it has been alleged that the action is barred by the applicable statute of limitations. The evidence phase has commenced and is currently in process. The claim amounts to 91 million Argentinean Pesos (€17 million) for the 1993-1997 period. The updated amount would increase to 365 million Argentinean Pesos (€66 million), to which the amount corresponding to the 1997-2001 period should be added, as well as accrued interest and expenses.

United States of America

Passaic River and Newark Bay cleanup lawsuit

This section discusses certain environmental contingencies as well as the sale by Maxus Energy Corporation (“Maxus”) of its former petrochemicals subsidiary, Diamond Shamrock Chemical Company (“Chemicals”) to a subsidiary of Occidental Petroleum Corporation (“Occidental”). Maxus agreed to indemnify Chemicals and Occidental for certain liabilities relating to the business and activities of Chemicals prior to September 4, 1986 (the Closing Date), including certain environmental liabilities relating to certain chemical plants and waste disposal sites used by Chemicals prior to the Closing Date. In 1995, YPF S.A. acquired Maxus and in 1999, Repsol acquired YPF S.A.

In December 2005, the Department of Environmental Protection (the DEP) and the New Jersey Spill Compensation Fund sued Repsol YPF S.A. (now denominated Repsol, S.A.), YPF S.A., YPF Holdings Inc., CLH Holdings Inc., Tierra Solutions Inc., Maxus Energy Corporation, as well as Occidental Chemical Corporation. In August 2010, the lawsuit was extended to YPF International S.A. and Maxus International Energy Company. This is a claim for damages in connection with the contamination allegedly emanating from the former facility of Diamond Shamrock Chemical Company and allegedly contaminating the Passaic River, Newark Bay, and other nearby water bodies and properties (the Passaic River/Newark Bay litigation).

In February 2009, Maxus and Tierra included another 300 companies in the suit (including certain municipalities) as third parties since they could be potentially liable.

The DEP has not quantified the damage, but:

- a. argued that the limit of 50 million dollars (37 million euros) in damages under New Jersey law would not apply to the case;
- b. claims it had incurred approximately \$113 million (€85 million) in costs in the past in clean-up and removal work and that it is looking for additional damages of between \$10 million and

\$20 million (between €7 million and €15 million) to finance a study to assess damages to the natural resources (the Natural Resources Damages Assessment); and

- c. indicates to Maxus and Tierra that it is working on financial models outlining costs and other financial impacts, unknown at the time of the claims.

In October 2010, some of the defendants presented several motions to sever and stay, which would have had the effect of allowing the New Jersey DEP to take their case against the direct defendants. However, these motions were dismissed. Furthermore, other third parties presented motions to dismiss to be excluded from the proceedings. However, these motions were also dismissed in January 2011.

In May 2011, the court issued Case Management Order XVII (CMO XVII), which set forth the trial plans (the Trial Plans), dividing them in different trial tracks.

In accordance with the expected Trial Plan, the State and Occidental filed the corresponding motions (“motions for summary judgment”). On these motions, the court ruled as follows: (I) Occidental is the legal successor of any liabilities incurred by the corporations previously known as Diamond Alkali Corporation, Diamond Shamrock Corporation and Chemicals; (II) the court denied the State’s motion, without prejudice, insofar as it sought a ruling that factual findings made in the Aetna litigation should be binding in this case on Occidental and Maxus based on the doctrine of collateral estoppel; (III) the court ruled that Tierra has Spill Act liability to the state based merely on its current ownership of the Lister Avenue site; and (IV) the court ruled that Maxus has an obligation under the 1986 stock purchase agreement to indemnify Occidental for any Spill Act liability arising from contaminants discharged from the Lister Avenue site.

Subsequently, and in accordance with the Trial Plan, the state and Occidental presented new motions for summary judgment against Maxus. On May 21, 2012, the court ruled the following on these motions: (I) Maxus could not respond as successor to Old Diamond Shamrock. In its findings, the court determined Occidental as the true successor; however, it is open to a subsequent analysis of succession, if the existence of punitive damages is determined later in the process; (II) the terms of the indemnity agreement between Maxus and Occidental cannot be reinterpreted, and therefore, as the State of New Jersey is not a party in such agreement, it may not claim indemnity directly from Maxus; and (III) Maxus may be considered Tierra’s alter ego. In order to reach this conclusion, the court pointed out that for all effects and purposes, Tierra is a corporate shell designed to avoid historical responsibility. Accordingly, since Maxus is considered Tierra’s alter ego, the court determined Maxus as equally responsible as Tierra under the Spill Act.

The judge modified the procedural calendar, to set a trial date during February, 2014.

Based on the available information at the date of these consolidated financial statements, and considering the estimated time remaining for conclusion of the lawsuit and the results of investigations and/or proof obtained, it is not possible to reasonably estimate the amount of the eventual liabilities arising from the lawsuit.

Brazil

The Group is party to administrative claims instigated by the Brazilian authorities concerning certain formalities in connection with the importation and circulation of industrial equipment for the exploration and production of hydrocarbons in fields that are not operated by the Group. The amount of such claims that could be allocated to the Repsol Group on account of its investments in non-operating consortia would total €146 million.

Ecuador

Complaint filed by Ecuador TLC (Petrobras)

Ecuador TLC, S.A. (Petrobras) (“Ecuador TLC”) filed a claim against Repsol Ecuador S.A. (Ecuador Branch), Murphy Ecuador Ltd. - Amodaimi (“Murphy”) and Canam Offshore Ltd. (“Canam”) with the International Center for Settlement of Investment Disputes (ICSID) regarding the Transportation Agreement between the plaintiff company and Murphy Ecuador Limited and Canam Offshore Ltd and other related claims. On November 16, 2012, the Arbi-

tration Court handed down a procedural order declaring that the lawsuit filed by Ecuador TLC against Repsol Ecuador, as well as Repsol Ecuador's corresponding counterclaim against Ecuador TLC did not fall under its jurisdiction; thus, Repsol Ecuador is no longer involved in this arbitration proceeding.

35.2 Contractual commitments

At December 31, 2012, the main purchase, sale or investment commitments of the Repsol Group were as follows:

Commitments	2013	2014	2015	2016	2017	Subsequent years	TOTAL
Operating leases⁽¹⁾	336	246	223	213	201	1,279	2,498
Transport - Time Charter ⁽²⁾	151	94	77	72	72	534	1,000
Operating leases ⁽³⁾	185	152	146	141	129	745	1,498
Purchase commitments	8,631	5,459	4,673	4,023	4,180	33,878	60,844
Crude oil and others ⁽⁴⁾	2,974	326	253	260	209	235	4,257
Natural gas ⁽⁵⁾	5,657	5,133	4,420	3,763	3,971	33,643	56,587
Investments commitments⁽⁶⁾	1,840	1,308	521	581	203	1,508	5,961
Service commitments	588	407	336	301	212	956	2,800
Transport commitments⁽⁷⁾	143	138	142	164	203	822	1,612
TOTAL⁽⁸⁾	11,538	7,558	5,895	5,282	4,999	38,443	73,715

NOTE: The commitments detailed in the foregoing table are commercial agreements in which fixed total amounts are not stipulated. These commitments were quantified using Repsol's best estimates. When control of YPF S.A. and YPF Gas S.A. was lost (see Note 5, the Expropriation of the Repsol Group Shares in YPF S.A. and YPF Gas S.A.), the contractual commitments corresponding to said companies, ceased to be considered group commitments.

⁽¹⁾ Operating leases expenses recognized at December 31, 2012 and 2011 amount to €523 million and €679 million, respectively.

⁽²⁾ Repsol has at its disposal 38 tankers under "time charter" arrangements (five of them through its subsidiary Gas Natural Fenosa) for the transport of crude oil, petroleum products, and natural gas. These charter agreements finalize between 2013 and 2019. The payments in connection with these tankers for 2013 amount to €151 million (see Note 23).

⁽³⁾ Corresponds primarily to service station leases in the amount of €53 million for the year 2013. They also include lease commitments guaranteed by Repsol, S.A. for its subsidiary Guar4, B.V. (see Note 35.3).

⁽⁴⁾ These purchases include those under the provisions of a crude oil purchase contract signed for an indeterminate period with the Pemex Group, which amounted to 100,000 barrels per day in 2012. In addition, they include the purchases made under the agreement signed with the Saudi Arabian Oil Company which is renewed annually for a volume of 75,000 barrels per day (Note 33).

⁽⁵⁾ Mainly include the Repsol Group's proportional share in the Gas Natural Group's long-term natural gas purchase commitments, amounting to €32,420 million, and commitments of the Repsol Group to purchase gas from Trinidad and Tobago (€3,452 million), Peru (€12,542 million), Canada (€6,421 million), and Spain (€1,751 million).

⁽⁶⁾ This includes investment commitments in Venezuela and Brazil amounting to €1,565 million and €1,213 million, respectively.

⁽⁷⁾ This includes €384 million relating to the agreement signed by Repsol Ecuador, S.A. on January 30, 2001, with Oleoducto de Crudos Pesados (OCP) Ecuador, S.A., owner of a heavy crude oil pipeline in Ecuador, pursuant to which it undertook transportation of 100,000 barrels per day of crude oil (36.5 million of barrels per year) for a 15-year term, from the start-up date, September 2003, at a variable rate determined contractually. It also includes €1,227 million for the transportation of natural gas to other countries.

⁽⁸⁾ Includes commitments of companies consolidated using the proportionate consolidation method amounting to €20,349 million.

Sales	2013	2014	2015	2016	2017	Subsequent years	TOTAL
Committed sales	9,638	3,192	2,870	2,306	2,381	22,904	43,291
Crude oil and others	6,635	277	194	186	177	915	8,384
Natural Gas ^{(1) (2)}	3,003	2,915	2,676	2,120	2,204	21,989	34,907
Transport commitments	8	8	8	8	9	18	59
Service commitments	548	558	574	542	485	2,675	5,382
Leases	159	160	148	169	163	968	1,767
TOTAL⁽³⁾	10,353	3,918	3,600	3,025	3,038	26,565	50,499

NOTE: The commitments detailed in the foregoing table are commercial agreements in which fixed total amounts are not stipulated. These commitments were quantified using Repsol's best estimates. When control of YPF S.A. and YPF Gas S.A. was lost (Note 5, "Expropriation of the Repsol Group's Shares in YPF S.A. and YPF Gas S.A."), said companies ceased to be considered group companies and therefore, the above table does not include commitments related to these companies.

⁽¹⁾ Primarily includes natural gas sales commitments in Mexico amounting to €11,079 million, in Trinidad and Tobago to €4,260 million, and in Spain to €2,387 million, as well as the Repsol Group's proportional share of the long-term natural gas sales commitments entered into by the Gas Natural Fenosa Group in the amount of €5,443 million.

⁽²⁾ This also includes the commitments to sell natural gas in accordance with the contract signed with PDVSA, which establishes the reciprocal obligation to deliver and acquire approximately 2,424,048 Mscf, maturing in 2036 and for an amount of €9,867 million.

⁽³⁾ Includes commitments of companies consolidated using the proportionate method amounting to €7,553 million.

35.3 Guarantees

At December 31, 2012 the companies of the Repsol Group had granted the following guarantees to third parties or to Group companies whose assets, liabilities, and results are not incorporated into the consolidated financial statements (companies consolidated using the proportionate consolidation method to the extent they are not owned by the Group and companies consolidated under the equity method). The most significant guarantees are outlined below:

- As a result of the development of the BMS-9 field owned by Repsol Sinopec Brazil (RSB), 60% owned by Repsol, S.A., proportionately assumed contractual obligations linked to its participation in the rental of two floating production platforms through Guara B.V., 25% owned by RSB. These obligations were guaranteed by Repsol S.A. with two guarantees as follows:

A first guarantee amounting to \$790 million for one of the platforms, covering up to 25% of the commitments assumed by Guara B.V., amount that corresponds to RSB's interest in the company. In turn, China Petrochemical, a subsidiary of Sinopec Group, with which Repsol S.A. jointly controls 40% of RSB, issued a counter-guarantee in favor of Repsol S.A. amounting to \$316 million covering 40% of these commitments, securing both groups' exposure to RSB's ownership interest. The amounts corresponding to these lease agreement guarantees are recognized under "Operating leases commitments" in Note 35.2.

The other guarantee amounts to \$576 million, is contingent on the supplier complying with its contractual obligations as well as Guara B.V.'s accrued payment obligations arising from its leasing of the other floating platform, which should take place starting in July of 2014. This amount would cover 60% of the 25% of Guara B.V.'s commitments. The remaining 40% is directly guaranteed by China Petrochemical.

All of Repsol's guarantees, such as the China Petrochemical counter-guarantee, were issued in maximum amounts which will decrease yearly based on the 20-year duration of the platforms' lease agreements.

- The Group provided guarantees for its stake in Oleoducto de Crudos Pesados de Ecuador, S.A. (OCP) which covers construction, abandonment of construction, and the environmental risks related to this operation, amounting to approximately \$15 million (€12 million) together with its operative risks of approximately \$15 million (€12 million). The Group has pledged all its shares in OCP.

- Repsol signed certain support and guarantee contracts in connection with the financing

agreements for Perú LNG, S.R.L, a company which was set up to build and operate a gas liquefaction facility, including a marine loading dock in Pampa Melchorita in Peru, and a gas pipeline. These guarantees cover the funding needs of Perú LNG for certain price situations and lack of availability of gas to fulfill Delivery or Pay obligations towards Repsol Comercializadora de Gas, S.A, while also covering Perú LNG operating expenses and debt servicing. These guarantees have been extended jointly with the other Project shareholders, each in proportion to its share of the Perú LNG capital. Repsol guarantees up to \$83 million (€64 million) taking into account its interest in Perú LNG, increasing to \$224 million (€174 million) from 2021.

On the other hand, the Group has granted a financial collateral guarantee, regulated by Royal Decree Law 5/2005, for Gas Natural SDG shares owned by the Repsol Group related to the financing received from various financial entities, as described in "Financial liabilities" (Note 20).

In addition the Repsol Group, issues other types of guarantees and indemnities, mainly specific indemnities related to the sale of assets, potential contingencies arising from Group activities and operations in all its businesses, including those which are environmental in nature, all of them arising during the normal course of Group activities and operations and general industry practices.

36

Environmental information

Management of safety and the environment is constituted by standards, procedures, technical guides, and management tools that apply on all the company operations and incorporate high requirements, being continually updated to adapt to the best practices of the sector. The Group strives for ISO 14001 certification of its installations in order to promote continuous improvement and obtain external validation of our management systems.

Repsol's Executive Committee establishes the Group's environmental safety targets and strategic initiatives, which encompass the key areas for enhancing the environmental record through the life cycle of all of its business activities. These targets and strategic initiatives serve to prepare the action plans for each business, and include the measures required to improve and respond to new legislative requirements, Repsol's strategic focus, plans for corrective measures arising from environmental audits performed, etc., together with the investments and expenses required to implement all these measures, which were addressed in the Company's general budget.

The criteria used to measure environmental costs are established in the "Repsol Environmental Costs Guide," which adapts the American Petroleum Institute guidelines to the Group's operations and technical approach. It is important to note in this regard that the traditional "bottom-line" solutions for reducing environmental impact are gradually giving way to preventive measures built into processes right from the time the facilities are designed. This sometimes requires the identification of environmental assets through a system of coefficients applied to investment projects and the related property, plant and equipment, per the guidelines expressed in the aforementioned Guide.

36.1

Environmental Assets

The breakdown of the cost of the environmental assets identified and the related accumulated depreciation at December 31, 2012 and 2011 is as follows:

	2012			2011 ⁽¹⁾		
	Cost	Accumulated Depreciation	Net	Cost	Accumulated Depreciation	Net
Millions of euros						
Atmosphere	403	231	172	647	264	383
Water	476	304	172	740	492	248
Product quality	1,452	724	728	1,713	823	890
Soil	96	37	59	301	202	99
Energy saving and efficiency	589	204	385	581	199	382
Waste	30	14	16	77	33	44
Other	198	102	96	529	356	173
	3,244	1,616	1,628	4,588	2,369	2,219

⁽¹⁾ (1)NOTE: In 2012, as a consequence of the loss of control and the expropriation process (Note 5) "Net cost of environmental assets" corresponding to YPF and YPF Gas, and its group companies have been derecognized. At December 31, 2011, it was included €217 million corresponding to Atmosphere, €144 million to Soil, €131 million to Products Quality, €96 million to Others, €75 million to Water, €27 million to Waste and €19 million to Energy saving and efficiency, belonging YPF and YPF Gas Groups.

The cost includes €202 million of assets under construction at December 31, 2012 and €389 million at December 31, 2011, of which €266 million corresponded to YPF and YPF Gas.

Among the most significant environmental investments made in 2012, it is worth highlighting the ones dedicated to upgrading waste spill prevention systems, improving environmental quality of petroleum products, minimizing emissions, increasing energy efficiency, optimizing water consumption and reducing landfill waste pollution.

Some of the most noteworthy investments undertaken in 2012 include the continued work on the coastal protection program being carried out in Tarragona (Spain), entailing an environmental investment of €22 million, the work performed to improve fuel quality at the La Pampilla refinery (Peru) of €7 million and further progress on the project for upgrading fuel quality at the La Coruña refinery (Spain) with an environmental investment of €6 million.

It is also worth highlighting the project for the reduction of particle emissions at the Puertollano Refinery (Spain), entailing an environmental investment of €5 million, and the efficiency enhancement program at the Tarragona Refinery, (Spain) with and investment of €4 million.

36.2

Environmental Provisions

Repsol recognizes the provisions required to cover the measures aimed at preventing and repairing environmental impact. These provisions are estimated on the basis of technical and economic criteria and are classified under "Provisions for risks and current and non-current environmental expenses" (Note 18).

The changes in the environmental provisions in 2012 and 2011 were as follows:

Millions of euros	2012	2011
Opening balance	255	254
Period provisions charged to income	13	4
Provisions released with a credit to income	(2)	(3)
Payment	(8)	(10)
YPF and YPF Gas Subgroup movements (1)	(16)	10
YPF and YPF Gas expropriation (2)	(191)	–
Closing balance	51	255

NOTE: The movements in 2011 have been modified with respect to the ones that appears in the consolidated financial statements for the year 2011 in order to present in a separate line item the movements generated by YPF and YPF Gas in that said year.

⁽¹⁾ In 2012 includes movements which correspond to YPF, YPF GAS and his affiliates from January 1, 2012 upon the loss of control of the group. In 2011 includes the environmental provision changes corresponding to YPF, YPF Gas and his affiliates.

⁽²⁾ This caption disclose the derecognition from the consolidated balance sheet at the moment of the loss of control of YPF and YPF Gas by the Group, according to the facts described in Note 5.

Additionally, Repsol's Environmental Cost Guide classifies as environmental provisions 75% of the amounts recognized under the caption "Provision for Field Dismantling Costs," totaling €614 million and €1,383 million at December 31, 2012 and 2011, respectively (Note 18). Of the year end 2011 balance, €889 million corresponded to YPF.

The most notable item in the balance of environmental provisions at December 31, 2011, included approximately €113 million to cover the environmental risks relating to the operations carried out in the past by the former chemicals subsidiary of Maxus Energy Corporation, Diamond Shamrock Chemical Company, prior to its sale in 1986 to Occidental Petroleum Corporation (Note 35). This balance was derecognized in connection with the loss of control deriving from the expropriation described in Note 5.

Subject to the relevant terms and conditions, corporate insurance policies cover civil responsibilities for pollution on land and at sea, and for certain countries and activities, administrative responsibilities for pollution on land, all provoked by accidental and sudden events, in line with habitual industry practices and applicable legislation.

36.3 Environmental Expenses

In 2012 and 2011 environmental expenses amounted to €202 million and €182 million respectively, classified as "Supplies" and "Other operating expenses".

These expenses include €112 million and €94 million of expenses for the rights necessary to cover CO² emissions during 2012 and 2011, respectively, but the effect in the income statement in relation with this item amounted to a net expense of €6 million in both years. Environmental expenses in 2012 and 2011 also include: other measures for atmospheric protection amounting to €26 million in both years; soil remediation and field dismantling costs amounting to €6 million and €8 million, respectively; waste management amounting to €14 million and €15 million, respectively; and water management amounting to €15 million and €14 million, respectively.

36.4 Applicable Framework

Among the most relevant issues which could affect Repsol's operations and investments in the future, the most noteworthy are related to climate change and energy, integrated pollution prevention and control, environmental responsibility, water quality, as well as waste.

On climate change and energy matters, in April 2009, the European Union approved a package of Directives with the targets set for 2020.

- The Directive 2009/28/EC on the promotion of the use of energy from renewable sources, sets a target of 20% for the overall share of energy from renewable sources and a 10% target for energy from renewable sources in transport for 2020 in respect of 2005 levels. This Directive further sets the sustainability criteria to be met by biofuels in order to guarantee a minimum contribution to reducing carbon emissions relative to the use of petrol and diesel. Each State member must adopt a national action plan on renewable energy that lays down national targets and the appropriate measures to be taken to ensure delivery of these targets.

- The Directive 2009/29/EC amending Directive 2003/87/EC so as to improve and extend the greenhouse gas emission allowance trading scheme of the Community, sets, the target of cutting the overall greenhouse gas emissions of the Community by at least 20% below 1990 levels by 2020. The reduction of allowances within the trading scheme implies a reduction of 21% on 2005 levels. This reduction is to be achieved on a straight-line annual basis, resulting in an annual reduction in emission allowances of 1.74%.

- A new phase (Phase III) of the EU Emission Trading Scheme comes into effect in 2013 and will bring substantial changes. Among other things, emission allowances will no longer be allocated free of charge to the power utilities, which will be forced to participate in the auctions held by the various authorized trading platforms. Other classes of installations will receive allowances for free on the basis of a sector benchmarking exercise. In theory, the sectors and subsectors exposed to a significant risk of carbon leakage (Refining and Chemicals) will be entitled to 100% of their free allocation, although it will ultimately depend on their ranking within the sector benchmarking and the cross-sectoral correction factor. The list of EU ETS installations exposed to carbon leakage risk will be updated in 2014 and the new list will take effect in 2015. In Spain, the transposition of the requirements laid down in Directive 2009/29/EC by means of Law 5/2009 has resulted in new disclosure requirements at the autonomous government level with respect to refining and chemicals facilities for the purpose of calculating individual facility allocations on the basis of sector benchmarks

Elsewhere, it is worth noting that following the Durban (2011) and Doha (2012) Climate Change Conferences, the Kyoto Protocol, which initially was due to end in 2012, has been extended to 2013-2020. Canada, Russia, Japan and New Zealand did not renew. One of the commitments assumed in Durban was to create a new global market mechanism (NMM), which is expected to be ready for signature in 2015 and to take effect in 2020.

- L-Directive 2009/30/EC as regards the petrol, diesel and gas-oil specifications and introducing a mechanism to monitor and reduce greenhouse gas emissions, which is aimed at controlling, documenting and reducing fuel life greenhouse gas emissions.

- The Directive sets fuel performance technical specifications for road vehicles, non-road mobile machinery, agricultural and forestry tractors, and the recreational craft when not at sea, as well as a target for the reduction of life cycle greenhouse gas emissions. More specifically, it binds end suppliers of energy for transport (commercial distributors) to reduce their lifecycle greenhouse gas emissions (GHG) by 6% by three means: a) the use of biofuels; b) the use of alternative fuels; and c) reductions in flaring and venting in exploration and production sites.

The GHG emission reduction targets that must be achieved by European fuel suppliers shall be calculated using the methodology (article 7-A of the Directive) proposed by the European Commission which is currently being debated by the related stakeholders. The proposed methodology establishes a single and common target carbon footprint for all of Europe in 2020, regardless of differing national fuel mixes.

Directive 2012/27/EU on energy efficiency, repealing Directives 2004/8/EC on the promotion of cogeneration based on a useful heat demand in the internal energy market and 2006/32/EC on energy end-use efficiency and energy services took effect on November 14, 2012, requiring:

- Energy sellers and/or distributors to achieve new energy savings equivalent to 1.5% of the annual energy sales to final customers.
- The performance of energy audits at large enterprises, fostering the implementation of energy management systems.

Lastly, and more generally, Directive 2012/27/EU and Directive 2009/30/EC form part of the climate change and energy policy contemplated by the European Union for 2020, which in turn contemplates a series of ambitious targets (The EU 20-20-20 climate and energy package):

- To reduce overall European Community GHG emissions by at least 20% with respect to 1990 levels by 2020 and by 30% as long as other developed economies commit to make comparable efforts.
- To increase the share of renewable energies in the overall production mix to 20% (these energy sources currently represent around 8.5% of the total).
- To improve energy efficiency by 20% with respect to the level foreseen for 2020 due to a higher energy savings.

The following developments have also taken place with respect to other environmental issues which could affect Repsol's operations and investment requirements in the future:

- In 2010, Approval of Directive 2010/75/EC on industrial emissions, consolidating several earlier directives into a single body of text.

This Directive establishes the rules for the prevention and control of pollution from industrial activities and determines the process for drawing up reference documents (BRET) for best available techniques (BAT documents), including guidelines regarding BAT conclusions and emerging techniques in each segment. The main departure with respect to the former IPPC Directive is the fact that BAT conclusions must define binding emission limit values for submission to the Commission; these will be binding for environmental integrated authorizations (AAs for its acronym in Spanish).

At present, none of the key reference documents (BRET) in review applicable to the Company are expected to be published before January 2014, the deadline for updating all installation environmental integrated authorizations (AAs) in accordance with the new Industrial Emissions Directive.

The Directive itself includes emission limit values for certain activities such as *Large Combustion Plants*. Installations classified as Large Combustion Plants have until July 7, 2015 to comply with the new requirements laid down in Chapter III and Annex V of the Industrial Emissions Directive (DEI for its acronym in Spanish).

- At the national level, framework of Spanish Law 26/2007 on environmental responsibility, in April 2011, the methodology for the Environmental Responsibility Offer Model (MORA for its acronym in Spanish) was approved. This is a methodology developed in response to the assessment required under law in respect of the need to constitute financial collateral against environmental responsibility in order to cover the repair costs and possible damages incurred in the course of business and to calculate the restoration costs associated with the risk scenarios.

These assessments must be developed in accordance with the deadlines established in the Ministerial Order (Order ARM/1783/2011) on the enforceability of the financial collateral and on the basis of the order of priority established for industrial activities. Large Combustion Plants are priority 1 (which means the assessment must be performed within a maximum term of two to three years), refining facilities are priority 2 (deadline: three to five years) and the chemicals and oil and gas extraction industries are priority 3 (deadline: five to eight years).

The draft legislation for amending the Environmental Liability Act (Law 26/2007) is currently the subject of a public consultation expected to finalize in February 2013. One of the most notable amendments proposed in the draft legislation relates to the simplification of the procedure for determining the financial guarantee.

- Against the backdrop of the Water Framework Directive, Directive 2008/105/EC on environmental quality standards (EQS) in the water policy establishes the environmental quality standards for priority substances and other pollutants in order to ensure a good chemical balance and ecological health of surface waters. The Blueprint initiative approved in November 2012 includes recommendations for safeguarding Europe's water resources. The goal of the initiative is to ensure ecological health, albeit without offering a single solution for the entire EU due to the various member states' different hydrological realities.

The original list of priority substances presenting a significant risk to or via the aquatic environment established in this Directive encompassed 33 substances. In January 2012, the EU added another 15 substances to the list.

The EQS Directive was transposed into Spanish law in January 2011 by means of Royal Decree 60/2011.

- In July 2011 new waste law 22/2011 was approved in Spain, which replaces Law 10/1998 of April 21. This law transposes the Spanish legal system the EU Directive on Waste approved in 2008. Objectives are to update current prevailing legislation, orient policy on waste in accordance with the principle of hierarchy, and guarantee protection of human health and the environment, maximizing use of resources and minimizing the impact of waste production and management. This law is also intended to regulate the legal regime over polluted soils.

The most noteworthy of the main novelties with respect to Law 10/1998 are the following: the introduction of specific sections dedicated to sub-products and to the concept of end of useful life of waste; the creation of a coordinating Commission to function as a body for technical cooperation and collaboration amongst the different administrations for matters related to waste; and introduction of the concept of producer liability, whereby the manufacturer is obliged to engage in the prevention and management of the wastewater generated by its products in keeping with the 'from cradle to grave' liability concept.

- The European Commission has proposed new regulations to ensure that offshore oil and gas production respects the world's highest safety, health and environmental standards everywhere in the EU. The new draft regulation sets clear rules that cover the whole lifecycle of all exploration and production activities from design to the final removal of an oil or gas installation. Under the control of the national regulatory authorities, European industry will have to assess and further improve safety standards for offshore operations on a regular basis. This new approach will lead to a European risk assessment that upgrades continuously by taking into account new technology, new know-how and new risks.
- Directive 2012/33/EU as regards the sulphur content of marine fuels was published in November 2012, reducing permitted sulphur content levels. The new limits are more restrictive in the called SECA areas (SOX Emission Control Areas, specifically the Northern and Baltic Seas) than in the rest of the maritime ecosystems. These limits apply to tankers beginning or ending their journeys in European waters and to any tanker circulating in European waters at any time during their trajectories.

36.5

CO₂ emissions

During 2012 and 2011 the companies comprising the consolidation scope recognized emission allowances allocated free of charge under the Spanish national allocation plan equivalent to 19 and 17 million tons of CO₂ respectively, measured at €132 and €244 million. In 2013, the first year of Phase III, the estimate of free of charge emission allowances allocated, not including that corresponding to Gas Natural Fenosa, amounts to 8 million tones of CO₂.

In 2012, the value of the Group's emission allowances were depreciated, giving rise to an impairment charge of €8 million which was offset almost in full by the recognition of deferred income corresponding to the emission allowances received free of charge. The emission allowances depreciate its value in 2011 in an amount of 110 million euro.

The gain on the management of CO₂ allowances amounted to €6 million in 2012. In 2011 incomes were registered amounting to €31 million. In 2012 and 2011, the Group actively managed the position generated by the difference between the allowances allocated in recent years under the National Allocation Plan and the emissions actually made by the Group each year.

For the Repsol installations included in the European Allowance Trading System, 2012 was the last year of compliance within Phase II (2008-2012). From 2013 on, these installations will be allocated new allowances under Phase III (2013-2020); these are expected to be lower than the annual allocations during Phase II and to be reduced over time. Repsol has been preparing for the lower free allocation levels under Phase III for many years from now, taking measures to mitigate the related future costs.

On the other hand, in prior years as in 2012 the Company has acquired Clean Development Mechanism (CDM) and Joint Implementation (JI) credits at a low price. Additionally, the installations included in the Allowance Trading Systems have developed, and are in the process of executing, energy savings and carbon emission reduction plans with a view to substantially reducing the cost of compliance in Phase III.

In 2012 the company has not acquired new long term commitments.

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Fees paid to the auditors

In 2012, the fees earned by Deloitte for the audit services provided to Repsol, S.A. and its companies controlled have amounted to €4.7 million. Additionally, the fees earned by the auditors and their organization for audit-related services and for other services have amounted to €1.5 and €0.3 million, respectively.

The sum of these amounts does not represent more than 10% of the total volume of business of the auditors and their organization.

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Subsequent events

- On December 27, 2012 Law 16/2012 was passed, enacting several fiscal measures designed to further the consolidation of public finances and to shore up economic activity. One of the measures passed provides the Group's Spanish companies with the choice of revaluating their balance sheets. The Spanish Audit and Accounting Institute (ICAC), in a resolution issued on January 31, 2013, has ruled that the balance sheet revaluation, if made, must be recognized in the Group's Spanish companies' individual financial statements for the financial year 2013. The tax impact would also be recognized in 2013. Repsol is currently evaluating what impact such a restatement would have on the Group's consolidated financial statements. As a result, the accompanying 2012 consolidated financial statements do not include any effect whatsoever deriving from this potential restatement.
- On January 9, 2013, Gas Natural Fenosa issued 10-year bonds of €600 million (€180 million stated at the Group's ownership interest in Gas Natural Fenosa). The bonds carry an annual coupon of 3.875% and were issued at 99.139% of par. The bonds were issued under the Euro Medium Term Notes (EMTN) program, which had been renewed in November 2012. In addition, on January 14, 2013, Gas Natural Fenosa placed a 250 million Swiss franc bond issue in the Swiss market (75 million Swiss francs stated at the Group's ownership interest in Gas Natural Fenosa). The bonds carry an annual coupon of 2.125% and mature in February 2019.
- On January 24, 2013, Repsol Exploración Karabashky B.V. sold Eurotek to AR Oil and Gaz, B.V. (AROG) for \$315 million; this investment had been classified as a non-current asset held for sale ever since it was acquired in December 2011 (Note 12). This sale is the last milestone of an agreement signed in December 2011 by Repsol and Alliance Oil concerning the incorporation of AROG, by virtue of which the Group acquired 49% of AROG in 2012 (Note 31).
- With effect from February 9, 2013, Venezuela set new rates of exchange for the bolivar against the US dollar. The exchange rate prevailing until that date, of 4.30 bolivars per US dollar, has been modified to 6.30 bolivars per U.S. dollar.

The impact on the Group's net income in 2013 has been initially estimated at \$158 million.

Management is in the process of assessing the scope of the currency rules and their impact on Repsol's businesses in Venezuela. Nevertheless, since these businesses' functional currency is the U.S. dollar, the new exchange rates are expected to have a positive impact on operating cash flows.

- On February 23, 2013, Legislative-Royal Decree 4/2013 was published on measures to support entrepreneurs and stimulate growth and job creation which gathers a series of measures affecting the oil and gas retail and wholesale markets in an attempt to increase effective competition in the sector. The following measures stand out: (I) stepping-up of the logistics and storage facility oversight regime; (II) establishment of measures designed to foster and simplify the installation of new petrol stations in commercial and industrial centres and areas; (III) a ban on restrictive clauses that establish, recommend or affect, directly or indirectly, retail fuel prices; (IV) a reduction in the terms of the contracts referred to in the legislation as exclusive supply agreements to one year, extendable to three years at the behest of the distributor; (V) establishment of a term of one year for adapting the affected contracts to reflect the foregoing modifications; (VI) imposition of a transitory limit on growth in the number of oil product retail outlets with respect to the main operators in each province (those with a market share in a given province of over 30% in terms of the number of outlets); and (VII) the downward revision of the biofuel mix targets.

Management is in the process of assessing the scope of this new legislation and its impact on the Repsol Group's business operations in the future.

- On February 26, 2013, Repsol signed an agreement with Shell to sell its liquid natural gas (LNG) assets and businesses. The agreement values these assets at \$6,653 million.

The scope of the transaction includes the Repsol Group's shareholding in the liquefaction plants in Trinidad and Tobago (Atlantic LNG) and Peru (Peru LNG), the LNG transport assets (methane tankers), the combined cycle generation assets in Spain (Bahía de Bizkaia Electricidad) and the LNG and natural gas trading and supply operations. It does not include either the LNG businesses in North America (Canaport and transport and supply operations) or the project in Angola.

The transaction includes the transfer of the financial assets and liabilities associated with the businesses being sold.

The overall transaction price is \$4,400 million. It is estimated that the transaction will give rise to a pre-tax gain of approximately \$3,500 million.

The transaction close is conditional upon receipt of all the required permits and delivery of the agreed-upon terms. Repsol will continue to operate the assets being sold until the deal closes.

As a result of the transfer of these businesses, Repsol will adjust the carrying amounts of the LNG assets and businesses in North America that do not fall within the scope of the transaction. Applying criteria of the utmost financial prudence, the pre-tax impairment provision would total approximately \$1,800 million.

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Explanation added for translation to english

These consolidated financial statements are prepared on the basis of IFRSs as issued by the IASB and as endorsed by the European Union and certain accounting practices applied by the Group that conform with IFRSs may not conform with other generally accepted accounting principles.

Consolidated Financial Statements
Appendix

Appendix I Main companies comprising the Repsol Group at December 31, 2012

Name	Country	Activity	Consolidation Method ⁽¹⁾	DECEMBER 2012		DECEMBER 2011	
				% of Total Ownership		Millions of Euros	
				% of Direct Ownership	% of Control Investment ⁽²⁾	Equity ⁽³⁾	Issued Share Social ⁽⁴⁾
Abastecimentos e Serviços de Aviação, Lda. (ASA)	Portugal	Marketing of oil products	E.M.	50.00	50.00	0	0
AESA - Construcciones y Servicios Bolivia, S.A. ⁽⁷⁾	Bolivia	Transportation of hydrocarbons	F.C.	100.00	100.00	0	0
Agri Development, B.V.	Holland	Portfolio company	P.C.	6.00	10.00	220	0
Air Miles España, S.A. ⁽⁴⁾	Spain	Customer loyalty services	E.M.	21.75	22.50	7	0
Akakus Oil Operation, B.V.	Holland	Exploration and production of hydrocarbons	E.M.	49.00	49.00	0	0
Algaenergy, S.A.	Spain	Experimental research and development in biotechnology	P.C.	20.01	20.01	3	0
AR Oil & Gaz, B.V. (AROG)	Holland	Portfolio company	P.C.	49.01	49.01	0	0
Arteche y García, S.L.	Spain	Installation and operation of fuel service stations	F.C.	96.67	100.00	0	0
Asfalnor, S.A.	Spain	Distribution and marketing of asphalt products	F.C.	85.98	100.00	0	0
Asfaltos Españoles, S.A.	Spain	Asphalts	P.C.	49.99	50.00	24	9
Atlantic 1 Holdings, Llc.	USA	Portfolio company	E.M.	20.00	20.00	188	188
Atlantic 2/3 Holdings, Llc.	USA	Portfolio company	P.C.	25.00	25.00	108	108
Atlantic 4 Holdings, Llc.	USA	Portfolio company	E.M.	22.22	22.22	195	195
Atlantic LNG 2/3 Company of Trinidad & Tobago, Unlimited	Trinidad and Tobago	Gas supply and/or gas logistics	P.C.	25.00	100.00	122	108
Atlantic LNG 4 Company of Trinidad & Tobago, Unlimited	Trinidad and Tobago	Construction of a liquefaction plant	E.M.	22.22	100.00	218	195
Atlantic LNG Co. of Trinidad & Tobago	Trinidad and Tobago	Gas supply and/or gas logistics	E.M.	20.00	100.00	220	188
Bahía de Bizkaia Electricidad, S.L.	Spain	Power generation	P.C.	25.00	25.00	230	4
Beatrice Offshore Windfarm, Ltd. ⁽⁷⁾	UK	Development of offshore wind energy	E.M.	25.00	25.00	0	0
Benzirep-Vall	Spain	Installation and operation of fuel service stations	F.C.	96.67	100.00	0	0
BP Trinidad & Tobago, Llc.	USA	Exploration and production of hydrocarbons	P.C.	30.00	100.00	519	131
BPRV Caribbean Ventures, Llc.	USA	Portfolio company	P.C.	30.00	30.00	131	946
C.L.H. Aviación, S.A.	Spain	Transportation and storage of oil products	E.M.	10.00	100.00	65	21
Caiageste - Gestao de Areas de Serviço, Lda.	Portugal	Operation and management of service stations	E.M.	50.00	50.00	(0)	0
Calio Holdings, Llc.	USA	Exploration and production of hydrocarbons	F.C.	100.00	100.00	22	16
Camps Estaciones de Servicio, S.A. (CAMPASARED)	Spain	Operation and management of service stations	F.C.	96.67	100.00	38	8
Canaport LNG Limited Partnership	Canada	Regasification of LNG	P.C.	75.00	75.00	94	0
Carabobo Ingeniería y Construcciones, S.A.	Venezuela	Other activities	E.M.	27.50	27.50	0	0
Carbon Black Española, S.A.	Spain	Dormant	F.C.	100.00	100.00	10	0
Carburants i Derivats, S.A. (CADESA)	Andorra	Distribution of oil derivative products	E.M.	32.14	33.25	1	0
Cardón IV, S.A.	Venezuela	Exploration and production of hydrocarbons	P.C.	50.00	50.00	364	2
Caveant, S.A.	Argentina	Investment company	F.C.	100.00	100.00	48	0
Cogeneración Gequisa, S.A. (COGESA)	Spain	Production of electric energy and vapor	E.M.	39.00	39.00	8	2
Compañía Anónima de Revisiones y Servicios, S.A. (CARSA)	Spain	Installation and operation of fuel service stations	F.C.	91.84	95.00	3	1
Compañía Auxiliar de Remolcadores y Buques Especiales, S.A. (CARBUESA)	Spain	Tugboats	F.C.	99.19	100.00	7	0

Name	Country	Activity	Consolidation Method ⁽¹⁾	DECEMBER 2012		DECEMBER 2011	
				% of Total Ownership		Millions of Euros	
				% of Direct Ownership	% of Control Investment ⁽²⁾	Equity ⁽³⁾	Issued Share Social ⁽⁴⁾
Compañía Logística de Hidrocarburos CLH, S.A.	Spain	Transportation and storage of oil products	E.M.	10.00	10.00	162	84
CSJC Eurotek - Yugra	Russia	Other activities	F.C.	100.00	100.00	(1)	0
Distribuidora Andalucía Oriental, S.A. (DAOSA)	Spain	Marketing of fuels	P.C.	48.34	50.00	2	1
Distribuidora de Petróleos, S.A. (DIPESA)	Spain	Marketing of fuels	F.C.	82.17	85.00	0	0
Dubai Marine Areas, Ltd. (DUMA)	UK	Exploration and production of hydrocarbons	P.C.	50.00	50.00	1	0
Duragas, S.A.	Ecuador	Marketing of LPG	F.C.	100.00	100.00	19	11
Dynasol Elastómeros, S.A.	Spain	Production and marketing of chemical products	P.C.	50.01	50.01	28	17
Dynasol Elastómeros, S.A. de C.V.	Mexico	Production and marketing of chemical products	E.M.	49.99	49.99	90	36
Dynasol Gestión, S.A.	Spain	Manufacture of chemical products	E.M.	50.00	50.00	1	0
Dynasol, Llc.	USA	Marketing of petrochemical products	E.M.	50.00	50.00	31	0
Empresa Petrolera Maxus Bolivia, S.A. ⁽⁷⁾	Bolivia	Exploration and production of hydrocarbons	F.C.	100.00	100.00	0	0
Enirepsa Gas Limited	Saudi Arabia	Gas supply and/or gas logistics	E.M.	30.00	30.00	(12)	2
Estación de Servicio Barajas, S.A.	Spain	Operation and management of service stations	F.C.	92.80	96.00	3	1
Estaciones de Servicio El Robledo, S.L.	Spain	Operation and management of service stations	F.C.	96.67	100.00	0	0
Euro 24, S.L.	Spain	Automotive-related services	F.C.	96.67	100.00	0	0
Gas Natural SDG, S.A. ⁽⁶⁾	Spain	Holding, wind energy and electricity generation, gas purchases and sales	P.C.	30.01	30.01	11,751	992
Gas Natural West Africa S.L.	Spain	Exploration and production of hydrocarbons	P.C.	72.00	100.00	4	7
Gastream México, S.A. de C.V.	Mexico	Other activities	F.C.	100.00	100.00	(1)	22
Gaviota RE, S.A.	Luxemburg	Reinsurance	F.C.	100.00	100.00	14	14
General Química, S.A.	Spain	Manufacture and sale of petrochemical products	F.C.	100.00	100.00	9	3
Gestão e Administração de Postos de Abastecimento, Unipessoal, Lda. - GESPOST	Portugal	Marketing of oil products	F.C.	100.00	100.00	7	0
Gestión de Puntos de Venta GESPEVESA, S.A.	Spain	Management of service stations	P.C.	48.34	50.00	49	39
Greenstone Assurance, Ltd.	Bermuda Islands	Reinsurance	F.C.	100.00	100.00	18	0
Grupo Repsol del Perú, S.A.C.	Peru	Portfolio company	F.C.	100.00	100.00	1	0
Guará, B.V.	Holland	Construction for offshore crude oil and natural gas production	E.M.	15.00	25.00	267	0
Ibil, Gestor de Carga de Vehículo Eléctrico, S.A.	Spain	Construction and operation of electric vehicle charging points	P.C.	50.00	50.00	11	12
Ibile Car-Sharing Vehículo Eléctrico, S.A.	Spain	Implementation and operation of an electric car-sharing system, diffusion activities	P.C.	50.00	100.00	0	0
Inch Cape Offshore, Ltd.	UK	Development of offshore wind energy	P.C.	51.00	51.00	0	0
Kuosol Agrícola S.A.P.I. S.A. de C.V.	Mexico	Portfolio company	P.C.	49.99	99.98	(1)	0
Kuosol S.A.P.I. de C.V.	Mexico	Portfolio company	P.C.	50.00	50.00	10	11
Kuosol Servicios S.A.P.I. de C.V.	Mexico	Portfolio company	P.C.	49.99	99.98	(0)	0
Moray Offshore Renewables, Ltd.	UK	Development of offshore wind energy	P.C.	33.36	33.36	10	11
Neol Biosolutions, S.A. ⁽⁵⁾	Spain	Research and development of new bioactive compounds	P.C.	50.00	50.00	0	0
Noroil, S.A.	Spain	Distribution and marketing of oil products	F.C.	96.67	100.00	2	2
Occidental de Colombia Llc. ⁽⁴⁾	USA	Ownership of exploratory and productive assets in Colombia	P.C.	25.00	25.00	48	12
OJSC Eurotek	Russia	Other activities	F.C.	100.00	100.00	14	50
Oleoducto de Crudos Pesados Ecuador, S.A.	Ecuador	Other activities	E.M.	29.66	100.00	86	43
Oleoducto de Crudos Pesados, Ltd. ⁽⁴⁾	Cayman Islands	Other activities	E.M.	29.66	29.66	119	78

Name	Country	Activity	Consolidation Method ⁽¹⁾	DECEMBER 2012		DECEMBER 2011	
				% of Total Ownership		Millions of Euros	
				% of Direct Ownership	% of Control Investment ⁽²⁾	Equity ⁽³⁾	Issued Share Social ⁽⁴⁾
Oleoducto Transandino Chile, S.A.	Chile	Construction and operation of an oil pipeline	E.M.	17.79	17.79	9	7
Orisol Corporación Energética, S.A.	Spain	Development, construction, and operation of renewable energy plants	P.C.	46.81	46.81	7	2
Pacífic LNG Bolivia, S.A.	Bolivia	Dormant	E.M.	37.50	37.50	0	1
Perú Hunt Pipeline Development Company Llc. ^{(4) (1)}	USA	Portfolio company	E.M.	44.68	44.68	104	104
Perú LNG Company, Llc. ⁽⁴⁾	USA	Gas supply and/or gas logistics	E.M.	20.00	20.00	942	1,256
Perú LNG, S.R.L.	Peru	Production and marketing of hydrocarbons	E.M.	20.00	100.00	65	247
Petrocarabobo, S.A.	Venezuela	Exploration and production of hydrocarbons	E.M.	11.00	11.00	38	0
Petróleos del Norte, S.A. (PETRONOR)	Spain	Refining	F.C.	85.98	85.98	735	121
Petroquiriquire, S.A. Emp. Mixta ⁽³⁾	Venezuela	Exploration and production of hydrocarbons	P.C.	40.00	40.00	744	4
Polidux, S.A.	Spain	Manufacture and sale of petrochemical products	F.C.	100.00	100.00	2	17
Quiriquire Gas, S.A.	Venezuela	Exploration and production of hydrocarbons	P.C.	60.00	60.00	177	0
Refinería La Pampilla, S.A.A. (RELAPASA)	Peru	Refining	F.C.	51.03	51.03	367	179
Repsol - Gas Natural LNG, S.L.	Spain	Gas supply and transportation	P.C.	65.01	100.00	3	2
Repsol - Produção de Electricidade e Calor, ACE	Portugal	Production of electricity	F.C.	66.67	66.67	0	0
Repsol Angola 22, B.V.	Holland	Exploration and production of hydrocarbons	F.C.	100.00	100.00	10	10
Repsol Angola 35, B.V.	Holland	Exploration and production of hydrocarbons	F.C.	100.00	100.00	48	48
Repsol Angola 37, B.V.	Holland	Exploration and production of hydrocarbons	F.C.	100.00	100.00	60	60
Repsol Aruba, B.V. ⁽⁵⁾	Holland	Exploration and production of hydrocarbons and related activities, including marketing and sale of oil and gas	F.C.	100.00	100.00	0	0
Repsol Beatrice, Ltd.	UK	Development of offshore wind energy	F.C.	100.00	100.00	(1)	0
Repsol Bolivia, S.A.	Bolivia	Portfolio company	F.C.	100.00	100.00	1,070	210
Repsol Bulgaria, B.V. ⁽⁵⁾	Holland	Exploration and production of hydrocarbons and related activities, including marketing and sale of oil and gas	F.C.	100.00	100.00	0	0
Repsol Butano, S.A.	Spain	Marketing of LPG	F.C.	100.00	100.00	464	59
Repsol Canada, Ltd. General Partner	Canada	Regasification of LNG	F.C.	100.00	100.00	3	4
Repsol Capital, S.L.	Spain	Portfolio company	F.C.	100.00	100.00	626	463
Repsol Chemie Deutschland, GmbH	Germany	Marketing of chemical products	F.C.	100.00	100.00	3	0
Repsol Chile, S.A.	Chile	Dormant	F.C.	100.00	100.00	15	10
Repsol Comercial de Productos Petrolíferos, S.A. (RCPP)	Spain	Marketing of oil products	F.C.	96.67	99.78	1,013	335
Repsol Comercial, S.C.A. (RECOSAC)	Peru	Marketing of fuels	F.C.	51.03	100.00	86	60
Repsol Comercializadora de Gas, S.A.	Spain	Marketing of natural gas	F.C.	100.00	100.00	112	0
Repsol Cuba, S.A.	Spain	Exploration and production of hydrocarbons	F.C.	100.00	100.00	3	2
Repsol Directo, Lda.	Portugal	Distribution and marketing of oil products	F.C.	100.00	100.00	1	0
Repsol Directo, S.A.	Spain	Distribution and marketing of oil products	F.C.	96.67	100.00	2	0
Repsol E & P Bolivia, S.A. ⁽¹⁾	Bolivia	Exploration and production of hydrocarbons	F.C.	100.00	100.00	347	194
Repsol E & P Canada, Ltd.	Canada	Exploration and production of hydrocarbons	F.C.	100.00	100.00	5	33
Repsol E & P Eurasia, Llc.	Russia	Exploration and production of hydrocarbons	F.C.	99.99	99.99	(2)	0
Repsol E & P T & T Limited	Trinidad and Tobago	Exploration and production of hydrocarbons	F.C.	100.00	100.00	140	26
Repsol E & P USA, Inc.	USA	Exploration and production of hydrocarbons	F.C.	100.00	100.00	2,854	2,540
Repsol Ecuador, S.A.	Spain	Exploration and production of hydrocarbons	F.C.	100.00	100.00	161	5
Repsol Eléctrica de Distribución, S.L.	Spain	Distribution and supply of electric energy	F.C.	100.00	100.00	4	0
Repsol Energy Canada, Ltd.	Canada	Marketing of LNG	F.C.	100.00	100.00	103	387
Repsol Energy North America Corporation	USA	Marketing of LNG	F.C.	100.00	100.00	45	149

Name	Country	Activity	Consolidation Method ⁽¹⁾	DECEMBER 2012		DECEMBER 2011	
				% of Total Ownership		Millions of Euros	
				% of Direct Ownership	% of Control Investment ⁽²⁾	Equity ⁽³⁾	Issued Share Social ⁽⁴⁾
Repsol Exploración Argelia, S.A.	Spain	Exploration and production of hydrocarbons	F.C.	100.00	100.00	19	4
Repsol Exploración Atlas, S.A.	Spain	Exploration and production of hydrocarbons	F.C.	100.00	100.00	1	2
Repsol Exploración Cendrawasih II, B.V.	Holland	Exploration and production of hydrocarbons	F.C.	100.00	100.00	(0)	2
Repsol Exploración Cendrawasih III, B.V.	Holland	Exploration and production of hydrocarbons	F.C.	100.00	100.00	(1)	1
Repsol Exploración Cendrawasih IV, B.V.	Holland	Exploration and production of hydrocarbons	F.C.	100.00	100.00	(1)	1
Repsol Exploración Colombia, S.A.	Spain	Exploration and production of hydrocarbons	F.C.	100.00	100.00	(16)	2
Repsol Exploración East Bula, B.V.	Holland	Exploration and production of hydrocarbons	F.C.	100.00	100.00	(0)	1
Repsol Exploración Guinea, S.A.	Spain	Exploration and production of hydrocarbons	F.C.	100.00	100.00	(15)	0
Repsol Exploración Irlanda, S.A.	Spain	Exploration and production of hydrocarbons	F.C.	100.00	100.00	(0)	0
Repsol Exploración Karabashsky, B.V.	Holland	Exploration and production of hydrocarbons	F.C.	100.00	100.00	4	5
Repsol Exploración Kazakhstan, S.A.	Spain	Exploration and production of hydrocarbons	F.C.	100.00	100.00	(16)	0
Repsol Exploración Liberia, B.V. ⁽⁶⁾	Holland	Exploration and production of hydrocarbons	F.C.	100.00	100.00	(37)	1
Repsol Exploración México, S.A. de C.V.	Mexico	Exploration and production of hydrocarbons	F.C.	100.00	100.00	53	17
Repsol Exploración Murzuq, S.A.	Spain	Exploration and production of hydrocarbons	F.C.	100.00	100.00	822	8
Repsol Exploración Perú, S.A.	Spain	Exploration and production of hydrocarbons	F.C.	100.00	100.00	167	16
Repsol Exploración Seram, B.V.	Holland	Exploration and production of hydrocarbons	F.C.	100.00	100.00	(1)	1
Repsol Exploración Sierra Leona, S.L.	Spain	Exploration and production of hydrocarbons	F.C.	100.00	100.00	1	3
Repsol Exploración Suriname, S.L.	Spain	Exploration and production of hydrocarbons	F.C.	100.00	100.00	0	0
Repsol Exploración Tobago, S.A.	Spain	Exploration and production of hydrocarbons	F.C.	100.00	100.00	0	0
Repsol Exploración Venezuela, B.V.	Holland	Portfolio company	F.C.	100.00	100.00	159	159
Repsol Exploración, S.A. ⁽¹⁰⁾	Spain	Exploration and production of hydrocarbons	F.C.	100.00	100.00	1,240	25
Repsol Exploration Advanced Services, AG	Switzerland	Other activities	F.C.	100.00	100.00	1	0
Repsol Exploration Australia, Pty, Ltd. ⁽⁵⁾	Australia	Exploration and production of hydrocarbons and related activities, including marketing and sale of oil and gas	F.C.	100.00	100.00	0	0
Repsol Exploration Namibia Pty, Ltd. ⁽⁵⁾	Namibia	Exploration and production of hydrocarbons and related activities, including marketing and sale of oil and gas	F.C.	100.00	100.00	0	0
Repsol Exploration Norge, A.S.	Norway	Exploration and production of hydrocarbons	F.C.	100.00	100.00	13	21
Repsol Gas de la Amazonia, S.A.C.	Peru	Distribution of LPG	F.C.	99.85	100.00	0	0
Repsol Gas del Perú, S.A.	Peru	Marketing of LPG	F.C.	99.86	99.86	58	37
Repsol Gas Portugal, S.A.	Portugal	Marketing of LPG	F.C.	100.00	100.00	27	1
Repsol GLP de Bolivia, S.A.	Bolivia	Marketing of LPG	F.C.	100.00	100.00	0	0
Repsol International Capital, Ltd	Cayman Islands	Finance	F.C.	100.00	100.00	3	188
Repsol International Finance, B.V.	Holland	Finance and securities holding	F.C.	100.00	100.00	1,533	301
Repsol Investeringen, B.V.	Holland	Finance	F.C.	100.00	100.00	(0)	0
Repsol Investigaciones Petrolíferas, S.A.	Spain	Exploration and production of hydrocarbons	F.C.	100.00	100.00	714	226
Repsol Italia, SpA	Italy	Marketing of oil products	F.C.	100.00	100.00	59	2
Repsol LNG Holdings, S.A.	Spain	Exploration and production of hydrocarbons	F.C.	100.00	100.00	5	2
Repsol LNG Offshore, B.V.	Holland	Other activities	F.C.	100.00	100.00	15	14
Repsol LNG Port Spain, B.V.	Holland	Portfolio company	F.C.	100.00	100.00	354	0
Repsol LNG T & T, Ltd.	Trinidad and Tobago	Marketing of natural gas	F.C.	100.00	100.00	29	4
Repsol LNG, S.L.	Spain	Marketing of gas	F.C.	100.00	100.00	(1)	0
Repsol Louisiana Corporation	USA	Exploration and production of hydrocarbons	F.C.	100.00	100.00	11	14
Repsol Lubricantes y Especialidades, S.A.	Spain	Production and marketing of oil derivatives	F.C.	99.97	100.00	117	5
Repsol Lusitania, S.L.	Spain	Portfolio company	F.C.	100.00	100.00	(28)	0
Repsol Marketing, S.A.C.	Peru	Marketing of fuels and fuel specialty products	F.C.	100.00	100.00	6	3
Repsol Maroc, S.A.	Morocco	Marketing of natural gas	E.M.	99.96	99.96	(0)	1

Name	Country	Activity	Consolidation Method ⁽¹⁾	DECEMBER 2012		DECEMBER 2011	
				% of Total Ownership		Millions of Euros	
				% of Direct Ownership	% of Control Investment ⁽²⁾	Equity ⁽³⁾	Issued Share Social ⁽³⁾
Repsol Mediación, Agente de Seguros Vinculado, S.L.U.	Spain	Insurance brokerage	F.C.	96.67	100.00	2	0
Repsol Moray Firth, Ltd.	UK	Development of offshore wind energy	F.C.	100.00	100.00	7	8
Repsol Netherlands Finance, B.V.	Holland	Finance	F.C.	100.00	100.00	(25)	0
Repsol New Energy Ventures, S.A.	Spain	Development of new energy projects in-company or with third parties	F.C.	99.97	100.00	2	2
Repsol Nuevas Energías U.K., Ltd.	UK	Development and construction of offshore wind farms	F.C.	100.00	100.00	(5)	0
Repsol Nuevas Energías, S.A.	Spain	Manufacture, distribution, and sale of all types of biofuels and other related activities	F.C.	100.00	100.00	(3)	1
Repsol OCP de Ecuador, S.A.	Spain	Portfolio company	F.C.	100.00	100.00	36	0
Repsol Offshore E & P USA, Inc.	USA	Exploration and production of hydrocarbons	F.C.	100.00	100.00	10	24
Repsol Oriente Medio, S.A.	Spain	Exploration and production of hydrocarbons	F.C.	100.00	100.00	(3)	0
Repsol Overzee Financiën, B.V.	Holland	Portfolio company	F.C.	100.00	100.00	277	129
Repsol Perú, B.V.	Holland	Portfolio company	F.C.	100.00	100.00	199	152
Repsol Petróleo, S.A.	Spain	Refining	F.C.	99.97	99.97	2,191	218
Repsol Polímeros, S.A.	Portugal	Manufacture and sale of petrochemical products	F.C.	100.00	100.00	212	222
Repsol Portuguesa, S.A.	Portugal	Distribution and marketing of oil products	F.C.	100.00	100.00	468	59
Repsol Química, S.A.	Spain	Manufacture and sale of petrochemical products	F.C.	100.00	100.00	121	60
Repsol Services Company	USA	Exploration and production of hydrocarbons	F.C.	100.00	100.00	30	33
Repsol Sinopec Brasil, B.V.	Holland	Portfolio company	P.C.	60.01	100.00	5,067	4,700
Repsol Sinopec Brasil, S.A.	Brazil	Exploitation and marketing of hydrocarbons	P.C.	60.01	60.01	6,509	6,403
Repsol Tesorería y Gestión Financiera, S.A.	Spain	Treasury services to group companies	F.C.	100.00	100.00	326	0
Repsol Trading USA Corporation ⁽⁵⁾	USA	Trading and transportation	F.C.	100.00	100.00	–	–
Repsol Trading, S.A.	Spain	Marketing of oil products	F.C.	100.00	100.00	200	0
Repsol U.K. Round 3, Ltd.	UK	Development of offshore wind energy	F.C.	100.00	100.00	8	8
Repsol USA Holdings Corporation ⁽⁴⁾	USA	Exploration and production of hydrocarbons	F.C.	100.00	100.00	2,862	2,704
Repsol Venezuela Gas, S.A. ⁽⁴⁾	Venezuela	Exploration and production of hydrocarbons	F.C.	100.00	100.00	150	0
Repsol Venezuela, S.A.	Venezuela	Exploration and production of hydrocarbons	F.C.	100.00	100.00	12	2
Repsol YPF Trading y Transportes Singapur, Ltd.	Cayman Islands	Dormant	F.C.	100.00	100.00	(2)	0
Saneco ⁽⁵⁾	Russia	Exploration and production of crude oil	P.C.	49.01	100.00	–	–
Servicios Administrativos Cuenca de Burgos S.A. de C.V.	Mexico	Exploration and production of hydrocarbons	F.C.	100.00	100.00	0	0
Servicios de Mantenimiento y Personal, S.A. (SEMAPESA)	Ecuador	Maintenance and Human Resource services	F.C.	100.00	100.00	(0)	0
Servicios de Seguridad Mancomunados, S.A. (SESENA)	Spain	Security	F.C.	99.98	100.00	1	0
Servicios Logísticos Combustibles de Aviación, S.L.	Spain	Transportation and commercial airline into-plane services of oil products	P.C.	49.99	50.00	12	4
Servicios y Operaciones de Perú S.A.C.	Peru	Other activities	F.C.	100.00	100.00	1	0
SKSOL Lube Base Oils, S.A. ⁽⁵⁾	Spain	Development and production of base lubricants	P.C.	29.99	30.00	–	–
Sociedade Abastecedora de Aeronaves, Lda. (SABA)	Portugal	Marketing of oil products	E.M.	25.00	25.00	0	0
Sociedade Açoreana de Armazenagem de Gas, S.A. (SAAGA)	Portugal	Marketing of LPG	E.M.	25.07	25.07	5	1
Societat Catalana de Petrolis, S.A. (PETROCAT)	Spain	Distribution and marketing of oil products	E.M.	43.69	45.00	9	15
Solgas Distribuidora de Gas, S.L.	Spain	Marketing of LPG	F.C.	100.00	100.00	(0)	1
Solred, S.A.	Spain	Management of payment systems in service stations	F.C.	96.67	100.00	42	7
Spelta Produtos Petrolíferos Unipessoal, Lda.	Portugal	Marketing of LPG	F.C.	100.00	100.00	2	0

Name	Country	Activity	Consolidation Method ⁽¹⁾	DECEMBER 2012		DECEMBER 2011	
				% of Total Ownership		Millions of Euros	
				% of Direct Ownership	% of Control Investment ⁽²⁾	Equity ⁽³⁾	Issued Share Social ⁽³⁾
Tecnicontrol y Gestión Integral, S.L.	Spain	Real Estate Development	F.C.	100.00	100.00	32	4
Terminales Canarias, S.L.	Spain	Gas supply and transportation	P.C.	48.34	50.00	25	20
The Repsol Company of Portugal, Ltd.	UK	Marketing of oil products	F.C.	100.00	100.00	1	1
TNO (Tafnefteldacga) ⁽⁶⁾	Russia	Exploration and production of crude oil	P.C.	49.01	100.00	–	–
Transierra, S.A.	Bolivia	Transportation of hydrocarbons	E.M.	21.77	44.50	269	68
Transportadora de Gas de Perú, S.A.	Peru	Gas supply and/or logistics	E.M.	10.00	22.38	356	161
Transportadora Sulbrasileira de Gas, S.A.	Brazil	Construction and operation of gas pipeline	P.C.	25.00	25.00	11	11
Tucunaré Empreendimentos e Participações, Ltda.	Brazil	Support services and administrative infrastructure	F.C.	100.00	100.00	24	24
Vía Red Hostelería y Distribución, S.L.	Spain	Acquisition and/or operation of all types of hotel and restaurant establishments	F.C.	100.00	100.00	1	1
Windplus, S.A.	Portugal	Development of windfloat technology for generation of floating offshore wind energy	P.C.	30.95	30.95	(0)	0
YPFB Andina, S.A. ⁽⁷⁾	Bolivia	Exploration and production of hydrocarbons	P.C.	48.92	48.92	953	215
Zhambai Limited Liability Partnership	Kazakhstan	Exploration and production of hydrocarbons	E.M.	25.00	25.00	(12)	0

⁽¹⁾ Consolidation method:

- FC: Full consolidation method
- PC: Proportionate consolidated method
- EM: Equity method

⁽²⁾ Percentage related to the ownership interest of parent companies in the subsidiary.

⁽³⁾ Relates to data of the individual companies, except in the cases specifically identified below, from the latest financial statements approved by the Shareholders in General Meeting (in general, data at December 31, 2011), prepared in accordance with generally accounting principles prevailing in their corresponding jurisdictions. The equity of companies whose functional currency is not the euro have been converted using the year-end exchange rate. The amounts have been rounded off (figures under half a million are shown as zero).

⁽⁴⁾ Data relating to the consolidated financial statements.

⁽⁵⁾ Companies formed in the year 2012.

⁽⁶⁾ Parent of a group comprised of more than 300 companies; relevant information can be consulted in the consolidated financial statements of this company (www.portal.gasnatural.com).

⁽⁷⁾ Data corresponding to the financial statements closed at March 31, 2012.

⁽⁸⁾ Data corresponding to the financial statements closed at December 31, 2009.

⁽⁹⁾ This company has a branch office domiciled in Liberia.

⁽¹⁰⁾ This company owns 100% of Repsol Exploration Services, LTD, a company under liquidation domiciled in the Cayman Islands.

⁽¹¹⁾ This company is the parent of Hunt Pipeline Development Perú, LP, which owns 100% of Hunt Pipeline Company of Perú, LTD., a company domiciled in the Cayman Islands.

Appendix Ib Main changes in the consolidation scope for the year ended December 31, 2012

Name	Country	Parent Company	Concept	Date	12.31.12			12.31.11		
					Consolidation Method ⁽⁴⁾	% of Total Ownership		Consolidation Method ⁽⁴⁾	% of Total Ownership	
						% of Direct Ownership	% of Control ⁽⁵⁾		% of Direct Ownership	% of Control ⁽⁵⁾
YPF, S.A. ⁽¹⁾	Argentina	REPSOL, S.A.	Deconsolidated due to expropriation	Apr-12	(1)	(1)	(1)	F.C.	57.43	57.43
A&C Pipeline Holding	Argentina	YPF S.A.	Deconsolidated due to expropriation	Apr-12				E.M.	20.67	36.00
A-Evangelista Construções e Serviços, Ltda.	Brazil	A-EVANGELISTA, S.A.	Deconsolidated due to expropriation	Apr-12				F.C.	57.43	100.00
A-Evangelista, S.A.	Argentina	YPF S.A.	Deconsolidated due to expropriation	Apr-12				F.C.	57.43	100.00
Central Dock Sud, S.A.	Argentina	Inversora Dock Sud, S.A.	Deconsolidated due to expropriation	Apr-12				E.M.	24.86	86.15
CLH Holdings Inc.	Argentina	YPF Holdings Inc.	Deconsolidated due to expropriation	Apr-12				F.C.	57.43	100.00
Compañía Mega, S.A.	Argentina	YPF S.A.	Deconsolidated due to expropriation	Apr-12				P.C.	21.82	38.00
Gas Argentino, S.A.	Argentina	YPF INVERSORA ENERGÉTICA, S.A.	Deconsolidated due to expropriation	Apr-12				E.M.	26.03	45.33
Gasoducto del Pacífico (Argentina), S.A.	Argentina	YPF S.A.	Deconsolidated due to expropriation	Apr-12				E.M.	5.74	10.00
Gasoducto del Pacífico Cayman S.A.	Cayman Islands		Deconsolidated due to expropriation	Apr-12				E.M.	5.74	10.00
Gasoducto del Pacífico Chile S.A.	Chile		Deconsolidated due to expropriation	Apr-12				E.M.	27.69	36.00
Gasoducto Oriental, S.A.	Argentina	A-EVANGELISTA, S.A.	Deconsolidated due to expropriation	Apr-12				E.M.	9.57	16.66
Gateway Coal Company	Argentina	Maxus Energy Corporation	Deconsolidated due to expropriation	Apr-12				F.C.	57.43	100.00
Inversora Dock Sud, S.A.	Argentina	YPF S.A.	Deconsolidated due to expropriation	Apr-12				E.M.	24.61	42.86
Maxus (US) Exploration Company	Argentina	Maxus Energy Corporation	Deconsolidated due to expropriation	Apr-12				F.C.	57.43	100.00
Maxus Energy Corporation	Argentina	YPF Holdings Inc.	Deconsolidated due to expropriation	Apr-12				F.C.	57.43	100.00
YPF Guyana	Argentina	YPF INTERNATIONAL, S.A.	Deconsolidated due to expropriation	Apr-12				F.C.	57.43	100.00
Maxus International Energy Co	Argentina	Maxus Energy Corporation	Deconsolidated due to expropriation	Apr-12				F.C.	57.43	100.00
Metrogás, S.A.	Argentina	Gas Argentino, S.A.	Deconsolidated due to expropriation	Apr-12				E.M.	18.22	70.00
Oiltanking Ebytem, S.A.	Argentina	YPF S.A.	Deconsolidated due to expropriation	Apr-12				E.M.	17.23	30.00
Oleoducto Trasadino Argentine, S.A.	Argentina	A & C Pipeline Holding	Deconsolidated due to expropriation	Apr-12				E.M.	20.98	100.00
Oleoductos del Valle, S.A.	Argentina	YPF S.A.	Deconsolidated due to expropriation	Apr-12				E.M.	21.25	37.00
Operadora de Estaciones de Servicio S.A.	Argentina	YPF S.A.	Deconsolidated due to expropriation	Apr-12				F.C.	57.43	99.85
Pluspetrol Energy, S.A.	Argentina	YPF S.A.	Deconsolidated due to expropriation	Apr-12				P.C.	25.84	45.00
Poligás Luján, S.A.	Argentina	YPF S.A.	Deconsolidated due to expropriation	Apr-12				F.C.	29.00	50.49
Profertil, S.A.	Argentina	YPF S.A.	Deconsolidated due to expropriation	Apr-12				P.C.	28.72	50.00
Refinerías del Norte, S.A.	Argentina	YPF S.A.	Deconsolidated due to expropriation	Apr-12				P.C.	28.72	50.00
Terminales Marítimas Patagónicas, S.A.	Argentina	YPF S.A.	Deconsolidated due to expropriation	Apr-12				E.M.	19.04	33.15
Tierra Solutions Inc.	Argentina	CLH HOLDINGS INC.	Deconsolidated due to expropriation	Apr-12				F.C.	57.43	100.00
YPF Ecuador Inc. (Sucursal Ecuador)	Argentina	YPF INTERNATIONAL, S.A.	Deconsolidated due to expropriation	Apr-12				F.C.	57.43	100.00
YPF Holdings Inc.	Argentina	YPF S.A.	Deconsolidated due to expropriation	Apr-12				F.C.	57.43	100.00
YPF International, S.A.	Argentina	YPF S.A.	Deconsolidated due to expropriation	Apr-12				F.C.	57.43	100.00
YPF Inversora Energética, S.A.	Argentina	YPF S.A.	Deconsolidated due to expropriation	Apr-12				F.C.	57.43	100.00
AESA Perú, S.A.C.	Argentina	A-EVANGELISTA, S.A.	Deconsolidated due to expropriation	Apr-12				F.C.	57.43	100.00
YPF Services USA Corporation	Argentina	YPF S.A.	Deconsolidated due to expropriation	Apr-12				F.C.	57.43	100.00
YPF Servicios Petroleros, S.A.	Argentina	YPF S.A./YPF services USA Corporation	Deconsolidated due to expropriation	Apr-12				F.C.	57.43	100.00
YPF Brasil Comercio de Derivados de Petróleo LTDA.	Argentina	YPF S.A.	Deconsolidated due to expropriation	Apr-12				F.C.	57.43	100.00
Civeny, S.A.	Argentina	YPF S.A.	Deconsolidated due to expropriation	Apr-12				P.C.	22.97	40.00
Bizoy, S.A.	Argentina	YPF S.A.	Deconsolidated due to expropriation	Apr-12				P.C.	22.97	40.00
Eleran Inversiones 2011, S.A.	Argentina	YPF S.A.	Deconsolidated due to expropriation	Apr-12				F.C.	57.43	100.00
YPF Chile, S.A.	Argentina	ELERAN INVERSIONES 2011, S.A.	Deconsolidated due to expropriation	Apr-12				F.C.	100.00	100.00
A-Evangelista ingeniería y construcciones Bolivia S.A.	Argentina	A-Evangelista, S.A.	Deconsolidated due to expropriation	Apr-12				F.C.	99.99	99.99

Name	Country	Parent Company	Concept	Date	12.31.12			12.31.11		
					Consolidation Method ⁽⁴⁾	% of Total Ownership		Consolidation Method ⁽⁴⁾	% of Total Ownership	
						% of Direct Ownership	% of Control ⁽⁵⁾		% of Direct Ownership	% of Control ⁽⁵⁾
YPF Gas, S.A. ⁽¹⁾	Argentina	Repsol Butano, S.A.	Deconsolidated due to expropriation	Apr-12	(2)	(2)	(2)	F.C.	85.00	85.00
Comsergas, Compañía Servicios Industriales de Gas Licuado, S.A.	Argentina	YPF Gas S.A.	Deconsolidated due to expropriation	Apr-12				F.C.	52.70	62.00
Gas Austral, S.A.	Argentina	YPF Gas S.A.	Deconsolidated due to expropriation	Apr-12				E.M.	42.50	50.00
Mejorgas, S.A.	Argentina	YPF Gas S.A.	Deconsolidated due to expropriation	Apr-12				E.M.	57.43	100.00
ZAO EUROTEK-YAMAL	Russia	Eurotek	Deconsolidated due to disposal	May-12				F.C.	100.00	100.00
OOO Eurotek-ND	Russia	Eurotek	Deconsolidated due to disposal	May-12				F.C.	100.00	100.00
Repsol Trading USA Corporation	USA	Repsol USA Holdings Corp.	Consolidated due to acquisition	Jun-12	F.C.	100.00	100.00			
Windplus, S.A.	Portugal	Repsol New Energy Ventures, S.A.	Consolidated due to acquisition	Jun-12	P.C.	30.95	30.95			
NEOL Biosolutions, S.A.	Spain	Repsol New Energy Ventures, S.A.	Consolidated due to acquisition	Jun-12	P.C.	50.00	50.00			
Repsol Butano Chile, S.A.	Chile	Repsol Butano, S.A.	Deconsolidated due to disposal	Jul-12				F.C.	100.00	100.00
Empresas Lipigas, S.A.	Chile	Repsol Butano Chile, S.A.	Deconsolidated due to disposal	Jul-12				P.C.	45.00	45.00
OOO Eurotek-YuKh	Russia	Eurotek	Deconsolidated due to disposal	Aug-12				F.C.	100.00	100.00
AR Oil & Gaz B.V.	Holland	Repsol Exploración, S.A.	Consolidated due to acquisition	Aug-12	P.C.	49.01	49.01			
Amodaimi Oil Company Ltd.	Ecuador	Repsol YPF Ecuador, S.A.	Deconsolidated due to disposal	Sep-12				F.C.	100.00	100.00
Saneco	Russia	Arog, B.V.	Consolidated due to acquisition	Sep-12	P.C.	49.01	100.00			
Sksoil Lube Base Oils, S.A.	Spain	Repsol Petróleo, S.A.	Consolidated due to recent formation	Dec-12	P.C.	30.00	30.00			
Noroil, S.A.	Spain	Repsol Comercial de Productos Petrolíferos, S.A.	Increase of ownership percentage	Dec-12	F.C.	96.67	100.00	F.C.	67.67	70.00
TNO (Tafnefteotdacha)	Russia	AR Oil & Gaz B.V.	Consolidated due to acquisition	Dec-12	P.C.	49.01	100.00			
Repsol Exploration Namibia PTY Ltd.	Namibia	Repsol Exploración, S.A.	Consolidated due to recent formation	Dec-12	F.C.	100.00	100.00			
Repsol Exploración Australia PTY Ltd.	Australia	Repsol Exploración, S.A.	Consolidated due to recent formation	Dec-12	F.C.	100.00	100.00			
Repsol Aruba, B.V.	Holland	Repsol Exploración, S.A.	Consolidated due to recent formation	Dec-12	F.C.	100.00	100.00			
Repsol Bulgaria, B.V.	Holland	Repsol Exploración, S.A.	Consolidated due to recent formation	Dec-12	F.C.	100.00	100.00			
Sociedades del Grupo Gas natural (several companies) ⁽³⁾		Gas Natural SDG, S.A.								

⁽¹⁾ Following the loss of control of YPF S.A. and the expropriation of its 51% equity ownership, the Group can only exercise the voting rights attaching to the 6.43% in relation to which the Argentine government has not recorded its rights pursuant to the Expropriation Act. Likewise, upon enforcing the guarantees relating to the loans awarded by Repsol to Petersen in order for the latter to acquire its stake in YPF S.A. (Note 5), Repsol can also exercise the corresponding voting rights attaching to the shares it holds as security for the loans, such rights representing 5.38% of the voting rights. Subsidiaries of YPF S.A. were not considered Repsol Group Companies and, accordingly, they are not included in the scope of consolidation of Repsol Group since the loss of control of YPF S.A.

⁽²⁾ Following the loss of control of YPF Gas S.A. and the expropriation of its 51% equity ownership, the Group can only exercise the voting rights attaching to the 33.997% in relation to which the Argentine government has not recorded its rights pursuant to the Expropriation Act. Subsidiaries of YPF Gas S.A. were not considered Repsol Group Companies and, accordingly, they are not included in the scope of consolidation of Repsol Group since the loss of control of YPF Gas S.A.

⁽³⁾ In 2012, the scope of consolidation of Gas Natural Fenosa Group has been modified because of additions, disposals, increases and decreases on the participation percentages in companies, without significant effect on the consolidated financial statements of Repsol Group.

⁽⁴⁾ Consolidation Method:

F.C.: Full consolidation
P.C.: Proportionate Consolidation
E.M.: Equity Method

⁽⁵⁾ Percentage corresponding to the Parent Company's ownership in the subsidiary.

Appendix Ib Main changes in the scope of consolidation for the year ended December 31, 2011

Name	Country	Parent Company	Concept	Date	31.12.11			31.12.10		
					Consolidation Method ⁽²⁾	% of Total Ownership		Consolidation Method ⁽²⁾	% of Total Ownership	
						% of Direct Ownership	% of Control ⁽³⁾		% of Direct Ownership	% of Control ⁽³⁾
Repsol Exploración Karabashsky B.V.	Holland	Repsol Exploración, S.A.	Addition to scope due to incorporation	Jan-11	F.C.	100.00	100.00	-	-	-
Repsol E&P Eurasia Llc	Russia	Repsol Exploración, S.A.	Addition to scope due to incorporation	Jan-11	F.C.	99.99	99.99	-	-	-
YPF, S.A.	Argentine	Repsol YPF, S.A.	Reduction of ownership percentage	Jan-11 to Jul-11	F.C.	57.43	57.43	F.C.	79.81	79.81
Civeny, S.A.	Uruguay	YPF, S.A.	Acquisition	Feb-11	P.C.	22.97	40.00	-	-	-
Bizoy, S.A.	Argentine	YPF, S.A.	Acquisition	Feb-11	P.C.	22.97	40.00	-	-	-
Ibil Gestor Carga Vehículo Eléctrico, S.A.	Spain	Repsol Nuevas Energías, S.A.	Acquisition	Apr-11	P.C.	50.00	50.00	-	-	-
Agri Development B.V.	Holland	Repsol Sinopec Brasil B.V.	Acquisition	Apr-11	P.C.	6.00	10.00	-	-	-
Kuosol S.A.P.I. de C.V.	Mexico	Repsol Nuevas Energías, S.A.	Acquisition	May-11	P.C.	50.00	50.00	-	-	-
Repsol Exploración Irlanda, S.A.	Spain	Repsol Exploración, S.A.	Addition to scope due to incorporation	Jun-11	F.C.	100.00	100.00	-	-	-
Repsol Nuevas Energías U.K.	UK	Repsol Nuevas Energías, S.A.	Acquisition	Jun-11	F.C.	100.00	100.00	-	-	-
Repsol ETBE, S.A.	Portugal	Repsol Polimeros Lda	Reduction to scope due to merger	Aug-11	-	-	-	F.C.	100.00	100.00
Repsol Angola 22 B.V.	Holland	Repsol Exploración, S.A.	Addition to scope due to incorporation	Sep-11	F.C.	100.00	100.00	-	-	-
Repsol Angola 35 B.V.	Holland	Repsol Exploración, S.A.	Addition to scope due to incorporation	Sep-11	F.C.	100.00	100.00	-	-	-
Repsol Angola 37 B.V.	Holland	Repsol Exploración, S.A.	Addition to scope due to incorporation	Sep-11	F.C.	100.00	100.00	-	-	-
Eleran Inversiones 2011, S.A.	Spain	YPF, S.A.	Addition to scope due to incorporation	Oct-11	F.C.	57.43	100.00	-	-	-
YPF Chile, S.A.	Chile	Eleran Inversiones 2011, S.A.	Addition to scope due to incorporation	Oct-11	F.C.	57.43	100.00	-	-	-
Repsol Gas Brasil, S.A.	Brazil	Repsol Butano, S.A.	Disposal	Oct-11	-	-	-	F.C.	100.00	100.00
Napesa S.A.	Spain	Repsol Comercial de Productos Petrolíferos, S.A.	Reduction to scope due to merger	Dec-11	-	-	-	F.C.	96.65	100.00
Servibarna S.A.	Spain	Repsol Comercial de Productos Petrolíferos, S.A.	Reduction to scope due to merger	Dec-11	-	-	-	F.C.	96.65	100.00
Repsol France	France	Repsol Butano, S.A.	Disposal	Dec-11	-	-	-	F.C.	100.00	100.00
Sociedades del Grupo Gas Natural (Several Companies) ⁽¹⁾		Gas Natural SDG, S.A.								

⁽¹⁾ In 2011, the scope of consolidation of Gas Natural Fenosa Group has been modified because of additions, disposals, increases and decreases on the participation percentages in companies, without significant effect on the Consolidated Financial Statements of Repsol YPF Group.

⁽²⁾ Consolidation Method:

F.C.: Full consolidation
P.C.: Proportionate Consolidation
E.M.: Equity Method

⁽³⁾ Percentage corresponding to the Parent Company's ownership in the subsidiary.

Appendix II Assets and jointly controlled operations for the year ended December 31, 2012

Name	% Ownership ⁽¹⁾	Operator	Activity
Angola			
Block 22	42.86%	Repsol Angola 22 B.V. (sucursal)	Exploration
Block 35	35.71%	ENI West Africa SPA	Exploration
Block 37	28.57%	ConocoPhillips Angola 37 Ltd	Exploration
Algeria			
TFT	30.00%	Groupement TFT	Exploration and production
Issaouane (TFR)	59.50%	Repsol Exploración Argelia - Sonatrach	Exploration and production
Gassi-Chergui	60.00%	Repsol Exploración Argelia, S.A.	Exploration and production
M'Sari Akabli	45.00%	Repsol Exploración Argelia, S.A.	Exploration and production
Reggane	29.25%	Groupement Reggane	Exploration and production
Sud Est Illizi	52.50%	Repsol Exploración Argelia, S.A.	Exploration and production
Bolivia			
Block San Alberto ⁽²⁾	50.00%	Petrobras Bolivia S.A.	Exploration, development and production
Block San Antonio ⁽²⁾	50.00%	Petrobras Bolivia S.A.	Exploration, development and production
Block Monteagudo ⁽²⁾	20.00%	Petrobras Bolivia S.A.	Exploration, development and production
Block Monteagudo	30.00%	Repsol YPF E&P Bolivia S.A.	Exploration, development and production
Planta de Comprensión de Gas Río Grande	50.00%	YPFB Andina S.A.	Exploration, development and production
Block Charagua	30.00%	Repsol YPF E&P Bolivia S.A.	Exploration
Block Caipipendi	37.50%	Repsol YPF E&P Bolivia S.A.	Exploration, development and production
Brazil ⁽³⁾			
Albacora Leste	10.00%	Petrobras	Production
BM-C-33	35.00%	Repsol Sinopec Brasil S.A.	Exploration
BM-ES-21	10.00%	Petrobras	Exploration
BM-S-44	25.00%	Petrobras	Exploration
BM-S-48	40.00%	Repsol Sinopec Brasil S.A.	Exploration
BM-S-50	20.00%	Petrobras	Exploration
BM-S-51	20.00%	Petrobras	Exploration
BM-S-7	37.00%	Petrobras	Exploration
BM-S-9	25.00%	Petrobras	Exploration
Cabiunas	15.00%	Petrobras	Gas
Floating LNG	16.33%	Petrobras	Gas
Canada			
Canaport LNG Limited Partnership	75.00%	Repsol Canada Ltd	LNG Regasification
Colombia			
Cosecha ⁽⁴⁾	70.00%	Occidental de Colombia Llc	Production
Capachos	50.00%	Repsol Exploración Colombia Sucursal	Abandoned
Cebucan	20.00%	Petrobras	Exploration
Catleya	50.00%	Ecopetrol	Exploration
RC11	50.00%	Ecopetrol	Exploration
RC12	50.00%	Ecopetrol	Exploration
El Queso	50.00%	Repsol Exploración Colombia	Abandoned
Guadal	20.00%	Petrobras	Abandoned
Orquidea	40.00%	Hocol	Abandoned
Guajira OFF-1	50.00%	Repsol Exploración Colombia	Exploration
Tayrona	30.00%	Petrobras	Exploration
Cravo Norte	22.50%	Occidental de Colombia Llc	Production
Chipirón	35.00%	Occidental de Colombia Llc	Production
Rondon	25.00%	Occidental de Colombia Llc	Production

Name	% Ownership ⁽¹⁾	Operator	Activity
Ecuador			
Block 16	35.00%	Repsol Ecuador S.A.	Exploration and production
Block Tivacuno	35.00%	Repsol Ecuador S.A.	Exploration and production
Spain			
Albatros	82.00%	Repsol Investigaciones Petrolíferas, S.A.	Development
Angula	53.85%	Repsol Investigaciones Petrolíferas, S.A.	Development
Barracuda	60.21%	Repsol Investigaciones Petrolíferas, S.A.	Production
Bezana Bigüenzo ⁽⁵⁾	100.00%	Petroleum Oil & Gas España, S.A.	Exploration
Boquerón ⁽⁶⁾	66.45%	Repsol Investigaciones Petrolíferas, S.A.	Production
Canarias	50.00%	Repsol Investigaciones Petrolíferas, S.A.	Exploration
Casablanca ⁽⁶⁾	76.85%	Repsol Investigaciones Petrolíferas, S.A.	Exploration and production
Casablanca Unit	68.67%	Repsol Investigaciones Petrolíferas, S.A.	Development / Production
Chipirón ⁽⁹⁾	100.00%	Repsol Investigaciones Petrolíferas, S.A.	Production
Comunidad de bienes Central Nuclear de Almaraz, Grupo I y II ⁽⁵⁾	11.30%	Iberdrola, Endesa, Hidrocantábrico	Generation of electricity
Comunidad de bienes Central Nuclear de Trillo, Grupo I ⁽⁵⁾	34.50%	Iberdrola, Endesa, Hidrocantábrico	Generation of electricity
Comunidad de bienes Central Térmica de Aceca ⁽⁵⁾	50.00%	Iberdrola	Generation of electricity
Comunidad de bienes Central Térmica de Anllares ⁽⁵⁾	66.70%	Endesa Generación, S.A.	Generation of electricity
Fulmar	84.23%	Repsol Investigaciones Petrolíferas, S.A.	Exploration
Gaviota I y II	82.00%	Repsol Investigaciones Petrolíferas, S.A.	Exploration
Montanazo ⁽⁹⁾	92.10%	Repsol Investigaciones Petrolíferas, S.A.	Production
Morcín - 1 ⁽⁵⁾	20.00%	Petroleum Oil & Gas España, S.A.	Exploration
Rodaballo ⁽⁹⁾	73.42%	Repsol Investigaciones Petrolíferas, S.A.	Production
Rodaballo Concesión	65.41%	Repsol Investigaciones Petrolíferas, S.A.	Development
Siroco	60.00%	Repsol Investigaciones Petrolíferas, S.A.	Exploration
Villaviciosa ⁽⁵⁾	70.00%	Petroleum Oil & Gas España, S.A.	Exploration
Equatorial Guinea			
Block C	57.38%	Repsol Exploración Guinea SA	Exploration
Indonesia			
Seram	45.00%	Black Gold Indonesia Llc	Exploration and production
East Bula	45.00%	Black Gold East Bula Llc	Exploration and production
Cendrawasih Bay II	50.00%	Repsol Exploración Cendrawasih II B.V.	Exploration and production
Cendrawasih Bay III	50.00%	NIKO Resources (Cendrawasih Bay III) Limited	Exploration and production
Cendrawasih Bay IV	50.00%	NIKO Resources (Cendrawasih Bay IV) Limited	Exploration and production
Ireland			
Dunquin	25.00%	Exxon	Exploration
Newgrange	40.00%	Repsol Exploración Irlanda S.A.	Exploration
Kenya			
L5	20.00%	Woodside Energy, N.A.	Exploration
L7	20.00%	Woodside Energy, N.A.	Exploration
Liberia			
Block 10	10.00%	Anadarko	Exploration
Block 15	27.50%	Anadarko	Exploration
Block 16	52.38%	Repsol Exploración Liberia B.V.	Exploration
Block 17	52.38%	Repsol Exploración Liberia B.V.	Exploration
Libya			
Epsa IV NC115	25.20%	Akakis Oil Operations	Exploration and production
EPISA IV NC186	19.84%	Akakis Oil Operations	Exploration and production
Epsa IV NC115 Exploration	40.00%	Repsol Exploración Murzuq, S.A.	Exploration and production
Epsa IV NC186 Exploration	32.00%	Repsol Exploración Murzuq, S.A.	Exploration and production
Pack 1	60.00%	Repsol Exploración Murzuq, S.A.	Exploration and production
Pack 3	35.00%	Woodside Energy, N.A.	Exploration and production
Area 137	50.00%	Petrocanada Ventures (North Africa) Ltd.	Exploration and production
Morocco			
Tanger Larrache ⁽⁶⁾	88.00%	Repsol Exploración Marruecos, S.A.	Exploration

Name	% Ownership ⁽¹⁾	Operator	Activity
Mauritania			
TA09	70.00%	Repsol Exploración, S.A.	Exploration
TA10	70.00%	Repsol Exploración, S.A.	Exploration
Namibia			
Bloque 10	44.00%	Repsol Exploration Namibia PTY Ltd.	Exploration
Norway			
Licence PL512	25.00%	Det Norske	Exploration
Licence PL541	50.00%	Repsol Exploration Norge	Exploration
Licence PL557	40.00%	OMV (Norge)	Exploration
Licence PL356	40.00%	Det Norske	Exploration
Licence PL529	10.00%	ENI Norge	Exploration
Licence PL589	30.00%	Wintershall Norge	Exploration
Licence PL530	10.00%	GDF Suez E&P Norge	Exploration
Licence PL531	20.00%	Repsol Exploration Norge	Exploration
Licence PL642	40.00%	Repsol Exploration Norge	Exploration
Licence PL644	20.00%	OMV (Norge)	Exploration
Licence PL640	40.00%	Talisman	Exploration
Licence PL656	20.00%	E.ON Ruhrgas	Exploration
Licence PL658	50.00%	Dong	Exploration
Oman			
Zad-2	50.00%	RAK Petroleum	Exploration
Peru			
Batch 57	53.84%	Repsol Exploración Perú Sucursal del Perú	Exploration and development of Hydrocarbons
Batch 39	55.00%	Repsol Exploración Perú Sucursal del Perú	Exploration of Hydrocarbons
Batch 90	50.50%	Repsol Exploración Perú Sucursal del Perú	Exploration of Hydrocarbons
Batch 56	10.00%	Pluspetrol Perú Corporation	Production of Hydrocarbons
Batch 88	10.00%	Pluspetrol Perú Corporation	Production of Hydrocarbons
Batch 76	50.00%	Hunt Oil Company of Perú Llc Sucursal del Perú	Exploration of Hydrocarbons
Batch 103	30.00%	Talisman Petrolera del Perú Llc Sucursal del Perú	Exploration of Hydrocarbons
Batch 101	30.00%	Talisman Petrolera del Perú Llc Sucursal del Perú	Exploration of Hydrocarbons (abandoned)
Portugal			
Peniche	90.00%	Repsol Exploración, S.A.	Exploration
Algarve	15.00%	Petrobras	Exploration
Sierra Leone			
SL6	25.00%	Anadarko, S.L.	Exploration
SL7	25.00%	Anadarko, S.L.	Exploration
Trinidad			
Block 5B	30.00%	Amoco Trinidad Gas, B.V.	Exploration
Venezuela			
Yucal Placer	15.00%	Repsol Venezuela, S.A.	Exploration and Production

⁽¹⁾ Corresponds to the shareholding that the ownership company holds of the asset involved in the operation.

⁽²⁾ Activities or assets operated through YPFB Andina, S.A., joint control company with a participation of 48.92%.

⁽³⁾ Activities or assets operated through Repsol Sinopec Brasil, S.A., joint control company with a participation of 60%.

⁽⁴⁾ Activities or assets operated through Occidente de Colombia Llc, joint control company with a participation of 25%.

⁽⁵⁾ Activities or assets operated through Gas Natural SDG S.A., joint control company with a participation of 30.01%.

⁽⁶⁾ Part of the participation over the activity or asset is operated by Gas Natural SDG S.A., joint control company with a participation of 30.01%.

Appendix II Assets and Jointly Controlled Operations for the year ended December 31, 2011

Name	% Ownership ⁽¹⁾	Operator	Activity
Algeria			
Cassi-Chergui ⁽⁶⁾	90.00%	Repsol Exploración Argelia, S.A.	Exploration and production
M'Sari Akabli	45.00%	Repsol Exploración Argelia, S.A.	Exploration and production
Sud Est Illizi	52.50%	Repsol Exploración Argelia, S.A.	Exploration and production
Reggane	29.25%	Órgano conjunto Sonatrach - Contratista	Exploration and production
Issaouane (TFR)	59.50%	Repsol Exploración Argelia - Sonatrach	Exploration and production
TFT	30.00%	Groupement TFT	Exploration and production
Argentina			
Acambuco UTE	22.50%	Pan American Energy LLC	Exploration and production
Aguada Pichana UTE	27.27%	Total Austral S.A.	Exploration and production
Aguaragüe UTE	30.00%	Tecpetrol S.A.	Exploration and production
CAM-2/A SUR UTE	50.00%	Sipetrol Argentine S.A.	Exploration and production
Campamento Central/ Cañadón Perdido UTE	50.00%	YPF	Exploration and production
Consorcio CNQ 7/A	50.00%	Petro Andina Resources Ltda.	Exploration and production
El Tordillo UTE	12.20%	Tecpetrol S.A.	Exploration and production
La Tapera y Puesto Quiroga UTE	12.20%	Tecpetrol S.A.	Exploration and production
Llancanelo UTE	51.00%	YPF	Exploration and production
Magallanes UTE	50.00%	Sipetrol Argentine S.A.	Exploration and production
Palmar Largo UTE	30.00%	Pluspetrol S.A.	Exploration and production
Puesto Hernández UTE	61.55%	Petrobras Energía S.A.	Exploration and production
Consorcio Ramos	15.00%	Pluspetrol Energy S.A.	Exploration and production
San Roque UTE	34.11%	Total Austral S.A.	Exploration and production
Tierra del Fuego UTE	30.00%	Petrolera L.F. Company S.R.L.	Exploration and production
Zampal Oeste UTE	70.00%	YPF	Exploration and production
Consortium Reservoir La Ventana -Río Tunuyan	60.00%	YPF	Exploration and production
Escobar LNG Project	50.00%	YPF	Exploration and production
Bolivia			
Block San Alberto ⁽²⁾	50.00%	Petrobras Bolivia S.A.	Exploration and production
Block San Antonio ⁽²⁾	50.00%	Petrobras Bolivia S.A.	Exploration and production
Block Monteagudo ⁽²⁾	20.00%	Petrobras Bolivia S.A.	Exploration and production
Block Monteagudo	30.00%	Repsol YPF E&P Bolivia S.A.	Exploration and production
Block Caipipendi	37.50%	Repsol YPF E&P Bolivia S.A.	Exploration and production
Río Grande Gas Compression Plant	50.00%	Andina, S.A.	Gas compression
Brazil ⁽³⁾			
Albacora Leste	10.00%	Petrobras	Production
BMC-33	35.00%	Repsol Sinopec Brasil S.A.	Exploration
BMES-21	10.00%	Petrobras	Exploration
BMS-44	25.00%	Petrobras	Exploration
BMS-48	40.00%	Repsol Sinopec Brasil S.A.	Exploration
BMS-50	20.00%	Petrobras	Exploration
BMS-51	20.00%	Petrobras	Exploration
BMS-7	37.00%	Petrobras	Exploration
BMS-9	25.00%	Petrobras	Exploration
Canada			
Canaport LNG Limited Partnership	75.00%	Repsol Canada Ltd	LNG Regasification

Name	% Ownership ⁽¹⁾	Operator	Activity
Colombia			
Cosecha ⁽⁴⁾	70.00%	Occidental de Colombia, Llc	Development
Capachos	50.00%	Repsol Exploración Colombia, S.A.	Exploration and production
Cebucan	20.00%	Petrobras	Exploration
Catleya	50.00%	Ecopetrol	Exploration
Cayos Y Cayos	30.00%	Repsol Exploración Colombia, S.A.	Exploration
Rc11 Y Rc12	50.00%	Ecopetrol	Exploration
El Queso	50.00%	Repsol Exploración Colombia, S.A.	Exploration
Guadual	20.00%	Petrobras	Exploration
Orquidea	40.00%	Hocol	Exploration
Cuba			
Block 25-36	40.00%	Repsol YPF Cuba, S.A.	Exploration and production
Ecuador			
Block 16	35.00%	Repsol YPF Ecuador S.A.	Exploration and production
Block 16	20.00%	Amodaimi Oil Company (sucursal)	Exploration and production
Spain			
Albatros	82.00%	Repsol Investigaciones Petrolíferas, S.A.	Development
Angula	54.00%	Repsol Investigaciones Petrolíferas, S.A.	Development
Barracuda	60.21%	Repsol Investigaciones Petrolíferas, S.A.	Production
Boquerón ⁽⁹⁾	66.45%	Repsol Investigaciones Petrolíferas, S.A.	Production
Casablanca ⁽⁹⁾	76.85%	Repsol Investigaciones Petrolíferas, S.A.	Exploration and production
Casablanca Unit	68.67%	Repsol Investigaciones Petrolíferas, S.A.	Development / Production
Chipirón ⁽⁹⁾	100.00%	Repsol Investigaciones Petrolíferas, S.A.	Production
Fulmar	69.00%	Repsol Investigaciones Petrolíferas, S.A.	Exploration
Gaviota I and II	82.00%	Repsol Investigaciones Petrolíferas, S.A.	Exploration
Montanazo ⁽⁹⁾	92.10%	Repsol Investigaciones Petrolíferas, S.A.	Development
Rodaballo ⁽⁹⁾	73.00%	Repsol Investigaciones Petrolíferas, S.A.	Production
Murcia-Siroco ⁽⁹⁾	100.00%	Repsol Investigaciones Petrolíferas, S.A.	Exploration
Bezana Bigüenzo ⁽⁹⁾	88.00%	Petroleum Oil & Gas España, S.A.	Exploration
Rodaballo Concession	65.41%	Repsol Investigaciones Petrolíferas, S.A.	Development
Tesorillo-Ruedalabola	50.00%	Schuepbach Energy España, S.L.	Exploration
Morcín ⁽⁹⁾	20.00%	Petroleum Oil&Gas España	Exploration
Villaviciosa ⁽⁹⁾	70.00%	Petroleum Oil&Gas España	Exploration
Central Nuclear de Trillo, Grupo I ⁽⁹⁾ Joint asset ownership	34.50%	Iberdrola, Endesa, Hidrocarbónico	Generation of electricity
Central Nuclear de Almaraz, Grupo I y II ⁽⁹⁾ Joint asset ownership	11.30%	Iberdrola, Endesa, Hidrocarbónico	Generation of electricity
Central Térmica de Anllares ⁽⁹⁾ Joint asset ownership	66.70%	Endesa Generación, S.A.	Generation of electricity
Central Térmica de Aceca ⁽⁹⁾ Joint asset ownership	50.00%	Iberdrola	Generation of electricity
Ecuatorial Guinea			
Block C	57.38%	Repsol Exploración Guinea, S.A.	Exploration
Indonesia			
Cendrawasih Bay II	50.00%	Repsol Exploracion Cendrawasih II B.V.	Exploration
Cendrawasih Bay III	50.00%	NIKO Resources	Exploration
Cendrawasih Bay IV	50.00%	NIKO Resources	Exploration
Seram	45.00%	Black Gold Indonesia Llc	Exploration
East Bula	45.00%	Black Gold East Bula Llc	Exploration
Kenya			
L5	20.00%	Woodside energy	Exploration
L7	20.00%	Woodside energy	Exploration

Name	% Ownership ⁽¹⁾	Operator	Activity
Libya			
Epsa IV NC115	25.20%	Akakus Oil Operations	Exploration and Production
EPSA IV NC186 (Capex)	19.84%	Akakus Oil Operations	Exploration and Production
Epsa IV NC115 Explorac.	40.00%	Repsol Exploracion Murzuq. S.A.	Exploration and Production
Epsa IV NC186 Explorac.	32.00%	Repsol Exploracion Murzuq. S.A.	Exploration and Production
EPSA 97 NC186	32.00%	Repsol Exploracion Murzuq. S.A.	Exploration and Production
Pack 1	60.00%	Repsol Exploracion Murzuq. S.A.	Exploration and Production
Pack 3	35.00%	Woodside Energy, N.A.	Exploration and Production
Area 137	50.00%	Petrocanada Ventures (North Africa) Ltd.	Exploration and Production
Morocco			
Tanger Larache ⁽⁹⁾	88.00%	Repsol Exploración Marruecos	Exploration
Mauritania			
TA09	70.00%	Repsol Exploración S.A.	Exploration
TA10	70.00%	Repsol Exploración S.A.	Exploration
Norway			
Block PL512	25.00%	Det Norske	Exploration
Block PL541	50.00%	Repsol Exploration Norge	Exploration
Block PL557	40.00%	OMV (Norge)	Exploration
Block PL356	40.00%	Det Norske	Exploration
Block PL529	10.00%	ENI Norge	Exploration
Block PL589	30.00%	Wintershall Norge	Exploration
Block PL530	10.00%	GDF Suez E&P Norge	Exploration
Block PL531	20.00%	Repsol Exploration Norge	Exploration
Oman			
Zad-2	50.00%	RAK Petroleum	Exploration
Peru			
Block 57	53.84%	Repsol Exploración Perú Sucursal del Peru	Exploration and development of Hydrocarbons
Block 39	55.00%	Repsol Exploración Perú Sucursal del Peru	Exploration of Hydrocarbons
Block 90	50.50%	Repsol Exploración Perú Sucursal del Peru	Exploration of Hydrocarbons
Block 56	10.00%	Pluspetrol Perú Corporation	Production of Hydrocarbons
Block 88	10.00%	Pluspetrol Perú Corporation	Production of Hydrocarbons
Block 76	50.00%	Hunt Oil Company of Perú Llc Sucursal del Perú	Exploration of Hydrocarbons
Block 103	30.00%	Talisman Petrolera del Perú Llc Sucursal del Perú	Exploration of Hydrocarbons
Block 101	30.00%	Talisman Petrolera del Perú Llc Sucursal del Perú	Exploration of Hydrocarbons (abandoned)
Sierra Leone			
SL6	25.00%	Anadarko, S.L.	Exploration
SL7	25.00%	Anadarko, S.L.	Exploration
Trinidad & Tobago			
Block 5B	30.00%	Amoco Trinidad Gas, B.V.	Exploration
Venezuela			
Yucal Placer	15.00%	Repsol YPF Venezuela, S.A.	Exploration and Production

⁽¹⁾ Corresponds to the participation that the ownership company holds of the asset involved in the operation.

⁽²⁾ Activities or assets operated through YPFB Andina, S.A., joint control company with a participation of 48.92%.

⁽³⁾ Activities or assets operated through Repsol Sinopec Brasil, S.A., joint control company with a participation of 60%.

⁽⁴⁾ Activities or assets operated through Occidente de Colombia L.L.C., joint control company with a participation of 25%.

⁽⁵⁾ Activities or assets operated through Gas Natural SDG S.A., joint control company with a participation of 30.01%.

⁽⁶⁾ Part of the participation over the activity or asset is operated by Gas Natural SDG S.A., joint control company with a participation of 30.01%

Appendix III

Detail of holdings and/or positions held by directors and their related parties in companies with identical, similar or complementary activities to those of Repsol, S.A.

Mr. Antonio Brufau Niubó

Positions:

Vice-President of the Board of Directors of Gas Natural SDG, S.A.

Holdings:

Gas Natural SDG, S.A.: 81,139 shares

Shares held by related parties:

Gas Natural SDG, S.A.: 1,086 shares

Mr. Isidro Fainé Casas

Holdings:

Gas Natural SDG, S.A.: 113,655 shares

Mr. José Manuel Loureda Mantiñán

Positions:

President of Valoriza Gestión, Inc.

Director of Vallehermoso División Promoción, SAU

Mr. Juan María Nin Génova

Positions:

Director of Gas Natural SDG, S.A.

Holdings:

Gas Natural SDG, S.A.: 156 shares

Pemex International Spain, S.A.

The parent company of Pemex International España, S.A., Petróleos Mexicanos, is an entity with legal personality and its own equity. The Company was incorporated to strategically manage and direct all activities carried out by the Mexican State oil industry under the terms provided by Mexican legislation.

Mr. Luis Suárez de Lezo Mantilla

Positions:

Director of Gas Natural SDG, S.A.

Director of Repsol - Gas Natural LNG, S.L.

Holdings:

Gas Natural SDG, S.A.: 18,156 shares

Shares held by related parties:

Gas Natural SDG, S.A.: 998 shares

Iberdrola, S.A.: 359 shares



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Translation of a report originally issued in Spanish.
In the event of a discrepancy, the Spanish language
version prevails.

General overview and economic-financial information

Macroeconomic environment

In 2012 the economic recovery continued, albeit with less force, driven by growth in emerging economies. Global Gross Domestic Product (GDP) growth slowed from 3.8% to 3.2% per year, chiefly due to a relapse into recession in the Eurozone. In 2013 economic activity is expected to increase and forecasts for 2014 place the growth at close to 4%.

Highlights for 2012 include the relative strength of the two leading economies: United States and China. The United States economy grew annually by 2.2% compared to 1.8% in 2011, thanks to continued improvement in consumer spending and private employment along with important developments in oil and gas industry. China, the world's second-largest economy, grew by 7.9% year-on-year thanks to its wide margin of monetary policy flexibility and the implementation of ambitious domestic reform and investment programs that reduced its balance of trade surplus from 9% of GDP in 2008 to around 3% today.

Growth in Latin America remained stable although moderating to 3% owing to less favorable external conditions. Likewise the growth in the value of exports from the region slowed from 23.9% in 2011 to an estimated variation of 1.6% in 2012.

In developed economies, efforts to reduce public and private debt, coupled with the fragility of the financial system, kept growth down. This has particularly been the case in a number of eurozone countries.

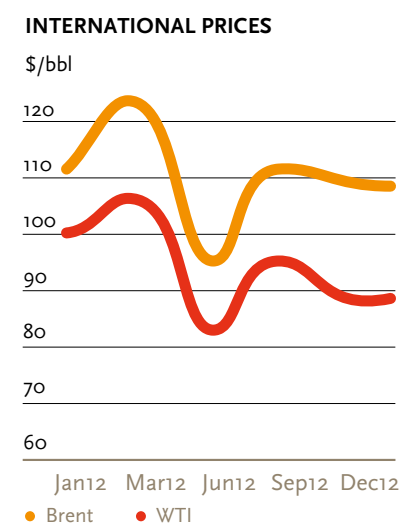
The link between bank risk and sovereign risk in Europe acquired singular importance in 2012. In June, once the deadline to achieve the capitalization ratios imposed by the European Banking Authority (EBA) to systemic banks had expired, the Spanish government requested financial aid from the European Union to recapitalize several financial institutions. Spain's eurozone partners made €100,000 million available and agreed to move towards a European Banking Union under a supranational supervisor with a common deposit guarantee fund and powers to directly recapitalize or, if necessary, liquidate banks in any member state.

A major turning point in the eurozone crisis occurred in July following the unambiguous defense by the European Central Bank of the irreversibility of the euro and the announcement of its willingness to buy, under certain conditions, government bonds of member states facing difficulties. All this, coupled with the negotiations that succeeded in preventing the United States fiscal cliff, reduced uncertainty in the markets and allowed a recovery in confidence, increasing the appetite for risk.

With regard to the Spanish economy, the effects of fiscal consolidation, the negative evolution of the job market and the credit crunch converted external demand into the chief source of dynamism for domestic activity. However, the contribution of the external sector failed to offset declines in both public and private consumption or investment. Therefore 2012 ended with GDP down by 1.4%. There were also some positive trends throughout the year in key variables such as further adjustments of unit labor costs, improvements in the current account balance and increased private sector activity.

Oil price correction

2012 has been a year of strong oil price volatility, in response to upheavals in the economic and geopolitical context. However, in the annual averages of Brent crude barrel, the 2012 price remained just above the price of 2011, i.e. \$111.67 per barrel compared to \$111.30 in the previous year. In euros, the prices were €86.86 per barrel in 2012 compared to €79.95 in 2011. The price profile underwent three very distinct stages throughout the year.



In the first stage, from January to March, the uncertainty generated by the possible closure of the Strait of Hormuz by Iran represented a geopolitical premium on prices that led to Brent crude to trade above \$125 per barrel.

Then, during the period from March to June, the tension from conflict eased and gave way to concerns about weak economic growth both in Europe and China. All this led to a reduction in the price of Brent crude of almost \$30 from its peak in March.

From August onwards Brent prices fluctuated between \$109 and \$113, responding up or down according to geopolitical and economic factors. The spread between the main international oil types, Brent and WTI, again reached a maximum towards the end of the year with an annual average spread of \$17 per barrel. Among the factors influencing this spread, has been the significant new increase in the production of Light Tight Oil in the United States.

The Group's activities

Repsol Group's activities are divided into four business areas, three of which correspond to integrated strategic divisions and include the group's entities in the following areas:

- Upstream, relating to the exploration and production of oil and natural gas;
- LNG, relating to midstream operations (liquefaction, transport and regasification) of natural gas and to market operations for natural gas and liquefied natural gas; and
- Downstream, corresponding to refining and marketing activities involving oil products, chemicals, and liquefied petroleum gas.

Finally, Gas Natural Fenosa, represents Repsol's strategic stake in the Gas Natural Fenosa Group, which mainly engages in natural gas marketing and the generation, distribution, and marketing of electricity.

Until financial year 2012 the Group had also considered YPF as a business area, which included the operations of YPF S.A. and its Group companies. Repsol has lost control of YPF S.A. since the Argentinian government began the expropriation proceedings for part of the Group's shareholdings in that company (see the section "Expropriation of Repsol Group shares in YPF S.A. and YPF Gas S.A.").

Organizational structure

The Annual General Meeting is the sovereign corporate body through which the shareholders can take part in the company's key decisions, while the Board of Directors is responsible for the governance, management and administration of the company's business interests for all matters not reserved to the competence of the General Meeting.

In general, the Board of Directors entrusts the day-to-day handling of ordinary business to the Executive Committee and the management team, concentrating its efforts on general supervision and considering matters of particular importance to the company.

To ensure greater efficiency and transparency in the performance of its functions, the Board of Directors has appointed internal committees with executive and consulting powers: the Delegate Committee, acting as a delegated body of the Board, the Audit and Control Committee, the Nomination and Compensation Committee and the Strategy, Investment and Corporate Social Responsibility Committee which are three special committees that carry out supervision, information, consulting and proposal tasks.

The Executive Committee, consisting of the Chief Executive Officer and the General Directors, is responsible for defining and implementing the strategy and control of Repsol Group's operations.

Change in the organizational structure

To promote the development of the new Strategic Plan and with a focus on its future outlook, in May 2012 a new top level organizational structure was approved. To facilitate business growth, a Business Units Executive Managing division (COO) was created along with two new executive divisions (EMD Exploration and Production and EMD Industrial and New Energy Unit) that joined as new members of the Executive Committee. A new Executive division of Sales and Marketing merged the European and Global LPG sales departments. Furthermore, a Control and Strategy Executive Managing division was created with the

aim of promoting the active development of the company's strategy, based on anticipating opportunities, controlling management and promoting technology as the driving force for transformation.

This process of change came to a head in November with the approval by the Executive Committee of the deployment of these modifications throughout the company's organization hierarchy and different divisions.

On one hand changes were introduced in the business areas. In Exploration and Production, the Safety and the Environment division was promoted to first level; confirming its priority status for the business, and its technical functions and research roles were reinforced. In EMD Industrial and New Energy, the new organizational structure aims to develop synergies between the industrial compounds to maximize their efficiency and strengthen the Chemicals internationalization strategy. In the Executive division of Sales and Marketing the changes respond to the need to create more synergies between the businesses that make up the Executive division of Sales and Marketing, with the aim of ensuring operational excellence and cost optimization.

On the other hand, changes were introduced in the field of corporate functions aimed, firstly, at strengthening the long-term strategic vision and channeling efforts towards strategic objectives by strengthening the company's risk management mechanisms and, secondly, to develop and deploy the corporate culture based on the necessary values and conduct and to enhance the professional progress and training of personnel.

Strategic plan 2012-2016

In recent years Repsol has consolidated a growth strategy that has enabled it to develop new areas of business, diversify its portfolio of assets and incorporate key projects that today uphold its position in the global energy sector.

Following the publication of the Law to expropriate the Repsol Group's shares in YPF S.A. and YPF Gas S.A. (see section below "Expropriation of Repsol Group shares in YPF S.A. and YPF Gas S.A.") on May 29, 2012 Repsol presented its Strategic Plan for 2012-2016, based on the following strategies:

1. Upstream growth
2. Maximizing Downstream and LNG returns
3. Financial strength
4. Competitive shareholder remuneration.

1) Upstream Growth (Exploration and Production)

The Upstream sector drives Repsol's growth and focuses on investments in exploration activity and the development of 10 key projects, among which are some of the most significant oil finds in recent years. These projects are:

1. Sapinhoa (formerly Guar) in Brazil
2. Carioca in Brazil
3. Mid-continent in United States (Mississippi Lime)
4. Reggane in Algeria
5. Lubina - Montanazo in Spain
6. AROG in Russia
7. Margarita-Huacaya in Bolivia
8. Kinteroni in Peru
9. Carabobo in Venezuela
10. Cardn IV in Venezuela

The estimated investment for the period 2012-2016 in the Upstream branch is €14,700 million, representing roughly 77% of the total investments under the Strategic Plan. The average annual investment in the Upstream business stands at €2,940 million, exceeding investment in previous years by 20%.

The 10 major projects involve a total combined investment of €6,700 million. In addition to these key projects other contingent resources will continue to be outlined such as those already drilled in Alaska, Brazil (Seat, Po de Aucar, Gavea, Malombe Iguacu, Piracuca-Pan-

oramix-Vampira, Albacora pre-salt), Libya (NC200), Sierra Leone and the Gulf of Mexico (Buckskin), which together with the exploitation of the producing fields represent a total investment during the period of €4,000 million.

Finally, an annual average of \$1,000 million will be devoted to exploration; corresponding to about 25-30 wells per year.

The goal for 2016 is to increase hydrocarbon production by more than 200,000 barrels of oil equivalent per day, with an average annual growth of over 7%, while achieving a reserve replacement ratio of over 120%.

2) Maximizing Downstream and LNG returns

The Downstream area has become a source of cash flow, with the successful completion and commissioning of the expansions at the Cartagena and Petronor (Bilbao) refineries, which increased Repsol's conversion capacity and operational efficiency.

This expansion is expected to produce an improvement in refining margins of between \$2 and \$3 per barrel processed throughout Repsol's refineries in Spain.

The average free cash flow expected to be generated by the Downstream area is €1,200 million per year and the average investment stands at 750 million per year in that period. These investments are primarily in the maintenance of industrial and commercial installations along with energy and operational efficiency improvements, representing a reduction of 50% on the average annual investment over the period 2008-2011.

Meanwhile, Repsol's liquefied natural gas (LNG) business will take advantage of the integration across the value chain, with the objective of maximizing the profitability of Repsol's portfolio of assets in the Atlantic and Pacific basins.

3) Financial strength

Repsol's financial position and the divestment of non-strategic assets will enable the self-financing of the investments included in the 2012-2016 Strategic Plan, maintaining the Group's credit rating.

4) Competitive shareholder remuneration

The last of Repsol's strategic pillars is to establish a competitive remuneration policy for its shareholders.

Expropriation of Repsol Group shares in YPF S.A. and YPF Gas S.A.

On April 16, the Argentinian government began proceedings to expropriate YPF and YPF Gas (formerly "Repsol YPF Gas S.A.", changing its name to "YPF Gas S.A." according to the agreement of the general meeting of shareholders of that company held on July 6, 2012, and challenged by Repsol, see Note 1 of the Consolidated Financial Statements) from Repsol Group. That day, it decreed the takeover of the company, appointing an intervenor with all of the powers of its Board of Directors. This intervenor immediately assumed control of management.

After a fast parliamentary procedure, Law 26,741, which declares the 51% of Class D shares in YPF S.A. and the 51% of shares in Repsol YPF Gas, S.A. owned by the Repsol Group of public interest and subject to expropriation, entered into force on May 7. Since that date, the Argentinian government has had the authority to exercise the rights conferred by the shares to be expropriated without any prior payment of compensation.

From that point onwards, the appropriate expropriation process should be set in motion. In accordance with Argentine Law, a fair and adequate compensation should be established –if necessary by a court ruling– and paid prior to the occupation and acquisition of the expropriated assets.

Both the general meetings of shareholders of YPF, SA, held on June 4 and July 17, 2012, as well as the general meeting of YPF Gas, S.A., held on July 6, 2012, have been challenged by Repsol, S.A. and by Repsol Butano, S.A., respectively, considering, among other arguments, that they were not validly constituted as having derived from an illegitimate and unconstitutional expropriation process.

According to Repsol, the expropriation is manifestly unlawful and highly discriminatory (it only affects YPF S.A. and YPF Gas S.A. and no other oil and gas companies in Argentina; while also additionally it is expropriating solely the participating interest of one shareholder of YPF S.A. and YPF Gas S.A., namely Repsol, and not the other shareholders), the public interest

it pursues is not justified in any way and it is a clear breach of the obligations assumed by the Argentinian government when the privatization of YPF took place.

Repsol has already initiated legal actions for (I) the violation of the "Agreement between the Argentinian Republic and the Kingdom of Spain on the Reciprocal Promotion and Protection of Investments "; (II) the unconstitutionality of the takeover of YPF and YPF Gas and of the temporary seizure by the Argentinian government of the rights over 51% of the shares in YPF SA and YPF Gas SA directly or indirectly owned by Repsol, S.A. and Repsol Butano, S.A., respectively; (III) the failure of the Argentinian government to meet its obligation to launch a tender offer for the shares of YPF S.A. before taking control of the company; (IV) other legal proceedings brought to prevent illegitimate use by third parties of certain assets belonging to YPF.

Repsol is confident that such a flagrant violation of the most fundamental principles of legal certainty and respect for business done in good faith will not be ignored by the international investment community, and will receive the appropriate response from the courts and bodies for the settlement of international disputes.

The accounting effect of these events is reflected in the Group's Financial Statements 2012. Repsol has lost control of the management of YPF and YPF Gas and, accordingly, it shall proceed with its deconsolidation as from April 16, involving:

- a) Derecognize all assets, liabilities, and minority interests, as well as translation differences as appropriate.

The net amount of this de-recognition amounts to €4,779 million, of which, €4,720 million relates to YPF, and the rest related to YPF Gas. This amount includes €605 million of cumulative exchange differences in the equity of both companies up to the time control was lost.

- b) Revalue other assets and liabilities related to investments in YPF affected by the change in control and the expropriation process. This includes the loans and guarantees related to Petersen Group's financing of the acquisition of its ownership interest in YPF.

The net value of assets derecognized for this concept initially stood at €1,402 million, matching the provision provided for the share of the loan granted by Repsol that is not covered by the pledge of shares. On the other hand the Group recorded a provision for liabilities and expenses totaling €54 million which covers the maximum liabilities undertaken by Repsol, as guarantor of Petersen, less the value of the shares pledged as a counter-guarantee (0.56% of the share capital of YPF).

- c) Recognize the shareholding of Repsol Group in YPF and YPF Gas S.A. as a financial investment (shares), from the shares subject to expropriation –which still belong to the Group– as well as the remaining shares owned by Repsol Group (51% subject to expropriation of both companies and 6.43% regarding YPF and 33.997% regarding YPF Gas in remaining shares at the end of the period).

These shares, for accounting purposes, have been valued according to their fair or realizable value.

In the case of YPF shares not subject to expropriation, this fair value will be the official market price at which these shares are traded.

In the case of the YPF shares subject to expropriation, which are not publicly listed, the fair value corresponds to the expected recoverable value as a result of the expropriation process, which in turn should be established based on the market value of such shares before any threat of expropriation emerged, calculated in accordance with internationally accepted methods for valuing companies and as ultimately determined in the arbitration proceedings at the International Center for Settlement of Investment Disputes (ICSID) which Repsol has recently initiated.

Notwithstanding the foregoing, Repsol has pointed out since the day after the expropriation that, regardless of the market value of the shares to which it is entitled, Articles 7 and 28 of the by-law of YPF S.A. state that, if control is taken by the Argentinian Government, the purchaser must launch a tender offer for all the Class D shares of YPF S.A., with a price payable in cash and calculated in accordance with predetermined criteria that constitute, for the purposes of accounting the shares, a valid reference for estimating the minimum compensation that Repsol should obtain. According to the estimate by Repsol of the amount resulting from the application of this method, the valuation of 100% of YPF, at the time of the expropriation, is not less than \$18,300 million (€13,864 million, calculated at the closing exchange rate on December 31, 2012), and \$9,333 million (€7,070 million) for the 51% stake subject to expropriation.

However, for accounting purposes, it should be remembered the risks and uncertainties inherent to estimations of future events that, to a large extent, are beyond Repsol's control. For this reason, the company has prudently focused on recognizing the shares subject to expropriation in the accounting records, avoiding a situation where a higher valuation forces the initial recognition of a profit arising from the expropriation process that, to date, is still a contingency.

For the reasons stated above, the shares in YPF (51% subject to expropriation and 6.43% in remaining shares) have been initially recognized for a value of €5,623 million while the shares in YPF Gas (those subject to expropriation and the remaining stake) at €50 million.

Any amendment to the hypotheses considered reasonable both in the jurisdictional processes and the valuation of the rights expropriated could result in positive or negative changes in the amount for which the shares in YPF and YPF Gas have been recognized and, therefore, could have an impact on the Group's financial statements.

- d) Recognize deferred tax assets of €524 million resulting from the tax effects of the abovementioned operations.

As a consequence of the aforementioned effects arising from the expropriation process, the net impact on the income statement of the Group was a loss of €38 million. This loss was recognized under the heading "Net income from discontinued operations after taxes".

In accordance with International Financial Reporting Standards (IFRS), the activities of YPF and YPF Gas are considered to have been discontinued and the results arising from these activities until the loss of control, as well as impact on the income statement derived from the expropriation process, have been recognized under the headings for discontinued operations, net of taxes on Repsol's consolidated income statement at December 31, 2012 and 2011.

Note 5 of the Consolidated Financial Statements for the financial year 2012, "Expropriation of Repsol Group shares in YPF S.A. and YPF Gas S.A." includes additional information on the YPF and YPF Gas expropriation process.

The table below contains certain figures of the Repsol Group from the financial statements of December 31, 2011 which, pursuant to IFRS 5, "Non-current assets held for sale and discontinued operations" must be restated to classify the operations related to the expropriation as discontinued activities.

Millions of euros	Consolidated Group restated 31/12/2011	Consolidated Group formulated in 2011 31/12/2011
REPSOL GROUP (according to IFRS)		
EBITDA	5,494	8,440
Operating profit from continued operations	3,549	4,805
Net income from discontinued operations after taxes	777	-
Net income attributable from discontinued operations to the parent company	536	-

At December 31, 2011, YPF had proven reserves of 1,013 million barrels of oil equivalent (585 million barrels of liquids and 2,399 billion cubic feet of gas), which represented 46% of proven reserves of the consolidated Group on that date. Since the loss of control by Repsol, said volumes do not constitute part of the Repsol Group's proven reserves. Meanwhile, in 2011 YPF production reached 181 million barrels of oil equivalent (100 million barrels of liquids and 453 billion cubic feet of natural gas), which represented 62% of the Group's total production for that financial year.

Results

During the financial year 2012 management of the company gradually consolidated the strength of Repsol's businesses, particularly after the illegal expropriation of YPF in April 2012.

The Group's results for 2012 and 2011 are as follows:

Millions of euros	2012	2011 ⁽¹⁾	% VARIATION
Upstream	2,208	1,413	56.3%
LNG	535	386	38.6%
Downstream	1,013	1,182	(14.3%)
Gas Natural Fenosa	920	887	3.7%
Corporate	(390)	(319)	22.3%
Operating income	4,286	3,549	20.8%
Financial result	(857)	(862)	(0.6%)
Share of results of companies accounted for using the equity method – net of tax	117	72	62.5%
Net income before tax	3,546	2,759	28.5%
Income tax	(1,581)	(991)	59.5%
Income from continuing operations	1,965	1,768	11.1%
Net income from continuing operations attributable to minority interests	(75)	(111)	(32.4%)
Net income from continuing operations attributable to the parent	1,890	1,657	14.1%
Net income from discontinued operations after taxes	279	776	(64.1%)
Net income from discontinued operations attributable to minority interests	(109)	(240)	(54.6%)
Net income from discontinued operations attributable to the parent	170	536	(68.3%)
TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT	2,060	2,193	(6.1%)

⁽¹⁾ Includes the necessary modifications with respect to the income statement for the period 2011 included in the management report, in relation to the expropriation process of Repsol in YPF S.A. and YPF Gas S.A. according to what is described in the "Expropriation of Repsol Group shares in YPF S.A. and YPF Gas S.A."

Repsol's net income amounted to €2,060 million in 2012. Operating income came in at €4,286 million, while EBITDA amounted to €6,956 million. Earnings per share came to €1.70. In 2011, net income amounted to €2,193 million, while operating income and EBITDA stood at €3,549 million and €5,494 million, respectively.

Operating income for the Upstream division (Exploration and Production) rose from €1,413 million at December 31, 2011, to €2,208 million in 2012, representing an increase of 56.3%, driven by increased production and transaction prices and the appreciation of the dollar against the euro. The increase in production is mainly due to the resumption of activity in Libya, the entering into production of Phase I in Margarita (Bolivia) and the positive progress of operations in the United States as a result of the development wells drilled after the lifting of the drilling moratorium and the start of production of the Mississippian Lime assets. In Trinidad and Tobago, however, production declined compared to the previous year owing to the maintenance stops made during the year.

In 2012 the Liquefied Natural Gas (LNG) business generated net income of €535 million compared to €386 million in 2011. This increase is primarily due to higher margins and sales volumes of LNG in 2012, partially offset by higher transport costs in North America.

Operating income in the Downstream division came in at €1,013 million, as opposed to the €1,182 million in the previous year. 2012 was marked by the launch of the expansion of the Cartagena and Bilbao refineries, allowing improvements in refining margins by increasing

and optimizing production. However, results have fallen over the previous year due to the impact on inventories of evolving prices of crude oil and oil products, lower sales volumes in commercial divisions as a result of the economic crisis and the fall in margins and sales volumes in the chemical division owing to the international environment.

Repsol's 30% stake in Gas Natural Fenosa generated an operating profit of €920 million, compared to €887 million in 2011, mainly due to diversification and the increasing contribution at international level and the balance provided by the business profile of Gas Natural Fenosa which compensated the effect on income from divestments carried out in 2011 and the stagnation of income from the regulated electricity business in Spain owing to the impact of Royal Decree-Law 13/2012.

The net financial result of the consolidated Group was negative, coming in at €857 million compared to €862 million at year-end 2011. Increased interest expenses resulting from higher average debt balances and the rising cost of preference shares have been offset by the positive result, mainly due to the appreciation of the dollar against the euro, related to net long dollar positions held occasionally throughout the year.

Corporation tax amounted to €1,581 million in 2012, with an effective tax rate of 46% (37% at year-end 2011). This increase in the effective tax rate is mainly due to increased net income from businesses with high tax burdens, such as Upstream, and prominently, in Libya.

Net income from discontinued operations in 2011 includes income net of taxes and minority interests contributed by YPF S.A. and YPF Gas S.A. and the subsidiaries of both companies. In 2012, in addition to these results from the beginning of the year until the loss of control, the effects related to the expropriation process are also included.

Financial overview

The Group's consolidated net financial debt at the end of 2012 amounted to €8,938 million compared to €9,724 million at December 31, 2011 (excluding the debt incurred by YPF and YPF Gas). Taking into account preference shares, net financial debt at the end of 2012 stood at €12,120 million, compared to €12,903 million at December 31, 2011.

The Group's net financial debt excluding Gas Natural Fenosa, i.e. excluding the proportional integration of the figures relating to this company, was €4,432 million at December 31, 2012, compared to €6,775 million the preceding year. The net debt mentioned at year-end 2011 included the debt generated by YPF and YPF Gas amounting to €1,939 million. Excluding this contribution, the total net debt at said date would have been €4,836 million, that compared with net debt at year-end 2012, is a reduction of €404 million. The evolution of debt during the year was influenced by the significant operating cash flow generated by the businesses, coupled with divestments, and in particular, the sale of the LPG business in Chile. Also noteworthy were the successful implementation of the Repsol Flexible Dividend program and the treasury share operations performed throughout the year (see details in this section). Finally, and in the opposite sense, the evolution of the debt was influenced by the provision recognized for the loan to the Petersen Group to purchase YPF (see the section "Expropriation of Repsol Group shares in YPF S.A. and YPF Gas S.A.").

Taking into account the preference shares, the net financial debt excluding Gas Natural Fenosa amounted to €7,432 million at December 31, 2012, in comparison to €7,836 million at December 31, 2011 (excluding the debt generated by YPF and YPF Gas).

The following table provides a breakdown of changes in net financial debt during financial year 2012:

	Consolidated Group	Consolidated Group exc. Gas Natural Fenosa
Millions of euros	2012	2012
Net debt at the beginning of the period	11,663	6,775
Elimination of net debt YPF and YPF Gas at 31.12.11	(1,939)	(1,939)
Net debt of consolidated Group at 31/12/2011 exc. YPF and YPF Gas	9,724	4,836
EBITDA	(6,956)	(5,419)
Variation in trade working capital	(696)	(758)
Collection/Payments for tax on profits	1,534	1,365
Investments ⁽¹⁾	3,878	3,279
Divestments ⁽¹⁾	(941)	(637)
Dividends and other payments to shareholders	947	885
Treasury shares operations	(1,388)	(1,388)
Currency translation differences	46	43
Interest and other movements ⁽²⁾	1,203	639
Effects associated with Petersen Group loans	1,587	1,587
Net debt at year-end	8,938	4,432

⁽¹⁾ For the consolidated Group at December 31, there are financial investments amounting to €29 million and financial divestments amounting to €203 million, not reflected in this table.

⁽²⁾ Mainly includes interest, dividends received, provisions applied and the effect of changes in the corporate environment.

The EBITDA for the year, together with the reduction of trade working capital, has allowed the payment of taxes, investments and interests to be fully covered.

During 2012, payments on investments reached €3,907 million. For more detailed information on operating investments by business area, please head to the relevant section of this report covering the business area in question.

Under the divestments heading it is worth noting the sale of the liquefied petroleum gas (LPG) business in Chile and the stake in exploration and production assets in Ecuador through the company Amodaimi.

The shares of Repsol, S.A. are listed on the continuous market of the Spanish stock exchanges (Madrid, Barcelona, Bilbao and Valencia) and of Buenos Aires (Bolsa de Comercio de Buenos Aires). Until March 4, 2011, shares in the form of American Depositary Shares (ADS), were listed on the New York Stock Exchange. Since March 9, 2011, its ADS program is quoted on the OTCQX market, a platform within United States over-the-counter (OTC) markets that distinguishes issuers with better market information policies and solid business activities.

On January 10, 2012, Repsol paid its shareholders with dividend rights an interim dividend for profits in 2011 of €0.5775 gross per share, approved by Repsol's Board of Directors on 30 November 2011 for a total gross disbursement of €635 million.

In 2012, for the first time, Repsol launched the Repsol Flexible Dividend Program, approved by the Annual General Meeting held on May 31, 2012, substituting what would have been the traditional final dividend payment for 2011 and the interim dividend for financial year 2012. The system is implemented through two capital increases against voluntary reserves derived from retained earnings, with the Repsol's purchase commitment of free-of-charge allocation rights at a guaranteed fixed price. Under this program, Repsol offers its shareholders the opportunity to receive their remuneration, in whole or in part, in new paid-up shares issued by the company or in cash by selling the free-of-charge allocation rights received, either on the market at the share trading price or to the company.

On June 19, 2012, the Repsol Board of Directors approved the execution of the first of the capital increase approved by the Annual General Meeting (item ten of the agenda).

The holders of 63.64% of the free-of-charge allocation rights opted to receive their remuneration in new shares of the company at the proportion of one new share for every 22 rights, which resulted in the issuance of 35,315,264 new shares (2.89% of the share capital prior to the increase). The holders of the remaining 36.36% chose to accept Repsol's irrevocable commitment to purchase at a gross price of €0.545 per right, with payment being made to shareholders on July 10, 2012 and resulting in a gross disbursement of €242 million. Repsol renounced the shares corresponding to the rights acquired under the purchase commitment.

The capital increase was registered in the Commercial Registry of Madrid on July 10, 2012. The new shares began trading on the Stock Exchanges of Madrid, Barcelona, Bilbao and Valencia through the Spanish Automated Quotation System (Mercado Continuo) on July 13, 2012 and were subsequently listed on the Buenos Aires Stock Exchange.

Meanwhile, on December 19, 2012, the Board of Directors of Repsol approved the execution of the second capital increase approved by the Annual General Meeting (eleventh point of the agenda). Holders of 69.01% of free-of-charge allocation rights opted to receive new shares of the company in the proportion of one new share for every 33 rights, which resulted in the issuing of 26,269,701 new shares (2.09% of the share capital before the capital increase). The holders of the remaining 30.99% chose to accept Repsol's irrevocable commitment to purchase at a gross price of €0.473 per right, with payment being made to shareholders on January 15, 2013 and resulting in a gross disbursement of €184 million. Repsol renounced to the shares corresponding to the rights acquired under the purchase commitment.

The capital increase was registered in the Commercial Registry of Madrid on January 15, 2013 and on January 18, 2013 the new shares commenced their ordinary trading on the Stock Exchanges of Madrid, Barcelona, Bilbao and Valencia through the Spanish Automated Quotation (Mercado Continuo). The company also applied for the listing of the new shares on the Buenos Aires Stock Exchange.

Among the treasury operations for 2012 it is worth highlighting the placement of 61,043,173 shares in the company, representing 5% of the share capital on that date, that Repsol closed in the first days of January among qualified and professional investors. The placement price was €22.35 per share, representing an amount of €1,364 million. These shares were part of the treasury shares acquired on December 20, 2011, at a price of €21.066 per share, arising from the decision by the creditor banks of Sacyr Vallehermoso not to renew the credit previously awarded to acquire a stake in Repsol, or to condition partial refinancing on the sale of 10% in Repsol.

In 2012 Repsol acquired treasury shares representing 0.28% of the share capital after the capital increases described above and at a nominal value of one euro per share, for a value of €52 million. Repsol also transferred shares representing 0.37% of the share capital for a gross cash amount of €76 million.

Moreover, within the framework of the Share Acquisition Plan approved at the Annual General Meeting of April 15, 2011, the company purchased a total of 585,441 shares in Repsol, S.A. in 2012, representing 0.046% of its share capital, the cost of which amounted to €9.15 million, delivered to Group employees in accordance with the aforementioned Plan.

The aforementioned acquisitions were carried out by virtue of the powers that the Annual General Meeting of April 30, 2010 vested in the Board of Directors, authorizing "the derivative acquisition of shares in Repsol, S.A., on one or more occasions, by purchase, swap or any other onerous legal business modality, directly or through subsidiaries, up to a maximum number of shares which, added to those already held by Repsol, S.A. and its subsidiaries, does not exceed 10% of share capital of the company and for a price or equivalent value that may not be lower than the nominal value of the shares, nor exceed their quoted price on the stock exchange".

The authorization remains valid for five years running from the date of the Annual General Meeting, leaving without effect, in the unused part, the authorization conferred by the previous Annual General Meeting held on May 14, 2009.

On the occasion of the first of the capital increases described earlier in this section, in July the Group received a total of 2,936,789 new shares for the shares held in treasury, representing 0.23% of Repsol's share capital after the capital increase (1,256,178,727 shares).

In January 2013, following the second of the capital increases described in this paragraph, the Group received a total of 1,904,926 new shares for the shares held in treasury, representing 0.15% of Repsol's capital after the aforementioned capital increase.

At December 31, 2012, the treasury shares held by Repsol or any of the Group companies represented 5.1% of its total share capital.

The main financing activities undertaken by Repsol in the year were as follows:

- On January 19, 2012 Repsol International Finance B.V., guaranteed by Repsol, S.A., closed a bond issue at 7 years and 1 month for €750 million, with a fixed interest rate of 4.875% and an issue price of 99.937%, equivalent to 292 basis points over mid-swaps. This issuance was made under the Euro 10,000,000,000 Guaranteed Euro Medium Term Note Program of Repsol International Finance, B.V. registered with the Commission de Surveillance du Secteur Financier (CSSF) in Luxembourg ("MTN Program") and the bonds issued are currently listed on the Luxembourg stock exchange.
- On February 7, 2012 Repsol International Finance BV, guaranteed by Repsol, S.A., closed a new Eurobond issue for an amount of €250 million, with fixed interest rate of 4.875%, at an issue price of 103.166%, equivalent to 241.5 basis points over mid-swaps. This issue forms a single series with the Eurobond issue mentioned in the previous section. With this expansion the nominal amount of the issue stood at €1,000 million.
- Between June and July 2012 the Group received funding by taking out certain derivative instruments, with a term of 12 months and for a total amount of €1,000 million. With regard to the payment obligations of such derivative instruments, the Group provided financial pledge guarantees, as governed by Royal Decree Law 5/2005, over a total of 104,762,387 shares of Gas Natural SDG, owned by the Repsol Group, which account for 10.47% of the share capital of that company. The operations mentioned do not involve a transfer of ownership of the shares in Gas Natural SDG, S.A., for which at all times Repsol retains political and economic rights inherent to them, and they are applied as "Bank borrowings" under the heading "Bank borrowings, bonds and other securities" in the Group's balance sheet.
- On September 13, Repsol International Finance B.V., guaranteed by Repsol, S.A., closed a bond issue at 5 years and 5 months for €750 million, with a fixed interest rate of 4.375% and an issue price of 99.654%, equivalent to 335 basis points over mid-swaps, currently listed on the Luxembourg Stock Exchange. This issue was made under the auspices of the MTN Program of Repsol International Finance B.V. and the bonds issued are currently listed on the Luxembourg Stock Exchange.

Financial prudence

Repsol holds, in line with its policy of financial prudence, sufficient available cash resources and other liquid financial instruments, including undrawn lines of credit, to cover the debt maturities for at least the next two years, and covering 76% of its entire gross debt and 63% thereof including preference shares. In the case of Repsol, excluding Gas Natural Fenosa, these same resources cover 93% of gross debt and over 71% if we include the preference shares.

Financial investments included under the headings of Note 13 to the Consolidated Financial Statements as "Other financial assets at fair value through profit or loss", "Loans and receivables" (without including tariff deficit) and "Held to maturity investments" (which include cash and cash equivalents) amount to €6,657 million, €5,240 million of which correspond to Repsol, without including Gas Natural Fenosa. The Group also has committed, unused lines of credit at its disposal for an amount of €4,425 million (excluding Gas Natural Fenosa), down from the €4,225 million at the end of 2011 (excluding Gas Natural Fenosa). For the consolidated Group as a whole, committed, unused lines of credit amounted to €5,899 and €5,482 million as of December 31, 2012 and 2011, respectively, 74% of which falls due after December 31, 2012.

Net debt and the net debt to capital employed ratio, in which capital employed refers to net debt plus net equity, provide a true and fair view of the volume of necessary borrowings and their relative weighting in the funding of capital employed in transactions.

	DECEMBER 31,			
	Consolidated Group exc. YPF		Consolidated Group ex Gas Natural Fenosa + ex YPF	
Millions of euros, except ratios	2012	2011 ^(*)	2012	2011 ^(*)
I Net financial debt	8,938	9,724	4,432	4,836
II Preference shares	3,182	3,179	3,000	3,568
III Net financial debt, including preference shares	12,120	12,903	7,432	8,404
IV Capital employed	39,592	41,885	34,426	36,329
V Capital employed continuing operations	33,716	33,067	28,550	27,511
Net financial debt/capital employed (I/IV)	22.6%	23.2%	12.9%	13.3%
Net financial debt, including preference shares/capital employed (III/IV)	30.6%	30.8%	21.6%	23.1%
Net debt/capital employed for continuing operations (I/V)	26.5%	29.4%	15.5%	17.6%
Net debt including preference shares/capital employed of continuing operations (III/V)	35.9%	39.0%	26.0%	30.5%

^(*) Data not audited

Below is a breakdown of Repsol's current credit rating:

	Standard & Poor's	Moody's	Fitch
Short-term debt	A-3	P-3	F-3
Long-term debt	BBB-	Baa3	BBB-

Risk factors

Repsol's operations and earnings are subject to risks as a result of changes in competitive, economic, political, legal, regulatory, social, industrial, business and financial conditions. Investors should carefully consider these risks. Any of these risks could have a negative impact on Repsol's financial position, the business or operating income.

Furthermore, future risk factors, either unknown or not considered relevant by Repsol at present, could also affect the company's business, results, and financial situation.

Operational risks

Expropriation of Repsol Group shares in YPF S.A. and YPF Gas S.A.

For Repsol, the main risk arising from the illegal expropriation of Repsol Group shares in YPF S.A. and YPF Gas S.A. lies in the uncertainty that exists with regard to the restitution of the shares in YPF S.A. and YPF Gas, S.A. subject to expropriation and belonging to Repsol and/or with regard to the amount of compensation to be paid by the Argentinian government to Repsol as a consequence of the appropriation of control of both companies, as well as the timing and manner in which the payment will be made. Repsol has been forced to assert its rights against the Argentinian state before the courts of Argentina and other jurisdictions, including arbitration before ICSID. Any amendment to the hypotheses considered reasonable in jurisdictional processes and the valuation of the rights expropriated could result in positive or negative changes in the amount for which the shares in YPF S.A. and YPF Gas, S.A. have been recognized and, therefore, could have an impact on the Group's financial statements. The lower the price or compensation received per share in YPF S.A. and YPF Gas, S.A., the

more negative the impact will be on Repsol's results or financial position. Nevertheless, Repsol cannot foresee all consequences, uncertainties and risks; nor can it quantify the total future impact the expropriation could have on the business, financial position and results of the Repsol Group.

Uncertainty of the current economic context

The slow economic recovery is leading to an increase in long-term unemployment in many countries, thus incurring high economic and social costs. Additionally, although the European Union has made significant institutional reforms, among which is the agreement towards a European banking union, the doubts about the irreversible status of the euro have not disappeared entirely. Therefore, short-term uncertainties remain high.

European banks, given the difficulties of recapitalizing in the market, have been forced to reduce their assets and issue new loans. The lack of credit for the private sector and for new projects is feeding back on the recession cycle affecting the eurozone. These difficulties are not unique to the eurozone; the United Kingdom, United States and Japan must also recover their economic growth in an extremely adverse scenario marked by the need for progress on fiscal consolidation and with a financial system that is undergoing full recapitalization and restructuring.

Persistent pressure on the sustainability of government finances in advanced economies has led to strong tensions in credit markets, and could prompt fiscal reforms or changes in the regulatory framework of the oil and gas industry. Finally, the economic-financial situation could have a negative impact on third parties with whom Repsol does or could do business. Any of the factors described above, whether in isolation or in combination with each other, could have an adverse effect on the financial position, businesses, or results from Repsol operations.

Potential fluctuations in international prices of crude and reference products and in demand owing to factors beyond Repsol's control

World oil prices have fluctuated widely over the last ten years and are driven by international supply and demand factors over which Repsol has no control. The world oil market and oil prices are swayed heavily by political developments throughout the world (especially in the Middle East); the evolution of stocks of oil and derivatives; the circumstantial effects of climate changes and meteorological phenomena, such as storms and hurricanes that particularly strike the Gulf of Mexico; the evolution of technology and greater energy efficiency; spikes in demand in countries with strong economic growth, such as China and India; major world conflicts, as well as the political instability and threat of terrorism that periodically affect certain producing areas; and also, the risk that the supply of crude oil may be wielded as a political weapon. In 2012, Brent crude oil prices averaged \$111.67 per barrel, as opposed to an average of \$72.05 per barrel reported over the 2003-2012 period. In that decade, the average annual maximum was \$111.67 per barrel registered in 2012, and the annual average minimum price was \$28.83, in 2003. In 2011, the range of prices for crude oil (Brent) stood between approximately \$94 and \$126 per barrel, while in 2012 was between approximately \$89 and \$128 per barrel. In 2012 the average dollar/euro exchange rate stood at 1.28, compared to an average of 1.39 in 2011.

International oil prices and demand for crude oil may also fluctuate significantly during economic cycles.

Reductions in oil prices negatively affect Repsol's profitability, the value of its assets and its plans for investment, including projected capital expenditures related to exploration and development activities. Similarly, a significant drop in capital investment could negatively affect Repsol's ability to replace its crude oil reserves.

International product prices are influenced by the price of oil and the demand for products, therefore, the international prices of crude and products affect the refining margin.

Regulation of Repsol's operations

The oil industry is subject to extensive regulation and intervention by governments throughout the world in such matters as the award of exploration and production interests, the imposition of specific drilling and exploration obligations, restrictions on production, price controls, required divestments of assets, foreign currency controls, and the development and nationalization, expropriation or cancellation of contractual rights. Such legislation and regulations apply to virtually all aspects of Repsol's operations both inside and outside Spain. In addition, the legislation of certain countries envisages the imposition of sanctions on non-domestic

companies that make certain investments in other countries. In addition, the terms and conditions of the agreements governing Repsol's oil and gas interests generally reflect the regulatory framework of the country in question and/or the negotiations held with governmental authorities, and therefore vary significantly by country and even from one area to another within the same country. These agreements generally take the form of licenses or production sharing agreements. Under license agreements, the license holder finances and bears the risk of the exploration and production activities in exchange for the resulting production, if any. Moreover, part of the production may have to be sold to the state or the state-owned oil company. License holders are generally required to make certain tax or royalty payments and pay income tax on their production, which can be high when compared with the taxes paid by other businesses. Nevertheless, production sharing agreements generally require the contractor to finance exploration and production activities in exchange for the recovery of its costs from part of production (cost oil), while the remainder of production (profit oil) is shared with the state-owned oil company.

Meanwhile, the gas and electrical distribution sectors, in which Repsol operates primarily through its investment in Gas Natural Fenosa, respond to activities that are regulated in most countries. The legislation applicable to these sectors is typically subject to regular review by the competent authorities, which may affect, among other things, the current remuneration system for regulated activities.

Repsol cannot foresee changes to such laws or their interpretation, or the implementation of certain policies, which could adversely affect its business, results and financial position.

The Repsol Group is subject to the effects of administrative, judicial and arbitration proceedings

The Repsol Group is subject to the effects of administrative, judicial and arbitration proceedings arising from the performance of its activities. In particular, in the section "Expropriation of Repsol Group shares in YPF S.A. and YPF Gas S.A." of the annual accounts, there is a description of the legal action brought by Repsol as a consequence of that expropriation. Likewise, Repsol could be involved in other potential future litigation the scope, content or outcome of which Repsol cannot predict. All present or future litigation involves a high degree of uncertainty and, therefore, the resolution of these disputes could affect the business, results or financial position of the Repsol Group.

Repsol is subject to extensive environmental and safety regulations and risks

Repsol is subject to extensive environmental and safety laws and regulations in practically all the countries where it operates, which regulate, among other matters affecting the Group's operations, environmental quality standards for products, air emissions and climate change, energy efficiency, water discharges, remediation of soil and groundwater, and the generation, storage, transportation, treatment and final disposal of waste materials and safety.

In particular, and due to concerns over the risk of climate change, a number of countries have adopted, or are looking into adopting, new regulatory requirements to reduce greenhouse gas emissions, such as carbon taxes, increasing efficiency standards, or adopting emissions trading schemes. These requirements could make Repsol's products more expensive as well as shift hydrocarbon demand toward relatively lower-carbon sources, such as renewable energies. In addition, compliance with greenhouse gas regulations may also require Repsol to upgrade its facilities, monitor or sequester emissions or take other actions that may increase the cost of compliance.

These laws and regulations have had and will continue to have an impact on Repsol's business, financial situation and results of operations.

Operating risks related to exploration and exploitation of oil and gas, and reliance on the cost-effective acquisition or discovery of, and, thereafter, development of new oil and gas reserves

Oil and gas exploration and production activities are subject to particular risks, some of which are beyond the control of Repsol. These activities are exposed to production, equipment and transportation risks, natural hazards and other uncertainties relating to the physical characteristics of oil and natural gas fields. Repsol's operations may be curtailed, delayed or cancelled as a result of weather conditions, technical difficulties, delays in the delivery of equipment or compliance with administrative requirements. In addition to this, some of the development projects are located in deep waters and other difficult environments, such as the Gulf of Mexico, Alaska, Brazil and the Amazon rainforest, or in complex oilfields, which

could aggravate these risks further. Offshore operations, in particular, are subject to maritime risks, among them storms and other adverse meteorological conditions, or shipping collisions. Furthermore, hydrocarbon transport methods imply inherent risks: by road, rail or sea transport, or by pipeline, oil or another hazardous substance could leak, this poses a significant risk due to the potential impact a spill could have on the environment and on people, especially considering the high volume of products that can be carried at any one time. Should these risks materialize, Repsol may suffer major losses, interruptions to its operations and harm to its reputation.

Moreover, Repsol must replace depleted oil and gas reserves with new proven reserves in a cost-effective manner that enables subsequent production to be economically viable. Repsol's ability to acquire or discover new reserves is, however, subject to a number of risks. For example, drilling may involve negative results, not only with respect to dry wells, but also with respect to wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs are taken into account. In addition, crude oil and natural gas production blocks are typically auctioned by governmental authorities and Repsol faces intense competition in bidding for such production blocks, in particular those blocks offering the most attractive potential reserves. Such competition may result in Repsol failing to obtain desirable production blocks, or otherwise acquiring them at a higher price, which could render subsequent production economically unviable.

If Repsol fails to acquire or discover, and, thereafter, develop new oil and gas reserves in a cost-effective manner, or if any of the aforementioned risks materializes, its business, results of operations and financial situation could be materially and adversely affected.

Location of reserves

Part of Repsol's oil and gas reserves are located in countries that are or could be economically or politically unstable.

Reserves in these areas as well as related production operations may be exposed to risks, including increases in taxes and royalties, the establishment of limits on production and export volumes, the compulsory renegotiation or cancellation of contracts, the nationalization or denationalization of assets (see the risk factor "Expropriation of Repsol Group shares in YPF S.A. and YPF Gas S.A."), changes in local government regimes and policies, changes in business customs and practices, payment delays, currency exchange restrictions and losses and impairment of operations due to the actions of insurgent groups. In addition, political changes may lead to changes in the business environment. Economic downturns, political instability or civil disturbances may disrupt the supply chain or limit sales in the markets affected by such events.

If any of the above risks materializes, the Group's business, results of operations and financial situation could be significantly and adversely affected.

Oil and gas reserves estimation

In calculating proven oil and gas reserves, Repsol relies on the guidelines and the conceptual framework of the Securities and Exchange Commission (SEC) definition of proven reserves and on the criteria established by the Petroleum Reserves Management System of the Society of Petroleum Engineers (PRMS-SPE). Under these rules, proven oil and gas reserves are those reserves of crude oil, natural gas or natural gas liquids for which, after analyzing geological, geophysical and engineering data, have a reasonable certainty of being produced –from a given date, from known reservoirs and under existing economic conditions, existing technology and existing government regulation– prior to the termination of the contracts whereby the corresponding operational rights were awarded, and regardless of whether probabilistic or deterministic approaches were used to arrive at the estimate. The project to extract the gas or oil must have started, or otherwise the operator must be reasonably certain that the project will commence within a reasonable timeframe.

The accuracy of these estimates depends on a number of different factors, assumptions and variables, some of which are beyond Repsol's control. Factors susceptible to Repsol's control include drilling, testing and production after the date of the estimates, which may require substantial upward or downward revisions to reserves estimates; the quality of available geological, technical and economic data used and its interpretation and valuation thereof; the production performance of reservoirs and recovery rates, both of which depend in significant part on available technologies as well as the company's ability to implement such technologies and the relevant know-how; the selection of third parties with which the group enters into business; and the accuracy of its initial estimates of hydrocarbons in

place at a given reservoir, which may prove to be incorrect or require substantial revisions. On the other hand, factors mainly beyond Repsol's control include changes in prevailing oil and natural gas prices, which could impact the quantities of proven reserves (since estimates of reserves are calculated under existing economic conditions when such estimates are made); changes in prevailing tax rules, other government regulations and contractual conditions after the date estimates are made (which could render reserves economically unviable to exploit); and certain actions of third parties, including the operators of fields in which the Group has an interest.

As a result of the foregoing, measures of reserves are not precise and are subject to revision. Any downward revision in estimated quantities of proven reserves could adversely impact company results, leading to increased depreciation, depletion and amortization charges and/or impairment charges, which would reduce earnings or shareholders' equity.

Repsol's natural gas operations are subject to particular operational and market risks

Natural gas prices tend to vary between the different regions in which Repsol operates as a result of significantly different supply, demand and regulatory circumstances, and such prices may be lower than prevailing prices in other regions of the world. In addition, excess supply conditions that exist in some regions cannot be utilized in other regions due to a lack of infrastructure and difficulties in transporting natural gas.

In addition, Repsol has entered into long-term contracts to purchase and supply natural gas in various parts of the world. These contracts have different price formulas, which could result in higher purchase prices than the price at which such gas could be sold in increasingly liberalized markets. Furthermore, gas availability could be subject to the risk of counterparties breaching their contractual obligations. Thus, it might be necessary to look for other sources of natural gas in the event of non-delivery from any of these sources, which could require payment of higher prices than those envisaged under the breached contracts.

Repsol also has long-term contracts to sell and deliver gas to clients, mainly in Bolivia, Venezuela, Spain, Trinidad and Tobago, Peru and Mexico that present additional types of risks since they are pegged to existing proven reserves in Bolivia, Venezuela, Trinidad and Tobago and Peru. Should available reserves in those countries prove insufficient, Repsol might not be able to satisfy its obligations under these contracts, some of which include penalty clauses for breach of contract. The above risks may adversely affect Repsol's business, results and financial situation.

Cyclical nature of petrochemical activity

The petrochemicals industry is subject to wide fluctuations in supply and demand, reflecting the cyclical nature of the chemicals market on a regional and global scale. These fluctuations affect the prices and profitability of petrochemicals companies, including Repsol. Repsol's petrochemicals business is also subject to extensive governmental regulation and intervention in such matters as safety and environmental controls. Both fluctuations, and changes in regulations may have an adverse effect on the business, financial position and results of Repsol's operations.

Projects and operations developed through joint ventures and partnerships

Many of the Repsol Group's projects and operations are conducted through joint ventures and partnerships. In those cases where Repsol does not act as the operator, its ability to control and influence the performance and management of the operations, and to identify and manage risks is limited. Additionally, there is a possibility that one of Repsol's partners or another member in a joint venture or associated company fails to comply with its financial obligations or incurs in another a breach that could affect the viability of a project.

Repsol's current insurance coverage may not be sufficient for all the operational risks

As discussed in several of the risk factors mentioned in this document, Repsol's operations are subject to extensive economic, operational, regulatory and legal risks. Repsol holds insurance covering against certain risks inherent in the oil and gas industry in line with industry practice, including loss or damage to property and equipment, control-of-well incidents, loss of production or income incidents, removal of debris, sudden and accidental seepage, pollution, contamination clean-up costs, and claims for damages brought by third parties, including personal injury and loss of life, among other business risks. Moreover, insurance

coverage is subject to deductibles and limits that in certain cases may be materially exceeded by its liabilities. In addition, Repsol's insurance policies contain exclusions that could leave the Group with limited coverage in certain events. On the other hand, Repsol may not be able to maintain adequate insurance at rates or on terms considered reasonable or acceptable, or be able to obtain insurance against certain risks that could materialize in the future. If the company experiences an incident against which it is not insured, or the costs of which materially exceed its coverage, it could have a material adverse effect on its business, financial situation and results of operations.

Financial risks

Group business is exposed to different kinds of financial risk, including:

Liquidity risk. Liquidity risk is associated with the Group's ability to finance its obligations at reasonable market prices, as well as being able to carry out its business plans with stable financing sources.

See chapter on liquidity under the "Financial Prudence" section of this report.

Credit risk. The Group's credit risk exposure mainly relates to trade accounts payable, which are measured and controlled by individual client or third party. To this end, the Group has its own systems, in line with best practices, for constantly monitoring the creditworthiness of all its debtors and for determining the risk limits of third parties.

As a general rule, the Group establishes a bank guarantee issued by financial entities as the most suitable instrument of protection from credit risk. In some cases, the Group has taken out credit insurance policies to transfer partially the credit risk related to the commercial activity of some of its businesses to third parties.

The Group also has exposure to counterparty risk arising from non-commercial contractual operations that may lead to defaults. In these cases, the Group analyzes the counterparties with which it maintains or could maintain non-commercial contractual relations.

Market risk

- **Exchange rate fluctuation risk:** Changes in exchange rates may adversely affect Repsol's operational result and the value of its assets.

In general, this exposure to exchange rate risk stems from the existence in the Group companies of assets, liabilities and cash flows denominated in a currency other than the company's operating currency, with particular emphasis on the fact that:

- monetary flows of international trade operations in oil, natural gas and refined products are usually denominated in US dollars.
- many of Repsol's financial assets and investments are also denominated in US dollars.

Furthermore, it should be borne in mind that:

- cash flows of the operations carried out in the countries in which Repsol is active are exposed to changes in exchange rates of the applicable local currencies against the major currencies used for listing the commodities which serve as reference for establishing prices in the local currency.
- Repsol presents its financial statements in euros, and therefore, the assets and liabilities of subsidiaries operating with a operating currency other than the euro, must be converted into that currency.

To mitigate exchange rate risks, and when it considers appropriate, Repsol performs financial transactions in those currencies in which foreign exchange risk exposures have been identified and can hedge the risk with derivative financial instruments in currencies where there is a liquid market and reasonable transaction costs.

Note 21 "Financial risk and capital management" and Note 22 "Derivative transactions" in the Consolidated Financial Statements for financial year 2012 include additional details on the financial risks described in this section and the hedging transactions performed.

- **Commodity price risk.** In the normal course of operations and trading activities, the Repsol Group earnings are exposed to volatility in the price of oil, natural gas, and related derivative products (see the risk factors "Potential fluctuations in international prices of reference crude and in demand owing to factors beyond the Repsol's control" and "Repsol's natural gas operations are subject to particular operational and market risks"). Note 22 "Derivative transactions" in the Consolidated Financial Statements for financial year 2012 include additional details on the financial risks described in this section.

- **Interest rate risk:** Changes in interest rates can affect the interest income and expenses of financial assets and liabilities tied to floating interest rates and the fair value of financial assets and liabilities with fixed rate commitments.

To mitigate interest rate risks, and when it considers appropriate, Repsol can hedge the risk with derivative financial instruments where there is a liquid market and with reasonable transaction costs.

Note 21 “Financial risk and capital management” and Note 21 “Derivative transactions” in the Consolidated Financial Statements for financial year 2012 include additional details on the financial risks described in this section and the hedging transactions performed.

- **Credit rating risk:** At present, the credit ratings assigned to Repsol, S.A. by ratings agencies are as follows:

TERM	STANDARD & POOR'S	MOODY'S	FITCH RATINGS
Long	BBB-	Baa3	BBB-
Short	A-3	P-3	F-3
Outlook	Stable	Negative	Stable
Date of last review	JUNE 22, 2012	JUNE 29, 2012	JANUARY 31, 2013

Credit ratings affect the cost and other conditions under which the Repsol Group is able to obtain finance. Any downgrade in Repsol S.A.'s credit rating could restrict or limit the access of the Group to financial markets, increase the cost of any new finance, and have a negative effect on its liquidity.

Business areas

The Group's main operating highlights are shown below:

	2012	2011
Upstream:		
Oil and gas net production ⁽¹⁾	121,671	109,059
LNG:		
Production of liquefaction trains ^{(2) (3)}	5.4	5.4
LNG sold ⁽³⁾	10.2	11.0
Downstream:		
Refining capacity ⁽⁴⁾	998	998
Europe ⁽⁵⁾	896	896
Rest of the world	102	102
Processed crude oil ⁽⁶⁾	37.0	31.5
Europe	33.4	27.9
Rest of the world	3.6	3.6
Number of service stations	4 549	4,506
Europe	4,216	4,211
Rest of the world	333	295
Oil product sales ⁽⁷⁾	42,744	37,805
Europe	38,277	33,548
Rest of the world	4,467	4,257
Petrochemical product sales ⁽⁷⁾	2,308	2,659
By region:		
Europe	1,997	2,311
Rest of the world	311	348
By product:		
Base products	731	889
Derivative petrochemicals	1,577	1,770
LPG sales ^{(7) (8)}	2,537	2,698
Europe	1,414	1,486
Rest of the world ⁽⁸⁾	1,123	1,212
Gas Natural Fenosa:		
Natural gas distribution sales ^{(9) (10)}	409,774	395,840
Electricity distribution sales ^{(9) (10)}	54,362	54,067

⁽¹⁾ Thousands of barrels of oil equivalent (kboe).

⁽²⁾ Including liquefaction train production according to their shareholding. Trinidad [Train 1 (20%), Trains 2 and 3 (25%), Train 4 (22.22%); Peru LNG (20%)]. Of this production, 3.3 bcm in 2012 and 3.2 bcm in 2011 belong to companies consolidated in the Repsol Group through the equity method.

⁽³⁾ Billions of cubic meters (bcm).

⁽⁴⁾ Thousand barrels per day (kbb/d).

⁽⁵⁾ The reported capacity includes the shareholding in ASES.

⁽⁶⁾ Millions of tons.

⁽⁷⁾ Thousands of tons.

⁽⁸⁾ 2011 does not include sales of YPF Gas.

⁽⁹⁾ Including 100% of reported Gas Natural Fenosa sales, even though Repsol had a 30.01% share at December 31, 2012, accounted for through proportional consolidation.

⁽¹⁰⁾ Gigawatts per hour (GWh).

Abbreviations used for units of measurement

"bbl"	Barrels
"bcf"	Billion cubic feet
"bcm"	Billion cubic meters
"boe"	Barrels of oil equivalent
"Btu"	British thermal unit
"GWh"	Gigawatts per hour
"kbbbl"	Thousand barrels
"kbbbl/d"	Thousand barrels per day
"kboe"	Thousand barrels of oil equivalent
"kboe/d"	Thousand barrels of oil equivalent per day
"km²"	Square kilometers
"Mbbbl"	Million barrels
"Mboe"	Million barrels of oil equivalent
"Mm³/d"	Million cubic meters per day
"Mscfd"	Million standard cubic feet per day
"MW"	Megawatts
"MWe"	Electrical megawatts
"MWh"	Megawatts per hour
"TCF"	Trillion cubic feet

Upstream**Activities**

The Repsol Upstream division includes oil and natural gas exploration and production, and the company manages its project portfolio in order to achieve profitable, diversified and sustainable growth with a commitment to safety and the environment. The pillars of the division's strategy, defined in the Strategic Plan 2012-2016, are based on increasing production and reserves, maintaining intense exploration activity, which has turned out such good results in recent years, diversifying its business geographically by increasing its presence in Organisation for Economic Cooperation and Development (OECD) countries achieving operational excellence and maximizing the profitability of its assets. To this end, investments have been made in human capital in recent years to encourage this growth, the organizational structure was redefined to reflect the strategic objectives and oriented towards improving the quality of operations, technical and commercial processes have been redesigned and standardised, and technological capacities have been developed to operate successfully in deep waters.

Geographically, the Upstream division's strategy is based on key traditional regions, located in Latin America (mainly Trinidad and Tobago, Peru, Venezuela, Bolivia, Colombia and Ecuador) and in North Africa (Algeria and Libya), as well as in strategic areas for short and medium term growth that have been consolidated in recent years. Most significant among these strategic areas are United States developments (both in the important Shenzi field and the assets of the Mississippian Lime deposits), offshore Brazil (with the Sapinhoá –formerly known as Guara–, Carioca and BM-C-33 projects) and Russia (under the agreement with the Alliance Oil company to form the joint venture AROG).

Furthermore, strategic growth in the short and medium term will also be boosted by the major projects under development in Venezuela (Carabobo and Cardón IV, which are expected to begin production in 2013 and 2014, respectively), Peru, Bolivia and Brazil and, in the longer term, with the portfolio of assets that is taking hold in Norway, Canada, West Africa, Indonesia and Alaska.

As part of its geographic diversification strategy, in 2012 the company established a presence in new countries like Namibia, Australia, Bulgaria and Aruba, which have contributed high-potential exploration assets.

In June 2012 Repsol acquired from the operator Arcadia Petroleum, Ltd. a 44% interest in the 0010 exploration license situated offshore of Namibia that includes the 1910A, 1911, and 2011A offshore blocks. The other partners in the exploration license are Arcadia (26%) and Tower/Neptune (30%). This area is considered to have a high potential given the geological similarities that might exist with the pre-salt areas of Brazil.

In August 2012, the Australian government awarded Repsol exploration license WA-480-P, after winning the tender of April 2012. The new block, with an area of 12,548 km² and a water depth between 1,000 and 4,500 meters, is located about 280 kilometers from Port Hedland in the Pilbara region (Western Australia), in the northern Carnarvon Basin, the most prolific in Australia. In the next two years there are plans to perform a campaign of 3D and 2D seismic surveys. This new exploratory license, located on the boundary of a high potential area, is in line with Repsol's strategy to grow in OECD countries, marking the entry of Repsol as an operator in a new region.

Also in August, the Bulgarian authorities awarded a consortium formed by Repsol (30%), Total (operator with 40%) and OMV (30%), the Han Asparuth exploration block in the Black Sea. It spans over an area of 14,220 km² and is located in the Western Sub-Basin of the Black Sea, at a depth between 200 and 2,000 meters underwater. With this award, Repsol added a new exploration area to its portfolio. This is a geologically complex boundary area with high prospectivity. The block is located 25 kilometers south of a major gas discovery announced in January 2012 by ExxonMobil and OMV in Romanian waters.

In December 2012, Repsol signed a production sharing contract (PSC) in Aruba for the exploration of a major part of its territorial waters. The contract area exceeds 14,000 km² and features water depths between 50 and 3,000 meters. The contract contemplates an exploration period of eight years divided into four phases. In 2013 Repsol will open an office in Aruba and will record 3,000 kilometers of 2D seismic data.

In 2012, Repsol already achieved oil or gas production from four of its ten strategic growth projects, demonstrating the degree of compliance with its commitments: the first phase in Margarita-Huacaya, the Mississippian Lime assets (United States), AROG (Russia) and Lubina and Montanazo (Spain). Furthermore, the Sapinhoá deepwater field (formerly known as Guará) in Brazil, entered its initial production phase in early January 2013. These important milestones for the company ensure compliance with the production levels set out in the Strategic Plan for the 2012-2016 period. Many of these projects come from exploration discoveries made in recent years.

During the year five discoveries were made from surveys in Sagari (Peru), Pão de Açúcar (Brazil), Tihalatine South-1 (Algeria) and Chipirón T2 and Caño Rondón Este (Colombia). These findings have led to the addition of a significant amount of contingent resources of oil, even surpassing 2012 forecasts.

In order to maintain and increase its offshore activity, in 2012 the company contracted two ultra-deepwater drilling vessels, "*Ocean Rig Mylos*" and "*Rowan Renaissance*", which will be used in future exploration campaigns. Both are state-of-the-art ships, currently being built by South Korean shipyards. The service contracts have a duration of three years and include an extension option for one or two years. With "*Ocean Rig Mylos*", the company will ensure the drilling of the appraisal wells and the development of the prolific BM-C-33 block (Brazil), which contains the significant discoveries of Pão de Açúcar, Gávea and Seat. Meanwhile, the "*Rowan Renaissance*" will be used for drilling campaigns in Namibia, Angola, the Canary Islands, Gulf of Mexico and other potential targets that may arise in the medium term. Both vessels will be available in 2013.

In all its operations, especially deepwater, Repsol implements oil industry best practices and recommendations pursuant to the highest standards, and strictly complies with all regulations.

At year-end 2012, Repsol's Upstream division was involved in oil and gas exploration and production blocks in 28 different countries, either directly or through investee companies. The company was the operator in 26 of these.

In 2012 Repsol achieved a high proven reserve replacement ratio of 204% improving even the ratios reached in 2011 (162%) and 2010 (131%), thus incorporating resources that significantly strengthen the company's future growth.

FINISHED EXPLORATION WELLS

	2012 ⁽¹⁾							
	Positive		Negative		Under evaluation		TOTAL	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Europe	-	-	1	*	-	-	1	*
South America	4	*	4	1	1	*	9	2
Peru	1	*	1	*	-	-	2	1
Trinidad and Tobago	-	-	-	-	-	-	-	-
Venezuela	-	-	-	-	-	-	-	-
Other countries in South America	3	*	3	*	1	*	7	1
Central America	-	-	1	*	-	-	1	*
North America	-	-	1	*	2	1	3	2
Africa	1	*	1	*	2	*	4	1
Asia	-	-	-	-	-	-	-	-
Oceania	-	-	-	-	-	-	-	-
TOTAL	5	1	8	3	5	2	18	6

	2011 ⁽¹⁾							
	Positive		Negative		Under evaluation		TOTAL	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Europe	-	-	1	*	-	-	1	*
South America	2	*	1	*	-	-	3	*
Peru	-	-	-	-	-	-	-	-
Trinidad and Tobago	-	-	-	-	-	-	-	-
Venezuela	-	-	-	-	-	-	-	-
Other countries in South America	2	*	1	*	-	-	3	*
Central America	-	-	-	-	-	-	-	-
North America	-	-	1	*	-	-	1	*
Africa	1	*	4	2	-	-	5	3
Asia	-	-	1	-	-	-	1	-
Oceania	-	-	-	-	-	-	-	-
TOTAL	3	*	8	3	-	-	11	4

⁽¹⁾ A gross well is a well in which Repsol owns a working interest. The number of net wells is the sum of the fractions of interest held in gross wells.

* Less than one exploration well.

FINISHED DEVELOPMENT WELLS

	2012 ⁽¹⁾							
	Positive		Negative		Under evaluation		TOTAL	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Europe	-	-	-	-	-	-	-	-
South America	75	16	5	1	4	1	84	18
Peru	3	*	1	*	-	-	4	*
Trinidad and Tobago	4	1	-	-	1	*	5	1
Venezuela	20	5	1	*	1	*	22	6
Other countries in South America	48	9	3	*	2	*	53	10
Central America	-	-	-	-	-	-	-	-
North America	254	26	1	*	5	*	260	26
Africa	2	*	-	-	-	-	2	*
Asia	4	3	-	-	-	-	4	3
Oceania	-	-	-	-	-	-	-	-
TOTAL	335	44	6	2	9	2	350	48

	2011 ⁽¹⁾							
	Positive		Negative		Under evaluation		TOTAL	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Europe	-	-	-	-	-	-	-	-
South America	75	22	6	2	-	-	81	24
Peru	4	1	-	-	-	-	4	1
Trinidad and Tobago	2	*	-	-	-	-	2	*
Venezuela	15	6	1	*	-	-	16	6
Other countries in South America	54	13	5	2	-	-	59	15
Central America	-	-	-	-	-	-	-	-
North America	2	*	1	*	-	-	3	*
Africa	3	*	-	-	-	-	3	*
Asia	-	-	-	-	-	-	-	-
Oceania	-	-	-	-	-	-	-	-
TOTAL	80	23	7	3	-	-	87	25

⁽¹⁾ A gross well is a well in which Repsol owns a working interest. The number of net wells is the sum of the fractions of interest held in gross wells..

* Less than one development well.

REPSOL'S CURRENT ACTIVITY BY GEOGRAPHICAL AREA					AS OF DECEMBER 31, 2012	
	Acreage				No. of exploration wells being drilled ⁽¹⁾	
	No. of blocks ⁽³⁾		Net acreage (km ²) ⁽²⁾		Gross	Net
	Development	Exploration	Development	Exploration		
Europe	12	41	389	18,170	–	–
South America	50	27	5,685	41,301	4	*
Peru	2	5	202	19,017	–	–
Trinidad and Tobago	7	–	2,363	–	–	–
Venezuela	8	1	849	207	–	–
Other countries in South America	33	21	2,271	22,078	4	*
Central America					–	–
North America	7	474	559	9,791	–	–
Africa	5	37	2,692	107,470	1	*
Asia	14	20	1,181	22,376	–	–
Oceania		1		12,548	–	–
TOTAL	88	600	10,506	211,657	5	*

REPSOL'S CURRENT ACTIVITY BY GEOGRAPHICAL AREA					AS OF DECEMBER 31, 2011	
	Acreage				No. of exploration wells being drilled ⁽¹⁾	
	No. of blocks		Net acreage (km ²) ⁽²⁾		Gross	Net
	Development	Exploration	Development	Exploration		
Europe	11	31	348	13,648	–	–
South America	51	31	6,020	43,718	8	2
Peru	2	5	202	20,866	–	–
Trinidad and Tobago	7	–	2,363	–	–	–
Venezuela	8	1	849	207	–	–
Other countries in South America	34	25	2,606	22,645	8	2
Central America	–	1	–	2,108	–	–
North America	7	444	479	7,698	–	–
Africa	5	34	2,692	119,371	2	*
Asia	–	16	–	29,251	–	–
Oceania	–	–	–	–	–	–
TOTAL	74	557	9,539	215,792	10	2

⁽¹⁾ A gross well is a well in which Repsol owns a working interest. The number of net wells is the sum of the fractions of interest held in gross wells.

⁽²⁾ Gross acreage is the area where Repsol owns a working interest. Net acreage is the sum of the gross area in each acreage according to their respective working interests.

⁽³⁾ The number of blocks excludes unconventional Mississippian Lime assets in the United States.

Acreage

The table below displays information on Repsol's developed and undeveloped acreage, by geographical area, as of December 31, 2012:

(km ²)	2012			
	Developed ⁽¹⁾		Undeveloped ⁽²⁾	
	Gross ⁽³⁾	Net ⁽⁴⁾	Gross ⁽³⁾	Net ⁽⁴⁾
Europe	22	17	42,024	18,543
South America	1,485	393	102,395	46,593
Peru	153	15	38,828	19,203
Trinidad and Tobago	175	64	5,404	2,299
Venezuela	709	175	2,789	882
Other countries in South America	449	139	55,374	24,209
Central America	–	–	–	–
North America	589	71	28,072	10,280
Africa	613	170	183,828	109,992
Asia	331	284	36,686	23,274
Oceania	–	–	12,548	12,548
TOTAL	3,041	935	405,553	221,228

⁽¹⁾ Developed acreage is the area assignable to productive wells. The amounts shown belong to the acreage, both in terms of exploration and development.

⁽²⁾ Undeveloped acreage covers the surface area in which no wells have been drilled, or where any wells have not been completed to the point of permitting oil and gas production in economically viable quantities, regardless of whether said area contains proven reserves.

⁽³⁾ Gross acreage is the area where Repsol owns a working interest.

⁽⁴⁾ Net acreage is the sum of the fractions of interest held in gross acreage.

Main production concessions by country

The following table provides figures on the main production and development concessions for Repsol's Upstream division by country at December 31, 2012, likewise stating the percentage that Repsol holds in each of them.

	Main blocks	% Repsol	Operated (O)/Not operated (NO)	Liquid (L)/Gas (G)
Europe				
Spain	Poseidón Norte	100.00%	O	G
Spain	Lubina	100.00%	O	L
Spain	Montanazo	72.44%	O	L
South America				
Trinidad and Tobago	West Block (BPTT)	30.00%	NO	L-G
Trinidad and Tobago	TSP (POUI)	70.00%	O	L-G
Other countries in South America				
Brazil	Albacora Leste	6.00%	NO	L-G
Brazil	BM-S-9 (Carioca)	15.00%	NO	L
Brazil	BM-S-9 (Sapinhoá)	15.00%	NO	L
Bolivia	Margarita - Huacaya	37.50%	O	L-G
Bolivia	Sábalo	24.46%	NO	L-G
Bolivia	San Alberto	24.46%	NO	L-G
Colombia	Cravo Norte	5.63%	NO	L
Ecuador	Block 16	35.00%	O	L
Ecuador	Tivacuno	35.00%	O	L
Peru	Block 56	10.00%	NO	L-G
Peru	Block 88	10.00%	NO	L-G
Peru	Block 57 (Kinteroni)	53.84%	O	L-G
Venezuela	Quiriquire (Gas)	60.00%	O	G
Venezuela	Cardón IV (Perla)	50.00%	O	G
Venezuela	Barua Motatan	40.00%	O	L
Venezuela	Quiriquire	40.00%	O	L-G
Venezuela	Mene Grande	40.00%	O	L
Venezuela	Carabobo	11.00%	O	G
Central America	–	–	–	–
North America	–	–	–	–
United States	Shenzi	28.00%	NO	L-G
United States	Mississippian Lime (original area)	16.23%	NO	L-G
United States	Mississippian Lime (extended area)	25.00%	NO	L-G
Africa				
Algeria	Tin Fouyé Tabenkor (TFT)	30.00%	O	L-G
Algeria	TFR, TIM and BEQ (Issaouane)	59.50%	O	L
Algeria	Reggane	29.25%	O	G
Libya	NC-115	20.00%	O	L
Libya	NC-186	16.00%	O	L
Asia				
Russia	SNO (AROG)	49.00%	O	L
Russia	TNO (AROG)	49.00%	O	L
Russia	SK/YK	100.00%	O	G

Average realization price for crude oil and gas by geographical region

	At DECEMBER 31, 2012		At DECEMBER 31, 2011	
	Average crude oil realization price (€/bbl)	Average gas realization price (€/boe)	Average crude oil realization price (€/bbl)	Average gas realization price (€/boe)
Europe	85.70	50.67	80.06	54.49
South America	59.1315.90	53.25	13.79	
Peru	81.9912.62	77.18	11.18	
Trinidad and Tobago	88.9013.32	77.25	13.31	
Venezuela	80.9111.40	71.58	10.14	
Other countries in South America	37.0936.83	34.40	24.63	
Central America	–	–	–	
North America	80.7829.13	76.04	47.09	
Africa	85.86	74.81	–	
Asia	50.70	–	–	
Oceania	–	–	–	
TOTAL	69.2316.24	60.51	14.23	

Note: source data in dollars converted at the accumulated average dollar/euro exchange rate for the period in question.

Results

Operating income	2012	2011	VARIATION 2012/2011
Millions of euros			
North America and Brazil	380	419	(9%)
North Africa	1,298	99	1.211%
Rest of the world	530	895	(41%)
TOTAL	2,208	1,413	56%

Operating income for the Upstream division in 2012 was €2,208 million compared to €1,413 million in the previous year, driven by increased production and realization prices, and the appreciation of the dollar against the euro. The increase in production is mainly due to the resumption of activity in Libya, the entering into production of Phase I in Margarita (Bolivia) and the positive progress of operations in the United States as a result of the development wells drilled after the lifting of the drilling moratorium and the start of production of the Mississippian Lime assets. In Trinidad and Tobago, however, production declined compared to the previous year owing to the maintenance stops made during the year.

EBITDA stood at €3,438 million compared to €2,072 million in 2011.

The average sale price of Repsol's basket liquids was \$87.35/barrel (€67.98/barrel), compared to \$83.3/barrel (€59.8/barrel) in 2011. The average gas price stood at \$3.7 per thousand cubic feet, representing an increase of 5.4% over the previous year.

The net lifting cost reached \$3.8 per barrel. This figure is similar to that for financial year 2011 (\$3.6 per barrel). The finding cost of proven reserves over the 2010-2012 period averaged \$9.02 per equivalent barrel.

Discoveries

In 2012 there were five exploratory discoveries drilled in Pão de Açúcar (Brazil), Sagari (Peru) Tihalatine South-1 (Algeria) and Chipirón T2 and Caño Rondón Este 1 (Colombia).

In first quarter 2012 Repsol Sinopec Brasil made a significant deepwater discovery in the Campos Basin. The discovery well, known as Pão de Açúcar, is located in block BM-C-33, in a water depth of 2,789 meters, at a total depth of 7,210 meters and 195 kilometers from the coast. Hydrocarbons were found in two different levels, with a total column, summing the thickness of both of 480 meters, one of the highest so far in Brazil. After the discovery, production tests were carried out that resulted in 5 kbbl/d of light oil and 28.5 Mscfd gas flow, even with the limited flow of the installed facilities. Additional work will be performed to confirm the extent of the discovery. Pão de Açúcar joins the Seat and Gávea discoveries, all in the BM-C-33 block. Gávea was included by IHS in the list of the 10 largest discoveries in the world in 2011 and Pão de Açúcar joined this list in 2012, confirming the area's high potential. The block is operated by Repsol Sinopec Brasil (35%), in partnership with Statoil (35%) and Petrobras (30%). Offshore Brazil is one of the fastest growing areas of hydrocarbon reserves in the world. If the high expectations are confirmed, this will be the first major oilfield operated by a foreign oil company in Brazil. This discovery sets a new milestone for Repsol in deepwater drilling.

In August 2012 there was a new exploration discovery in Peru of gas and condensate in Block 57, in the sub-Andean area of the country. The Sagari exploration well was successful in two different formations known as Nia Superior and Nia Inferior. Repsol is the operator of the block, with a share of 53.84%, while Petrobras holds the remaining 46.16%. The Sagari find reinforces the potential of this area of Peru, where the Kinteroni field is also located. Production tests at Sagari, conducted at depths between 2,691 and 2,813 meters, resulted in a flow of 26 Mscfd with 1,200 barrels of condensate (liquid hydrocarbons) in one of the formations and 24 Mscfd and 800 barrels per day of condensate in another. Between both tests levels of almost 11 kboe/d were obtained. Having established the high potential, Repsol is continuing with the exploration of other structures in this block.

In October 2012 an exploration well was successfully completed at Tihaltine South-1 (Algeria), located in the Sud-Est Illizi block. This exploratory gas discovery is situated in the basin of Illizi, in the southeast of the country. This discovery well is the first one drilled in the block. The consortium led by Repsol (with a 25.725% stake as operator), won the Sud-Est Illizi block in 2010, in the second round of national and international bids for exploration and development blocks. The partners in this project are Enel SpA (13.475%) and GDF Suez (9.8%). The remaining 51% is held by the Algerian state company Sonatrach. The discovery was made at a depth of 1,073 meters and the first production tests showed a gas volume of 105,000 cubic meters (3.7 million cubic feet per day). The consortium will drill four additional exploration wells as part of efforts to realize the potential of this block.

Hydrocarbon discoveries were made in Colombia with exploration wells Chipirón T2 in the Chipirón block and Caño Rondón Este 1 in the Rondón block, both located in the Llanos Basin. The Chipirón T2 well was completed with positive results in April and the Caño Rondón Este 1 was completed in June. In both blocks, Repsol has a stake of 12.5%. Ecopetrol accepted the commercial viability of both discoveries in April and August, respectively.

Production

Repsol's hydrocarbon production in 2012 was estimated at 332,434 barrels of oil equivalent per day, representing an increase of 11.3% on the figures for 2011.

The resumption of operations in Libya after the suspension from March to November 2011 explains the most significant part of this increase. Additionally the implementation of the Margarita-Huacaya gas development project in May 2012 has enabled total gas production to rise from 3 to 9 Mm³/d.

On the other hand, there has been a decline in gas production in Trinidad and Tobago owing to maintenance both of the trains at the Atlantic LNG liquefaction plant and of the production platforms, in Ecuador owing to decline in the field and the sale of a 20% stake in the service contracts of block 16 and Tivacuno in September 2012 and to a lesser degree in Brazil with the natural decline of Albacora Leste.

Net production of liquids and natural gas by geographical area:

NET PRODUCTION OF LIQUIDS AND NATURAL GAS BY GEOGRAPHICAL AREA						
	2012			2011		
	Liquids (Mbbbl)	Natural gas (bcf)	TOTAL (Mboe)	Liquids (Mbbbl)	Natural gas (bcf)	TOTAL (Mboe)
Europe	1	2	1	1	2	1
Spain	1	2	1	1	2	1
South America	24	372	90	26	370	92
Bolivia	2	45	10	2	35	8
Brazil	2	*	2	2	*	2
Colombia	1	–	1	1	–	1
Ecuador	7	–	7	9	–	9
Peru	3	39	10	3	37	10
Trinidad and Tobago	4	240	47	5	250	49
Venezuela	5	48	13	5	47	13
Central America	–	–	–	–	–	–
North America	10	5	11	10	3	10
United States	10	5	11	10	3	10
Africa	17	12	19	4	12	7
Algeria	1	12	3	1	12	3
Libya	16	–	16	3	–	3
Asia	1	–	1	–	–	–
Russia	1	–	1	–	–	–
Oceania	–	–	–	–	–	–
TOTAL NET PRODUCTION	52	391	122	40	387	109

(*) Production value between 0 and 1.

PRODUCTIVE WELLS BY GEOGRAPHICAL AREA	As of December 31, 2012 ⁽¹⁾			
	Oil		Gas	
	Gross	Net	Gross	Net
Europe	9	6	1	1
South America	1,083	338	166	61
Peru	–	–	21	2
Trinidad and Tobago	96	67	48	16
Venezuela	333	133	23	10
Other countries in South America	654	138	74	33
Central America	–	–	–	–
North America	304	33	–	–
Africa	240	48	83	25
Asia	332	163	–	–
Oceania	–	–	–	–
TOTAL	1,968	588	250	87

PRODUCTIVE WELLS BY GEOGRAPHICAL AREA	AS OF DECEMBER 31, 2011 ⁽¹⁾			
	Oil		Gas	
	Gross	Net	Gross	Net
Europe	8	6	–	–
South America	1,056	357	163	64
Peru	–	–	20	2
Trinidad and Tobago	99	69	48	16
Venezuela	319	128	22	11
Other countries in South America	638	160	73	36
Central America	–	–	–	–
North America	14	4	–	–
Africa	113	27	79	24
Asia	–	–	–	–
Oceania	–	–	–	–
TOTAL	1,191	394	242	88

⁽¹⁾ A gross well is a well in which Repsol owns a working interest. The number of net wells is the sum of the fractions of interest held in gross wells.

Reserves

At year-end 2012, Repsol's proven reserves, estimated in accordance with the US Securities and Exchange Commission (SEC) conceptual framework for the oil and gas industry, and in accordance with the criteria envisaged under the Petroleum Reserves Management System of the Society of Petroleum Engineers (PRMS-SPE), amounted to 1,294 Mboe, of which 428 Mboe (33.1%) relate to crude oil, condensate and liquefied gases, and the remaining 866 Mboe (66.9%) to natural gas.

Of the total reserves, 25.4% are located in Trinidad and Tobago, 54.4% are located in the other South American countries (Venezuela, Peru, Brazil, Ecuador, etc.), 11.8% is in North Africa (Algeria and Libya), 4.1% is in the North America (United States) and approximately 4.3% in Europe and Asia (Spain and Russian Federation).

In 2012, the development of these reserves was positive, with a total incorporation of 248 Mboe, from the Cardón IV Project in Venezuela, contributions from Sapinhoá (formerly Guará) in Brazil, the inclusion of projects in the Russian Federation and the United States and the review of development plans in Libya. In 2012, the company achieved a reserve replacement ratio (measuring total additions of proven reserves over the period relative to production for the period) of 204% for crude oil, condensate, LPG and natural gas (168% for crude oil, condensate and LPG, and 231% for natural gas).

Investments

Operating investments in the Upstream business totaled €2,423 million in 2012, 33.6% up on the same figure for financial year 2011 (€1,813 million). Investment in development accounted for 60% of the total and was carried out mainly in the United States (31%), Brazil (14%), Trinidad and Tobago (13%), Venezuela (11%), Bolivia (9%) and Peru (8%). Exploration investments represented 18% of total investment and were materialized chiefly in the United States (34%), Peru (21%) and Brazil (12%). The remainder corresponds to the incorporation of the assets in Russia (Saneco and TNO) and Mississippian Lime in the United States.

Divestments

In Ecuador, in September 2012 the sale was agreed of the Amodaimi Oil company, which owns a 20% stake in the service contracts for blocks 16 and Tivacuno, both in production, to Tiptop Energy Ltd., a subsidiary of the Chinese company Sinopec.

Activities in the main countries

North America

United States

In January 2012 a major deal that had been announced in December 2011 was ratified with the US oil firm Sand Ridge Energy, to acquire 16% and 25% of two large areas of unconventional resources in the major Mississippian Lime reservoir, located between the states of Kansas and Oklahoma. In the first half of 2012 Repsol was already incorporating production and reserves from this development in its accounts. During the year, an intensive drilling campaign was conducted yielding close to 300 producing wells, with the forecast of 700 in 2013.

The company also holds a 28% stake in the production assets of the deepwater Shenzi field in the Gulf of Mexico. In the second quarter of 2012 the Shenzi 9 appraisal well was drilled and completed, with positive results. The well began producing and was connected to the new Manifold H in late June. To maintain pressure and enhance production levels between May and September 2012 water was injected into the reservoir via two injection wells. Among the additional development tasks at the field, in 2013 new injection wells will be drilled, with an infill well on the western flank and a development well on the northeast flank. As of December 2012, thirteen wells were producing at the Shenzi platform, plus two further wells at the Marco Polo platform. To date, the reservoirs have been matching the performance levels previously modeled by Repsol.

In 2012 the parameters were defined for drilling the second appraisal well at the Buckskin discovery, which is expected to be drilled in the first half of 2013. After the positive results of the first evaluation well in 2011, this new well will confirm the great resource potential of the reservoir and define the field development plan, with a view at starting production between 2017 and 2018. Repsol, as operator of the project in its exploratory phase, made this important discovery in 2009 at a total depth of 9,000 meters, making it the deepest well operated by Repsol so far and one of the deepest drilled in the area.

In June 2012 the Bureau of Ocean Energy Management (BOEM) announced the results of the 216/222 Lease Sale in the United States. Repsol obtained five new exploration blocks in central offshore Gulf of Mexico and is the operator in three of the blocks. This was the first round since the incident at the Macondo well and after the moratorium was lifted by United States authorities.

In February 2012 drilling began at the major Alaska North Slope exploration project and signs of hydrocarbons were found that are currently under evaluation and to be confirmed with additional wells. Three additional exploration wells are planned in 2013. Repsol joined this project, located in one of the most prolific areas of Alaska, in March 2011 following an agreement reached with the companies "70 & 148, LLC" and "GMT Exploration, LLC" for the joint exploration of the area. Repsol is the operator with a 70% interest. The Alaskan North Slope is a particularly promising area, with a number of major discovered reservoirs and reduced exploratory risk. Thanks to the new project, Repsol has increased its presence in OECD countries while consolidating its strategy of balancing its exploration portfolio with low-risk assets through onshore opportunities within a stable environment.

In early 2012 the Department of Natural Resources announced the results of the preliminary NS-2001 W round of the Alaska North Slope basin, which took place on December 7, 2011. Repsol was awarded 13 new exploration blocks totaling an area of 186 km².

Also in Alaska, in November 2012 the Department of Natural Resources announced the preliminary results of the NS-2012W and BS-2012W bidding rounds. In the first round Repsol won the most blocks (24) in the North Slope basin, totaling an area of 158 km². In the second round Repsol was awarded an additional block of 13 km² in the Beaufort Sea Basin.

Repsol's diversified portfolio of projects in the United States, comprised of assets in production and exploration projects of great significance, both onshore and offshore, positions this country as one of the major strategic growth areas for the company. Repsol has a stake in 440 blocks in the United States, along with the Mississippian Lime assets.

Canada

In the first quarter of 2012 offshore blocks EL-1125 and EL-1126 were incorporated into the company's acreage, awarded by the East Canada Bid Round in November 2011. The consortium is formed by Repsol (10%), Statoil (50% and operator) and Chevron (40%). The blocks are located in the Flemish Pass Basin, off the coast of Newfoundland and the Labrador peninsula.

In February 2012 an agreement was announced with Chevron to acquire a 20% interest in block EL-1074R, located in the Orphan Basin, opposite the Canadian coasts of the province of Newfoundland and Labrador. Following this agreement, the block is held by Chevron (65% and operator), Repsol (20%) and Statoil (15%).

In November 2012 the Canada-Newfoundland & Labrador Offshore Board awarded an exploration block of 2,089 km² located in the Flemish Pass basin to a consortium made up of Repsol (25%), Husky (40% and operator) and Suncor (35%). This block is adjacent to block EL-1110 where Repsol is also engaged with Husky and Suncor.

The addition in 2012 of these new exploration blocks to join existing ones, demonstrates Repsol's commitment to create a significant portfolio of projects in the Canadian offshore area, in line with its strategy of geographical diversification and growth in OECD countries.

Latin America

Brazil

The Sapinhoá deepwater development plan (formerly known as Guará), in block BM-S-9 of the Santos basin, one of the company's key growth projects, made significant progress in 2012 as planned, which allowed production to begin at the first production well in the southern area in early January 2013. The production in the southern area of Sapinhoá (formerly Guará) is performed by the Floating Production, Storage and Offloading (FPSO) platform "*Cidade de São Paulo*" with capacity to process 120 kbb/d of oil and 5 million cubic meters of gas per day. Throughout 2013 and 2014 new wells will be connected to the platform, which is expected to reach a total crude oil production of 120 kbb/d in the first half of 2014. The partners in this important project are Petrobras (45% and operator), BG (30%) and Repsol Sinopec Brasil (25%). In 2012 the Sapinhoá ADR2 development well and I6S injection well were drilled and the corresponding tests were performed. Furthermore, the Sapinhoá North well was completed in order to start an extended well test (EWT) in early 2013. Within the development plan, the Sapinhoá P3S appraisal well was drilled and work commenced on the Sapinhoá P4S and Sapinhoá P5S wells. The development plan also contemplated carrying out EWT at Sapinhoá North in the first half of 2013, the completion of the 18" Guara-Tupi pipeline installation and the conclusion of the Sapinhoá South appraisal work. In 2012 a contract was awarded for the lease of FPSO "*Cidade de Ilhabela*" for a period of 20 years. This platform, with a daily production capacity of 150 kbb/d of oil and 6 million cubic meters of gas, will be used for the production of the Sapinhoá North field which is expected to be launched in the second half of 2014.

Within the evaluation and development plan for the Carioca project, also in the prolific BM-S-9 block, in 2012 the Carioca North an advanced well was drilled to define the potential and extent of the Carioca area with greater precision, once the Carioca Sela appraisal well was completed. The positive results obtained in the fourth quarter with the Carioca North well confirm the extension of the Carioca field. To determine the flow capacity of the well production tests will be performed in 2013 and new evaluation work will be undertaken to define the full potential of the Carioca area. To achieve this, the Brazilian National Petroleum Agency (ANP) approved an additional program of activities and extended the deadline for declaring commercial viability until December 31, 2013. The development and production project in the Carioca area is progressing as established and the target to start production in 2016 remains unchanged.

After the exploration discovery made in 2012 with Pão de Açúcar well, Repsol confirmed the great potential of block BM-C-33, in the Brazilian pre-salt. The partners, Repsol Sinopec Brasil (35% and operator), Statoil (35%) and Petrobras (30%), are working on the definition of future evaluation and development plan for the area. This block contains the Seat (2010), Gávea (2011) and Pão de Açúcar (2012) discoveries. The latter, located in a water depth of 2,789 meters and 195 kilometers from the coast, has an oil column of 480 meters and, according to the company IHS, was one of the most significant discoveries in the world in 2012.

During the year Repsol took part in the appraisal and development plan for the Piracucá field (block BM-S-7) with the analysis of the most suitable options. As operator, Petrobras is contemplating developing Piracucá together with other discoveries in the same area (Panoramix, Vampira and Guaiamá) by studying the feasibility of jointly developing the fields, thus allowing synergies that would improve the returns in all these projects. The development wells drilled to date at Piracucá have contributed to better defining the south-west area of the field, leaving the definition of the north-east area, where a

development well is planned for 2014. The basic parameters of the field development plan are expected to be defined in 2013.

The evaluation plan of the Panoramix discovery, located in block BM-S-48 (S-M-674), is progressing according to the proposal submitted in August 2011 to the ANP, including the drilling of an appraisal well with a contingent DST production test and the possibility of a second well.

All the promising results in Brazil since 2011 were obtained by virtue of the alliance signed in 2010 between Repsol (60%) and the Chinese company Sinopec (40%), which led to the creation of Repsol Sinopec Brasil, one of the leading private energy companies operating in Latin America. Repsol Sinopec Brasil is one of the leading independent energy companies in exploration and production in Brazil, it occupies a strategic position in the areas of greatest potential and of the Brazilian pre-salt and leads the exploration activity in the prolific Santos basin, together with Petrobras and BG. The company boasts a significant and well-diversified portfolio of assets within the country, which includes a field already in production (Albacora Leste) and major discoveries over recent years in blocks BM-S-9 and BM-C-33, along with the Piracucá field, located within the BM-S-7 block and currently under development, and Panoramix, in the BM-S-48 (S-M-674) block.

The important exploration discoveries made in recent years, coupled with the development projects that are currently materializing and the agreement reached with Sinopec, all bolster the company's strategy in offshore Brazil, one of the areas offering the greatest growth in oil and gas reserves worldwide, and represent one of the key growth projects for the Upstream division.

Bolivia

In early May 2012 the gas processing plant was opened and the first phase of the major Margarita-Huacaya gas development project went into production. The commissioning of the plant, along with the fluids collection system, gas pipelines and the completion of wells, allowed total gas production to be increased from 3 to 9 Mm³/d. Margarita-Huacaya, one of the major projects in Repsol's Strategic Plan began to contribute a large volume of production in 2012. The first phase was completed on schedule and below the approved budget. The second phase is currently underway with the construction of a new module in the treatment plant and the drilling of additional production wells. This second phase is expected to enter operation in fourth quarter 2013 and by the second half of 2014 total gas production will amount to 14 Mm³/d. The start of the first phase at Margarita-Huacaya implies new production in the first key development project of the Strategic Plan and is an important step that demonstrates Repsol's ability to fulfill its commitment to Upstream growth and to safety-related matters.

In February 2012 the third gas train entered into service at the Sábalo field, increasing processing capacity from 13.4 to 22.1 Mm³/d. Between 65% and 70% of the production of this field is intended to cover the Gas Supply Agreement (GSA) with Brazil, with a seasonal demand in excess of 30 Mm³/d, particularly in winter. The Sábalo field is operated by Petrobras (35%), in partnership with Total (15%), and YPFB Andina (50%), a company owned by Repsol with a 48.92% stake.

In May 2012 YPFB and Repsol signed two new survey agreements for the exploration of areas Carahuaicho 8C, covering 975 km² and located in the department of Santa Cruz, and Casira, covering 1,950 km² and located in the department of Potosí. Repsol is evaluating the potential of these areas and, depending on the results, it will have the option of signing a service contract for exploring and developing them.

As part of the exploratory round 2012, in December the state-owned Bolivian company YPFB announced, through an administrative resolution, the award to YPFB-Andina, Petrobras and BG Bolivia of 10 areas of study which will be developed to assess their potential.

Peru

Throughout the first quarter of 2013 production will start at Kinteroni, another of the company's key projects. The development plan for the Kinteroni South field, launched in mid-2010, includes the drilling, completion, and testing of production wells and the construction of surface facilities and pipeline system to the Malvinas plant. The Kinteroni field is in Block 57, located in central-eastern Peru, east of the Andes, in the Ucayali-Madre de Dios basin. Kinteroni was discovered in January 2008 and was one of the greatest discoveries in the world that year. The partners in the block are Repsol (53.84% and operator) and Petrobras (46.16%).

In 2012 a second major exploration discovery was made in block 57 with the Sagari exploration well, which was positive in two formations. This important finding significantly increases the potential of the block, which also includes the Kinteroni field.

In 2012 Ecopetrol and Repsol Exploración agreed to the sale of 30% of lot 109, which was held 100% by Repsol. This block, which is located in Santiago and Huallaga basins, is in its third exploration period. The transaction is pending official approval.

In 2012 the supply of natural gas from the Camisea field, where Repsol has a 10% interest, continued normally to the Peru LNG liquefaction plant where the company in turn has a 20% stake. The Camisea field comprises blocks 56 and 88, where production is intended for the local market and to supply the Peru LNG liquefaction plant. In April 2012 the Directorate General of Energy Environmental Affairs of the Peruvian Ministry of Energy and Mines approved the environmental impact study to explore and develop the area of San Martín Este in block 88 of the Camisea field. This block is under production at the Cashiriari and San Martín fields.

Venezuela

In August 2012 the Venezuelan authorities approved the declaration of commercial viability and the Development Plan for the Perla field, located in the Cardón IV block, Gulf of Venezuela. Following this declaration, the main partner, Petróleos de Venezuela (PDVSA), in accordance with the terms of the gas license, has the right to participate with 35% in the development of the project, in which Repsol and Eni will hold the remaining 65% in equal parts. The development plan of this key project contemplates three phases depending on the volumes of non-associated natural gas to be produced: the first for 300 Mscfd and a planned production start in 2014, a second phase of 800 Mscfd, and a third of 1,200 Mscfd. The development will involve a series of tasks to be performed simultaneously, both on land and at sea, most notably the re-entry of wells drilled in the exploration phase and the drilling of new wells, the construction and installation of offshore platforms, the laying of production pipelines, the construction of the onshore gas processing and treatment plant and the pipeline from the gas treatment plant to the point of delivery to PDVSA Gas. The gas license includes a number of social contributions to the community, as established by the Ministry of Energy and Mining, and as a contribution to the development of communities in the area. In 2012 orders were placed for the purchase of long lead items (LLI) and pipes were delivered in the Cardón area for the construction of the flow line to the platforms that will connect them to the future onshore treatment plant. Work also began on the detailed engineering for the onshore processing plant and progress was made in the process of awarding the rig contract which is expected to start working in the fourth quarter 2013.

The Perla mega-field was discovered by Repsol and Eni in 2009 within the larger Cardón IV block, which is located in shallow waters of the Gulf of Venezuela, roughly 50 kilometers from the coast. A total of five wells have been drilled which will be put into production using platforms and subsea connections that will take the gas to shore for processing and sending to the Venezuelan distribution network, in accordance with the development plan.

In the other key growth project in Venezuela, the Carabobo heavy crude oil project, progress was made in 2012 in the development work aimed at initiating accelerated production in 2013 and early production for the project around 2014. The permanent production facilities, currently in the process of selecting the engineering team that will perform the FEED (Front End Engineering Design), is scheduled to be operational in 2016, reaching the expected production plateau of 400,000 barrels of oil in 2017 with the commissioning of the oil upgrader. This upgrader, with a processing capacity of 200 kbb/d, will increase the quality of the crude to 32° API. In 2012 the first phase of the 3D seismic campaign was performed throughout the block and drilling was completed in seven stratigraphic wells. The conceptual engineering for the accelerated production project was also completed, with approval for building a processing plant with a capacity of 30 kbb/d and completion of the conceptual engineering of the permanent facilities. In late December 2012 the start of production was announced at the first well scheduled under the accelerated development plan in the Carabobo field.

The Venezuelan government awarded the Carabobo project to a consortium of international companies headed by Repsol, which holds an 11% stake, in February 2010. This important project, undertaken jointly with PDVSA, consists of the development of the heavy crude oil reserves in the Carabobo 1 Norte and Carabobo 1 Centro areas located in the Orinoco Petroleum Belt. This region holds some of the largest undeveloped hydrocarbon reserves in the world. Production will reach 400,000 barrels of oil per day over 40 years. Part of

the heavy crude oil obtained from the project will be sent to Repsol's Spanish refineries, which will allow the company to profit from its investment in advanced deep conversion techniques at the refineries.

Trinidad and Tobago

Repsol holds a 30% stake in the company BPTT, which operates a large productive oil and gas area in the country's offshore zone. Production at these various fields will be sent to the liquefaction trains at the Atlantic LNG plant, in which Repsol also owns an interest.

In late 2012 BPTT announced a gas discovery with the Savonette 4 appraisal well initially allowing the estimates of the Savonette gas field resources to be duplicated. This appraisal well, in production since November 2012, was drilled to the east of the field, at a depth of 90 meters in the Columbus Basin 80 kilometers off the east coast of Trinidad. The total depth of the well was 5,700 meters. Savonette was discovered in 2004 during the exploratory drilling at Chachalaca and went into production in 2009.

Repsol is the operator of the TSP offshore producing blocks, holding a 70% interest. In 2012 the processing tasks were completed for the 3D seismic registers of the previous year. The goal is to complete the seismic coverage for the area and evaluate the exploration potential remaining in the asset. During the year other new drillable prospects were also identified.

Other countries in Latin America

In Colombia, in third quarter 2012, the partnership between Repsol and Ecopetrol, with a 50% interest each, was awarded a new deepwater hydrocarbons exploration block. The block, called Guajira Offshore 1, has an area of 12,271 km² and is located at depths between 1,500 and 3,000 meters. The block is subject to a technical evaluation agreement with a term of 36 months.

Also in Colombia, in 2012 the company achieved two new exploration successes; one in the Chipirón block with exploration well Chipirón T2 and the other in the Rondón block with the Caño Rondón Este 1 exploration well, both located in the Llanos Basin.

In Mexico, Repsol operates the Reynosa-Monterrey block through a multi-service contract. At year-end 2012 there were 46 producing wells. This production is not reflected in Repsol's accounts since it belongs to Pemex. In 2013 additional development and infrastructure work was performed and repairs are scheduled for about 20 wells to increase production in the area. In 2014 maintenance services and works will be carried out.

In Guyana, in July 2012 exploratory drilling was stopped at the Jaguar-1X well when much higher pressure conditions than expected were encountered at depths of almost 5,000 meters. We obtained samples of light crude oil with a high content in gas at two intervals, which confirms the hydrocarbon-generating potential of the area. Using the information obtained, work is currently underway on the engineering design of a new well to overcome the pressure and temperature conditions found and achieve the promising targets.

In Ecuador, in September 2012 the sale was agreed of the Amodaimi Oil company, which owns a 20% stake in the service contracts for blocks 16 and Tivacuno, both in production, to Tiptop Energy Ltd., a subsidiary of the Chinese company Sinopec. The share transfer was performed after the approval of the Ecuadorean State received in August. Following this transaction, Repsol, which acquired this 20% stake in 2009 from Murphy Oil, returns to its former interest of 35% in blocks 16 and Tivacuno. The consortium continues with Repsol as the operator, in partnership with OPIC (31%), Tiptop Energy (20%) and Sinochem (14%).

In Cuba, following the negative results of the Jagüey exploration well completed in the first half of 2012, Repsol proceeded, after fulfilling the requirements set by the authorities, to cancel the contract for exploration in the area, and therefore as of December 31, 2012 Repsol no longer had any exploration or production interests in Cuban blocks.

Africa

Repsol's significant presence in North Africa is mainly concentrated in Algeria and Libya, countries where it holds interests in major projects that will ensure sustained and profitable growth over the coming years. The company is also consolidating its presence in West Africa, in particular Angola, Sierra Leone and Liberia.

Libya

Following the resolution of the conflict in October 2011 production was restarted in blocks NC-115 and NC-186. Throughout 2012 production reached levels similar to those before the conflict, with an annual average around 300,000 barrels per day and peak production over 330,000 barrels per day in total for both blocks.

On March 8, the company informed the state-owned NOC Libya company that the Force Majeure situation declared in 2011 had ended, leading to the resumption of exploration activities in blocks NC-115 and NC-186. The Libyan authorities approved the request to extend the concession for the suspension period, extending it until August 6, 2014. In 2012 a drilling unit was found to perform the exploratory drilling commitments and the 3D seismic survey was reactivated with the previously selected contractor.

Algeria

Currently, Repsol has interests in the operation of two production projects (Issaouane and Tin-Fouye Tabankort), a major gas development project (Reggane Nord) and one exploration project (SE Illizi).

In November 2011 the Algerian authorities approved the commissioning of the North Reganne development project and in 2012 preparations began for the first development wells. This important gas project in the Algerian Sahara includes the development of six fields (Reggane, Kahlouche, South Kahlouche, Sali, Tiouliline and Southeast Azrafil) that are located in the Reggane Basin about 1,500 kilometers southwest of Algiers. Production is expected to begin in 2016. The development of the area includes the drilling and completion of 104 wells and the construction of a gas treatment plant with a capacity of 8 million cubic meters per day, a gas storage system, a pipeline for export and infrastructure works consisting of an airstrip and an electrical system. Repsol has 29.25% stake in the consortium that will develop the project, in partnership and jointly operated with the Algerian State-owned company Sonatrach (40%), Germany's RWE Dea AG (19.5%), and Edison of Italy (11.25%). Reggane is one of the key exploration and production projects included in Repsol's Strategic Plan.

As operator of the Sud-Est Illizi exploratory block, Repsol discovered gas in the third quarter 2012 with exploration well Tihalatine South-1, the first to be drilled in the block. The company holds a 25.725% interest and its partners are Enel SpA (13.475%), GDF Suez (9.8%) and Sonatrach (51%).

Angola

In January 2012 the company incorporated exploration blocks 22, 35 and 37 to its acreage. The signing of these contracts with Sonangol took place on December 20, 2011. Repsol is the operator of block 22 where it has 30% stake, and has a 25% interest in block 35 (operated by Eni) and 20% of Block 37 (operated by ConocoPhillips). In 2012 the 3D seismic surveying commitments were completed in all three blocks.

Sierra Leone

In 2012 the Jupiter-1 discovery well was drilled offshore Sierra Leone with good results that are currently being evaluated. The consortium, made up by Repsol (25%), Anadarko (55% and operator) and Tullow (20%), drilled this well in block SL-07B-10, at a depth of 6,465 meters in 2,200 meters of water, in the same area as the Mercury-1 exploration well completed in 2010. The well found an oil column of 30 meters, which seems to reinforce the high hydrocarbon potential of a region that, until now, has been largely unexplored.

Liberia

In June 2012 it was decided to move to the next phase of exploration in Block LB-15 where Repsol has a 27.5% interest. The Montserrado-1 discovery well completed its obligations for the year in this block.

In July 2012 the next phase of exploration began in block LB-10, where Repsol has a 10% stake. The results are being analyzed to prioritize the objectives, in addition to estimating the potential resources and the geological risks.

Tunisia

In recent years several exploration opportunities have been evaluated in North Africa. Three offshore blocks were acquired in Tunisia in 2011 in which Repsol is the operator with 100% interest. 6,768 kilometers of existing 2D seismic data was reprocessed in 2012 to expand knowledge about the area.

Asia

Russia

In August 2012, Repsol and Alliance Oil completed the first phase of their common project for the exploration and production of hydrocarbons with the incorporation of assets to the AROG joint venture by Alliance Oil and the purchase of shares by Repsol. This project was approved in an agreement signed in December 2011. AROG will serve as a growth platform for both companies in the Russian Federation, the largest oil and gas producer in the world. In August 2012 Alliance Oil contributed its subsidiary Saneco, which encompasses exploration and production activities in the Samara region (Volga-Urals Basin), with proven and probable reserves in 11 oil fields that are already in production. Meanwhile, Repsol acquired shares in the new company and signed up to a 49% stake in it. In third quarter 2012 Repsol incorporated production and reserves from this important project into its books. In December 2012 Alliance also incorporated the assets of its subsidiary Tatnefteodatcha (TNO) to the AROG venture, located in the Russian region of Tatarstan (Volga-Urals Basin) and consisting of two oil fields with their respective exploration and production licenses. For its part, in late January 2013 Repsol contributed to AROG with the company's assets in Eurotek, including two major gas fields: Syskonsyninskoye (SK), which is expected to enter production in the first half of 2013 and Yuzhno-Khadyryakhinskoye (YK) which is in the final evaluation phase before entering development. With all this in late January 2013 was completed the formation of the joint venture AROG between Alliance Oil (51%) and Repsol (49%).

This agreement combines Alliance Oil's knowledge and access to exploration and production opportunities in Russia with the financial and technical ability of Repsol, thus forging a long-term alliance for exploration and production activities. The agreement also includes the joint search of new expansion opportunities by acquiring oil and gas assets in Russia.

In 2012 Eurotek-Yugra (100% Repsol) was awarded three exploration licenses: Karabashkiy-78, Karabashkiy-79 and Kileyskiy for a period of five years. These licenses are located in Western Siberia-Khanty-Mansiysk (Yugra), Okrug region, in the Ural-Frolov basin.

In October 2012 confirmation was received awarding block Salymsky 6, which was part of the June-July 2012 bidding round, raising the number of exploration areas controlled 100% by Repsol in Russia to 11.

Progress was also made in the preparation of two exploration wells in the Karabashki 1 and 2 blocks in order to begin drilling in January 2013.

Indonesia

In 2012 the Cendrawasih Bay II seismic surveying commitment was completed with the acquisition of 2,691 kilometers, the first task by Repsol as operator in this block. The survey was completed without incidents, on time and within budget, despite the difficulties of such a sensitive and remote area - located about 3,000 kilometers from Jakarta. The full interpretation results of this data are expected for first quarter 2013.

Also in 2012 an offshore sample acquisition campaign was also performed in East Bula and Seram, together with an aerial gravimetry and magnetism survey for a better understanding of these blocks.

Iraq

At the Piramagrun and Qala Dze exploration blocks awarded in 2011 in the eastern region of Kurdistan, a 2D seismic survey began in second quarter 2012 and inspections were completed prior to measuring the gravimetry. Work also continued on the field geology operations started in 2011. The final geological data is currently being processed. All these tasks serve to evaluate the hydrocarbon potential of the area.

Europe

Norway

In recent years Repsol has been consolidating a significant portfolio of projects in the Scandinavian country, in line with its strategy of geographic diversification and increased presence in OECD countries. In December 2012 Repsol participated in 14 exploration licenses in Norwegian waters, acting as the operator in three of them (PL-541, PL-531 and PL-642).

The PL-531 license, obtained by acquiring a 20% stake in the operator Marathon in January 2011 and operated by Repsol, has seen the commencement of preparatory work before the drilling of the Darwin exploration well, expected for first quarter 2013. This will be the first exploration well operated by Repsol in Norway, more specifically in the Barents Sea.

Under the PL-529 license, obtained by purchasing a 10% interest from the operator Eni in January 2011 and located in deepwater southwest Barents Sea, a pilot well was drilled in August 2012 in preparation for the Bønna exploration well, planned for third quarter 2013.

Under license PL-356 operated by DetNorske (60%) and in which Repsol has a 40% interest, in third quarter 2012 the Ulvetanna exploratory survey was completed with negative results.

In January 2013 the Norwegian authorities awarded Repsol the PL 692 License in the Awards in Predefined Areas (APA) bidding round. This area in the Norwegian Sea consists of blocks 6509/3, 6510/1 and 6510/2. Repsol will be the operating company with a 40% stake, in partnership with Edison (30%) and Skagen44 AS (30%).

Ireland

During 2012 we worked on the preparation of the first Dunquin exploration well of the FEL 3/04, license, where Repsol has a 25% interest. Exploratory drilling is scheduled for 2013.

In March 2012, the company Providence transferred the operation of exploration license LO 11/11, located in the Goban Spur Basin, to Repsol. This license was granted in 2011 in the "Atlantic Margin Round" and stakes in the block are as follows: Repsol (40% and operator), Providence (40%) and Sosina (20%).

Portugal

In September 2012 the asset swap agreement was formalized with the company Partex. Through this agreement, Repsol exchanged its 10% interest in the Algarve blocks (Lagosta and Lagostim), where it reduced its stake to 90%, for a 15% interest in the Peniche blocks (Camarao, Mexilhao, Almeijoa and Ostra). These latter blocks include Petrobras (operator, 50%), Galp (30%), Repsol (15%) and Partex (5%).

In the Lagosta and Lagostim blocks a total of 1,506 km² of 3D seismic data was acquired for processing. In 2013 seismic interpretation will take place along with the identification of prospects, with the initial objective of drilling an exploratory well in 2014.

Spain

After obtaining all the necessary official permits, in October 2012 the Lubina and Montanazo fields, located in the Spanish Mediterranean, entered production. Both fields were discovered by Repsol in 2009 and have been connected to the Casablanca platform for operation. Repsol is the operator in both cases, with a stake of 72.44% in Montanazo and 100% in Lubina.

In 2012 Repsol continued its preparatory work for the future exploration wells in the Canary 1 to 9 blocks, including detailed processing of existing 3D seismic data for the study area, along with the preparation of an implementation report and baseline study, in accordance with the environmental impact study.

Liquefied Natural Gas (LNG)

LNG activities include the liquefaction, transportation, marketing, and regasification of liquefied natural gas, in addition to electricity generation activities in Spain at the BBE plant (Bahía de Bizkaia Electricidad) and natural gas marketing in North America.

Following the Fukushima accident in March 2011 and the subsequent nuclear crisis, there has been increased demand for LNG in the Pacific basin. This brought about a steady increase in prices in the Far East, which second quarter 2012 reached figures of up to 17 and 18 dollars per million Btu, and caused a significant de-coupling with European pricing points [NBP (National Balancing Point) at around 9 dollars per million Btu], and even more so with the Henry Hub, which remained unchanged at around 3 dollars per million Btu.

The market was also characterized by low fleet availability, coupled with high spot fleet prices stemming from the longer travel times caused by the rerouting of large amounts of LNG from the Atlantic basin to the Pacific on account of the price de-coupling and the slumping demand throughout Europe.

In Spain, the most noteworthy event was the decline in gas consumption by 2.8% against the previous year and the consequent decline in imports of LNG. The main factors affecting this market were economic activity, weather conditions and competition from other energy sources.

As for the power generation market, the arithmetic mean of the Spanish electrical pool was €47.26 per MWh in 2012, representing a decrease of 5% compared to 2011. The gross electricity demand in the Iberian Peninsula during 2012 was 252.19 GWh, 1.2% less than the previous year. Most of the technologies reported production declines compared to 2011, including hydroelectric which fell by 4%, or combined cycle with a 5% drop. Meanwhile coal plants increased their production by 5% compared to 2011. Solar generation remained at similar levels to 2011, representing 1% for solar photovoltaic and 3% for solar thermal. It should be noted that in September 2012 the Spanish government launched a bill that includes a tax on electricity production and the fuel consumed for generating it. This impact will be noticeable as the year progresses, since the law only came into force in January.

Results

Operating income from Liquid Natural Gas (LNG) operations totaled €535 million in 2012, in comparison to the €386 million at December 31, 2011, owing chiefly to greater LNG margins over the year.

Assets and projects

2012 marked the second full year of operation of the Peru LNG liquefaction plant, located in Pampa Melchorita, which went into production in June 2010, and where Repsol holds a 20% interest with Hunt Oil (50%), SK Energy (20%) and Marubeni (10%). The Camisea consortium, in which Repsol also has a 10% stake, supplies natural gas to the plant.

The facility, with a nominal capacity of 4.4 million tons per year, processes 17 million cubic meters of gas per day. It boasts the two largest storage tanks in Peru (each with a capacity of 130,000 cubic meters) and a sea terminal over one kilometer long to receive ships with capacities ranging from 90,000 to 173,000 cubic meters.

Additionally, the project envisages that Repsol will be the exclusive marketer of the liquefaction plant's entire production. The gas purchase agreement entered into with Peru LNG will run for 18 years from the start of commercial operations and is, in terms of volume, the largest LNG acquisition ever made by Repsol.

In September 2007, Repsol was awarded a contract under an international tender organized by the Federal Electricity Commission (CFE) for the supply of LNG to the natural gas terminal in the port of Manzanillo on Mexico's Pacific coast. The contract envisages the supply of over 67 bcm of LNG to the Mexican plant over a fifteen-year period. The Manzanillo plant, which will supply gas to the CFE power plants in mid-west Mexico, will receive gas from the Peru LNG plant. Although start-up was scheduled for the second half of 2011, it finally entered into service in 2012.

The Peru LNG plant produced 5.2 bcm (3.8 million tons/year) in 2012, in line with 2011 despite a major scheduled maintenance shutdown.

In June 2009 the Canaport LNG regasification plant started producing, owned by Repsol (75%) and Irving Oil (25%). It is the first LNG regasification plant on the east coast of Canada. Located in Saint John (New Brunswick) and with an initial send-out capacity of 10 bcm/year (1 billion cubic feet per day), the Canaport terminal is one of the largest in North America and supplies markets on the eastern coast of Canada and the north-eastern United States. Repsol, the plant operator, supplies the LNG that fuels the terminal and is entitled to the entire regasification capacity. The third tank, which started operations in April 2010, is able to receive loads from the largest LNG carriers in the world.

A multi-year LNG supply agreement was signed in 2010 with Qatargas for the Canaport LNG plant. The LNG is supplied using Q-Flex and Q-Max carriers, the largest in the world with capacities of 210,000 and 260,000 cubic meters, respectively, making Canaport LNG one of the few plants worldwide capable of receiving these ships at its terminal. This agreement bolsters Repsol's status as a reliable, diversified and flexible natural gas provider for the Canadian and north-eastern American markets.

Noteworthy events for 2012 included the reduced availability of LNG and the increased activity of natural gas trading, which doubled compared to 2011, and the start of a project to enable the plant to adapt to gas market needs that will be completed in 2013. Growth in natural gas marketing activities in North America is also expected to continue.

Repsol is involved in the Trinidad and Tobago integrated LNG project, in which it holds an interest alongside BP, BG and others in the Atlantic LNG liquefaction plant. The plant's strategic geographic position allows it to competitively supply the Atlantic Basin markets (Europe, United States and Caribbean) and, in the future, the Asian market through the expansion of the Panama Canal, scheduled to open in 2014.

This plant has four liquefaction trains with a combined capacity of 15 million tons per year. Repsol holds 20% stake in train 1, 25% in trains 2 and 3, and 22.22% in train 4. This last train is one of the largest in the world, with a production capacity of 5 million tons/year. In addition to its interests in the liquefaction trains, Repsol plays a leading role in the supply of gas and is one of the main purchasers of LNG.

In Spain, Repsol holds a 25% interest in Bahía de Bizkaia Electricidad (BBE). This company owns a combined cycle power plant with 800 MWe of installed capacity. Power generated at the plant is fed to the grid for residential, commercial, and industrial consumption. This facility, which is located in the port of Bilbao, recovered high availability levels in 2012 after being affected by the repair and subsequent replacement of a turbine casing in 2011, despite which it continued to sell surplus gas without harming the company financially.

In December 2007, Repsol and Gas Natural SDG signed a shareholders' agreement with Sonangol Gas Natural (Sonagas) with the aim of starting work on developing an integrated gas project in Angola. This initiative involves the appraisal of gas reserves to determine the investments that would be required for their development and export in the form of liquefied natural gas. In accordance with the timetable, Repsol and Gas Natural SDG, acting through the company Gas Natural West Africa (GNWA), have taken part in the exploration activities currently being undertaken by Sonagas, the operator of the consortium, in which GNWA holds a 20% interest, followed by Sonagas (40%), Eni (20%), Galp (10%), and Exem (10%).

Moreover, drilling on the Garoupa-2 and Garoupa North wells was completed in 2011. The wells are currently under appraisal and the ongoing work will eventually verify the consortium's projected gas resources for the field. Currently, seismic-related work is still continuing.

LNG transport and marketing

The Repsol-Gas Natural LNG (Stream) 50-50% joint venture is one of the leading LNG marketing and transport companies in the world and one of the most important operators in the Atlantic basin. One of this company's objectives is to optimize the management, in the short and medium term, of both partners' fleets, which include 15 gas tankers and a variety of other vessels.

In 2012, Repsol, with management support from Stream, marketed 10.2 bcm of LNG, down 7% on the same figure for 2011. Most of the gas emanated from Peru LNG, which was started up in June 2010, and from Trinidad and Tobago. The main destinations for the cargo were Spain, the Asian market and Canaport LNG, with sales materializing in both the Atlantic (Europe and America) and the Pacific basins.

In terms of gas ships, at year-end 2012 Repsol owned seven LNG carriers and a further two jointly owned (50%) with Gas Natural Fenosa, all of them under time charter agreements and with a total capacity of 1,248,630 cubic meters. Four of these methane tankers were added during 2010, linked to the start-up of the Peru LNG project, one from Naviera Elcano and three more from Knutsen OAS.

Additionally, Repsol has entered into short to medium term gas carrier leases, depending on the market and fleet management conditions.

Investments

The LNG business area invested €35 million in 2012, compared to €18 million for 2011. This amount was used mainly for maintenance and development projects.

Sale of LNG businesses

On February 26, 2013 Repsol signed an agreement with Shell for the sale of its LNG assets and businesses (excluding the LNG businesses in North America and the Angola project). This operation has no effect on the Consolidated Financial Statements for the year 2012. See Note 38, "Subsequent Events" of the Consolidated Financial Statements for the year 2012.

Downstream

The Repsol Group Downstream business embraces the supply and trading of crude and other products, oil refining, marketing of oil products and LPG, and the production and marketing of chemicals.

Results

Operating income	2012	2011	VARIATION 2012/2011
Millions of euros			
Europe	723	1,012	(29%)
Rest of the world	290	170	71%
TOTAL	1,013	1,182	(14%)

Operating income in the Downstream division amounted to €1,013 million, as opposed to the €1,182 million in the previous year. 2012 was marked by the launch of the expansion of the Cartagena and Bilbao refineries, allowing improvements in refining margins by increasing and optimizing production. However, results have fallen over the previous year due to the impact on inventories of evolving prices of crude oil and oil products, lower sales volumes in commercial divisions as a result of the economic crisis and the fall in margins and sales volumes in the chemical division owing to the worse international environment.

Refining

The Repsol Group owns and operates five refineries in Spain (Cartagena, A Coruña, Petronor, Puertollano and Tarragona), with a combined distillation capacity of 896,000 barrels of oil per day (including, in the case of the Tarragona refinery, the share in Asfaltos Españoles S.A.). Installed capacity at La Pampilla refinery (Peru), in which Repsol holds a 51.03% stake and is the operator, is 102,000 barrels of oil per day.

Refining activity and context

The year was marked, as in previous years, by the effects of the international economic crisis. Demand for petroleum products declined in the OECD countries, affecting the refining business, especially in Europe, where refining margins remained low. 2012 witnessed the closure of yet more refineries and this restructuring within the sector is expected to continue over the coming years across both Europe and the United States, with the closure of less advanced and less competitive refineries. These closures will allow offer to adjust to demand and will foreseeably allow margins to rally, especially at refineries geared towards producing medium distillates and with capacity to process heavy crude oil products. In any case, according to the findings of the International Energy Agency, this increase in demand will largely materialize in emerging countries, headed by China and India.

The refining margin in Spain stood at 5.3 dollars per barrel in 2012, slightly down on the same figure for 2011 (1.6 dollars per barrel). In Peru, the annual refining margin came in at 3.9 dollars per barrel, in comparison to the 1.8 dollars per barrel seen in 2011.

The following table shows the refining capacity of the plants in which Repsol had an interest at December 31, 2012:

	Primary distillation	Conversion index ⁽²⁾	Lubricants
REFINING CAPACITY ⁽¹⁾	(thousand barrels per day)	(%)	(thousand tons per year)
Spain			
Cartagena	220	76	155
A Coruña	120	66	—
Puertollano	150	66	110
Tarragona	186	44	—
Bilbao	220	63	—
TOTAL REPSOL (SPAIN)	896	63	265
Peru			
La Pampilla	102	24	—
TOTAL REPSOL	998	59	265

⁽¹⁾ Information submitted in accordance with the Repsol Group's consolidation criteria: all the refineries cited are integrated globally in the Group's financial statements. The reported capacity in Tarragona includes the shareholding in ASESA.

⁽²⁾ Defined as the ratio between the equivalent capacity coefficient of Fluid Catalytic Cracking (FCC) and primary distillation capacity.

In this context, the Repsol refineries managed by the Downstream division processed 37 million tons of crude oil, representing an increase of 17.4% compared to 2011, due in part to increased capacity at the Cartagena refinery. The average use refining capacity was 74% in Spain, higher than the 71% recorded in the preceding year. In Peru, refinery use was also up on 2011, rising from 69% to 70% in 2012.

The table below provides a breakdown of refinery production, by main products:

PRODUCTION	2012	2011
Thousands of tons		
Refinery intake ⁽¹⁾		
Crude	36,960	31,483
Other refinery intake	8,213	9,053
TOTAL	45,173	40,536
Refining production		
Intermediate distillates	21,863	17,835
Gasoline	7,165	8,145
Fuel oil	4,474	6,287
LPG	961	1,056
Asphalts ⁽²⁾	970	1,272
Lubricants	184	242
Other (except petrochemicals)	5,827	2,858
TOTAL	41,444	37,695

⁽¹⁾ Information submitted in accordance with the Repsol Group's consolidation criteria: all the refineries cited are integrated globally in the Group's financial statements.

⁽²⁾ Includes 50% of the Asfaltos Españoles S.A. (ASESA) asphalt production, in which Repsol and Cepsa own 50% shares. Repsol markets 50% of ASESA's products.

The following table shows the origin of the crude oil processed at the Group's refineries, as well as sales of oil products.

ORIGIN OF CRUDE OIL PROCESSED	2012	2011
Middle East	17%	28%
North Africa	13%	6%
West Africa	6%	9%
Latin America	40%	26%
Europe	24%	31%
TOTAL	100%	100%

OIL PRODUCT SALES	2012	2011
Thousands of tons		
SALES BY GEOGRAPHIC AREA		
Sales in Europe	38,277	33,548
Own marketing	19,417	20,558
Light products	16,618	17,580
Other products	2,799	2,978
Other sales ⁽¹⁾	7,131	6,400
Light products	6,567	4,814
Other products	564	1,586
Exports ⁽²⁾	11,729	6,590
Light products	4,554	1,754
Other products	7,175	4,836
Sales - rest of the world	4,467	4,257
Own marketing	1,999	1,862
Light products	1,788	1,579
Other products	211	283
Other sales ⁽¹⁾	1,583	1,548
Light products	1,214	1,231
Other products	369	317
Exports ⁽²⁾	885	847
Light products	344	264
Other products	541	583
TOTAL SALES	42,744	37,805
SALES BY DISTRIBUTION CHANNEL		
Own marketing	21,416	22,420
Light products	18,406	19,159
Other products	3,010	3,261
Other sales ⁽¹⁾	8,714	7,948
Light products	7,781	6,045
Other products	933	1,903
Exports ⁽²⁾	12,614	7,437
Light products	4,898	2,018
Other products	7,716	5,419
TOTAL SALES	42,744	37,805

⁽¹⁾ Includes sales to operators and bunker sales.

⁽²⁾ Expressed from country of origin.

The last quarter of 2011 saw the commissioning of the expansion and improvement works at the Cartagena (C10) and Bilbao (URF) refineries. During 2012 the operation was consolidated with the new units and in the second half of the year refining margins were improved in line with expectations.

Following successful completion of these projects, Repsol has met the objectives initially set out in its investment strategy:

- increasing the distillation and conversion capacity of the refining system so as to maximize production of medium distillates given the current shortage, cutting down on fuel oil production processing heavier crude oils.

- improving energy efficiency and safety while reducing environmental impact.
- positioning Repsol's refining model as one of the best and most efficient.

The C10 project has enabled the company to boost production capacity at the Cartagena complex to 11 million tons (220,000 barrels per day). Now geared towards the production of medium distillates –over 50%– and with capacity to process heavy crude oils with greater added value, the upgraded refinery will help improve the balance of trade in Spain by reducing the country's reliance on imports of automotive fuels. It is in fact the most ambitious industrial project in Spain's history, one that has generated wealth during the construction stage (€3,100 million in approximate investment, involvement of over 20,000 people, average employment of 3,000 workers over three years) and will continue to generate wealth once it is operational (1,600 direct jobs and more than 8,000 indirect jobs). With the project now completed, the Cartagena refinery has become a modern facility and one of the most efficient in Europe in terms of energy and environment.

Thanks to the URF project, conversion capacity at the Bilbao refinery has increased significantly, with the plant now processing heavy crude oils and maximizing the production medium distillates.

Both projects were completed with excellent safety ratios, on schedule and within the approved budget.

Both projects form part of Repsol's drive to adapt its facilities to the production of clean transport fuels, encouraging the use of biofuels (biodiesel) while improving energy efficiency, security and the associated environmental respect.

In 2012, progress was made in the engineering and construction phases of a new production plant for next-generation base lubricants, a joint facility with the Korean company SKL. On November 27, the first stone of the plant was laid at a ceremony attended by local and regional authorities, as well as the senior management of the company's two partners.

The plant, adjacent to the refinery in Cartagena, will involve an estimated investment of €250 million and its launch is scheduled for 2014. The Tarragona and Cartagena refineries will provide the raw materials for the plant.

The base oils produced are needed in the manufacture of lubricants for Euro IV/V engines, and involve a major reduction in emissions and consumption.

At year-end 2012, as part of the Repsol Group's plan to integrate people with disabilities, 86 disabled people formed part of the workforce at its industrial complexes and offices in Spain.

Marketing

Repsol markets its range of products through an extensive network of service stations. In addition, marketing activity includes other sales channels and the marketing of a wide range of products, such as lube oils, bitumen, coke, and derivatives.

Total marketing sales closed at 21,416 million tons, representing a decrease of 4.5% over the previous year. This drop was due to shrinking demand, which was particularly evident in Spain. The declines in domestic consumption were offset by international growth and new business opportunities.

In this regard, emphasis is placed on the opening of new product marketing lines abroad, the maintenance of petrol and diesel market shares in Spain, and the improvement of the position in Portugal.

In this complex environment, the management of sales margins and credit risk enabled positive results to be obtained both in the service stations channel and in direct sales to the end consumer.

At year-end 2012, Repsol had a network of 4,549 service stations in countries where the Downstream division operates. In Spain, the network comprised 3,615 points of sale, 70% of which had a strong concessionary link to the network while 30% were company operated. Service stations in other countries were spread throughout Portugal (427), Italy (174) and Peru (333).

The Downstream business had the following points of sale (service stations and supply units) as of December 31, 2012:

Points of sale	Controlled by Repsol ⁽¹⁾	Branded ⁽²⁾	TOTAL
Spain	2,522	1,093	3,615
Portugal	264	163	427
Peru	116	217	333
Italy	53	121	174
TOTAL	2,955	1,594	4,549

⁽¹⁾ Owned or controlled by Repsol under long-term commercial agreements or other types of contractual relations that ensure direct long-term control over these points of sale.

⁽²⁾ "Branded" refers to service stations owned by third-party dealers with whom Repsol has entered into a new branding agreement entitling Repsol to (I) be the sole supplier of these service stations and (II) to use its brand at the service station. In the EU, the maximum term of these agreement is five years.

In Spain, Repsol markets its fuels under the Repsol, Campsa, and Petronor brands, with the following distribution as of December 31, 2012:

Brand	Point of sale
Campsa	161
Repsol	3,128
Petronor	301
Other	25
TOTAL	3,615

The company maintains its partnerships policy with market leaders such as El Corte Inglés, with a joint promotional campaign to offer discount vouchers for purchases of a certain value, both in Repsol service stations and its own chain of stores. Repsol has also strengthened its strategic alliance with Burger King and has advanced its implementation of the Auto King outlets in its service station network in Spain.

As a company committed to technological innovation, Repsol, along with La Caixa has supported the implementation of a faster contactless payment system that is the quickest on the market, allowing customers to pay remotely and very useful in busy outlets such as service stations. Repsol is the first Ibex 35 company to use this technology. Furthermore, in 2012 the "Repsol Mas" loyalty card also launched, applying instant discounts on transactions at service stations.

Repsol became the leading European producer and marketer of green coke, acquiring new relevance in this business and tripling sales volumes despite the difficult market situation. At present the Group is involved in a process of international expansion, mainly in the Mediterranean and North Africa.

In line with this idea of growth and consolidation, Servicios Logísticos de Combustibles de Aviación (SLCA), in which Repsol holds a 50% interest, has started in-plane refueling operations in Spain's two main airports: Madrid-Barajas and Barcelona-El Prat. As a result SLCA has become the second largest operator in Spain by number of airports and business volume. In the current economic environment, it is noteworthy that 100 new staff were recruited in this area.

Following the strategic policy of the company to consolidate its market position in Portugal, the Boa Nova and Sines logistics projects have been launched, enabling Repsol to achieve a better supply foothold in the country.

Confirming the growth and consolidation strategy, over 60% of specialized sales are made in the international market, operating in over 100 countries and with 40 international distributors of lubricants. Highlights include the signing of an agreement to manufacture lubricants for Russia and the start of construction of the third-generation base lubricant plant in Cartagena.

True to its social commitments, in 2012 Repsol consolidated the employment and integration of people with disabilities and advanced in its commitment to sustainability, respect for the environment and safety of people by renewing the Repsol Bio Telex 46 lubricant line, which received the European Eco-label distinction. The company also developed other environmentally friendly products at the Repsol Technology Center, including as Bio Repsol Telex 68 oil and green asphalts.

Additionally, the Executive division of Marketing Europe received the Eventplus Silver Award in the category of Best Convention 2011 for its innovative staging, replacing printed materials by projections on a stage built from reusable materials.

Liquefied petroleum gas (LPG)

Repsol is one of the leading retail distributors of LPG in the world, ranking first in Spain and Peru, and maintaining top positions in Portugal and Ecuador. In 2012, the company operated in seven different European and Latin American countries.

LPG sales in 2012 totaled 2,537 thousands of tons. Meanwhile, total sales in Spain slumped by 6% year on year, primarily due to lower retail sales of bottled lines and lower LPG consumption in the petrochemical sector. Repsol distributes bottled, bulk, and piped LPG in Spain through the collective distribution and Autogas networks, with over 5 million active customers. Bottled LPG sales accounted for 62% of total retail LPG sales in Spain in 2012, through a network of 225 distribution agencies.

Sales volume of LPG	2012	2011
Thousands of tons		
Europe	1,414	1,486
Spain	1,271	1,325
Rest of Europe ⁽¹⁾	143	161
Latin America	1,123	1,212
Peru	622	625
Ecuador	374	375
Chile	112	194
Rest of Latin America ⁽²⁾	15	18
TOTAL	2,537	2,698
Bottled	1,367	1,497
Bulk, piped and other ⁽³⁾	1,170	1,201
TOTAL	2,537	2,698

⁽¹⁾ Portugal in 2012 and Portugal and France in 2011.

⁽²⁾ Colombia in 2012 and Brazil in 2011.

⁽³⁾ Includes sales to the automotive market, LPG operators and others.

In Spain, prices continue to be regulated for piped LPG and bottles between 8 and 20kg, excluding bottled mixtures for using LPG as fuel. The pricing system ordered for bottled gas by the Ministry of Industry, Trade and Tourism in September 2009 (ITC 2608/2009) has significantly impacted on the retail margins of this product in the first nine months of the year. According to this model, 25% of the price to be applied in a quarter is pegged to the international prices in the preceding quarter with a time difference of one month and the remaining 75% depends on the maximum price prevailing in the concluding quarter.

On June 19, the Supreme Court issued a ruling (published in BOE [Official Gazette] of July 20), partially upholding the appeal filed by the LPG Operators Association (AOGLP), and most significantly, declaring the nullity of Order ITC 2608/2009, in force on that date, on the updating of regulated bottled LPG prices. The prices for fourth quarter 2012 published by the Ministry of Industry were calculated according to the previous Ministerial Order ITC 1858/2008.

In the BOE of December 31, 2012, Royal Decree-Law 29/2012 of December 28, was published on improving management and social protection in the Special Scheme for Domestic Workers and other economic and social measures.

The aforementioned Royal Decree-Law provides that from January 1, 2013, the maximum sales price, before tax, of bottled liquefied petroleum gas, as defined in section two of Order ITC/1858/2008 of June 26, will be the price defined in the Resolution of September 24, 2012, issued by the Directorate General for Energy Policy and Mines, publishing the new maximum sale prices, before tax, of bottled liquefied petroleum gases, in bottles with a capacity equal to or greater than 8 kilograms, but less than 20 kilograms, excluding bottled mixtures for using liquefied petroleum gas as fuel, until the next review scheduled for March 1, 2013, pursuant to the first final provision of that Order.

In Portugal, Repsol distributes bottled, piped and bulk LPG and Autogas to end customers while also supplying other operators. Sales in 2012 reached 143,000 tons, making the company the third largest operator with a 21% market share. In 2012 it launched the product "Conta Gas 12" with the aim of providing a new service to customers at a time of economic crisis. This is a pioneering LPG product in Portugal that allows a segment of bulk customers to pay their bills in monthly instalments.

In Latin America, Repsol sells bottled, bulk, piped and automotive LPG in the home, commercial and industrial markets with sales of 1,123 thousands of tons.

AutoGas (LPG vehicles) is the most widely used alternative fuel in the world, with over 21 million vehicles (eight million in Europe). Although it has yet to make any meaningful impact on the Spanish market, sales grew by 22% in 2012, indicating increased demand for this economic fuel that also helps to improve air quality within cities. The industry expects that roughly 200,000 vehicles will be running on Autogas in Spain in five years' time.

Repsol, fully aware of the growing interest in this alternative fuel, had 375 points of sale equipped with AutoGas pumps at year-end 2012, of which over 160 are in Spain. Additionally there are already 280 supply points at customer sites.

In Peru, in July 2012 the Ministry of Energy and Mines introduced the Energy Social Inclusion Fund (FISE) which, among other measures, established the distribution of discount vouchers worth 16 soles per 10kg bottle of LPG, allowing the more impoverished sectors of society to access and consume LPG, thus substituting other sources such as kerosene and firewood. The voucher program began with a pilot scheme in the province of La Convention (Cusco).

In 2012, GLP Peru, with the support of Fundación Repsol, handed out around 9,000 cookers to homes Piura and plans to deliver another 7,500 to households in Cajamarca, as part of the NINA project to replace domestic consumption of kerosene and firewood with LPG, introduced by the Peruvian Ministry of Energy and Mines in 2009.

In order to improve living conditions in emergency situations, like those arising in the aftermath of earthquakes and floods, Repsol has put together emergency aid kits. Fundación Repsol has donated 1,000 kits to the Spanish Military Emergency Unit (UME) for distribution to the affected population when required in situations of emergency necessity.

Chemicals

The chemical division produces and markets a wide variety of products, ranging from basic petrochemicals to derivatives. Its products are marketed in over 90 countries, leading the market on the Iberian peninsula.

Production is concentrated at three petrochemical complexes located in Puertollano, Tarragona (Spain) and Sines (Portugal), where there is a high level of integration between basic and derivative chemicals, as well as with refining activities, in the case of the Spanish facilities. Repsol also has a number of subsidiary and affiliate companies, through which the company produces styrene derivatives, chemical specialties and synthetic rubber at special plants. The latter is produced through Dynasol, a 50% partnership with the Mexican KUO Group, with plants in Mexico and Spain and another one under construction in China with local partner Shanxi Northern Xing'an Chemical Industry.

Weak demand, the high level of uncertainty about the growth of the economy and the inability to adapt prices to the rising raw materials costs conditioned the income for the year. However, the consolidation of strong cost-cutting measures and production adjustments at the plants, along with the optimization of integrated margins helped to minimize losses in 2012.

Sales to third parties amounted to 2,309 million tons, down from 2,659 million tons in 2011.

The main efforts in 2012 focused on the improvement and optimization of existing assets, driving efficiency, reducing costs and improving quality, safety and environmental compatibility standards. Emphasis was also placed on diversifying the investment portfolio. In this regard, at the Puertollano Complex, after the conversion of an existing unit in 2012, a new unit for the production of EVA polymers was commissioned, leading to an increase in capacity of 15,000 tons of differentiated products.

OPERATING FIGURES, CHEMICALS	2012	2011	VARIATION 2012/2011
Thousands of tons			
Capacity			
Basic petrochemicals	2,808	2,808	0%
Derivative petrochemicals	2,942	2,933	0.3%
TOTAL	5,750	5,741	0.2%
Sales by type of product			
Basic petrochemicals	731	889	(18%)
Derivative petrochemicals	1,577	1,770	(11%)
TOTAL	2,308	2,659	(13%)
Sales by region			
Europe	1,997	2,311	(14%)
Rest of the world	311	348	(11%)
TOTAL	2,308	2,659	(13%)

The following table details the production capacity for the main petrochemical products, mainly in Europe, as of December 31, 2012:

PRODUCTION CAPACITY	
Thousands of tons	
Basic petrochemicals	2,808
Ethylene	1,362
Propylene	904
Butadiene	202
Benzene	290
Ethyl tert-butyl ether	50
Petrochemical derivatives	2,942
Polyolefins	
Polyethylene ⁽¹⁾	883
Polypropylene	520
Intermediate products	
Propylene oxide, polyols, glycols, and styrene monomer	1,189
Acrylonitrile/Methyl methacrylate	166
Rubber ⁽²⁾	115
Other ⁽³⁾	69

⁽¹⁾ Includes ethylene vinyl acetate (EVA) and ethylene butyl acrylate (EBA) copolymers.

⁽²⁾ Includes 55,000 tons of production capacity in Mexico.

⁽³⁾ Includes styrene derivatives and specialties.

New Energies

The New Energies business unit was created by the Repsol Group in 2010 to promote and provide business sense to the new initiatives that contribute to a vision of the future where energies are more diversified and produce fewer carbon dioxide emissions.

The aim of this new business unit is to identify new opportunities, promote projects and carry out initiatives in fields such as bioenergy and renewable energies applied to transport and other areas that could share synergies with Repsol's current businesses and the geographic regions in which it operates.

In 2012 New Energies continued to develop a number of projects initiated from the outset consisting in bioenergy development, microalgae research and wind farm promotion projects.

In 2012 Repsol continued to develop the electric mobility business through IBIL and IBILEK. In this sense, IBIL extended the scope of its activity throughout Spain with the opening of seven sales offices. In addition, a control center was launched for the monitoring and comprehensive management of the infrastructure and business, the first of this kind in Spain. IBIL has already more than 300 recharging stations operating in both the public and private sectors. Development has begun along these lines on fast recharging infrastructure at the service stations of the Repsol Group. Meanwhile, IBILEK offers electric mobility services through the public rental electric cars per hour (operating in the three Basque provinces) and corporate (among the three branches of Repsol in Madrid).

In 2011, Repsol acquired 100% of Sea Energy Renewables, later renamed Repsol Nuevas Energías U.K., a British company based in Scotland engaged in the promotion and development of offshore wind farms. With the deal, Repsol acquired development rights at three offshore wind farms off the Scottish coast.

Within the context of this same deal, Repsol reached an agreement with EDP Renováveis for the joint development of two of these wind farms, namely the 1,500-MW Moray Firth wind farm and the 905-MW Inch Cape facility. Following the operation, Repsol owns 33% and 51% interests in these facilities, respectively. The company also holds a 25% stake in the Beatrice wind farm with Scottish and Southern Renewables owning the remaining 75%. Thanks to the new deal, Repsol now holds rights to develop, construct and operate 1,190 MW of installed capacity in the United Kingdom.

During 2012 Repsol executed the investment plan for these three projects according to schedule and incorporated the capacities needed to ensure their development. The main milestones included the applications submitted for the development of both the Beatrice and the Moray Firth offshore wind farms (in April and August, respectively). Additionally, work continues on filing the application for Inch Cape in the first half of 2013.

During the project development stage, to be completed between 2014 and 2015, the necessary studies will be conducted and steps taken to acquire the construction and operating permits for the facilities, with commissioning expected to take place between 2015 and 2020. These projects will allow Repsol to apply its considerable technological expertise in offshore operations, coupled with its experience in large-scale engineering projects.

In addition to managing the investments made in 2010 and 2011, the New Energies division has made the following investments in 2012, all them through Repsol New Energy Ventures, S.A., a 100% subsidiary of the Repsol Group.

In June 2012, Repsol acquired 31% of the Portuguese company Windplus dedicated to the development and demonstration of Windfloat technology based on semi-submersible floating platforms for the installation of offshore wind farms. Windplus already has a full-scale prototype in operation off Portugal's northern coast.

In July 2012 Repsol bought 50% of the company NEOL Biosolutions, an offshoot of Neuron Biopharma's bioindustrial division. The mission of NEOL, based in Granada, is the selection and improvement of microorganisms, together with the development and patenting of second-generation biofuel production processes.

In October 2012 Repsol New Energy Ventures and Innvierte Economía Sostenible signed an investment commitment for €21 million to make joint investments over the next five years in small and medium-sized Spanish companies that develop innovative technology initiatives in the sectors of bioenergy, renewable generation, electric mobility, energy storage and energy efficiency.

These investments, channeled through Repsol New Energy Ventures in companies with a distinct technological profile, aim to participate in and encourage the development of innovative technologies related to the lines of business of the New Energies division.

In addition, on January 16, 2013, Repsol New Energy Ventures, S.A. acquired 18% of the Dutch company Tocardo, BV, dedicated to developing power generation technology in rivers and ocean currents.

Investments

Operating investments in the Downstream division totaled €666 million compared with the €1,704 million last year, which is a 61% decrease, corresponding chiefly to the completion of major refining projects. Most of this amount will be used for operating improvements at facilities and to fuel quality, in addition to safety and the respect of the environment.

Divestments

In 2012, Repsol reached an agreement with a consortium of Chilean investors, led by Larrain-Vial, for the sale of 100% of its subsidiary Repsol Butano Chile for approximately \$540 million. Repsol Butano Chile had a 45% share of Lipigas, a company with a presence in the Chilean and Colombian LPG markets, in addition to other financial assets.

The sale of these subsidiaries is a further step for Repsol in the implementation of its Strategic Plan, which contemplated the selective divestment of non-strategic Downstream assets.

Gas Natural Fenosa

Results

Repsol's 30% stake in Gas Natural Fenosa generated an operating income of €920 million in 2012, up from €887 million in 2011, despite a lower contribution of capital gains from the sale of assets over the previous year.

This positive trend is mainly explained by diversification efforts and the increasing contribution of international activities and the balance provided by the business profile of Gas Natural Fenosa which offset the effect on income from divestments carried out in 2011 and the stagnation of results in the regulated electricity business in Spain owing to the impact of Royal Decree-Law 13/2012.

The main operating highlights for the business are described below. In the interests of clarity, the figures shown below are those generated by Gas Natural Fenosa, even though the Group's holding in the company is 30%.

Gas distribution

Spain

Business in Spain includes the compensated gas distribution activity, the ATR (third-party network access services) and secondary transport, as well as non-compensated distribution activities (rental of gas meters, connections to customers, etc.).

Within the framework of the action plan approved by the Spanish National Antitrust Commission (CNC) in relation to the Unión Fenosa acquisition process, on June 30, 2011 the sale was concluded of 304,456 natural gas supply points, representing consumption of 1,439 GWh in the Autonomous Community of Madrid that were acquired by Madrileña Red de Gas Group. Sales from regulated gas business in Spain amounted to 195,769 GWh in 2012, down 2.7% on the same figure for 2011.

Gas Natural Fenosa has continued to expand its distribution network and number of supply points, although it should be noted that the figures provided have been offset by the divestments made in 2011. Reduced activity in the new construction market continues to condition the increase of supply points, partially offset by a greater number of connections in the domestic property market.

At year end, the gas distribution network spanned 46,541 kilometers, an increase of 6.1% year-on-year, and the number of supply points came in at 5,124,000, 1.5% higher than 2011.

Latin America

This covers gas distribution activity in Argentina, Brazil, Colombia and Mexico. In 2012, the number of gas distribution supply points reached 6,090,470 customers. Year-on-year growth rates remain high, showing an increase of 207,565 supply points, with Colombia turning in a particularly solid performance, where new supply points amounted to 111,159.

Sales from gas activity in Latin America, (gas and third-party network access services), totaled 210,358 GWh, a 10.1% increase compared with last year's figure.

The gas distribution network has been extended by a further 1,503 kilometers over the last 12 months, reaching 67,334 kilometers at year-end 2012, representing growth of 2.3%.

Italy

Business in Italy includes rate-regulated gas activities and sales.

Gas Natural Fenosa reached a total of 448,967 supply points in the gas distribution business in Italy, up 2.0% on the same figure for financial year 2011.

The gas distribution activity stood at 3,647 GWh, marking an increase of 1.9% compared to 2011, primarily due to favorable weather conditions. The distribution network was extended by 149 kilometers to reach 6,885 kilometers at the close of the year.

Power distribution

Spain

This business includes regulated power distribution activity and customer network services, mainly connection and link-up rights, metering, and other services associated with third-party access to the company's distribution network. Electricity supply points experienced mild growth of 0.6% in 2012 to reach 3,772,495.

In 2012, power effectively supplied remained at similar levels as 2011, reaching 33,763 GWh, despite the fact that overall electricity demand has dropped by 1.7%, in line with the nationwide trend.

Latin America

Business here encompasses regulated power distribution in Colombia, Nicaragua and Panama.

Following its divestment, as of June 1, 2011 the electricity distribution business in Guatemala is no longer consolidated in the results.

Sales by the power distribution business in Latin America represented 18,074 GWh, marking an increase of 2.1%, despite the inclusion in the previous year of sales from distributors in Guatemala. The number of supply points showed an increase of 3.8%, reaching 3,700,934.

Moldova

Business in Moldova involves regulated power distribution and marketing at a tariff in the capital and metropolitan area and in the country's central and southern regions. Gas Natural Fenosa distribution in Moldova accounts for 70% of the country's total.

The energy delivered climbed by 3.3% while the supply points, which totaled 836,000, also experienced year-on-year growth. Sales from the electricity distribution business stood at 2,525 GWh.

The management streamlining plan being developed in Moldova is enabling the planned objectives to be met and improving basic operating figures.

Electricity

Spain

The electricity business in Spain includes power generation activities, the wholesale and retail marketing of electricity in the deregulated Spanish market, the supply of electricity at the tariff of last resort and electricity trading in wholesale markets.

In 2012, the national electricity demand stood at 251,749 GWh which represents an annual decrease of 1.4% over the previous year. After correcting this percentage to factor in the effects of the number of working days and temperatures, the actual drop in demand was 1.8% during the year.

Gas Natural Fenosa power generation throughout the Iberian Peninsula amounted to 37,144 GWh in 2012. Of this amount, 34,425 GWh came from ordinary system generation, and 2,719 GWh from special system generation. This represents a year-on-year slump of 2.5% as a whole, broken down as 3.6% under the ordinary system chiefly due to divestments and reduced hydroelectric output and 14.2% under the special system. Gas Natural Fenosa's accumulated share in ordinary system generation at December 31, 2012 was 20.7%, equaling the previous year.

Hydroelectric production in totaled 1,665 GWh, marking a year-on-year drop of 42.4% due to a very dry year from a hydrological standpoint. The generation of electricity using combined cycle sources in 2012 reached 20,602 GWh, 14.0% lower than the previous year, a figure affected by divestments in combined cycles. Nuclear production increased slightly compared with 2011. The upshot for Gas Natural Fenosa of the enactment of the Royal Decree on the Guarantee of Supply is that the national coal-fired plants affected by the new law are operating non-stop with production levels of 7,724 GWh, in comparison to the 4,464 GWh generated in 2011.

Sales from the electricity marketing business came in at 35,910 GWh.

Latin America

This section relates to power generation assets in Mexico, Puerto Rico, Panama and the Dominican Republic.

Power generated in Latin America stood at 18,188 GWh in 2012, higher than the previous year, mainly in Mexico and Puerto Rico.

Kenya

This section includes power generation in the African country. In 2012, Kenya's fuel-based power generation reached 646 GWh, down 15.8% from 2011 owing to lower demand for thermal power in the country as the result of higher rainfall during the year and, consequently, the rise in reservoir levels.

Infrastructure

This business includes the development of integrated liquefied natural gas projects; oil and gas exploration, development, production and storage; sea transport management and operation of the Maghreb-Europe gas pipeline.

Gas transportation activity carried out in Morocco through the companies EMPL and Metragaz represented a total volume of 116,347 GWh, up 4.0% on the previous year. Of this figure, 79,475 GWh were transported to Gas Natural Fenosa through the company Sagane, while 36,872 GWh were earmarked for Portugal and Morocco, representing growth of 17.9%.

In relation to exploration and production activities, the Villaviciosa exploration license will be abandoned, geological and geophysical surveys have been performed in the Bages area (Barcelona) and progress continues with processing applications for five projects in the Guadalquivir Valley area.

Supply and marketing

This business area is engaged in the supply and marketing of gas (wholesale and retail) both in Spain and abroad, and of other products and services related to retail marketing and also marketing of the gas tariff of last resort in Spain.

Gas Natural Fenosa's supply and marketing in the Spanish gas market reached 238,451 GWh, representing an increase of 0.7% over the previous year, chiefly due to increased sales to end customers which increased by 5.3%, while the supply to third parties in the Spanish market fell by 11.0%.

Supplies to the international market climbed noticeably to reach 89,607 GWh, marking an increase of 24.9%.

Unión Fenosa Gas

This business embraces the gas supply and marketing activities carried out by Unión Fenosa Gas, including the liquefaction infrastructure in Damietta (Egypt), regasification infrastructure in Sagunto (Spain) and management of the shipping fleet.

Gas supplied to the Spanish market reached 55,683 GWh, representing a year-on-year drop of 2.2%. In addition, 28,200 GWh of energy was handled through international sales transactions in various markets.

Investments

Repsol's operating investments over the year in relation to its stake in Gas Natural Fenosa amounted to €432 million, in comparison to the €582 million reported in 2011 due primarily to decreased investment in the Spanish regulated market, but partly offset by increased investment, mostly in Latin America, channeled chiefly in Mexico, Brazil and Colombia.

Corporate areas

People management

At year-end 2012, Repsol had a consolidated workforce of 29,985 people representing over 80 different nationalities. Of this figure, a total of 23,995 employees were working at companies under the direct control of Repsol. All the information presented in this section refers to these employees. The company's employees work in more than 30 countries, chiefly in Spain (71%) and Peru (13%) but also in countries such as Portugal (5%) and Ecuador (4%). Of the total number of employees, 76% work in the Downstream division, 13% in Upstream and LNG, and 11% in corporate departments.

The breakdown of the workforce is 1% executive personnel, 8% technical managers, 49% technicians, 5% administrative staff and 38% operators. Permanent work contracts account for 91% of the total, while women represent 32% of the total workforce.

During financial year 2012 a new organizational structure was approved that has led to changes both at senior levels and the other organizational levels of the company's different departments. These changes reinforce the current model, favoring the development of internal talent and providing new career opportunities to Repsol's professionals. These changes notably included the hiring of 33 people to the management team 2012 and the announcement of numerous reshuffles in different businesses and corporate areas.

Diversity and balance

Diversity and Balance Committee has continued to promote the programs initiated in previous years: telecommuting, recruiting people with disabilities, working hours, efficient time management and cultural diversity.

Throughout 2012 the telecommuting program was extended to industrial complexes and sales offices throughout Spain and a telecommuting pilot project was launched in Peru involving 26 employees and in Ecuador with 10 employees.

At year end, more than 1,000 people worldwide had signed up to the scheme, representing an annual increase of 45% and demonstrating positive progress towards a corporate culture based on commitment, efficiency and reaching targets.

In 2012 the White Paper on Teleworking was presented and published, summarizing Repsol's experience as a pioneer in the industrial field.

Also noteworthy were the company's advances in providing flexible work hours for all Repsol's workers, adapting to the customs of each country as well as its commitment to provide minimum paid leave conditions throughout the world (maternity, paternity or breastfeeding leave, leave following the death of a family member and marriage leave), improving the statutory leave in most countries where Repsol is present.

In the case of Spain, the measures related to the flexible working hours implemented at the headquarters in Madrid following the VI Framework Agreement were well received by employees, namely:

- Two-hour flexible start time (between 7:30 and 9:30) in winter.
 - Minimum lunch break time reduced to 45 minutes.
 - Monthly totals of working time, allowing employees to distribute the working day according to their personal needs.
 - The continuous shift on Fridays remained unchanged throughout the year, with the possibility of moving this afternoon off to another day in the week, with the prior approval of supervisors.
- As for progress and new measures towards work-life balance:
- Special leave was introduced for employees to care for their children who are minors and who are suffering from serious illness requiring long-term hospitalization.
 - The company renewed the choice of free healthcare sessions/services that employees can benefit from at home in case of illness or illness of a family member. These services cover specialized personnel including psychologist, nurse, physical therapist, tutors for convalescent children, home help, daily help for senior citizens, and other services such as delivery of medicines or telephone help for dependent children or elderly relatives.

- Under the name of "Tu Banco de Tiempo" employees at the head office have a series of time-saving services that allow them to arrange tasks not related to work, such as processing official applications, dry cleaning and home repairs without leaving the workplace. These measures represent a means of saving of time and effort and are very popular among employees.

The Program for Efficient Time Management is aimed at fostering a more flexible and efficient use of time, based on factors such as planning and prioritizing work tasks, and the use of new technological tools that streamline work processes and encourage communication.

After the training and awareness efforts in previous years regarding the efficient use of e-mail, in 2012 an interactive tutorial was developed for the efficient management of meetings that was forwarded to employees via the various internal communication channels.

In 2012 the company reached the figure of 547 people with disabilities directly recruited worldwide (437 in Spain, 17 in Portugal, 39 in Peru, 38 in Ecuador, 10 in Venezuela and 6 in Brazil) with an additional 170 people hired under other systems in Spain. These employees are integrated into all areas of the organization and 22% of them work in qualified technical positions. In 2012, significant efforts were made to encourage the hiring of disabled employees in the industrial area and awareness-raising campaigns have continued.

In terms of cultural diversity, in 2012 a study was performed to understand the perceptions of employees and identify potential cultural barriers and success stories, and define a management model that capitalizes on the cultural richness of Repsol as a competitive advantage.

The study included a total of 4,916 employees worldwide, through an online survey, supplemented with 27 focus Groups and 39 personal interviews.

Employee lectures were also scheduled to raise awareness about the cultural character of countries in which the company is strengthening its presence, such as China, South Korea, Brazil, Angola, Algeria and Russia. Various workshops were also organized on 'management skills in multicultural environments' and other specific Group coaching activities for staff who perform their duties in particularly multicultural environments.

All the diversity and work-life balance programs are geared towards staff with the commitment to providing a flexible and attractive working environment, and understanding that diversity is a differential element that provides greater innovation and competitiveness to the organization, hence its management and promotion is one of the company's top priorities.

Repsol has partnerships and agreements in place with different organizations which advise the company in a number of areas. In Spain, these include the Framework Cooperation Agreement between Repsol, ONCE and their respective foundations, with action geared towards developing and enhancing the social integration of people with disabilities.

In 2012 a cooperation agreement was signed with the *Fundación Inteligencia y Sociedad* (Intelligence and Society Foundation) in order to facilitate the incorporation into the company of people with social integration difficulties stemming from their high IQ levels. In July 2012 the company also joined an initiative to raise awareness against gender violence launched by the Spanish Ministry of Health, Social Services and Equality. This agreement is part of the initiative "Companies towards a society free of gender violence" and seeks to spotlight the scourge of gender violence in our society by stressing the importance of raising awareness and continuing to provide employment opportunities for victims of such violence.

In the area of gender equality, Repsol, S.A. continues to be one of the companies recognized with the Corporate Equality Label, promoted by the Spanish Government. This distinction is awarded to companies whose equal treatment and opportunities policies for workers deserve special recognition.

Also in 2012 a collaboration agreement was signed with the *Fundación Activos de Gran Experiencia* (AGE) (Highly Experienced Assets Foundation), in order to improve age management policies in the organization.

A diversity management study was recently performed in to analyses all its aspects in the company (gender, culture, generation, people with disabilities, etc.). The analysis collects and contrasts a large number of variables related to experience, talent, training, compensation and employment status, among others, and its ultimate goal is to ensure compliance with the Repsol's respect policies, encouraging diversity and equal opportunities for all people. The report shows the company is advancing in the right direction and indicates some possible points of analysis, such as the professional development of assets with greater experience.

The company's different diversity and work-life balance programs have been externally recognized with prestigious awards, including:

- The Reina Sofia Prize 2012 for the Professional Integration of People with Disabilities convened by the Royal Trust for People with Disabilities, in recognition of the continued work on the implementation of deliberate and calculated policies for the professional integration of people with disabilities in the workforce. The jury noted the advanced level of development of practices devoted to promoting accessibility in the company's physical and virtual environments, the recruitment of people with a high degree of disability and the social work carried out by the Repsol Foundation.
- The "Empresa Inteligente" (Intelligent Enterprise) certificate for Repsol's commitment to hire exceptionally talented young people.
- The Spanish Confederation of People with Physical and Organic Disabilities (COCEMFE) has awarded Fundación Repsol the COCEMFE 2012 Award in the category of Best company for improving the quality of life of people with disabilities.
- Repsol has been awarded "El Diamante de la Compra" ("The Purchasing Diamond") prize in the category of "Special employment centers as a source of supply", awarded by the Spanish Association of Purchasing, Procurement and Supply (AERCE).
- The Repsol Foundation has been awarded the Bobath Foundation prize in the private entity category for its project "Young People Affected by paralysis and brain damage. Intermediate Vocational Training", in recognition of its work towards the social and professional integration of this collective, as reported by the institution.

Climate Survey

After the completion in 2011 of the third Climate Survey among all of Repsol's permanent employees, in 2012 the workshops that began in fourth quarter 2011 to identify the causes of the issues raised were concluded.

In total there were about 350 workshops, 150 employee presentations, 89 presentations to management committees and total of 23 key personnel management factors were identified.

Throughout 2012 various action plans were defined in the main management areas of the company. These plans considered the work performed to identify the causes of the previously defined issues with cross-company lines of action.

Monitoring tasks also began to follow these actions in several areas and divisions.

Cultural change

One of the highlights of 2012 was the identification and description of the company's values. At the origin of the cultural values, the essential core of daily work, two attitudes prevail in the Repsol culture: respect and a sense of foresight.

Both concepts are defined below:

Respect: "Each of the members of the Repsol Team must care for people, society and the planet, building trusting relationships, starting with the corporate environment. Everyone must be open ideas, beliefs or practices that are different from their own, thus achieving the best results."

Sense of foresight: "At Repsol we act with a comprehensive and forward-looking vision, aware that only thus will the company be able to progress, create value and overcome the challenges raised by this vision."

Meanwhile, Repsol's corporate values are identified as: flexibility, transparency, innovation, integrity and accountability.

In 2012 innovation became considered a corporate value with the following statement: "at Repsol we believe that the key to our competitiveness and evolution lies in our ability to generate ideas and implement them in an environment of collective collaboration and learning." The development of this value will allow the Repsol Group to achieve new heights of performance.

The process of cultural change deployed by the Repsol Group implies an evolution in working methods and people management, which, in the case of innovation and continuous improvement, require collective intelligence, cross-cooperation and generosity. This common cultural foundation enables us to deploy changes through two main strategies: one based on continuous improvement activities and the second, on innovation drives. At the core of this strategy are multidisciplinary teams, who, on the basis of strategic business priorities, bring into play new patterns of conduct where continuous learning, based on sharing successes and failures, is one of the key elements of this new attitude.

Both these approaches and the values were approved by Repsol's Executive Committee and subsequently published.

Campus is one of the projects that has made Repsol's values tangible. The new headquarters is a spatial and architectural opportunity, and also an opportunity to work in a different way, highlighting what Repsol means as a company. In fact, the architectural space has made initiatives possible that revolve around people, such as flexible hours, the paperless office or the introduction of advanced telecommuting posts, all which contribute to a new work organization policy. From the standpoint of tools and systems, the workplace has evolved according to the latest technological advances in hardware and software, and a modernization process is also taking place with administrative self-management; environments such as expense and time management and job modifications are now a reality. In addition, Campus is designed from the perspective of enabling technology to lend support to the organization. Accordingly, these values are reflected in the flexibility of the spaces; in the way things are done; in responsibility towards the environment, creating a sustainable building; in the integration that considers the needs of each department and business unit; in the commitment to transparency with more open spaces and fewer offices; and in innovation, with the creation of meeting spaces that facilitate the exchange of knowledge and the use of new technologies in all these processes.

The move to the new corporate headquarters has seen the launch of a range of healthcare infrastructures and services adapted to the new environment and work style. The Campus was designed as a cardio-protected area and therefore several defibrillators have been installed at these facilities along with the major industrial centers.

Throughout the Campus project the contributions of a team of facilitators representing all the company areas and business units were taken into account. In this way, the cultural aspects and values have also been adapted according to the needs that arose during the relocation and occupancy of the new facilities.

Attracting the finest talent

To develop a professional vocation, Repsol offers different ways to recruit, motivate and engage talented individuals, helping them to develop personally and professionally, with a good working environment, skills training, internal promotion opportunities and job mobility.

It also has programs to capture young talent, professionally training them to join as part of the team. In 2012, 140 new professionals joined one of three Master's Courses offered by Repsol (Hydrocarbon Exploration and Production, Refining, Petrochemicals and Gas, and Energy Management, the latter with two courses in 2012), giving them the opportunity to learn about and understand the various business units of the company, acquire basic knowledge of business management and the management and decision models of an international company and likewise to develop the skills needed to improve their professional efficiency, closely linked to Repsol's culture and professional style.

To recruit this talent, the company took part in over 10 forums and job fairs, many of them in industrial environments and it gave talks and presentations in a number of schools, colleges, universities and associations.

Repsol has adapted to the needs of the new European Curriculum of the Bologna Accords, receiving university students with curricular work experience. Training for university students in different areas of the company has been reinforced with the signing of more than 300 scholarship agreements in 2012. These programs are aimed at graduates and final year students, preparing them for their future incorporation in the job market. The Impulsa plan, which consists of online generic skills courses targeting graduates in work experience schemes, has become an important commitment to training these interns who will later become one of the most important corporate recruitment sources.

Within the different training profiles employed throughout the company, Vocational Training internships have also have been provided for more than 60 Intermediate and Higher Level Vocational Training students, with a high percentage of these joining Repsol through various employment vacancies.

Repsol took part in various outreach programs between the education system and the business world by providing educational work experience at the company for young people to be better prepared for their professional future, motivating them and providing them with the necessary skills. A dozen secondary schools and colleges have benefited from these initiatives.

In the Careers Channel at repsol.com contents were updated and new videos of employees were included. According to market trends and the needs of the company, and with the KWD Webranking as a benchmark, a full review of the careers area has begun, using this opportunity for improvement to change our focus and reach the target audience.

The emergence and widespread presence of social networking has established a new paradigm for communication, participation and relationship with the main stakeholders. Aware of this, Repsol has improved its capacity for monitoring and measuring its image and positioning in this new environment in order to establish new points of contact with the target groups. In this sense, to enhance its image as an employer the company has expanded its presence in social networks, incorporating more information from the company and increasing the ability to recruit through this professional network.

Talent management

Throughout 2012 Repsol's talent management model was consolidated, identifying and updating the company's evaluation and development tools with the objective of making all the means, tools and processes available to everybody involved. All this is available to employees on the company intranet.

The nature of the company, the complex organizations that generate its activity and the team of people who work there, unusual owing to their diversity and highly specialized and technical skills, demands a structured career guide that integrates both technical and management factors. Therefore, in the Upstream area a technical career model was defined for exploration and production identifying key criteria and aspects of the professional career: technical disciplines, functional roles and mentoring as a basic tool for the development and transmission of technical knowledge.

The ever increasing internationalization of the company makes it necessary to support the corporate businesses and areas. A result of this is an initiative that has been launched in the area of engineering, to identify the capacity of people (193 interviews were conducted) to provide Upstream services internationally and the actions that would be needed to strengthen and adapt individual profiles to environmental demands.

Another of the keys throughout 2012 was to continue working on management style. To do so, line manager training workshops continued to be staged to improve management style and introduce techniques for evaluating and providing feedback. A total of 610 line managers went through the workshops. In this context of strengthening the management style, line manager conventions were held for all the industrial complexes, both in the Refining and Chemicals areas and the central areas.

Leadership training seminars were also run, attended by 478 individuals in the different courses:

- Communicate to Lead, 402 professionals attended in 5 different countries
- Effective Leadership, 53 professionals
- Transformational Leadership, 23 managers
- Management Fundamentals, 78 professionals
- Advanced Management, 30 professionals

Additionally, a total of 93 executives went through 6 training programs throughout the year.

The company continued to consolidate the tools it uses to assess and develop the talent of its employees, such as People Review, which provides a detailed assessment of people, generating a shared vision of each of them: their strengths, areas of improvement and professional profile. These assessments pave the way for development plans and other specific actions, and envisage mobility throughout the company. In 2012, 2,307 people were assessed in 52 People Review sessions. Note that 193 people assessed held executive positions.

Fourteen Developments Centers were staged (assessment of the level of development through individual and group tests), 10 in Spain and 4 in other countries, with a total of 112 people assessed.

The Assessment-Feedback scheme continued to be implemented in 2012 to see what perception superiors, team members, peers and internal clients have of the subject's conduct and actions. This scheme started life as a pilot initiative for the heads of the service station network in Spain. In this program 140 managers were assessed in 2012 and 827 people took part. The program includes the assessment process and the follow-up monitoring and support for managers. Additionally, in the industrial area the Feedback-Assessment pilot program was launched for

line managers at the Tarragona industrial complex, that will subsequently be rolled-out in all the complexes of the industrial area.

In 2012, a diagnostic was conducted on the quality and distribution of technical knowledge in the Upstream area, through an assessment of technical skills or critical knowledge in which a total of 1,277 people were assessed.

Since January 2012, 3,330 work migrations and 1,996 changes of job classification have been carried out.

Training

One highlight of 2012 was the launch of the Repsol Master's in Energy Management (REGE), for new professionals who will join various management positions, which provides active knowledge about the value chain at Repsol and the context in which operates, on the company's values, policies, processes, and systems, and on the professional skills that must be implemented in line with the Repsol Style. With regard to in-service training, in 2012 efforts focused on the simplification and integration of the training offer under a homogeneous and company-wide architecture.

Further support was given to the cultural transformation at Repsol in terms of responsibility for safety and the environment through the Prism program: in 2012 there have been a total of 61 events with 1,577 attendees, 62% of whom were executives and managers. The courses empowered leadership through innovation with Lean Management programs and creativity workshops, along with the improvement of digital 2.0 skills focusing on the adoption of new work and collaboration methods (new user tools Windows, Office, Lync, etc.).

These programs combine classroom tuition with online training and use the various tools and virtual training resources that are available in Repsol's Virtual Learning Environment (SCORM courses, blog, forums, information sharing, informal resources library, virtual classroom, etc.).

In addition, the Language School was renewed, currently consisting of different learning methodologies to facilitate language learning such as online courses, teaching by phone, and ad hoc courses for people with critical needs. It features an open learning space, the English Corner, available to all employees, and that can be accessed without submitting tests or applications through the Training Manager. This learning spaces has exercises, videos, listening tests, vocabulary, grammar and eBooks, creating a set of tools for self-taught and voluntary learning where employees can practice and boost their level of English.

All these projects have materialized in 9,301 different courses or events. As indicated in the table below, this area saw a total of 94,068 attendances by 18,122 people and 1,008,973 teaching hours.

Country	People	Attendances	Hours
Spain	12,191	54,499	696,470
Other countries	5,931	39,569	312,502
TOTAL	18,122	94,068	1,008,973

In the B2C field (Business to Consumer) the training offer was extended to external partners, so as to constitute a tool for transformation and a medium for transmitting commercial policies and projecting brand values. In 2012 there were a total of 387 training events, with 3,680 attendees and 48,010 hours of tuition.

In the field of professional training the company has continued its process of integrating people with disabilities and at risk of social exclusion, through training and collaboration programs with institutions (FSC Inserta, Red Cross ...) in coordination with the different People and Organization areas of the different businesses, with the goal of increasing the presence of these groups in the company. Nine courses have been conducted with the participation of 125 students, which have led to the recruitment of 30% of the students by Repsol and its branded service station network.

Furthermore, the training of 100 Intermediate Vocational Training students was performed at Training in Job Centers (FCT) giving them the opportunity to complete their work experience at Repsol service stations.

International careers

Repsol managed a Group of 652 professionals on international assignments at December 31, 2012.

A particular highlight for the year was the company's ability to respond quickly to the needs arising from new projects that the company had started in various countries. Proof of this was the recruitment of 166 employees with international profiles, both internally and externally, and the 105 migrations of existing employees between different countries, thus providing the company with specific experience in key areas to face these new challenges.

The action taken in the case of YPF, which focused on the welfare of employees and their families after the illegal expropriation, illustrates the management style for those posted or assigned abroad, characterized by an integral process that responds not only to the different needs of the company, but also the needs of employees and their family members.

Specifically, on 16 April 2012, coinciding with the announcement of YPF expropriation, a group of professionals from seven different countries (Bolivia, Brazil, Colombia, Ecuador, Spain, Switzerland and Venezuela) were posted in Argentina by the Repsol Group. This group amounted to 42 people, mostly relocated with their families.

At that date there was a group of YPF employees assigned to seven different countries where the Repsol Group has business concerns: Bolivia, Brazil, Canada, Spain, Libya, Peru and Venezuela. This group amounted to 32 people, most relocated with their families.

In the new situation, the need arose to adopt a strategy with respect to these groups, that was performed by the international assignment area in coordination with the labor relations area. As a result we have proceeded to repatriate/reassign 100% of the professionals assigned in Argentina at the time of the expropriation.

Employee remuneration

In 2012 the company implemented a process for communication and transparency with regard to remuneration. This has led to three initiatives:

1. The creation of comprehensive pay bulletins.
2. Communication of the company's remuneration systems and criteria to all employees not subject to collective bargaining agreements.
3. The preparation of wage review audits.

The comprehensive pay bulletin involves communicating all the elements of each employee's individual compensation in an up-to-date and permanent manner. It includes all the compensation headings including fixed and variable remuneration, incentives and benefits, etc. It is currently implemented in Spain for the executives and employees not subject to collective bargaining agreements, and in the future it will be extended to other countries and categories.

The communication of the company's remuneration systems and criteria responds to one of the areas for improvement revealed in the last corporate Climate Survey. Workshops have been set up with the groups of professional employees managed according to these systems and criteria.

Thirdly, the preparation of audit reports for all wage review processes responds to the need to know how they have been performed and if they have appropriately applied the corresponding criteria of diversity: gender, nationality, age, etc., with the aim of implementing the necessary improvement actions.

Also responding to the need to improve employee recognition detected in the latest Climate Survey, in 2012 the company decided to promote non-monetary recognition by performing an analysis of best practices in all the countries and business areas of the Group, as well as its impact on the working environment. A list of non-monetary recognition options is being compiled that will be placed at the disposal of supervisors, along with the procedures for their management.

In 2012 programs have also been implemented in all the countries/businesses with difficulties in retaining talent owing to the high demand for professionals in their market or the lack of expectations for the future of the business, for example in Mexico.

Likewise, the implementation began of the Flexible Compensation Plan for Executives in Spain, as a pilot group, in order to accommodate the remuneration headings according to the personal needs of each executive.

With respect to employees included in collective bargaining agreements, during 2012 evaluation campaigns were performed at Repsol Exploración, Repsol Trading and Repsol S.A., according to the specific needs of these businesses.

Variable remuneration for employees included in collective bargaining agreements

For the first time in 2012 the variable remuneration system was deployed for employees included in collective bargaining agreements in Spain, linked to the achievement of the common goals of each organizational unit.

Common objectives for this group have been defined in 47 different areas, covering all the company's lines of activity in Spain.

The deployment process is aimed at ensuring that all those involved know first-hand the most critical challenges faced by each of the units, and the opportunities each of them has to contribute, focusing on:

- The context of their activity and business.
- Needs for improvement in their area.
- The relationship between business targets, indicators and challenges.
- The type of conduct and contributions that, through their activity, they can contribute to the achievement of the proposed targets.
- The company's need for each of their contributions to build a better future for everyone.
- Ensuring involvement and commitment towards generating opportunities for greater contributions with suggestions for improvements.

Findings of the Study Committee of the VI Framework Agreement

In the VI Framework Agreement the parties decided to create of a joint company-union study committee to develop a performance evaluation system for application in all the activities related to people management.

Furthermore, based on the results of the Climate Survey conducted in 2011, the need was detected among employees included in collective agreements to introduce the following topics:

- A higher level of dialogue between people managers and their colleagues.
- A better understanding of the contribution of each employee to the objectives of the area/unit.
- Individual identification of the strengths and areas for improvement to guide development.

Throughout this year, the Joint Committee developed this new system, reaching consensus on the definition of a process of performance evaluation which will be applied to the collective bargaining agreement group of Repsol's employees in Spain, since it pursues the continuous improvement of the employees' performance and their professional development.

The commitment of the agreement is to deploy and extend the system to other countries.

These initial achievements and agreements have paved the way for a new company model demanding increased commitment from everyone, reflecting and adapting to the diversity of the people that make up Repsol, and bringing about growing levels of personal and professional development.

Innovation

Innovation is a discipline that can and must be developed. During 2012 the company closely examined the development of methods and tools for innovation management. The innovation leadership program has staged 20 seminars and workshops, training events which were attended by 150 professionals from Repsol's Innovation Network. These working sessions, many of them open to other companies, have generated pilot projects of new techniques applied to the Repsol's business, such as ethnography, to understand the needs of technicians in mobility projects at industrial plants, or "design thinking" for the identification of opportunities based on new business models. With a more general scope, two new training programs have reached maturity and have been incorporated into the corporate curriculum: the Creativity Workshop and the Entrepreneurs Workshop. In the Creativity Workshop, Repsol professionals learn to use various creativity techniques to solve problems in a daily business context. During 2012 a first group of 30 trainers was prepared, training them for extending the program to the rest of their colleagues.

Simultaneously, the process of collective idea generation focused on solving business challenges has become consolidated with the establishment of a permanent corporate platform called "IdeasEnAcción" [ideas in action]. This platform supports the process of collective idea generation within Repsol and creates the Ideas Bank for future inspiration where the best 1,500 ideas are collected from 10 campaigns in which 13,000 professionals from around the world have participated. In order to pool and share the knowledge obtained in

the management of collective intelligence, in 2012 Fundación Repsol promoted a business meeting at its headquarters in which seven large companies shared their experiences in the management of ideas.

The first innovation tables were created as a collective learning environment for various cross-cutting and innovative projects that work on a common business challenge. In 2012 the first of these tables was launched around the challenge of new forms of organization with eight teams developing imaginative proposals to tackle the issues raised.

The Entrepreneurs Workshop, aimed at innovative project teams, seeks to combine corporate know-how and resources with the passion and sense of urgency of a new company. From the experience gained in preparing external entrepreneurship programs, a one-week intensive course was developed to provide support to the role of in-house entrepreneurs, giving them new tools that have proven effective with new entrepreneurs and supporting them with a culture and processes that enable resources to be allocated quickly and flexibly.

The open organization philosophy also extends outside of Repsol. During 2012 educational initiatives were consolidated through the Inspire Program (Universidad Politécnica de Madrid) and Pasion>IE (IE Business School), both in their second editions, along with collaborations in the Social Council of Universidad Carlos III in Madrid and the EsadeCreapolis campus in Barcelona. In the business sector, open innovation programs have continued to flourish at Banesto and SEAT and new initiatives have been conducted at BBVA, DHL, Grupo Planeta and Telefónica Digital.

Continuous improvement initiatives

The development of this line has rested primarily on a series of projects (18 in 2012) based on the "Lean" philosophy, an improvement methodology that involves creating more value for customers with fewer resources and motivated by the customer's viewpoint in all aspects: reduced costs, better quality and greater agility are consequences of a culture in which added value becomes a daily challenge.

With cultural change as the focus, and the achievement of results as a priority (improving value flows that impact on customers), a methodology was designed that integrates both factors. It has been applied in five pilot projects (three in Information Systems and two Upstream in Operations Quality) on the basis of the processes that are critical to their results and involving the end customer at the definition stage. Throughout the year, training initiatives were staged for managers in continuous improvement techniques and conducts. A workshop was added to the company's training offer on "Lean Management Awareness", which adapts the contents of this methodology to Repsol's needs. In 2012 more than 200 people attended awareness courses, including 70 who were participants of ongoing projects.

Additionally, during the year another innovative in-house improvement methodology was designed and implemented. The "BeyondBenchmarking" initiative is an evolution of traditional benchmarking based on the comparison of Repsol's critical processes with top companies from other sectors and allows best practices and current ideas to be identified, shared and implemented with an open innovation approach.

Accompanying change

Innovation starts with the effective mobilization of Repsol's talented professionals. Accordingly, during 2012 the company focused on implementing the conceptual and technological foundations to allow the deployment of a cross-cutting knowledge management system, fully integrated with business processes. At the core of this participation and knowledge sharing initiative are the social functionalities that have been incorporated into an in-house knowledge management environment based on the Yammer social network, which in November 2012 featured 3,000 members. A new version of the SharePoint platform has been installed that will integrate these conversations in more structured knowledge-sharing and collaboration spaces, such as communities of practice. There are currently 28 communities of practice and more than 400 interest groups with over 3,000 active users in collaborative environments.

A mainstay in the Repsol Group's knowledge management strategy is the implementation of the Autonomy search tool that enables users to locate internal and external content using advanced classification and relevance rating techniques.

During 2012, progress was made in the collection of personal experiences in narrative form, i.e. in the form of stories generally told in the first person, and usually recorded for audiovisual broadcasting. Another highlight was the knowledge management work performed by Refining during the Cartagena refinery expansion project.

Labor Relations

The VI Framework Agreement signed in 2011 with Spain's largest unions - the CC.OO. and UGT - remains in force. This Framework Agreement regulates the working conditions of Repsol's workers in Spain. Its contents have been extended to other collective agreements of the Group in Spain. In 2012 collective agreements were signed for Repsol S.A., Repsol Comercial, Repsol Directo, Repsol Butano, Repsol Química and Dynasol, General Química, Repsol Petróleo, Repsol Trading, Repsol Lubricantes y Especialidades, S.A. (Relesa), Repsol Exploración and Repsol Investigaciones Petrolíferas, S.A. (Ripsa).

At international level, the Repsol Polímeros collective agreement was signed in Sines (Portugal), effective from April 1, 2012 until March 30, 2014.

The European Committee, established to facilitate the right to information and consultation of employees working for community-wide corporations and corporate groups, met on September 4 and 5, 2012, with the presence of the UGT-R . Portugal, Portugal CGTP along with CC.OO. and UGT from Spain.

Meanwhile, the coordination committee of the Union Network [Red Sindical] held a meeting in Cartagena on May 28, 29 and 30, 2012 in which it analyzed training at the Repsol Group, the integration of people with disabilities and the financial results and signed the II Protocol for the operation of the Union Network, effective until December 31, 2015.

Health and Safety

During 2012 the company continued to deploy a new health and safety model throughout the Group. This involved transmitting its contents worldwide (activities, roles and coordination bodies), completing the analysis of the situation in other countries, defining alternative courses of action according to the differences found and adopting a strategic action approach. One highlight of this process was a the staging of a coordination meeting between countries to analyze the new situation and the establish of common lines of action.

New procedures were drafted to assist in the development and deployment of the health and safety policy. The procedure for health indicators was also updated to adapt to the new health and safety and periodic health monitoring approaches. In addition, a new phase of the internal health and safety compliance audit plan was performed at the General Chemicals, Polidux and Repsol Polymers (Sines) centers.

As part of Repsol's commitment to cardiovascular health, the Repsol Cardiosaludable (Healthy heart) plan was launched as five-year initiative through which the company aims to have a positive impact on cardiovascular risk factors at an early stage before potential health damage becomes significant. In 2012 the parameters to be analyzed were selected and the baseline was set to intensify future work on the various risk factors: smoking, obesity, high blood pressure, insufficient physical activity, diabetes, etc.

A significant support for this initiative is the Health and Wellbeing channel in the employee portal that was launched at the end of the year. The channel is a way to make relevant health and wellbeing information available to Repsol's employees.

This channel will also be an effective tool to support the various prevention campaigns and health promotion programs currently under way. The implementation of various campaigns in different countries continued in 2012, including early detection of colon and prostate cancer, blood pressure monitoring, prevention of communicable diseases, smoking, etc.

This year, in addition to the traditional content (first aid, CPR, back clinic, stress management, handling loads manually, etc.), specific training has been provided to emergency action teams about the use of defibrillators in those centers where they have been installed.

Elsewhere, in coordination with the prevention services involved, work has continued on the assessment of psychosocial risk in different units of the company.

In the field of information systems, the migration was successfully completed to the new version of the Win Medtra medical services software package and new features have been incorporated to support collective health monitoring.

Finally, both nationally and internationally, the company has continued its active participation in various forums and associations to keep pace with new organization models, policies, trends, best practices, etc.

Innovation and technology

Repsol considers that investment in R&D&i, performed with the calling to be leader, is one of the key factors in making possible a more efficient and sustainable energy system, capable of responding concurrently to the two great challenges in the sector –supply security and reduction of CO₂ emissions– while maintaining the competitiveness of the energy system. For this reason, Repsol invests in R&D to help find solutions to such important challenges, thereby providing value both to the company and to society as a whole.

Uncertainty about what will be the dominant technologies of the future, time to maturity of R&D efforts, economic cycles and pressures to reduce costs at low points in the cycle have led Repsol to develop a Strategic Technology Plan as part of its business strategy. The lines of work of this plan encompass all areas of the company: hydrocarbons exploration and production, the natural gas value chain, oil refining and its products and petrochemicals, and new energies for diversifying energy production and its use.

In 2012, Repsol invested €77 million in R&D activities carried out directly at its Technology Center in Móstoles (Spain) and a further €6 million in projects undertaken in the company's different business units. Repsol maintains an active policy of collaboration with technology centers, public and private universities and companies in Spain and internationally. The investment earmarked for these types of agreements was more than €20 million. Repsol participates in R&D financing projects run by different government authorities. In 2012 the Technology Center took part in 14 projects promoted by the Spanish government and 6 European Union projects.

Repsol has over 400 specialists in its different research centers.

R&D Programs

Upstream. In 2012 Technology division activity in this area underwent major changes after the definition of the Strategic Plan for E&P Technology for the period 2011-2015.

The challenge for the new plan is to develop and apply a new generation of technologies, in the medium term, to make it possible to successfully tackle and deal with the technological challenges demanded in the Repsol's large investment projects in coming years. This challenge has led to the approval by the Exploration and Production Executive Managing division of nine strategic projects, of which seven are being developed by the Technology division and the other two in the Geophysics Unit of the Exploration Executive division. The estimated budgets for the development of these nine projects amount to around €90 million.

In this context, one of the strategic projects that achieved significant progress in 2012, is the development ground-breaking technology for automated surveillance and the early detection of oil slicks on the water surface. During 2012 two prototypes with this technology were tested at the Tarragona refinery and the Casablanca platform in Spain, with highly promising preliminary results. These tests will continue during the first quarter of 2013.

Another strategic project with significant achievements in 2012, is the development of a technology for evaluating exploration/production opportunity portfolios quickly and reliably, minimizing the risk involved with making decisions under uncertain conditions. This tool will enable the identification of analogous reservoirs, evaluation of assets, definition of optimal production strategies, and prioritizing of business opportunities. A remarkable aspect of this project is the degree of innovation, which is reflected by the five patent applications filed in 2012 and four new applications scheduled for early 2013.

Furthermore, the development of new technologies deployed in the Strategic Plan for E&P Technology 2011-2015 demands the use of synergies and reliance on world class technology development centers along with continuous contact and proximity to the operational units that require technological solutions. For this reason, in 2012 some of the projects have been carried out in the new hubs of Houston (USA) and Rio de Janeiro (Brazil).

Moreover, the complexity of Repsol's new deposits, requires being at the forefront of analysis and interpretation technology in order to ensure efficient development. Accordingly, in 2012, the experimental rock and fluid and advanced reservoir modeling laboratories located at the Repsol Technology Center (CTR), have continued installing state-of-the-art equipment and recruiting highly-qualified staff with industry experience.

The Perla 4x project has established the guidelines for implementing an efficient workflow for core characterization studies. The CTR aspires to be a reference point in the development of this type of study and to continue supporting Repsol's various business units worldwide.

Liquefied natural gas (LNG) and alternative technologies for gas monetization. Advances in the development of floating liquefaction technologies continued in this area, aimed at the exploitation of gas reserves which cannot currently be used in an economically competitive manner. In 2012 a patent for a liquefaction process for floating systems was filed in the United States.

In the area of alternative technologies for monetizing gas reserves, there are two promising new development projects in the natural gas value chain, based on adsorption in porous materials and conversion to natural gas hydrates.

Downstream. In the area of oil refining and its derived products (petrol and diesel, LPG, asphalt, lubricants, specialized products, etc.), technological knowledge is applied to optimize the operation of refineries and to enhance product quality, with particular attention paid to advances in energy efficiency and environmental issues.

As an example of the developments in this area, it is possible to mention technologies aimed at achieving the objectives of the multi-year plan for refinery energy efficiency, together with the support for development of tools for optimizing the expansion of the Cartagena refinery, works aimed at differentiating fuels using new approaches ranging from petrol and diesel to heavy fuel oils, the use of more environmentally-friendly lubricants –formulated using regenerated raw materials and biodegradable oils–, processes facilitating the obtaining of new products for formulating tires in more demanding and competitive markets, asphalts of improved environmental quality and support for LPG applications for transport and integrated systems of improved energy efficiency.

In petrochemicals, company programs continued aimed at improving energy efficiency and cost saving and lines of technological development aimed as a priority at obtaining new differentiated and specialty products. Derivative chemicals received a boost in 2012 with the launch of differentiated catalyst-based products specially designed to generate high-performance polymers.

Highlights for intermediate products include the development of more efficient technologies, enabling a reduction of raw material consumption and the attendant costs. These technologies have been consolidated in pilot schemes that are expected to be scaled up to industrial level throughout 2013.

New energies. Technological developments in 2012 have resulted in new projects to overcome the challenges raised in the company's business strategy. In this regard, biotechnology-related activities have been reinforced through the stake acquired in Neol company dedicated to develop biofuels from the selection and improvement of microorganisms, and also to studying processes for obtaining biofuels from microalgae, with particular emphasis on the extraction and conversion of the oils obtained into biodiesel. Furthermore, in order to develop new processes associated with the major challenge of transforming CO₂ into added value products, five collaborations have been established with universities, technology centers and companies. The electrical mobility activity has focused on electrical charging systems for vehicles and the development of a technological strategy for energy storage. Finally, the renewable power generation activity has focused on the selection of marine and geothermal energy technologies, leading to the company's participation in the second offshore floating wind power project to be implemented in the world at demonstration scale.

Technology prospecting studies

In order to achieve a future with energy sustainability, we must overcome ambitious technological barriers to arrive at new and better solutions, as well as analyze the potential impacts of social events, scientific findings and the evolution of natural resources. Repsol prepares systematic prospecting studies to visualize future scenarios and, in relation to these, identify opportunities arising from the long-term evolution of technologies in the energy and petrochemical sectors.

These include studies on the general evolution of energy-related technologies, the feasibility of flexible bio-refining based on biomass availability and process efficiency, photovoltaic solar generation, renewable power storage and refining scenarios for 2030. Repsol employs these studies to gain an outlook on the future and guide its technology investment portfolio.

Patent policy

Fully aware of the huge importance and value of research and development work, Repsol is committed to the protection of the results of this work. In 2012, in addition to those already mentioned, patent applications were filed for inventions in different areas, such as a catalyst for sulfur plants, the modification of a catalytic reforming unit for the production of middle distillates using an olefin stream and another aromatic stream or direct distillation, aromatic alkenyl copolymers and hydrogenated dienes containing comonomers with silyl hydride units and their functionalized analogues, and recovery of molybdenum and benzoic acid.

Corporate Responsibility

As an energy company that contributes to sustainable development, Repsol must be prepared to understand the expectations of its stakeholders. This is only possible through a corporate responsibility model that integrates these expectations in all internal decision-making processes.

After the final definition of Repsol's Corporate Responsibility model and the implementation of a corporate responsibility coordination system at company and national level with the creation of the Corporate Responsibility Committees, during 2012 work continued on the deployment of the system at operational center level. During the year we developed a common methodology for identifying stakeholders' expectations and integrating them into the company's decision-making process at the main production centers in order to implement performance boosting initiatives.

As a result of these processes, in 2012 a special effort was made to meet the expectations of stakeholders in Repsol's ethical, social and environmental performance. To this end, in 2012 corporate and national expectations studies were developed, taking into account all the interested parties. Repsol compiled national studies in four countries addressed at employees, the value chain, government agencies, the media, the local community and civil society. In 2012 the third corporate sustainability plan was approved with a horizon of 2013. In addition the first national sustainability plans were approved and released in four countries: Spain, Bolivia, Ecuador and Peru. Through these plans, actions have been defined that will be developed over the next two years to bring the company's performance up to the expectations of its stakeholders. Through its sustainability plans Repsol has publicly committed to a total of 278 short to medium term actions, 80% of these relating to variable compensation of employees.

As part of its commitment to transparency, during 2012 Repsol organized the first visit by members of civil society to one of its main oil production operations in Ecuador.

Each year the company publishes its Corporate Responsibility Report, in which accounts for its annual performance and its ethical, social and environmental progress. However, Repsol understands that there are specific issues related to its activities and operations that are of particular local community interest, and therefore in 2012 it also published, for the fourth consecutive year, the Repsol Ecuador Corporate Responsibility Report and, for the first time, the Repsol Peru Corporate Responsibility Report. Like the corporate report, both publications adhere to the standards of the Global Reporting Initiative (GRI). The company also presented the Progress Report of the United Nations Global Compact, showing an advanced level of application and reinforcing the commitment to this initiative that Repsol has supported since 2003.

During 2012 work continued on integrating the United Nations "Protect, Respect and Remedy" framework and the guiding principles for companies and human rights. In this sense, Repsol prepared its draft Policy on Human Rights, which has been submitted for comments to external organizations. The company has set the goal of adopting this policy in 2013. A human rights course was also developed to explain this commitment, the framework on which it is based and how it is being implemented for all Repsol's employees. This course began with a pilot test staged for more than 400 company employees and will be extended to other areas and businesses in forthcoming years.

Repsol believes that the appropriate management of revenues from extractive activities, wherever it operates, should have a positive impact on local economies. For this reason, the company is a founding partner of the Extractive Industry Transparency Initiative that promotes the transparency of financial reports among extractive industry companies (mining, oil and gas) to avoid corruption, social injustice and conflicts.

Yet another year, the company's performance in corporate responsibility matters was recognized and continued to be a part of the following prestigious sustainability indexes: FTSE4Good, Ethibel Sustainability and Dow Jones Sustainability. In this last award, for the second consecutive year, Repsol achieved the maximum rating, becoming the industry leader. Thanks to all this, the company again received the "Gold Class" company rating, according to the Sustainability Yearbook 2012, which recognizes companies with the best sustainability performance.

Repsol's presence in international sustainability indexes is proof of its strong commitment to ethical, environmental and social values as part of its corporate culture. In turn, it is a recognition of the company's commitment to transparency and corporate responsibility.

In 2012, Repsol, the Repsol Foundation and the Ayuda en Acción [Action Aid] Foundation signed a collaboration agreement. One of the planned actions is the sale of fair trade products supplied by Ayuda en Acción in the network of service stations in Spain. This joint initiative will also be an opportunity to share acquired knowledge and experience on the reality of the communities and environments in which the company operates, and thus define cooperation projects that will generate benefits for these communities.

Fundación Repsol (Repsol Foundation)

As an expression of Repsol's social responsibility values and its voluntary commitment to the sustained improvement of society, the Repsol Foundation channels a variety of social and cultural activities in the countries in which the company operates. In 2012, this commitment was reinforced through activities in the field of social action, energy and the environment, integration and the dissemination of art, science and culture.

The Entrepreneurs Fund, launched in 2011 to promote and support innovative business projects in energy efficiency, closed its first call for proposals with over 400 applications. The seven business projects selected, which were submitted in June 2012, are in their incubation phase of development. Their scope ranges from power generation to distribution and end use. These projects include technological, business and legal consulting and financial support of between €6,000 and €12,000 per month during the necessary period for their development along with access to Repsol's industrial infrastructure. Subsequently, contacts will be facilitated with potential investors to put the projects on the market.

The second proposal call for the Entrepreneurs Fund, opened on June 16 and closed on November 16. A total of 479 applications were received, 95% from Spain.

The Foundation maintains its objective of contributing to a more sustainable, efficient and competitive energy model. Within its Energy Observatory framework, the Foundation pursued its studies and publications, updating the Repsol Energy Efficiency and Greenhouse Gases Emission (GHC) indexes, which analyze the whole energy life cycle using internal indexes and from well to pump. In addition, for the first time, the 2012 edition of the study included 2020 projections for the evolution of energy consumption in Spain and internal rates of efficiency and emissions levels. With this study, the Repsol Foundation offers a tool for the analysis, evaluation and monitoring of policies aimed both at improving energy efficiency and the reduction of greenhouse gas emissions.

The Repsol Foundation also works to promote and spread scientific knowledge among young people. To this end, the Education Project in Technical Creativity was launched in cooperation with the "Fundación Educativa Universidad de Padres" (Parents' University Education Foundation). Its aim, through the monthly publication of the "Energía Creadora" (Creative Energy) magazine, is to help spark interest in science and technology as the foundation for scientific and technological progress and encourage young people to investigate and innovate. Under in this framework the Foundation also published the white paper *How to build a culture of excellence, innovation and entrepreneurship. A social action pedagogy*.

Also, from September 25 to November 7, 2012, scientific workshops were organized with Repsol's Industrial Complex in Puertollano (Spain) which invited more than 1,500 students to learn about the importance of energy saving and efficiency and introduced them to the world of chemistry.

Another educational initiative was aimed at children and families through sustainable energy workshops developed in cooperation with the Spanish National Library.

In line with its commitment to meeting the new training demand, the Foundation continued its scholarship program in collaboration with Petronor as well as the A Coruña and Tarragona refineries (Spain). The scholarship program aims to promote Vocational Training in the speci-

alities most required by the company and provide professional employment opportunities among young people.

At university level, highlights include the programs at the Universidad Rovira i Virgili in Tarragona and the Universidad Politécnica in Cartagena to facilitate university access to students with economic and/or social difficulties and a good academic record.

In the 2011-2012 academic year, the Foundation granted more than €347,000 in training scholarships, benefiting more than 160 students.

The integration of people with disabilities is one of Repsol Foundation's main priorities. In this area it conducts social, cultural and sports programs that contribute to equal opportunities and the full integration of the disabled collective. An amount of 207 actions were performed in 2012, directly benefiting more than 41,700 people.

As part of the "Recapacita" project, an initiative to raise awareness about the difficulties that members of this collective face in their daily lives, the Games for Integration were held in Tarragona, Madrid, Cartagena and Puertollano, with the participation of 17,000 people. The project aims to promote integration through sport and highlight the importance of the equal opportunities values transmitted through competition.

Also noteworthy is the program *Your Education has no limits. Develop your Future*. Conducted in conjunction with the ONCE Foundation, the program's purpose is to increase the presence of students with disabilities in universities. In 2012 four special awareness days were held in Tarragona, Puertollano, A Coruña and Cartagena.

Another highlight is the creation of the Telefónica-Fundación Repsol Chair of Family and Disability at the Universidad Pontificia in Comillas, in order to investigate and promote the quality of life of people with intellectual disabilities and their families, from a professional, innovative and critical perspective through social commitment.

With regard to Volunteering, in 2012 the Foundation increased the number of activities, from environmental to educational and social, that directly benefited more than 48,000 people from various groups, thanks to the cooperation of more than 1,000 volunteers. Furthermore, the Foundation took part in the international volunteer project *Madrid por Madrid* (Cities of Service), also joining the *Voluntare* corporate volunteer network and *Engage*, a unique international platform providing support for companies in this area.

Beyond Spain, the Repsol Foundation has continued working in specific community development, health, education, social inclusion and opportunity-creating programs that meet the real needs of disadvantaged social groups in the communities in which the company operates.

In the field of education, in Peru programs were developed for young people with low resources and at risk of social exclusion in Pachacutec and Arequipa, providing them with access to better schooling and eventually university education.

In Bolivia, the foundation is working with the National Theatre School in order to provide comprehensive training for young people with limited resources and promote the spread of theatre in the country.

Specific programs have been undertaken to address health problems identified in each of the countries:

- Improving visual health in Bolivia and Peru.
- Equipment and improvement of the health infrastructure at the San José Obrero Hospital in Portachuelo, Bolivia.
- Hearing health in Morocco.
- Promotion of food and nutrition safety in Peru to reduce anemia in children under five and their mothers.
- Care for children in extreme poverty at the Colombian Comprehensive Child Development Center and training for adolescent mothers.
- HIV/AIDS prevention program and organ donation and transplant program in Trinidad and Tobago.

The Foundation brings citizens closer to culture, music, literature and the arts through various activities and partnerships. It also takes part in cooperation agreements and is involved in institutions such as the Circle of Friends of the Cervantes Institute and the Foundation Friends of the National Library of Spain, contributing to the important task of disseminating Spanish culture.

In 2012, the work of the Repsol Foundation was recognized, in different areas, with several awards. The COCEMFE Award in the category of "Best company" for its work towards the integration of people with disabilities, the Bobath Foundation award, for its work in the integration of people with cerebral palsy, the El Vigía group award, for best corporate social responsibility initiative of the year, or the award from the Association of Young Entrepreneurs of Madrid, in recognition of the Foundation's work to promote and support the development of the best business projects through the Fund for Entrepreneurs.

Repsol Ecuador Foundation

During 2012 five new projects were supported as a result of the 2011 call for funding proposals:

1. "Enterprising education for the progress of my region", implemented by the Junior Achievement Foundation.

Within the community development and support framework program conducted by Repsol in Ecuador, there are settlements in the Ecuadorean Amazon located in the area directly affected by the route of the SPF-OCP pipeline, known as right of way, which have benefited from several social initiatives.

With the support of Repsol Ecuador Foundation, one of the priorities identified within these communities involves training and educational initiatives. The project has been developed from a strategic partnership between Repsol Ecuador Foundation, OCP Ecuador and the October 29 Savings and Credit Cooperative, through the Junior Achievement Foundation. In general terms, the project includes training for teachers and students, and the development of educational incentives.

2. Strengthening for women's and youth organizations in Sucumbíos, implemented by the Foundation Integral Development for the Future - FUDEN.

The project involves 500 women and young people from the districts of Lago Agrío and Sucumbíos in the Ecuadorean Amazon, in productive and organizational development processes to enhance their skills and improve their quality of domestic and community life. In addition, it creates and strengthens microenterprise initiatives led by women and young people, and promotes employment according to social sustainability, economic, food security and environmental conservation criteria.

As a result of this process, 400 women and young people are participating in 125 ventures, and now have an economic activity. The main areas of work are fish farming, raising pigs, cows or chickens, arts and crafts, baking and service activities such as food stalls and tourism, among others.

The project's chief priority is supporting the development of indigenous and mestizo communities located in areas of indirect influence of Block 16, where Repsol Ecuador operates.

3. Further emphasis on financial services in rural areas of Orellana and Sucumbíos province as an alternative for productive development.

This project, funded by the Repsol Ecuador Foundation and executed by the Rural Financial Network, consists in introducing integrated financial products and services in rural and marginal urban areas of Eastern Ecuador. The partners in this project are Cooperativa Coca and the Microenterprise Development Fund (FODEMI) with procedures for strengthening and implementing services for the residents in the area.

Upon completion of the initiative it is estimated that about 10,000 entrepreneurs or micro-entrepreneurs will have access to financial services. Economies of scale are also expected to be generated in the area, which will benefit about 30,000 people between the families of entrepreneurs and other players in the local economy.

4. Promotion and protection of local culture as an educational tool for human development.

This project involves the local government of Francisco de Orellana and the Alejandro Labaka Foundation, with the Vicariate of Aguarico and support from Repsol Ecuador in the framework of the project to promote and defend local culture as a development tool, together with the Basque Government, with the support of the Ecuadorean National Institute of Cultural Heritage.

5. Popular finance for entrepreneurs women in Sucumbíos and Orellana, conducted by the Grameen Amazonas Savings and Credit Cooperative.

This project attempts to further improve the socio-economic conditions of women in rural and marginal urban areas in the provinces of Sucumbíos and Orellana, in the Ecuadorean Amazon, providing access to popular financial services that allow them to start and maintain small income-generating ventures for themselves and their families.

Safety and environment

For Repsol, attention to safety and the environment plays a central role in managing its activities. The company's principles for safety and the environment are defined in its Safety, Health and Environment Policy which is applicable in all its activities. In the policy, the company pledges to conduct its activities while considering the following to be essential values: safety, people's health and protecting the environment.

Additionally, safety is one of the company's fundamental and unwavering ethics that should guide all actions and commitments.

The basis for safety and environmental management is the management system. This system is comprised of a body of regulations, procedures, technical guidelines and management tools that are applicable in all company activities. They are being continuously updated to be adapted to the sector's best practices.

The Executive Committee establishes the safety and environmental objectives and strategic guidelines. These are the basis for drawing up objectives and plans of action for all of the company businesses. These plans consider the necessary actions for the continuous improvement of management, investments and associated expenses and the adaptations to new legislative requirements.

Additionally, the duties of the Board of Directors' Audit and Control Committee include learning and orienting the company's safety and environmental policy, directives and objectives.

Repsol's 2012 Corporate Responsibility Report lists the most notable actions carried out during the financial year to improve safety and to protect and conserve the environment. It also includes the development of the most relevant indicators.

Safety

The frequency of accidents with doctor's note included (company personnel plus contractor) decreased by 16% with respect to the previous year, thus meeting the annual objective set. This objective is part of the annual objectives of the Repsol employees who have variable pay.

The goal is to achieve zero accidents in Repsol's activities. In the last five years, the frequency with doctor's note included has decreased by more than 50%. Nevertheless, during 2012, we had to lament a total of 4 fatal accidents involving contractor personnel during the activities (3 of those deaths occurred in traffic accidents).

The safety management system is aligned with international standard OHSAS 18001 (Occupational Health and Safety Management System). Repsol encourages progressive certification of company centers according to that standard as a way to promote continuous improvement and obtain external validation of management systems. Currently, all the refineries and chemical plants, practically all lubricant and specialty facilities, several exploration and production facilities and a growing number of facilities for other activities are certified (the certified centers can be consulted at www.repsol.com).

Notable safety management milestones achieved in new projects include the project to expand the refinery in Cartagena, which has posed a major challenge for the company due to its scale. The largest-ever industrial investment in Spain has been carried out in an attempt to make Cartagena one of the best refineries in the world in terms of production technology, environmental sustainability, and employee safety. The accident rate for the whole expansion process was one-fiftieth of the average for the Spanish construction sector, even if we include the industrial installation process, with specific risks during the testing and start-up of equipment. Overall, in the five years the project has been in progress and among the close to 20,000 persons who have worked on it, only minor injuries have been sustained on the site, such as twists and sprains.

Also noteworthy were the tasks performed for the completion of this project during the commissioning and implementation stages of, which owing to its unusual characteristics demanded a rigorous approach to safety aspects. The result of this effort can be considered a success in which more than 1,500 people (including company employees and outsourced personnel) completed the commissioning tasks, after more than 1.5 million hours, without having to regret any serious accidents. The keys to this process were appropriate staffing levels, optimal training and painstaking thoroughness.

Environment

The environmental management system is aligned with the international standard ISO 14001. Repsol encourages progressive certification of company centers according to that standard as a way to promote continuous improvement and obtain external validation of management systems. Currently, all the refineries and chemical plants, all lubricant and specialty facilities, practically all exploration and production facilities and a growing number of facilities for other activities are certified (all the certified centers can be consulted at www.repsol.com).

During 2012 significant environmental investments were made that were aimed at improving the environmental quality of petroleum products, minimizing air emissions, increasing energy efficiency, optimizing water consumption, reducing the contaminating load of dumps and improving spill prevention systems. All of this was done by applying the available best practices and technological innovation. Also of note is the effort undertaken to identify, evaluate and correct the possible past contamination situations. In Note 36 of the Consolidated Financial Statements, information on assets, provisions, expenses and future actions of an environmental nature is listed.

From an environmental perspective, the new facilities at the Cartagena refinery produce clean fuel for transport, promoting the use of biofuels and maximizing energy efficiency in the production process. The new industrial complex in Cartagena is already a world leader in environmental sustainability, safety and energy efficiency. A new cogeneration facility will be joined by wastewater and sulfur recovery plants, which easily meet the most significant environmental requirements.

Repsol's commitment to the environment, which comprises one of the basic principles of the company, has also been apparent in all phases of the project to build the main offices of the company, known as Campus Repsol. LEED® environmental certification has been chosen to independently and externally validate compliance with the most highly-regarded standards for sustainability in construction. This certification, which is endorsed by the United States Green Building Council, analyses the whole life cycle of the building and is the most widely recognized international certification.

In addition, Repsol was recognized by Newsweek magazine as the company with the best environmental performance in the energy sector in Green Ranking 2012. This ranking assesses the environmental practices of the 500 major companies traded worldwide, considering three categories: environmental impacts, the environmental management system and transparency in the environmental report. This year, the company's transparency was quite positively evaluated in the report on environmental issues. Moreover, it was highly evaluated in the environmental management system category. That was because of the programs, initiatives and certifications implemented in the entire organization to meet the commitments set forth in the Safety, Health and Environment Policy.

This recognition is the result of the company's joint effort to improve its environmental performance, and it shows Repsol's commitment as a leader and benchmark for transparency in its sector.

Safety during offshore operations

Repsol has experience in offshore operations and it has performed deepwater operations both in the Gulf of Mexico and Brazil, and in other parts of the world.

Repsol is an active member of the Oil and Gas Producers Association (OGP), the umbrella organization for companies producing oil and gas for the promotion of safe and sustainable operations. In order to ensure that lessons learned from industry accidents are implemented in offshore operations around the world, this organization issued a series of recommendations that are consistently applied in the company's drilling projects.

These recommendations improve the spill prevention and response capabilities of offshore drilling operations and among the key issues included in these recommendations and adopted by the company the following aspects can be highlighted:

- Introduction of review and project management processes (Comprehensive Project Management), peer review, equipment integrity audits, internal and external management systems audits.
- Risk management during all phases of drilling projects, conducting qualitative and quantitative analysis studies in accordance with the company's internal regulations.

- Skills evaluations to ensure individuals and teams have the ability to understand and manage risks. Performing staff competency assessments, especially in cases of people responsible for critical safety and environment elements.
- Application of international standards and best practices to ensure that the most up-to-date standards are applied in Repsol's projects.
- Application of the double barrier approach in the design of production wells to prevent the spilling of oil or other fluids into the environment.
- Emergency response, strengthening the implementation of the company's emergency response procedures and plans at different levels (local, regional and international emergencies).
- Spill response integrated into emergency response procedures, defining potential spill scenarios for each offshore well and developing the corresponding control plans. In addition, Repsol is a member of Oil Spill Response (OSR), an international organization formed by oil operators, specialized in the prevention and control of oil spills and providing relevant technical assistance.

Sustainable energy and climate change

Repsol is committed to building a better future through smart energy initiatives; offering the best energy solutions to society and the planet. This means using a wide variety of sources and optimizing their use through energy management systems to achieve excellent energy performance. This commitment by Repsol is reflected in the updated Corporate Global Carbon Strategy for 2012-2020 which aims to boost the company's vision of a more diversified and less carbon intensive energy supply. The Carbon Strategy's end goal is to have a common method of acting that harmonizes the existing initiatives and detects synergies with an integrated focus.

This strategy is founded on intelligent risk management, following the path to excellence by reducing the carbon footprint throughout the value chain and preparing for the future with the development of non-fossil energy initiatives.

Repsol's Management Committee is in charge of approving the company's Carbon Strategy as well as evaluating its implementation. This strategy is reviewed annually in order to stay at the forefront. Additionally, since 2005, the duties of the Board of Directors' Audit and Control Committee include learning and orienting the company's safety and environmental policy, directives and objectives including climate change aspects.

Repsol has set a strategic objective of reducing 2.5 million tons of equivalent CO₂ during the 2005-2013 period. This is displayed in annual reduction objectives with respect to a *business as usual* scenario. They are approved by the company's Management Committee. They are part of the annual objectives for most of the Repsol employees who receive goal-oriented variable pay. A reduction of more than 370,000 tons of equivalent CO₂ was brought about in 2012 through specific energy savings actions. The cumulative decrease as a result of all the actions taken in the period 2006-2012 amounts to more than 2.5 million tons of CO₂ equivalent, thus fulfilling the strategic goal set for the period 2005-2013.

One of the main strategic objectives in energy terms is the implementation of an Energy Management System based on continuous improvement. These systems favor a comprehensive and systematic management approach, promoting cost savings and affirming the company's commitment to supplying sustainable energy. Within this system, Repsol has pinpointed a number of priorities that shape its long-term energy strategy. It is essential to identify and continuously update the existing savings potential of the company to establish quantified energy efficiency targets, and ensure the consistency of these objectives with the long-term goals defined in the company's carbon strategy.

Repsol's Energy Management System is implemented according to the requirements of International Standard ISO 50001. This standard enables procedures and systems to be established that improve the energy performance of organizations. This leads to a reduction in emissions of greenhouse gases and other environmental impacts, at the same time reducing energy costs.

This effort to surpass our targets is already bearing its fruits. Firstly, the introduction of these systems enable the company to measure and monitor the effectiveness of all the energy-saving actions conducted; the improvement in the Energy Savings Index demonstrates our ability to save energy while maintaining excellence performance levels. Secondly, the gradual certification

of the Energy Management Systems in the various units according to international standard ISO 50001, as in the case of the A Coruña refinery in 2011, shows the company's commitment to efficient energy management with third parties. In accordance with expectations, the Puertollano refinery achieved ISO 50001 certification in 2012.

Repsol aims to compile a company-wide footprint which implies expanding the scope of emission inventories to include its suppliers, customers and own activities. In 2012 progress was made in CO₂ emissions inventories, verifying more than 90% of these emissions according to international standard ISO 14064.

Repsol is the leading company in the energy sector in terms of carbon management performance, according to the global index of the Climate Disclosure Project. This is the third time in five years that the company has been recognized for its carbon management and energy efficiency efforts, and in the past five years Repsol has been the company with the greatest presence in the Climate Disclosure Leadership Index (CDLI), the most prestigious international climate change benchmark. The management of risks and opportunities associated with climate change, improving energy efficiency, and the development of greenhouse gas emissions inventories, are some of the aspects for which the company has received recognition.

Communication

Repsol believes that communication is a key element in its relationship with society, and, in order to adequately manage it, makes available to its main stakeholders various online and offline tools with which to report effectively and transparently on its activities and businesses. The current context is marked by a shift of audiences to digital media and a proliferation of new Internet leads, although the press and news agencies maintain their position as generators of influence and opinion. Users tend to seek their own information sources and the traditional news cycle is vanishing owing to new social network channels. In this context, Repsol is betting on a communications strategy that is based on proximity, truthfulness and speed as the main principles of its Communications Executive Managing division.

Shareholders and investors

These groups have numerous means at their disposal to access the company's financial and operating information and facts that may affect the value of their shares. Since it became a listed company in 1989, Repsol has maintained an Investor Information Bureau (acronym in Spanish, OIA) and an Investor Relations Management, through which it serves its investors, both current and prospective, and securities analysts, for both variable and fixed rate offerings. In recent years, analyst coverage of the company has greatly increased, reaching a total of 40 active followers of the company's evolution.

In order to satisfy its minority shareholders' information needs, Repsol has the OIA service. Shareholders can personally visit the bureau, call the free line 900 100 100 or write via regular post or email, in order to obtain any information required. The OIA answered some 45,000 calls in 2012 (an average of 170 per day). The most frequent questions concerned share values, the General Shareholders' Meeting, dividend payment policies and dates, the evolution of preference shares and relevant company facts.

Moreover, all the relevant information can be found on the corporate website (www.repsol.com), as well as specific contents in the "Shareholders and investors" section. This section had more than 390,000 visits in 2012. The website also includes a number of email addresses (the generic address is infoaccionistas@repsol.com), to which inquiries can be addressed and at which publications can be requested. In 2012 these mailboxes received over 6,000 emails.

The Investor Relations Management also constantly communicates with institutional investors and financial analysts. Throughout the year several *roadshows* (visits to different cities to visit institutional investors) were held in Europe, America and Asia, with the participation of senior executives, and members of the Investor Relations team. We visited a total of 488 institutional investors in 34 different cities worldwide. Moreover, Repsol attended 22 sector conferences, both in Europe and in the United States, during which meetings with institutional investors were also set up. If these visits are added to the investors we received at the company's offices, this makes a total of approximately 900 institutional investors contacted during 2012.

Additionally in 2012, in an effort to update access to company information for the financial community, an application was developed for shareholders and investors to consult information using mobile devices (tablets and smartphones). This application can be downloaded for free on Repsol's website.

Media

The aim of the Communication and Chairman's Office Executive Managing division is to serve the media under the principles of transparency, proximity, rigor and truthfulness. To this end, Repsol has various channels through which it manages information requests from the media.

The main activities of the Repsol Group in 2012 were made known to the media through some 60 press releases, all of which are available in the corporate website Press Room (www.repsol.com). The more than 70 press releases issued by the five industrial facilities in Spain, those issued in countries where the company operated, those pertaining to sports sponsorship projects, and those relative to specific businesses, such as liquated petroleum gas (LPG) or the Repsol Foundation, should also be taken into account.

In order to maintain a close relationship with communications media, in 2012 a number of press conferences and information sessions were held. One highlight was the presentation by the president of Repsol, Antonio Brufau, of the Strategic Plan 2012-2016, which took place on May 29. Also, on April 18, media professionals attended the opening of the expansion of the Cartagena refinery at a ceremony presided by the Prince of Asturias.

The corporate website includes a Press Room where information about the Repsol Group and its activities is available to media professionals. In addition to press releases, it includes graphic and multimedia files, publications, specific dossiers and newsletters intended for journalists from all over the world.

In 2012 News was consolidated: a new tool for media relations, created in 2011 to provide Repsol stories and projects from a point of view less concerned with current events, but rather of a didactic nature. News is sent to more than 2,000 journalists and has been warmly received by them.

During the year the well-known book *How the Energy Industry Works* was again translated into Spanish and distributed among journalists, institutions, universities and associations, as well as in Repsol offices all over the world. It is an educational work, and thus comprises an everyday tool for anyone who is not an energy expert.

In order to respond to journalists' requests for information, the Communications Executive Managing division makes available to them an email address (prensa@repsol.com), through which more than 4,000 inquiries and requests for information were received in 2012. This figure demonstrates the high media interest in Repsol activities. By means of this channel, the company answers, on a daily basis, quickly and effectively, to the many requests from the media.

This communication effort has allowed Repsol to be the best-regarded company in the energy sector by journalists, according to the Ipsos Public Affairs study performed in the last quarter of the year to measure the corporate reputation of major Spanish companies.

Looking ahead, the challenges of communication will revolve around new forms of communication, the mass dissemination of content through multiple globally-driven channels, the need for integrated communication strategies –and at the same time specific strategies for each support– the growing importance of news monitoring and analysis, and the growing demand for in-house materials such as computer graphics, reports and videos.

Repsol on the Internet

2012 was a year of progress in digital communications for the company. The generation of content in multiple formats and for all devices and the optimization of the users' experience, were consolidated as the main guidelines for each of Repsol's actions in the digital environment.

One remarkable milestone was the major renovation of the corporate website. This began with a complete overhaul of the home page, allowing the effective presentation of the company thanks to a clear information hierarchy. The design has taken into consideration the perspective of the many types of users visiting the website and who expect to access information quickly and simply.

Coinciding with the presentation of the Strategic Plan 2012-2016, which accompanied the company's new vision and brand change, in May 2012 there was a profound renewal of the repsol.com portal. Changes were made from a design point of view, adjusting the layout to the new identity, and from a content viewpoint - including information to help communicate the strategic plan and new vision. Another milestone in 2012 was adaptation of all content related to YPF after the expropriation, especially regarding the company's global presence, financial information and commercial offer.

The introduction of a new Products and Services channel is another achievement for the year. This is a radical change that boosts the communication of the products and services provided by Repsol. Thanks to its segmented profiles it allows current and potential customers easily and intuitively to access content designed exclusively for them. Engaging content that brings customers closer to the company's commitment to innovation, quality, customer service and the environment.

One highlight is the area of themed content with the consolidation of the trust and empathy relations generated by the Repsol Guide and Repsol Racing channels thanks to the interaction with users and the creation of interesting, engaging and fun content. With over 146,000 followers on the major social networks: Facebook, Twitter, Google+, Flickr, YouTube, Instagram and Pinterest, the channels Guía Repsol and Box Repsol reaffirm their Internet standing and demonstrate Repsol's increasing commitment to be close to its audiences, listen to them and offer quality services .

Not forgetting the company's commitment to have a global presence in the multiple devices on the market. In 2012, the Wines and Restaurants applications in the Repsol Guide, were joined by three new apps: Box Repsol, for fans of the racing world, Copilot, as travelling companion, and Investor Relations for the investing public. Furthermore, the Repsol Guide was one of the applications available at the worldwide launch of Windows 8.

Accordingly, thanks to its untiring work in the dynamic digital environment, repsol.com remains a leader in digital communications and continues to consolidate itself as means of corporate communication, with an average monthly audience of 2 million unique users, 3,5 million visits and 37 million page views.

Intangible assets management

The balance of the factors that drive the success of a company has changed significantly from what it was in the past. Before, good financial results were enough to ensure success. Today, economic performance depends heavily on winning the trust of the organizations most significant stakeholders.

In this context, building trust involves having strong and differentiated brands, capable of meeting the stakeholders' expectations through excellent corporate conduct and timely and relevant communications. The brand is a promise made to those stakeholders, who will validate it with their experience. Reputation is the value judgment they have in the company. A good reputation will produce greater willingness and recommendations to invest in, work with and use the company's products and services.

For these reasons, one of Repsol's priorities is the professional management of both these intangible assets: brand and reputation. This task falls to the Intangible Assets division, with the main objective of integrating the sensitive social context with the company's business and communications activities to achieve the strategic targets established.

In 2012 Repsol presented its new vision, the result of a rigorous and participatory process that defined how it wanted the company to be and how it wanted to be recognized. This statement reflects the change that was already under way and, in turn, sets the path for its future as an organization.

The new vision and values that underpin Repsol's position are the foundation for its recognition model and action plan for reputation management.

Repsol is a company at the forefront of managing this intangible asset, recognized as the company with the third-best reputation in Spain by the prestigious Spanish Corporate Reputation Monitor (MERCO).

As a founding sponsor of the Corporate Excellence Foundation: Center for Reputation Leadership, Repsol is part of a think tank focused on the awareness of major themes and advances in reputation management. The foundation brings together large Spanish companies to exchange ideas, learning and best practices.

In line with the most advanced international companies, this management is seen from a three-tier perspective: top management as the main driver, a specialized division for reputation management and cross-cutting scope as a prerequisite for success.

Repsol's Reputation unit addresses the most important aspects of reputation management: understanding the social context (off and online), metrics, reputational risks, recognition boosting and communication.

Another key component in the Repsol's cultural change process, emerging from its new rationale, is the revitalization of the company's brand and visual identity systems.

With this new vision as a departure point and with the participation of its business and corporate areas, the Branding Plan that started in 2011 has led to the optimization of the logo and the enhancement of the different elements of identity.

In 2012 the new brand and visual identity was launched and deployment has started in the service station network, products, buildings and all the company's areas worldwide.

One of the most visible applications is Repsol's new corporate headquarters in Madrid, that offers a new way to relate with the brand. The keys to this new brand strategy are implicit in throughout the entire design and construction process. The new brand is embodied in each of the four buildings that make up the compound, where the four corporate colors are applied and give their names to each of the buildings.

Sports sponsorship

For yet another year, Repsol has been the main protagonist of Motorcycle World Championship, the most demanding international motorsports event which is the best testing ground for Repsol's fuels and lubricants. It is precisely the experience acquired in the development of specific products for top competitions that enables Repsol to remain a leader in research and thus be capable of fulfilling its customers' highest expectations.

Great results were achieved in the 2012 season thanks to the performance of the Repsol riders who participated in numerous international competitions. In MotoGP, the Repsol Honda Team was the team World Champion. Dani Pedrosa, in what was his best year, was second in this category and Casey Stoner came third overall. The Repsol team completed a brilliant season: its drivers reached the podium in 12 of the 18 races.

In the Moto2 class, Marc Márquez managed to win the championship. His presence, beside Dani Pedrosa on the Repsol Honda team in MotoGP for the 2013 season will be a clear guarantee of the company's sponsorship success.

In the Moto3 category, Alex Rins was the best rookie in his class and the rest of our young riders finished in the top 10, excelling in many World Championship races.

As part of its objective to promote grassroots sport, Repsol cosponsored the Campeonato de España de Velocidad (CEV), where a very young rider, Alex Márquez, sponsored by Repsol, was proclaimed champion.

Repsol won the Trial Indoor and Outdoor World Championship in the men's category for another year. Toni Bou has won eleven World Championships and became, at the age of 27, the most successful rider in the history of this specialty sport.

Repsol is a company committed to Olympic sports through its collaboration with the ADO plan, which helps many young sportspeople to live the dream of taking part in the Olympic Games. London 2012 reflected the good level of Spanish sport.

Repsol also has a training sponsorship program. Through this program it seeks to support youth education through scholarships for mechanical and engineering studies at the Monlau Competition school.

For the second year running, sponsorship was given to the Repsol aerobatics team, which became Spanish champion and took part in several national and international air shows, one of them on the occasion of the opening of the expansion at the Cartagena refinery.

Support also continued for the classic car team, the Repsol Classic Team.

Repsol's new headquarters

The construction of the new Repsol headquarters concluded in May 2012. This was followed by the relocation of 3,800 people who were previously distributed in eleven separate buildings in Madrid, which took four months.

Campus Repsol is, from the design phase of the project, a benchmark in sustainability and accessibility that reflects Repsol's culture and values and is an example of the spirit of excellence and commitment to serve. The new headquarters reflects the company's unique culture: the vocation to becoming a global company that seeks individual welfare and believes in the construction of a better future through the development of intelligent energy.

Its design, with an exterior steel framework structure, allows uninterrupted indoor spaces in which to work better and more efficiently. The central green space provides contact with nature and facilitates communication between all the company's areas, while helping to create a workspace that encourages integration and coexistence.

The building is a pioneer in terms of sustainability, as evidenced by the LEED certification from the Green Building Council.

From the outset, the project was designed with people in mind. During the construction phase, the frequency rate of accidents with medical leave was 5.5. This is ten times less than the industry average and marks another milestone in the construction field in Spain.

The new Repsol headquarters has a ground floor plus four office and service floors. The project comprises more than 5,000 square meters, which provide various services for employees. It also has two underground floors and parking facilities for up to 1,800 vehicles, 200 motorcycles and as many bicycles. The buildings form a cloister with a central garden of nearly 11,000 square meters. In addition, a new green area for the public has been created in the business campus perimeter.

For the first time in the history of Repsol, all the business areas are working together in one space, creating synergies in an architectural and landscaping environment that encourages a teamwork culture.

Finally, on January 31, 2013 the Campus Repsol was officially opened by the Prince of Asturias.



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Translation of a report originally
issued in Spanish. In the event
of a discrepancy, the Spanish
language version prevails.

A Ownership structure

A.1 Complete the following table on the capital of the company:

Date latest modification	Capital Euros	Number of shares	Number of voting rights
10-07-2012	1,256,178,727	1,256,178,727	1,256,178,727

State whether there are different classes of shares with different associated rights:
NO

A.2 Give details on the direct and indirect holders of significant interests in your company at year-end, excluding directors:

Name of shareholder	Number of direct voting rights	Number of indirect voting rights ^(*)	% total voting rights
Sacyr Vallehermoso, s.A.	0	122,208,433	9.73
CaixaBank, s.A.	157,375,384		12.53
Petróleos Mexicanos	0	118,484,231	9.43

(*) Through

Name of the indirect holder of the stake	Through: Name of the direct holder of the stake	Number of direct voting rights	% total voting rights
Sacyr Vallehermoso, s.A.	Sacyr Vallehermoso Participaciones Mobiliarias, s.L.	122,208,433	9.73
Petróleos Mexicanos	Financial entities	62,934,554	5.01
Petróleos Mexicanos	PMI Holdings B.V.	55,549,676	4.42
Petróleos Mexicanos	Pemex Internacional España, s.A.	1	0.000

Indicate the principal movements in the shareholding structure during the year:

Name of shareholder	Date of transaction	Description of transaction
Blackrock, Inc	03/16/2012	Falling below 3% of the share capital
BNP Paribas, Societé Anonyme	01/06/2012	Exceeding 3% of the share capital
BNP Paribas, Societé Anonyme	01/09/2012	Falling below 3% of the share capital
BNP Paribas, Societé Anonyme	01/12/2012	Exceeding 3% of the share capital
BNP Paribas, Societé Anonyme	01/18/2012	Falling below 3% of the share capital
BNP Paribas, Societé Anonyme	06/04/2012	Exceeding 3% of the share capital

BNP Paribas, Societé Anonyme	06/06/2012	Falling below 3% of the share capital
BNP Paribas, Societé Anonyme	06/15/2012	Exceeding 3% of the share capital
BNP Paribas, Societé Anonyme	06/20/2012	Falling below 3% of the share capital
BNP Paribas, Societé Anonyme	12/18/2012	Exceeding 3% of the share capital
BNP Paribas, Societé Anonyme	12/24/2012	Falling below 3% of the share capital
Sacyr Vallehermoso, s.A.	07/10/2012	Falling below 10% of the share capital
Sacyr Vallehermoso Participaciones Mobiliarias, s.L.	07/10/2012	Falling below 10% of the share capital

A.3 Complete the following tables on directors' shareholding interests in the company:

Name of Director	Number of direct voting rights	Number of indirect voting rights ^(*)	% total voting rights
Antonio Brufau Niubó	273,974	0	0.022
Isidro Fainé Casas	253	0	0.000
Juan Abelló Gallo	1,045	85,649	0.007
Paulina Beato Blanco	104	0	0.000
Artur Carulla Font	39,754	0	0.003
Luis Carlos Croissier Batista	1,254	0	0.000
Ángel Durández Adeva	5,950	0	0.000
Javier Echenique Landiribar	0	17,981	0.001
Mario Fernández Pelaz	4,181	0	0.000
María Isabel Gabarró Miquel	6,080	1,915	0.001
José Manuel Loureda Mantiñán	53	28,436	0.002
Juan María Nin Génova	253	0	0.000
Pemex Internacional España, s.A.	1	0	0.000
Henri Philippe Reichstul	50	0	0.000
Luis Suárez de Lezo Mantilla	21,189	0	0.002

(*) Through:

Name of the indirect holder of the stake	Through: Name of the direct holder of the stake	Number of direct voting rights	% total voting rights
Juan Abelló Gallo	Arbarin, Sicav, s.A.	85,649	0.007
Javier Echenique Landiribar	Bilbao Orvieto, s.L.	17,981	0.001
José Manuel Loureda Mantiñán	Prilou, s.L.	28,436	0.002
Total % of voting rights held by the Board of Directors			0.039

Complete the following tables on directors with stock options in the company:

Name of Director	Number of direct option rights	Number of indirect option rights	Number of share equivalents	% total voting rights
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A.4 Indicate family, commercial, contractual or corporate relationships among significant Shareholders' known to the company, if any, except any that are insignificant and those deriving from ordinary commercial business:

Names of related persons or companies	Type of relationship	Brief description
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A.5 Indicate commercial, contractual or corporate relationships between significant Shareholders' and the company and/or its group, if any, except any that are insignificant and those deriving from ordinary commercial business:

Names of related persons or companies	Type of relationship	Brief description
Caja de Ahorros y Pensiones de Barcelona	Corporate	Repsol and Caja de Ahorros y Pensiones de Barcelona (controlling shareholder of Caixaholding Bank, S.A.U. and CaixaBank, S.A.) participate in Gas Natural SDG, S.A., which has as business purpose, among other activities, supply, production, piping and distribution of any type of combustible gas. Repsol and Caja de Ahorros y Pensiones de Barcelona have also signed an agreement in relation to Gas Natural SDG, S.A., considered by both entities as a concerted action of which the <i>Comisión Nacional del Mercado de Valores</i> (CNMV) has been duly notified.

A.6 Indicate any Shareholders' agreements of which the company has been notified in pursuance of Art. 112 of the Securities Market Act. Describe briefly, if any, indicating the Shareholders' bound by the agreement:

YES

Involved in the shareholder agreement	% of capital affected	Brief description of the agreement
Sacyr Vallehermoso, S.A., Petróleos Mexicanos y PMI Holdings, B.V.	29.502	On August 29, 2011, Sacyr Vallehermoso, S.A. communicated by means of the Material Fact number 149479 the subscription of a Shareholders' agreement with Petróleos Mexicanos in relation to Repsol, S.A., having, among others, the purpose of: (I) regulating the jointly exercise of the voting rights between Pemex and Sacyr; and (II) establishing certain restrictions to the transfer of shares belonging to Sacyr or Pemex.

Indicate any concerted actions among company Shareholders' of which the company is aware:

YES

Involved in the concerted action	% of capital affected	Brief description of the agreement
Sacyr Vallehermoso, S.A., Petróleos Mexicanos y PMI Holdings, B.V.	29.502	Vallehermoso, S.A. communicated by means of the Material Fact number 149479 the subscription of a Shareholders' agreement with Petróleos Mexicanos in relation to Repsol, S.A., having, among others, the purpose of regulating the jointly exercise of the voting rights between Pemex and Sacyr.

Expressly indicate any change or break-up of those agreements or concerted actions, if any, that has taken place during the year:

On January 31, 2012 Sacyr Vallehermoso, S.A. and Petróleos Mexicanos communicated (Material Fact number 157290) the subscription of an early termination agreement, by virtue of which the parties agreed to early terminate the Shareholders' agreement entered into with Petróleos Mexicanos and PMI Holdings, B.V on August 29, 2011, declaring that they had nothing to claim each other and waiving the exercise of any action or right that they might had in accordance to said Shareholders' agreement.

A.7 Indicate any individuals or entities that exercise or may exercise control over the company in pursuance of Article 4 of the Securities Market Act:

NO

Individual or corporate name
Comments

A.8 Complete the following tables on the company's treasury stock:

At year-end:

Number of direct shares	Number of indirect shares ^(*)	Treasury stock/capital (%)
63,868,692	898,826	5.05

^(*) Through:

Individual or corporate name of direct shareholder	Number of direct shares
Repsol Tesorería y Gestión Financiera, S.A.	898,826
TOTAL	898,826

Give details on any significant variations during the year, according to the provisions of Royal Decree 1362/2007:

Date of notice	Total direct shares acquired	Total indirect shares acquired	% of share capital
Gain/(loss) obtained during the year on trading in own shares (thousand euro)			49,938

A.9 Indicate the terms and conditions of the authorisation granted by the General Meeting to the Board to buy or sell own shares.

The Annual General Meeting of Shareholders' of Repsol, S.A. held on second call on April 30, 2010, adopted the following resolution under item six on the Agenda:

"First. To authorize the Board of Directors for the derivative acquisition of shares of Repsol YPF, S.A., by sale, purchase, exchange or any other onerous legal business modality, directly or through controlled companies, up to a maximum number of shares, that added to those already own by Repsol YPF, S.A. and its subsidiaries, not exceeding 10% of the share capital and for a price or equivalent value that may not be lower than the nominal value of the shares nor exceed the quoted price on the stock market.

The shares so acquired may be disbursed among the employees and directors of the Company and its Group or, if appropriate, used to satisfy the exercise of option rights that such persons may hold.

This authorization, which is subject to the compliance of all other applicable legal requirements, shall be valid for 18 months, counted as from the date of the present General Shareholders' Meeting, and leaves without effect the authorization granted by the last Ordinary General Shareholders' Meeting held on the 14th May 2009.

Second. To authorize the Board of Directors to delegate, pursuant to the provisions of Article 141.1 of Joint Stock Companies Act, the delegated powers contemplated in section first of these resolutions".

A.10

Indicate any constraints established in law or the Articles of Association on the exercise of voting rights and legal restrictions on the acquisition and disposal of shares in the capital.

Indicate whether there are any legal constraints on the exercise of voting rights:

YES

Maximum percentage of voting rights that may be exercised by one shareholder by legal constraint	3.000
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Indicate whether the Articles of Association establish any constraints on the exercise of voting rights:

NO

Maximum percentage of voting rights that may be exercised by one shareholder by a constraint under the Articles of Association	
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Description of the constraints established in law or the Articles of Association on the exercise of voting rights

Article 34 of Royal Decree-Law 6/2000 establishes certain constraints on the exercising of voting rights in more than one principal operator in any one market or sector. Among others, it lists the fuel production and distribution, liquefied petroleum gas production and supply and natural gas production and supply markets. The principal operators are the entities holding the five largest shares of the market in question.

These constraints are as follows:

- Individuals or entities directly or indirectly holding more than 3% of the capital or voting rights of two or more principal operators on the same market may not exercise the voting rights corresponding to the excess over that percentage in more than one of such operators.
- No principal operator may exercise the voting rights corresponding to an interest of more than 3% in the capital of another principal operator on the same market.

These constraints shall not be applicable to parent companies that are principal operators in respect of their subsidiaries that are in the same position, provided this structure is imposed by law or the result of a mere redistribution of securities or assets among group companies.

The *Comisión Nacional de Energía* (CNE), regulator of the energy market, may authorise exercise of the voting rights corresponding to the excess provided this does not favour the exchanging of strategic information or imply any risks of coordination of their strategic actions.

Indicate whether there are any legal restrictions on the acquisition and disposal of shares in the capital:

NO

Description of the legal restrictions on the acquisition or transfer of interests in the share capital	
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A.11

Indicate whether the General Shareholders' Meeting has resolved to take measures to neutralise a takeover bid under Act 6/2007.

NO

If so, explain the measures approved and the terms on which the constraints would become ineffective:

B Management structure of the Company

B.1 Board of Directors

B.1.1 State the maximum and minimum numbers of Directors stipulated in the Articles of Association:

Maximum number of directors	16
Minimum number of directors	9

B.1.2 Complete the following table with details of the members of the Board:

Name of Director	Representative	Position	Date first appointment	Date last appointment	Election procedure
Antonio Brufau Niubó		Chairman	07/23/1996	04/15/2011	Cooptation
Isidro Fainé Casas		Vice-Chairman	12/19/2007	05/31/2012	Cooptation
Juan Abelló Gallo		Vice-Chairman	11/29/2006	04/15/2011	Cooptation
Paulina Beato Blanco		Director	12/29/2005	04/30/2010	Cooptation
Artur Carulla Font		Director	06/16/2006	04/30/2010	General Meeting
Luis Carlos Croissier Batista		Director	05/09/2007	04/15/2011	General Meeting
Mario Fernández Pelaz		Director	04/15/2011	04/15/2011	General Meeting
Ángel Duráñez Adeva		Director	05/09/2007	04/15/2011	General Meeting
Javier Echenique Landiribar		Director	06/16/2006	04/30/2010	General Meeting
María Isabel Gabarró Miquel		Director	05/14/2009	05/14/2009	General Meeting
José Manuel Loureda Mantiñán		Director	01/31/2007	04/15/2011	Cooptation
Juan María Nin Génova		Director	12/19/2007	05/31/2012	Cooptation
Pemex Internacional España, s.A.	Luis Felipe Luna Melo	Director	01/26/2004	04/30/2010	Cooptation
Henri Philippe Reichstul		Director	12/29/2005	04/30/2010	Cooptation
Luis Suárez de Lezo Mantilla		Director and Secretary	02/02/2005	05/14/2009	Cooptation
TOTAL NUMBER OF DIRECTORS					15

Indicate any retirements from the Board during the year:

Name of director	Type of director at the time of retirement	Date of retirement

B.1.3 Complete the following tables on the types of Board members:

EXECUTIVE DIRECTORS		
Name of director	Committee proposing appointment	Position in company's organisation
Antonio Brufau Niubó	Nomination and Compensation Committee	Executive Chairman
Luis Suárez de Lezo Mantilla	Nomination and Compensation Committee	General Counsel and Secretary of the Board of Directors
TOTAL NUMBER OF EXECUTIVE DIRECTORS		2
EXECUTIVE DIRECTORS/TOTAL DIRECTORS (%)		13.33

EXTERNAL PROPRIETARY DIRECTORS		
Name of director	Committee proposing appointment	Name of significant shareholder represented or that proposed appointment
Isidro Fainé Casas	Nomination and Compensation Committee	CaixaBank, s.A.
Juan Abelló Gallo	Nomination and Compensation Committee	Sacyr Vallehermoso, s.A.
José Manuel Loureda Mantiñán	Nomination and Compensation Committee	Sacyr Vallehermoso, s.A.
Juan María Nin Génova	Nomination and Compensation Committee	CaixaBank, s.A.
Pemex Internacional España, s.A.	Nomination and Compensation Committee	Petróleos Mexicanos
TOTAL NUMBER OF PROPRIETARY DIRECTORS		5
INSTITUTIONAL DIR./TOTAL DIRECTORS (%)		33.33

INDEPENDENT NON-EXECUTIVE DIRECTORS

Name of director	Profile
Paulina Beato Blanco	Phd Economics, University of Minnesota, Professor of Economic Analysis, Commercial Expert and Economist of the State. Former Executive Chairperson of Red Eléctrica de España, Director of CAMPSA and major financial institutions. Formerly Chief Economist in the Sustainable Development Department of Inter-American Development Bank and Consultant in the Banking Supervision and Regulation Division of the International Monetary Fund. Currently she is advisor to the Iberoamerican Secretary General (Secretaría General Iberoamericana), professor for Economic Analysis and member of the Board and of the Advisory Committee of Balía Foundation.
Artur Carulla Font	Graduate in Economics. His professional activity began in Arbora & Ausonia, S.L. in 1972, where he held several positions until he was appointed Executive Director. In 1988 he joined Agrolimen, S.A. like Strategy Director. In 2001 he was appointed Managing Director of Agrolimen, S.A. Currently, he is Chairman of Agrolimen, S.A. and its participated companies; Affinity Petcare, S.A., Preparados Alimenticios, S.A. (Gallina Blanca Star), Biocentury, S.L., The Eat Out Group, S.L. and Reserva Mont-Ferrant, S.A.; Member of the Regional Board of Telefónica in Catalonia, member of Advisory Board of EXEA Empresarial, S.L. and member of Advisory Board of Roca Junyent. He is also Vice-Chairman of Círculo de Economía, Vice-Chairman of Foundation ESADE, Member of Foundation Lluís Carulla, Member of IAB (International Advisory Board) of the Generalitat de Catalunya, Member of the Management Board of Instituto de la Empresa Familiar, Member of Foundation MACBA (Museo de Arte Contemporáneo de Barcelona) and Member of FUOC (Fundació per a la Universitat Oberta de Catalunya).
Luis Carlos Croissier Batista	He has been the professor in charge of economic policy of the Universidad Complutense of Madrid. During his long professional tenure, amongst other positions, he was Subsecretary of the Ministry of Industry and Energy, President of the National Institute of Industry (Instituto Nacional de Industria, I.N.I.), Minister of Industry and Energy and President of Spanish Securities Market Commission (Comisión Nacional del Mercado de Valores). Currently he is Director of Adolfo Domínguez, S.A., Testa Inmuebles en Renta, S.A. and Eolia Renovables de Inversiones SCR, S.A and Sole Director of Eurofocus Consultores, S.L.
Mario Fernández Pelaz	Graduate in Law at Deusto University in 1965. He has been Professor of Mercantile Law in the Faculty of Law of Deusto University and in the Faculty of Business Science at the same University, and Professor of different Masters at Deusto University. In his long professional career, he has served, among other charges, as Minister and later Vice-president of the Basque Government, Chairman of the Central Administration-Basque Government Transfers Mixed Committee, Chairman of the Basque Financial Council, Chairman of the Economic Committee of the Basque Government, Member of the Arbitration Committee of the Basque Autonomous Community. He was also Executive Director of BBVA Group and member of the Executive Committee from 1997 to 2002, and Main Partner of Uría Menéndez from that date to June 2009. Currently he is Chairman of BBK (Bilbao Bizkaia Kutxa), Executive Chairman of Kutxabank, S.A. and Vicechairman of <i>Confederación Española de Cajas de Ahorros (CECA)</i> and CECABANK. He has also published on mercantile and financial matters.
Ángel Duráñez Adeva	BA Economics, Professor of Commerce, chartered accountant and founding member of the Registry of Economic Auditors. He joined Arthur Andersen in 1965 where he was Partner from 1976 to 2000. Up to March, 2004 he headed the Euroamerica Foundation, of which he was founder, entity dedicated to the development of business, political and cultural relationships between the European Union and the different Latin American Countries. Currently he is Director of Mediaset España Comunicación, S.A., Director of Quántica Producciones, S.L., Director of Ideas4all, S.L., Member of the Advisory Board of FRIDE (Foundation for the international relations and the foreign development), Chairman of Arcadia Capital, S.L. and Información y Control de Publicaciones, S.A., Member of Foundation Germán Sánchez Ruipérez and Foundation Independiente and Vicepresident of Foundation Euroamérica.

Javier Echenique Landiribar	BA Economics and Actuarial Science. Former Director-General Manager of Allianz-Ercos and General Manager of BBVA Group. Currently Vice chairman of Banco Sabadell, S.A., Vicechairman of Calcinor, S.L., Director of Telefónica Móviles México, Actividades de Construcción y Servicios (ACS), S.A., Grupo Empresarial Ence, S.A. and Celistics, L.L.C., Delegate of the Board of Telefónica, S.A. in the Basque region, Member of the Advisory Board of Telefónica Spain, Member of Foundation Novia Salcedo, Foundation Altuna and Member of the Círculo de Empresarios Vascos.	
María Isabel Gabarró Miquel	Graduate in Law at the University of Barcelona in 1976. In 1979 she joined the Bar of Notaries. She has been a Board member of important entities in different sectors: financial, energy, telecommunications, infrastructure and also property, where she was also a member of the Nomination and Compensation Committee and of the Audit and Control Committee. Currently, she is registered on the Bar of Notaries of Barcelona, since 1986, and is a member of the Sociedad Económica Barcelonesa de Amigos del País.	
Henri Philippe Reichstul	BA Economics, University of São Paulo and Phd at Hertford College, Oxford. Former Secretary of the State Business Budget Office and Deputy Minister of Planning in Brazil. From 1988 to 1999 he held the position of Executive Vice President of Banco Inter American Express, S.A. From 1999 to 2001 he was Chairman of Brazilian State Oil Company Petrobrás. He is Member of the Strategic Board of ABDIB, Member of Coinfra, Member of the Advisory Board of Lhoist do Brasil Ltda., Member of the Supervisory Board of Peugeot Citroen, S.A., Member of the International Board of UTC, Member of the Board of Directors of Gafisa, Member of the Board of Directors of Foster Wheeler, Member of the Board of Directors of Semco Partners and Vice-Chairman of the Board of the Brazilian Foundation for Sustainable Development.	
TOTAL NUMBER OF INDEPENDENT DIRECTORS		8
INDEPENDENT DIRECTORS/TOTAL DIRECTORS (%)		53.33

OTHER EXTERNAL DIRECTORS

Name of Director	Committee proposing appointment
TOTAL NUMBER OF EXTERNAL DIRECTORS	
EXTERNAL DIRECTORS/TOTAL DIRECTORS (%)	

State reasons why they cannot be considered external proprietary or independent directors:
Indicate any variations during the year in the type of each director:

B.1.4 Explain why proprietary directors have been appointed at the proposal of Shareholders' with less than a 5% interest in the company, if appropriate:

Indicate whether any formal requests for presence on the Board have not been met from Shareholders' with an interest equal to or greater than that of others at whose request proprietary directors have been appointed. If so, explain why such requests have not been met:

NO

Name of shareholder	Explanation
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B.1.5 Indicate whether any director has retired from office before the end of his/her term, whether he/she explained the reasons for such retirement to the Board, and how, and if done in a letter addressed to the entire Board, explain at least the reasons stated therein:

Name of Director	Retirement reasons

B.1.6 Indicate the powers delegated to the Managing Director(s), if any:

Name of Director	Brief description

B.1.7 Name the Board members, if any, who are also directors or executives of other companies in the same group as the listed company:

Name of director	Name of group company	Position
Antonio Brufau Niubó	YPF, S.A.	Chairman
Luis Suárez de Lezo Mantilla	YPF, S.A.	Director

B.1.8 Name the company directors, if any, who are on the Boards of non-group companies listed on Spanish stock exchanges, insofar as the company has been notified:

Name of Director	Listed Company	Position
Antonio Brufau Niubó	Gas Natural SDG, S.A.	Vice-Chairman
Isidro Fainé Casas	Abertis Infraestructuras, S.A.	Vice-Chairman
Isidro Fainé Casas	Telefónica, S.A.	Vice-Chairman
Isidro Fainé Casas	CaixaBank, S.A.	Chairman
Luis Carlos Croissier Batista	Adolfo Domínguez, S.A.	Director
Luis Carlos Croissier Batista	Testa Inmuebles en Renta, S.A.	Director
Ángel Duráñez Adeva	Mediaset España Comunicación, S.A.	Director
Javier Echenique Landiríbar	Banco Sabadell, S.A.	Vice-Chairman
Javier Echenique Landiríbar	Actividades de Construcción y Servicios (ACS), S.A.	Director
Javier Echenique Landiríbar	Grupo Empresarial ENCE, S.A.	Director
José Manuel Loureda Mantiñán	Testa Inmuebles en Renta, S.A.	Director
Juan María Nin Génova	CaixaBank, S.A.	Vice-Chairman and Managing Director
Juan María Nin Génova	Gas Natural SDG, S.A.	Director
Luis Suárez de Lezo Mantilla	Gas Natural SDG, S.A.	Director

B.1.9 Indicate and, if appropriate, explain whether the company has established rules on the number of Boards on which its directors may sit:

YES

Description of rules

Article 17 of the Board of Directors Regulations provides in its section 5 the following: "Directors may not hold more than four (4) other mandates in other listed companies different from Repsol, S.A. To these effects:

(a) It will be considered as one single mandate all those mandates held in companies belonging to the same group as well as those Board memberships held as proprietary director proposed by a company of said group although the stock held in the company or the level of control may not qualify to consider said company as part of the group; and

(b) Board memberships in holding companies or companies ancillary to the development of the professional services of the own Director, the spouse, persons having equivalent emotional ties or closest family.

Exceptionally and due to reasons properly justified, the Board may waive the Director from this prohibition. In addition, the Director shall inform the Nomination and Compensation Committee of any other professional obligations they may have and any material changes in their professional situation, as well as any that may affect the nature or condition by virtue of which they have been appointed Director".

B.1.10 With regard to recommendation number 8 of the Unified Code, indicate the general policies and strategies of the company reserved for approval by the full Board:

	YES	NO
Investment and financing policy	X	
Definition of the structure of the group of companies		X
Corporate governance policy	X	
Corporate social responsibility policy	X	
Strategic or business plan, management objectives and annual budget	X	
Pay policy and senior executive performance assessment	X	
Risk management and control policy and regular monitoring of the internal information and control systems		X
Dividend policy, treasury stock policy, especially limits	X	

B.1.11 Complete the following tables on the aggregate directors' remuneration accrued during the year:

a. In the reporting company:

Remuneration	Thousand euro
Fixed remuneration	8,163
Variable remuneration	3,087
Attendance fees	0
Statutory payments	0
Stock options and/or other financial instruments	0
Others	103
TOTAL	11,353

Other Benefits	Thousand euro
Advances	0
Loans granted	0
Pension Plans and Funds: Contributions	2,670
Pension Plans and Funds: Obligations contracted	0
Life assurance premiums	368
Guarantees furnished by the company for directors	0

- b. For company directors who are on other Boards and/or in the top management of group companies:

Remuneration	Thousand euro
Fixed remuneration	445
Variable remuneration	0
Attendance fees	0
Statutory payments	0
Stock options and/or other financial instruments	0
Others	0
TOTAL	445

Other Benefits	Thousand euro
Advances	0
Loans granted	0
Pension Plans and Funds: Contributions	0
Pension Plans and Funds: Obligations contracted	0
Life assurance premiums	0
Guarantees furnished by the company for directors	0

- c. Total remuneration by type of director:

Types of directors	By company (thousand euro)	By group (thousand euro)
Executive	7,247	445
External proprietary directors	1,678	0
External independent directors	2,428	0
Other external directors	0	0
TOTAL	11,353	445

- d. Regarding profit attributed to the controlling company:

Total directors' remuneration (thousand euro)	11,798
Total directors' remuneration/profit attributed to parent company (%)	0.57

B.1.12 Name the members of top management who are not executive directors and indicate the aggregate remuneration accrued in their favour during the year:

Name	Position
Nemesio Fernández-Cuesta Luca de Tena	Business Units Executive Managing Director
Miguel Martínez San Martín	Strategy and Control Executive Managing Director
Pedro Fernández Frial	Chief Financial Officer and Corporate Development Executive Managing Director
Cristina Sanz Mendiola	People and Organization Executive Managing Director
Begoña Elices García	Communications and Chairman's Office Executive Managing Director
Luis Cabra Dueñas	Exploration and Production Executive Managing Director
Josu Jon Imaz San Miguel	Industrial and New Energy Unit Executive Managing Director
Isidoro Mansilla Barreiro	Audit and Control Corporate Director
Antonio Gomis Sáez	YPF Executive Managing Director
M ^a Victoria Zingoni	Investor Relations Corporate Director
Pedro Antonio Merino García	Studies and Analysis of Environment Director
TOTAL REMUNERATION TOP MANAGEMENT (thousand euro)	11,685

B.1.13 Indicate globally whether any golden handshake clauses have been established for the top management, including Executive Directors, of the company or its group in the event of dismissal or change of ownership. State whether these contracts have to be notified to and/or approved by the governing bodies of the company/group companies:

Number of beneficiaries	13	
	Board of Directors	General Meeting
Body authorising the clauses	YES	NO
Is the General Meeting informed on the clauses?	YES	

B.1.14 Explain the process for establishing the remuneration of the Board members and the relevant Articles of the Articles of Association:

Processes for establishing the remuneration of the Board members and Articles of the Articles of Association

Article 45 of Repsol, S.A.'s Articles of Association provides as follows:

"Directors, in their position as members of the Board of Directors and due to their carrying out the function of supervision and group decision as befits this body, shall be entitled to receive from the Company an amount equivalent to 1.5% of the clear profit, which may only be allocated after attending to the requirements of the legal reserve and others that may be compulsory, and of providing the Shareholders' with a dividend of at least 4%. The Board of Directors is responsible for fixing the exact amount to be paid within this limit, as well as its distribution among the various Directors, taking into account the positions held by each Director on the Board and its committees.

The Company is authorised to make advance payments on account of future participation in profits.

Directors may be additionally remunerated by means of granting company shares, share options or other securities giving the right to obtain shares, or through remunerative systems linked to the stock market value of the shares. The application of these systems must be approved by the General Shareholders' Meeting, which shall determine the value of the shares to be taken as a reference, the number of shares to be given to each Director, the exercise price of any option rights, the period the agreed system should last and as many conditions as deemed appropriate.

The payments established by this Article shall be compatible with and independent of the salary, remuneration, termination compensation, pension or compensation of any kind established for those members of the Board of Directors who carry out executive functions, whatever the nature of their relationship with the Company, be it employment (common or special of top management), commercial or for the provision of services. Information regarding these remunerations shall be disclosed in the Annual Report and in the Annual Report on Corporate Governance.

The Company may take out an insurance policy covering civil liability for the Directors and members of the management team".

With regard to the Directors' compensation, Article 5.3.c of the Regulations of the Board of Directors reserves to the full Board of Directors the decision to approve Directors' compensation and, in the case of Executive Directors, any additional consideration for their management duties and other contract conditions.

Article 24 of the Regulations of the Board of Directors of Repsol, S.A. provides as follows:

"Article 24. Directors' Compensation

1. The Directors of Repsol, S.A. shall be remunerated as stipulated in the bylaws.

The Nomination and Compensation Committee shall propose such criteria to the Board as it may deem fit for the purposes of this Article. Such criteria and the ultimate distribution of the global sum, within the constraints of the bylaws, shall be subject to approval by the Board. Within each year, the Board may, as regularly as it may deem fit, resolve to make advances against the sums corresponding to each Director for his work during the period.

2. Directors' remunerations shall be transparent. The itemised individual remuneration received during the year by each of the Directors for performance of his duties as such and any executive responsibilities shall be stated in the annual report. In addition, the Board will approve each year a Report on the Remuneration Policy for Directors, which will contain full, clear, comprehensible information including (I) a brief, overall account of the application of that policy in the previous year, incorporating details of the individual remunerations accrued by each of the Directors during that year, and references to (II) the policy approved by the Board for the present year, and (III) the policy foreseeable for future years, if any.

This report shall be made available to Shareholders' as from the date of call to the Ordinary General Shareholders' Meeting and shall be put to an advisory vote under a separate item on the agenda.

3. External Directors shall be excluded from the welfare systems financed by the Company covering retirement, death or any other circumstances, and from the long-term incentive schemes, such as stock options".

Finally, Article 33 of the Regulations of the Board of Directors provides that the Nomination and Compensation Committee shall propose to the Board its compensation policy, assessing the responsibility, dedication, and incompatibilities demanded of the Directors; and, in the case of the Executive Directors, propose to the Board the additional consideration for their management duties and other contract conditions.

Indicate whether approvals of the following decisions are reserved to the full Board:

Upon recommendation by the chief executive, the appointment and possible removal of senior executives and their compensation clauses.	NO
Directors' compensation and, in the case of executive directors, the additional consideration for their management duties and other contract conditions.	YES

B.1.15 Indicate whether the Board of Directors approves a detailed compensation policy and specify the aspects it regulates:

YES

Amount of fixed remuneration, indicating the details of attendance fees for Board and Committee meetings and an estimate of the fixed annual remuneration	YES
Variable compensation	YES
Principal features of the welfare systems, estimating the annual cost or equivalent amount	YES
Conditions to be respected in the contracts of those performing top management duties and executive directors	YES

B.1.16 Indicate whether the Board submits to voting at the General Meeting, as a separate item on the agenda and with advisory nature, a report on the director compensation policy. If so, explain the aspects of the report on the compensation policy approved by the Board for future years, the most significant changes in those policies in respect of the policy applied during the year and an overall summary of how the compensation policy was applied during the period. Describe the role played by the Compensation Committee and whether external counselling has been used, and if so, the identity of the external advisers:

YES

Issues that the compensation policy report passes upon

The Company submitted the report on the Board remuneration policy to a consultative vote, as a separate point of the Agenda, at the General Shareholders' Meeting held on May 31, 2012. Said report was approved with the favourable vote of the majority of the share capital present or represented at the meeting.

The report had also been previously approved by the Board of Directors in its meeting held on February 28, 2012 following the proposal submitted by the Nomination and Compensation Committee.

The report contains explanations on the general principles behind the Directors' pay policy, and the break down of the remuneration structure, differentiating between the fixed remuneration due to membership on the Board of Directors of Repsol, the fixed remuneration due to membership on the Board of Directors of subsidiaries and the fixed remuneration for performing executive duties. The annual and multi-annual variable pays are also included as well as other items.

Role of the Compensation Committee

According to Article 33.4.a) of the Board of Directors' Regulations, the Nomination and Compensation Committee is responsible for proposing to the Board the remuneration policy for said Board, evaluating in its proposal the responsibilities, dedication, and incompatibilities required of the Directors, as well as for the Executive Directors, and proposing to the Board their additional remuneration for carrying out their executive functions and other conditions of their agreements.

To these effects, in the meeting held on February 28, 2012, the Nomination and Compensation Committee informed favourably the Report on the Remuneration Policy of the Repsol's Directors which was subsequently approved by the Board of Directors in the meeting held on February 28, 2012 and submitted for consultation vote, as a separate point on the Agenda, to the General Shareholders' Meeting held on May 31, 2012.

	YES	No
Has external counselling been used?	X	
Identity of the external counsels	Hay Group	

B.1.17 Name any Board members who are also directors or executives of companies holding significant interests in the listed company and/or companies in its group:

Name of director	Name of significant shareholder	Position
Isidro Fainé Casas	Caja de Ahorros y Pensiones de Barcelona	Chairman
Isidro Fainé Casas	CaixaBank, s.A.	Chairman
José Manuel Loureda Mantiñán	Valoriza Gestión, s.A. (Grupo Sacyr Vallehermoso)	Chairman
José Manuel Loureda Mantiñán	Vallehermoso División Promoción, s.A.(Grupo Sacyr Vallehermoso)	Director
José Manuel Loureda Mantiñán	Sacyr, s.A.U. (Grupo Sacyr Vallehermoso)	Director
José Manuel Loureda Mantiñán	Testa Inmuebles en Renta, s.A. (Grupo Sacyr Vallehermoso)	Director
José Manuel Loureda Mantiñán	Somague S.G.P.S., s.A. (Grupo Sacyr Vallehermoso)	Director
Juan María Nin Génova	Caja de Ahorros y Pensiones de Barcelona	General Manager
Juan María Nin Génova	CaixaBank, s.A.	Vice-Chairman and Managing Director

Describe any significant relationships other than those contemplated in the previous section between Board members and significant Shareholders' and/or companies in their group:

Name of director	Name of significant shareholder	Description of relationship
Juan Abelló Gallo	Sacyr Vallehermoso, s.A.	Representative of Nueva Compañía de Inversiones, S.A. in the position of Vice-Chairman of Sacyr Vallehermoso, S.A.
Juan Abelló Gallo	Sacyr Vallehermoso, s.A.	Indirect holder of 9.623% of the share capital of Sacyr Vallehermoso, S.A.
Luis Carlos Croissier Batista	Sacyr Vallehermoso, s.A.	Director of Testa Inmuebles en Renta, S.A.
José Manuel Loureda Mantiñán	Sacyr Vallehermoso, s.A.	Indirect holder of 12.65% of the share capital of Sacyr Vallehermoso, S.A. through Prilou, S.L. and Prilomi, S.L.
José Manuel Loureda Mantiñán	Sacyr Vallehermoso, s.A.	Representative of Prilou, S.L. in the position of Director of Sacyr Vallehermoso, S.A.

B.1.18 Indicate whether any modifications have been made during the year to the Regulations of the Board of Directors:

YES

Description of amendments

On January 25, 2012 the Board of Directors amended Articles 19 and 22 of the Board of Directors' Regulations to reinforce the protection of the corporate interest of the Company in cases of conflicts of interest and in particular, those arising from related party transactions, or the appointment of a competitor as a Director in order to adjust both Articles to the new Articles 22bis (related party transactions) and 44bis (non-compete) of the Bylaws that were proposed to the General Shareholders' Meeting 2012.

The reform of January 25, 2012 was unique though it was structured in two phases implemented in a successive way.

(I) The First Phase was applied immediately after its approval by the Board of Directors on January 25 and implied a provisional amendment of Articles 19 and 22 of the Regulations in order to adjust their content, in all that was possible in said moment, to the proposed new Articles 22bis and 44bis of the Bylaws.

As regards Article 19 (non-compete), the main amendments introduced were: (I) specifying that the independent external consultant issuing the report had to be renowned in the financial community; (II) a right of hearing to the Director or shareholder affected on the Nomination and Compensation Committee; (III) adding a definition of when it is considered that a person is engaged in activities on his own that constitute competition with the Company; and (IV) the amendment of the waiving regime applicable to the rendering of representation and advisory services by the Directors to competitors, in order to require a majority of two thirds of the members of the Board not affected by the conflict of interest.

As regards Article 22, (related party transactions), the main changes introduced were: (I) considering as a related party transaction all those transactions exceeding 5% of the consolidated assets of the Group; (II) excluding expressly from the application of the reinforced protection rule the execution of those agreements previously agreed; (III) specifying that the independent external consultant issuing the report had to be renowned in the financial community; and (IV) excluding from the general rule of submitting the related party transactions to the General Shareholders' Meeting, authorizing the Board to approve, with the favorable vote of at least two thirds of the members of the Board not affected by the conflict of interest, the transaction when opportunity reasons advise to do so.

The provisional nature of the First Phase was due to the lack of capacity of the Board of Directors to modify certain aspects included in the projected Bylaws as those related with the quorums or the developing of the General Shareholders' Meeting without being previously included in the Bylaws of the Company.

(II) The Second Phase of the amendment was applied after the approval, by the General Shareholders' Meeting on May 31, 2012, of the proposed new Articles 22bis and 44bis of the Bylaws.

The wording of Articles 19 and 22 of the Board Regulations had the following changes in respect of the wording approved for the First Phase: (I) both Articles provide a qualified voting quorum of 75% of the capital present and represented at the Shareholders' Meeting to approve the related party transactions and waiving the prohibition to compete and accordingly, the reference to the obligation of the directors to verify judicially the compatibility of the waiving with the corporate interest is eliminated; (II) Article 19.2 includes the right of the director involved to explain at the Shareholders' Meeting the reasons backing his request for waiving the prohibition; and (III) Article 22.1 includes a reference to the related party transactions regime provided in the Bylaws.

After that, the Board of Directors approved, on April 17, 2012 the amendments to the Board Regulations stated herein below with in order to: (I) reinforce the independence and improve the functioning of the Board by way of introducing in Repsol's internal rules certain improvements inspired on corporate governance recommendations and best practices; and (II) adjust the internal regulation to the new legislation.

Since most of the amendments affecting the Board Regulations were originated by amendments on the Bylaws, their entry into force was subject to the approval by the General Shareholders' Meeting of those amendments to the Bylaws. The main amendments introduced in the Board Regulations were the following:

- Amendment of Article 3.2 in order to include diversity policies as a guideline to be followed by the Board when choosing new candidates to cover any vacancy by co-optation or to be proposed for appointment at the General Shareholders' Meeting.
- Amendment of Articles 4.2 and 12 in order to substitute the reference to the Public Limited Companies Act by the Companies Act.
- Amendment of Article 5.5 in order to: (I) simplify and clarify the wording; (II) introduce technical improvements; (III) exclude from plenary decisions of the Board the granting of guarantees in the ordinary course of business of the Group or the guarantees in which the guarantor is

not liable of the debt in a proportion not higher than the economic participation of the Group in the entity whose obligations are secured; (IV) remove the requirement of the previous authorization of the Board to assign industrial and intellectual rights to companies belonging to Repsol Group; and (V) permit reasonable deviations in the execution of investments and operations that have been previously approved by the Board of Directors or by its Delegate Committee

- d) Amendment of Article 11 to establish an external periodic assessment of the members of Board and its committees, as a group, including in particular its Chairman.
- e) Amendment of Article 13.2 to limit the mandate for independent directors to twelve years.
- f) Amendment of Article 17.5 to limit the number of Boards in which a Director can sit, being the limit four Boards of Listed Companies. To these effects, all Boards of the same group of companies are considered as one Board as well as those Board memberships held as proprietary director proposed by a company of said group. Board memberships in holding companies or companies ancillary to the development of the professional services of the own Director or his or her closest family are excluded. Additionally it is foreseen the possibility that the Board exempt a Director for this prohibition when there are justified reasons.
- g) Amendment of Article 24.2 to include a reference to the annual remunerations report of the Board of Directors as foreseen in Article 61ter of the Securities Market Act, amended by Law 2/2011 of March 4th, on Sustainable Economy
- h) Amendment of Article 32:
 - Amendment of section 1, 2 and 3 to reinforce the independence of the Board and the guarantees to protect the corporate interest from any conflicts of interest by requiring all members of the Audit and Control Committee to be Independent Directors.
 - Amendment of section 4.b (I) to eliminate the need to carry out a tender for audit services every five years due to practical reason and cost saving.
 - Amendment of section 4.j. to connect the provision of Article 16.2 section b) of the Board of Directors' Regulations and the functions of the Audit and Control Committee. Said provision establish that the Directors shall offer their resignation and, should the Board deem fit, step down as Directors if they are given a serious warning by the Audit and Control Committee for defaulting their obligations as Directors. Therefore it has been included, among the functions of this Committee, admonishing those Directors who have breached their obligations.
 - Amendment of section 4.k to promote transparency in the management of the Company so that it is required that the Audit and Control Committee informs previously the Board about the incorporation or participation in special purpose vehicles or domiciled in countries or territories considered tax havens. Additionally the scope of the regulation has been completed in line with Recommendation 52 b) of the Unified Code of Good Governance, including *“or domiciled in countries or territories considered tax havens as well as any other transactions with a similar nature that, due to their complexity, may reduce the Group's transparency”*.
- i) Amendment of section i) and ii) of Article 33.4.c) in order to: (a) adapt the wording of section i) to the statutory amendments proposed to the General Shareholders' Meeting; and (b) connect the provision of Article 16.2 of the Board of Directors Regulations and the functions of the Nomination and Compensation Committee. Said provision establish that the Directors shall offer their resignation and, should the Board deem fit, step down as Directors if they are given a serious warning by the Nomination and Compensation Committee for defaulting their obligations as Directors. Therefore it has been included, among the functions of this Committee, admonishing those Directors who have breached their obligations.

Finally, on May 31, 2012 and due to the resolution related to the change of corporate name to Repsol, S.A. passed by the General Shareholders' Meeting, all the references to YPF included in the Regulations of the Board of Directors were removed to adjust it to the new corporate name and to the new structure of the Group.

B.1.19 Describe the procedures for appointment, re-election, assessment and removal of directors. Indicate the competent bodies, the formalities and the criteria to be followed in each of these procedures.

Appointment

Board members are appointed by the General Meeting, without prejudice to the right of the Board to nominate Shareholders' to fill any vacancies that arise, up to the next succeeding General Meeting.

No-one who is affected by the prohibitions established in section 213 of the Stock Company Act or who is incompatible under prevailing legislation, particularly under the Senior Central Government Positions (Incompatibilities) Act 5/2006 of April 10 and the Senior Positions in the Madrid Regional Government (Incompatibilities) Act 14/1995 of April 21, may be a director or hold any senior position in the company.

Directors shall be persons who, apart from meeting the requirements stipulated for the position in the law and the Articles of Association, have recognised prestige and sufficient professional experience and expertise to perform their duties as such.

Within its powers of proposal to the General Meeting or appointment by cooptation, the Board may not propose as candidates or appoint as Directors any persons affected by any of the incompatibilities or prohibitions established in law, the Articles of Association or regulations or any persons, companies or entities in a situation of permanent conflict of interest with the company, including competitors of the company or their directors, executives or employees, or any persons related to or proposed by them.

Furthermore, persons may not be nominated or appointed as External Independent directors if they:

- a) Have been employees or Executive Directors of Group companies, unless 3 or 5 years, respectively, have passed since the end of that relationship.
 - b) Receive from the Company, or its Group, any sum of money or benefit whatsoever other than Directors' compensation, unless such sum or benefit is insignificant.
- Dividends and pension supplements received by Directors by virtue of a former professional or employment relationship shall not be counted for the purpose of this section, provided such supplements are unconditional and, therefore, the company paying them cannot suspend, modify or revoke them at its own discretion, unless the director in question has defaulted his obligations.
- c) Be or have been in the past 3 years a partner of the External Auditor or person responsible for the auditors' report during that time, of the Company or any other company in its Group.
 - d) Be Executive Directors or Senior Executive of any other company in which any Executive Director or Senior Executive of the Company is an External Director.
 - e) Have or have had in the past year any significant business relationship with the Company or with any company in its Group, directly or as a significant shareholder, Director or Senior Executive of an entity having or that has had such a relationship.

Business relationships shall be those of suppliers of goods or services, including financial services, or of advisers or consultants.

- f) Be significant Shareholders', Executive Directors or Senior Executives of a company that receives, or has received in the past 3 years, significant donations from the Company or its Group.
- Those who are mere sponsors or trustees of a Foundation receiving donations shall not be considered included in this group.
- g) Be the spouse, persons having equivalent emotional ties or relatives up to the second degree of an Executive Director or Senior Executive of the Company.
 - h) Not have been proposed for appointment or re-election by the Nomination and Compensation Committee.
 - i) Be in any of the cases contemplated in paragraphs a), e), f) or g) above in respect of any significant shareholder or shareholder represented on the Board. For the blood relationship contemplated in g), the limitation shall be applicable not only to the shareholder, but also to its External Proprietary Directors in the Company.

- j) Have remained in office as Director for a period of more than twelve years.

External Proprietary Directors who lose this status when the shareholder they represent sells its shares in the Company may only be re-elected as External Independent Directors when the shareholder they represented up to that time has sold all of its shares in the Company.

A Director who holds a shareholding interest in the Company may be appointed as External Independent Director, provided he meets all the conditions established in this Article and does not hold a significant interest.

The Nomination and Compensation Committee, consisting exclusively of External Directors, shall assess candidates' adequate knowledge, experience and expertise to sit on the Board; define, in consequence, the duties and qualifications required of candidates to fill any vacancy and assess the time and dedication required to adequately perform their duties

This Committee shall also ensure that whenever new vacancies are foreseen or on appointing new directors, the selection procedures are not affected by implicit bias that could entail some kind of discrimination and that women who meet the professional profile sought are deliberately sought and included among the potential candidates, informing the Board on the initiatives taken in this respect and the results thereof.

Nominations for the appointment of directors submitted by the Board to the General Meeting and appointments made by cooptation must be approved by the Board (I) upon proposal of the Nomination and Compensation Committee, in the case of External Independent Directors, or (II) subject to a report by said Committee for other directors.

Any Director affected by proposals for appointment, re-election or retirement shall abstain from participating in the discussions and voting of such matters. Voting on proposals for appointment, re-election or retirement shall be by secret ballot.

Re-election

Directors shall hold office for a maximum of four years, after which they shall be eligible for re-election for one or several periods with an equal maximum duration. Directors appointed by cooptation shall hold office up to the first General Meeting following their appointment, at which their appointment shall be subject to ratification.

The Nomination and Compensation Committee shall be responsible for assessing the quality of their work and dedication of the directors proposed during their previous term in office.

Proposals to the General Meeting for the re-election of Directors shall be approved by the Board (I) upon proposal of the Nomination and Compensation Committee, in the case of External Independent Directors, or (II) subject to a report by said Committee for other directors.

Assessment

At least once a year, the Board of Directors shall assess its functioning and the quality and efficiency of its work. It shall also annually assess the work of its Committees, based on the reports they submit to it.

The Chairman shall organise and coordinate this regular assessment of the Board with the Chairmen of the Committees.

With the frequency it shall determine and at least once every three years, the Board shall commission an external assessment of its performance to an independent specialized firm. This assessment shall include an analysis of the composition, organization and functioning of the Board as a body corporate and an evaluation of the competence and efficiency of each of its Committees and members, particularly including the Chairman.

Cessation

Directors shall retire from office upon expiry of the term for which they were appointed and in all other cases stipulated in law, the Articles of Association and the Regulations of the Board of Directors.

The Board shall not propose the removal of any External Independent Director before the end of the period for which he was appointed, unless it has justified reasons for doing so, based on a report by the Nomination and Compensation Committee. In particular, such a

proposal shall be justified if the Director (I) has defaulted the duties corresponding to his position; (II) is in any of the situations described in section B.1.20 below; or (III) falls into any of the circumstances described above, by virtue of which he may no longer be considered an External Independent Director.

The removal of External Independent Directors may also be proposed following takeover bids, mergers or other similar corporate operations causing a change in the capital structure of the Company, insofar as may be necessary to establish a reasonable balance between External Proprietary Directors and External Independent Directors, according to the ratio of capital represented by the former to the rest of the capital.

Directors shall also tender their resignations in any of the circumstances defined in the following section.

B.1.20 Indicate the events in which directors are obliged to retire.

Directors shall tender their resignations and step down from the Board, should the latter consider this appropriate, in the following events:

- a. If they fall into circumstances of incompatibility or prohibition contemplated in law, the Articles of Association or applicable regulations.
- b. If they receive a serious warning from the Nomination and Compensation Committee or the Audit and Control Committee for defaulting their obligations as directors.
- c. If, in the opinion of the Board, in view of a report by the Nomination and Compensation Committee:
 - I. Their remaining on the Board could jeopardise the interests of the company or adversely affect the functioning of the Board or the standing and reputation of the Company; or
 - II. If the reasons why they were appointed disappear. Directors shall find themselves in this position, particularly in the following cases:
 - External Proprietary Directors, when the shareholder they represent or that nominated them directors transfers its entire shareholding interest. They shall also offer their resignation and, should the Board deem fit, step down from the Board, in the corresponding proportion, if the shareholder reduces its shareholding interest to a level requiring a reduction in the number of its External Proprietary Directors.
 - Executive Directors, when they cease to hold the executive positions outside the Board to which their appointment as director was linked.

B.1.21 Explain whether the Chairman of the Board is the Chief Executive Officer of the company. If so, state what measures have been adopted to limit the risks of one single person accumulating powers:

YES

Measures for limiting risks

According to Article 25 of the Regulations of the Board of Directors of Repsol, S.A., the Chairman of the Board shall be the Chief Executive Officer of the Company. Notwithstanding this, section 5 of said Articles provides also that:

"When the Chairman of the Board of Directors holds the role of CEO, the Board shall appoint, upon proposal by the Appointments and Remuneration Committee, an independent director who, under the name of Lead Independent Director, may perform the following tasks:

- a) Request to the Chairman of the Board, when he deems appropriate, the calling of the Board.
- b) Request the inclusion of items on the Board's meetings agenda according to Article 9.3 of these Regulations.
- c) Coordinate and give voice to the concerns of external directors.
- d) Lead the Board's evaluation of the Chairman.
- e) Call and chair meetings of independent directors as he deems necessary or desirable".

Additionally, Article 9 of the Regulations of the Board of Directors provides that *“The Chairman may call additional Board meetings whenever he deems appropriate. The call shall be mandatory when requested by the Lead Independent Director or by at least one-quarter of the directors, without prejudice to the provision of Article 17.2.e) of these Regulations. The Chairman shall draw up the agenda for meetings, although any of the directors may, prior to call, request the inclusion of any business they consider ought to be transacted at the meeting. Such inclusion is mandatory when the request has been made 48 hours prior to the date specified for the meeting”*.

On the other hand, said Article 25 also stipulates that the Chairman of the Board shall act at all times in accordance with the decisions and criteria established by the General Shareholders' Meeting and the Board of Directors.

Article 4 of the Regulations of the Board of Directors reserves the following duties and powers to this corporate body:

“The Board shall approve the company strategy and the organisation needed to put it into practice, and oversee and ensure that Management meets the targets set and respects the company's objects and social interest; approve acquisitions and disposals of assets which are, for whatsoever reason, considered especially important for the company or its subsidiaries; establish its own organisation and procedures and those of the Top Management and, in particular, amend these Regulations; exercise any powers that the General Meeting has granted to the Board -which the Board may delegate solely if expressly so indicated in the resolution adopted by the General Meeting- and any other powers granted to it in these regulations”.

Similarly, Article 5 of the Regulations of the Board reserves to the Board in full the following issues:

1. Submission of the Annual Accounts and Management Report of Repsol, S.A. and consolidated companies, as well as any other proposals which must legally originate with the Company's administrators, to the Ordinary Shareholders' Meeting.
2. The general strategies and policies of the Company, such as:
 - a) The Strategic Plan of the Group, management objectives and Annual Budgets;
 - b) The investment and financing policy;
 - c) The corporate governance policy;
 - d) The corporate social responsibility policy;
 - e) Top Management pay policy;
 - f) Risk management and control policy; and
 - g) Dividend policy, treasury stock policy and, especially, the limits thereon.
3. The following decisions:
 - a) Appointment of Directors in the event of vacancies, up to the next succeeding General Meeting, and acceptance of resignations tendered by Directors;
 - b) Appointment and removal of the Chairman, Vice-Chairmen, Secretary and Vice-Secretary of the Board and the Directors who are to sit on the different Committees contemplated in the Regulations of the Board, and the delegation of powers to any of the Board members, on the terms stipulated in the law and Articles of Association, and revocation of such powers;
 - c) Directors' compensation and, in the case of executive directors, additional consideration for their management duties and other contract conditions
4. The annual and half-year financial reports, which Repsol, being a listed company, is obliged to publish.
5. The following investments and transactions, save when approval corresponds to the General Meeting:
 - a) Incorporation of companies and entities or initial acquisition of stakes in existing companies or entities of more than six million Euros.
By exception, decisions on investments provided for in sufficient detail in the Group's annual budgets and/or strategic plan shall be left up to the Chairman.
 - b) Creation or acquisition of shares in special purpose vehicles whenever they go beyond the ordinary administration of the company.

- c) Mergers, takeovers, spin-offs or concentrations of strategic importance of interest for any of the major subsidiaries or investees in which any of the companies in the Repsol group has a direct interest.
- d) Sale of shares in companies or other fixed assets with a value of over thirty million euro; the Delegate Committee shall approve such sales valued at between fifteen and thirty million euro, informing the Board at the next meeting of all sales authorised.
- e) Approval of investment projects with a value of over thirty million euro; the Delegate Committee shall approve projects valued at between fifteen and thirty million euro, informing the Board at the next meeting of all investments approved.
By exception, the Chairman shall decide, after discussion by the Management Committee if necessary, whether to approve the following investment projects:
 - Those involving the prospecting or working of oil fields in fulfilment of commitments deriving from the corresponding contracts, concessions or licences.
 - Those performed in fulfilment of legal provisions binding on the company concerned, concerning environmental protection, safety of installations, product specifications or similar.
 - Those provided for in sufficient detail in the group's annual budgets and/or strategic plan.
 In these cases, the Chairman shall report on the approval of these investments to the Board or Delegate Committee, depending on their values and as established in the first paragraph of this point e), wherever possible before commencement of the respective projects.
- f) Notes, debentures or other issues made by Repsol, S.A. or its majority-owned or controlled subsidiaries.
- g) Granting of bonds to secure the obligations of entities not controlled by the group except in the following cases:
 - the guarantor, directly or by means of counter guarantees, is finally liable for the debt or obligation in a proportion not higher to the economic participation of the Group in the entity which obligations are secured; and
 - the granting of the security is part of the ordinary and usual process of tender, negotiation, management and exploitation of the Group's businesses..
- h) Assignment to third entities or persons not controlled by the Group, of rights over the trade name and trade marks, and over any other patents, technology and any form of industrial or intellectual property of economic importance belonging to Repsol, S.A. or group companies.
- i) Creation, investment and supervision of the management of employee pension schemes and any other commitments to employees involving long-term financial responsibilities for the Company.
- j) Signing of long-term commercial, industrial or financial agreements of strategic importance for the Repsol Group.
Unless a different regime is approved when passing the correspondent resolution, an investment or a transaction shall not need an additional approval if in its execution a deviation not higher than 10% or 30 million euros over the initial amount authorized by the Board of Directors or its Delegate Committee is produced.

6. Any other business or matter reserved in these Regulations for approval by the full Board. The Chairman, or otherwise the Vice-Chairmen, shall implement the resolutions adopted by the Board in accordance with this Article, report on any authorisation or approval given where appropriate or issue instructions to carry out the actions required by the resolutions adopted. Should circumstances so require, the powers of the Board contemplated in 3c), 4 and 5 above may be exercised by the Delegate Committee and subsequently ratified by the full Board.

Apart from all this, the Chairman of the Board of Directors shall receive reports and proposals from the Audit and Control Committee, the Nomination and Compensation Committee and the Strategy, Investment and Corporate Social Responsibility Committee, on matters within their respective competence. For greater guarantee, all the members of these Committees shall be External Directors.

Indicate and, if appropriate, explain whether rules have been established to enable one of the independent directors to request the calling of the Board or the inclusion of new items on the agenda, to coordinate and echo the concerns of external directors and to direct the assessment by the Board of Directors:

YES

Explain the rules

The Board of Directors of Repsol, in its meeting held on February 23, 2011, agreed to amend its regulations to, among other matters, incorporate into Company's system of corporate governance the figure of Lead Independent Director. According to current Article 25,5 of the Regulations of the Board of Directors:

"When the Chairman of the Board of Directors holds the role of CEO, the Board shall appoint, upon proposal by the Nomination and Compensation Committee, an independent director who, under the name of Lead Independent Director, may perform the following tasks:

- a) Request to the Chairman of the Board, when he deems appropriate, the calling of the Board.
- b) Request the inclusion of items on the Board's meetings agenda according to Article 9.3 of these Regulations.
- c) Coordinate and give voice to the concerns of external directors.
- d) Lead the Board's evaluation of the Chairman.
- e) Call and chair meetings of independent directors as he deems necessary or desirable".

Additionally, Article 9 of the Regulations of the Board of Directors provides that "The Chairman may call additional Board meetings whenever he deems appropriate. The call shall be mandatory when requested by the Lead Independent Director or by at least one-quarter of the directors, without prejudice to the provision of Article 17.2.e) of these Regulations. The Chairman shall draw up the agenda for meetings, although any of the directors may, prior to call, request the inclusion of any business they consider ought to be transacted at the meeting. Such inclusion is mandatory when the request has been made 48 hours prior to the date specified for the meeting".

B.1.22 Are special majorities differing from those stipulated in law required for any type of decision?

YES

Explain how resolutions are adopted on the Board, indicating at least the quorum and the majorities required for adopting resolutions:

Adopting resolutions

Description of resolution	Quorum	Type of majority
Amendment of Article 19 of the Board of Directors Regulation	Half plus one of the Directors	Three quarters of the Board members
Amendment of Article 22 of the Board of Directors Regulation	Half plus one of the Directors	Three quarters of the Board members
Authorization to Directors to provide advice or representation services to competing companies, provided a favourable report from the Nomination and Compensation Committee is obtained.	Half plus one of the Directors	Two thirds of the Board members not affected by the conflict of interests
Waiving the incompatibility due to conflict of interest in case of proposal to the Shareholders' meeting or appointment by co-optation of candidates or Directors.	Half plus one of the Directors	Two thirds of the Board members not affected by the conflict of interests

Authorization of related party transactions performed by the Company with Directors, significant Shareholders' represented on the Board or persons related thereto that exceed the 5 % of the Group's assets according to the latest consolidated annual accounts approved by the General Shareholders' Meeting, aimed at strategic assets of the Company, involve transfer of the Company's relevant technology, or aimed at establishing mechanisms for collaboration and strategic alliances and do not consist on simply agreements of performance or execution. The above provided that the transaction is fair and efficient from the standpoint of the Company's corporate interest, that after obtaining the relevant report of an independent external consultant renowned in the financial community on the reasonableness and arm's length terms of the related party transaction, the Nominating and Compensation Committee issues a favourable report and that special circumstances advise not to wait until the next General Shareholders' Meeting.	Half plus one of the Directors	Two thirds of the Board members not affected by the conflict of interests
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B.1.23 Are there any specific requirements, other than those established for directors, to be appointed Chairman?

NO

Description of requirements

B.1.24 Indicate whether the Chairman has casting vote:

YES

Matters in which there is a casting vote

According to Article 36 of the Articles of Association, save where greater majorities have been specifically established, resolutions of the Board shall be approved by the absolute majority of directors attending, and in the event of a tie, the Chairman or acting chairman shall have the casting vote.

B.1.25 Indicate whether the Articles of Association or the Board regulations establish any age limit for directors:

NO

Age limit Chairman

Age limit managing director

Age limit director

B.1.26 Indicate whether the Articles of Association or the Board regulations establish any limit on the term of office for independent directors:

YES

Maximum term of office	12 years
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B.1.27 If there are few or no female directors, explain why and what actions have been taken to remedy this situation.

Explanation of reasons and actions

The appointment of all the Board members has been made objectively, taking account the prestige, expertise and professional experience required to perform their duties, and without any kind of discrimination.

Both, Article 33 of the Bylaws and Article 3.2 of the Board of Directors Regulations provide expressly that in the proposal submitted by the Board of Directors to the Shareholders' meeting and/or in the resolutions adopted by the Board in cases of cooptation in order to fill vacancies, the Board shall endeavour to maintain a composition in which, among others, professional, international and gender diversity policies are applied and are adequate to the activity the Company carries out.

On the other hand, The Board of Directors Regulations assigns, among other matters, to the Nomination and Compensation Committee the duty of assessing the necessary knowledge, expertise and experience of the Board, defining in consequence the duties and qualifications required of the candidates for filling each vacancy and assessing the time and dedication required to adequately perform their duties.

Furthermore, Article 33 of the Regulations of the Board of Directors expressly provides that the Nomination and Compensation Committee ensure that whenever new vacancies are foreseen or on appointing new directors, the selection procedures are not affected by implicit bias that could entail some kind of discrimination and that women who meet the professional profile sought are deliberately sought and included among the potential candidates, informing the Board on the initiatives taken in this respect and the results thereof.

In particular, state whether the Nomination and Compensation Committee has established procedures to ensure that the selection procedures are not affected by implicit bias that could hamper the selection of female directors and that women with the required profile are deliberately included among the candidates:

NO

Describe the main procedures

B.1.28 Indicate whether there are any formal processes for proxy voting in the Board of directors. If so, briefly describe these.

Without prejudice to the directors' duty to attend the meetings of the bodies they belong to or, if they are unable for justified reasons to attend the meetings to which they have been called, to issue the appropriate instructions to the director who is to represent them, if any, each Board member may grant a proxy to another member, with no limit on the number of proxies that may be held by any director for attendance of Board meetings.

Absent directors may grant proxies by any written means, including telegram, telex or telefax addressed to the Chairman or Secretary of the Board.

B.1.29 State the number of meetings held by the Board of Directors during the year, indicating, if appropriate, how many times the Board has met without the Chairman:

Number of Board meetings	12
Number of Board meetings held without the Chairman	0

Number of meetings held by the different Committees of the Board:

Number of meetings of the Delegate Committee	7
Number of meetings of the Audit Committee	9
Number of meetings of the Nomination and Compensation Committee	4
Number of meetings of the Nomination Committee	–
Number of meetings of the Compensation Committee	–

B.1.30 Indicate the number of meetings held by the Board of Directors during the year without the attendance of all its members, counting as non-attendance any proxies made without specific instructions:

Number of non-attendances by directors during the year	7
Non-attendances/total votes during the year (%)	3.89

B.1.31 Indicate whether the individual and consolidated annual accounts presented for Board for approval are previously certified:

YES

If appropriate, name the person(s) who certify the individual or consolidated annual accounts of the company before they are approved by the Board:

Name	Position
Antonio Brufau Niubó	Chairman
Miguel Martínez San Martín	Chief Financial Officer and Corporate Development Executive Managing Director

B.1.32 Explain the mechanisms, if any, established by the Board to avoid a qualified auditors' report on the individual and consolidated accounts laid before the General Meeting.

The Audit and Control Committee, set up on 27 February 1995, has as main duty, the supporting to the Board in its supervisory duties, through regular checking of the preparation of economic and financial reporting, the effectiveness of its executive controls and the independence of the external auditors, as well as supervising the internal audit department, and checking the compliance with all the legal provisions and internal regulations applicable to the Company. This Committee has the following duties, among others:

- Supervise the integrity and process of preparing the financial information on the company and its group, ensuring compliance with all requirements, adequate definition of the consolidated group and correct application of the accounting principles.
- Regularly check the internal control and risk management systems, ensuring that the principal risks are identified, handled and reported on adequately.
- Prior to their submission to the Board, analyse the financial statements of the company and its consolidated group included in the annual, half-year and quarterly reports and any other

financial information that the company is obliged to publish regularly by virtue of being a listed company, with the necessary requirements to ensure that they are correct, reliable, adequate and clear. For this purpose it shall have all the necessary information and such degree of aggregation as it may deem fit, assisted as necessary by the top management of the group, particularly its financial management and the company's auditor. It shall, in particular, see that the annual accounts that are to be submitted to the Board are certified by the Chairman, the Managing Director(s), if any, and the Chief Finance Officer (CFO) pursuant to the internal or external regulations applicable from time to time.

- Regularly receive information from the external auditors on the audit plan and results of their work, and check that the executives heed their recommendations.
- Regularly require the external auditors, and at least one a year, to assess the quality of the group's internal control procedures and systems.
- Be informed of any situations requiring adjustments that may be detected during the work of the external auditors whenever they are significant, considering this to mean any situations which, per se or in combination with others, may cause a material impact or damage to the net worth, results or reputation of the group. This consideration shall be left to the discretion of the external auditors, who shall, in case of doubt, opt for notification. The Chairman of the Committee shall be notified accordingly as soon as the auditors become aware of the situation in question.
- Oversee the degree of fulfilment by the audited units of the corrective measures recommended by the internal audit department in previous audits.
The committee shall be informed of any significant irregularities, anomalies or defaults detected by the internal audit department in the course of its work.

For this purpose, the members of this Committee shall have the necessary experience, capacity and dedication to perform their duties. Moreover, the Chairman shall have experience in business management and a working knowledge of accounting procedures, and at least one of the members shall have the financial experience that may be required by the regulatory bodies of the stock markets on which the stocks or shares of the company are listed.

B.1.33 Is the Secretary of the Board a Director?

YES

B.1.34 Explain the procedures for appointment and removal of the Secretary of the Board, indicating whether a report is issued by the Nomination Committee and whether they are approved by the full Board.

Procedure for appointment and removal

As provided in Article 42 of the Articles of Association, the Board chooses its Secretary and Vice-Secretary, if any, who may or may not be Directors.

Moreover, pursuant to Articles 5 and 33 of the Regulations of the Board of Directors, the Board shall appoint or remove its Secretary and Vice-Secretary, subject to a report by the Nomination and Compensation Committee.

	YES	NO
Does the Nomination Committee issue a report on the appointment?	X	
Does the Nomination Committee issue a report on the removal?	X	
Does the full Board approve the appointment?	X	
Does the full Board approve the removal?	X	

Is the Secretary of the Board commissioned especially to see that the good governance recommendations are heeded?

YES

Remarks	
	Article 42 of the Articles of Association establishes that the Secretary will ensure that the Board actions comply in form and substance with the law and that the company's procedures and rules of governance are respected. Furthermore, in pursuance of Article 27 of the Regulations of the Board of Directors, the Secretary of the Board is commissioned to ensure compliance with any provisions issued by regulatory bodies and heeding of their recommendations, if any, and to ensure that the corporate governance principles of the company are observed.

B.1.35 Describe any mechanisms established by the company to preserve the independence of the auditor, financial analysts, investment banks and rating agencies.

One of the powers of the Audit and Control Committee contemplated in Article 39 of the Articles of Association is that of receiving information on any issues that may jeopardise the independence of the External Auditors.

In development of this provision of the Articles of Association, the Regulations of the Audit and Control Committee establish, as one of its duties, ensuring the independence of the External Auditors, in two ways:

- Avoiding any factors that may compromise the warnings, opinions and recommendations of the External Auditors, and
- Establishing and overseeing any incompatibilities between auditing and consultancy services and any others, the limits on concentration of the External Auditor's business and, in general, all other rules established to guarantee the independence of the auditor.

According to these duties, in 2003 the Audit and Control Committee agreed on a procedure to approve previously all the services, auditing or otherwise, provided by the External Auditor, whatever their extent, scope and nature. This procedure is regulated in an Internal Rule mandatory for the whole of the Repsol Group.

In addition, Article 32 of the Regulations of the Board of Directors (the *Audit and Control Committee*) provides that the Committee shall receive, annually, from the External Auditor written confirmation of its independence towards the Company or entities related to the same directly or indirectly, as well as the information of the additional services of any type provided to these entities by said Auditors or companies, or by the people or entities linked to the latter, in accordance with that established in the regulations governing the activity of auditors. The Committee shall issue annually, prior to the delivery of the Auditing report, a report stating an opinion on the independence of the Auditors. In any case, this report must make a declaration on the additional services provided and referred to.

Furthermore, Repsol Group has the Investor Relations Corporate Division whose responsibilities include ensuring that the information supplied by the Company to the market (financial analysts and investment banks, amount other) is transmitted fairly, commensurate and in useful time and, according with the Repsol Group Internal Conduct Regulations Regarding the Securities Market, that such information is accurate, clear, complete and, when required by the nature of the information, quantified, and shall by no means be misleading or confusing.

B.1.36 State whether the Company has changed its external auditor during the year. If so, name the outgoing and incoming auditors:

NO

Outgoing auditor	Incoming auditor

Did the Company have any disagreements with the outgoing auditor? If so, explain what they consisted of:

NO

Description of the disagreement

B.1.37 State whether the firm of auditors does any work for the Company and/or its Group other than standard audit work and if so, declare the amount of the fees received for such work and the percentage it represents of the fees invoiced to the company and/or its group:

YES

	Company	Group	Total
Cost of work other than auditing (thousands of euro)	1,056	699	1,755
Cost of work other than auditing/Total amount invoiced by the auditors (%)	37.3	19.23	27.14

B.1.38 State whether the auditors' report on the Annual Accounts of the previous year contains any qualifications. If so, indicate the reasons given by the Chairman of the Audit Committee to explain the contents and scope of those qualifications.

NO

Description of reasons

B.1.39 State the number of years in succession that the current firm of auditors has been auditing the annual accounts of the company and/or its group. Indicate the ratio of the number of years audited by the current auditors to the total number of years that the annual accounts have been audited:

	Company	Group
Number of years in succession	11	11

	Company	Group
Number of years audited by current auditors/No. years that the company has been audited (%)	50%	50%

B.1.40 Indicate the company Board members' shareholdings, reported to the company, in companies engaging in the same or similar activities as those within the company's or group's scope of business. Indicate their positions or duties in these companies:

Name of director	Name of company	% stake	Position or duties
Antonio Brufau Niubó	Gas Natural SDG, s.A.	0.008	Vice-Chairman
Isidro Fainé Casas	Gas Natural SDG, s.A.	0.011	–
José Manuel Loureda Mantiñán	Valoriza Gestión, s.A.	0.000	Chairman
José Manuel Loureda Mantiñán	Vallehermoso División Promoción, s.A.	0.000	Director
Juan María Nin Génova	Gas Natural SDG, s.A.	0.000	Director
Luis Suárez de Lezo Mantilla	Gas Natural SDG, s.A.	0.002	Director
Luis Suárez de Lezo Mantilla	Repsol – Gas Natural LNG, s.L.	0.000	Director

B.1.41 Indicate, with details if appropriate, whether there is an established procedure for directors to receive external advice:

YES

Details of procedure

The Regulations of the Board of Repsol, S.A. expressly recognise the directors' right to advisory services. Article 23 provides as follows:

- The Directors shall likewise have the power to propose to the Board, by majority vote, the contracting at the Company's expense of legal advisers, accountants, technical, financial, and commercial experts, and experts of any other kind they consider necessary to the Company's interests, to provide assistance in the performance of the Directors' functions in regard to concrete problems of some magnitude and complexity relating to their positions.
- Said proposals must be submitted to the Chairman of the Company through the Secretary of the Board. The Board of Directors may veto their approval on the grounds that they are unnecessary to the performance of the assigned functions, or that the number is disproportionate to the importance of the problem and to the Company's assets and income, or that the technical assistance in question could be adequately provided by experts within the Company.

Furthermore, the Regulations of the Board of Directors establish that the Audit and Control Committee, the Nomination and Compensation Committee and the Strategy, Investment and Corporate Social Responsibility Committee may obtain counselling from lawyers or other independent professionals, in which case the Secretary of the Board shall, at the request of the Chairman of the Committee, take whatever action may be necessary to engage the services of such lawyers or other professionals, which shall be provided directly to the corresponding Committee.

B.1.42 Indicate, with details if appropriate, whether there is an established procedure for directors to obtain sufficiently in advance any information they may need to prepare the meetings of the governing bodies:

YES

Details of procedure

The Regulations of the Board of Directors of Repsol, S.A. establish that the notice of call to Board meetings shall be sent to each director at least 48 hours prior to the date specified for the meeting, and shall include the agenda. The minutes of the previous meeting shall be enclosed, regardless of whether they have been approved, and any information considered necessary and that is available.

The Regulations of the Board of Directors of Repsol, S.A. contemplate procedures to ensure that directors have the necessary information sufficiently in advance to prepare Board meetings. In this regard, Article 23 provides as follows:

- The Directors shall have access to all the Company's services and may obtain, with the broadest possible powers, the information and advising they need on any aspect of the Company provided they request it in connection with the performance of their functions. The right to information extends to the subsidiaries, whether national or foreign, and shall be channelled through the Chairman or the Secretary of the Board of Directors or of the appropriate Board Committee, who shall respond to Directors' requests and directly furnish them the information, offering them access to appropriate sources or taking all necessary measures to answer questions.

B.1.43 Indicate, with details if appropriate, whether the company has established rules obliging directors to report and, if necessary, resign in any cases that could be detrimental to the company's reputation:

YES

Explain the rules

According to Article 16 of the Regulations of the Board of Directors, Directors shall offer their resignation and, should the Board deem fit, step down as directors if, in the opinion of the Board, in view of a report by the Nomination and Compensation Committee, their remaining on the Board could jeopardise the interests of the company or adversely affect the functioning of the Board or the standing and reputation of the company.

In this regard, Article 17 of the Regulations of the Board of Directors provides that Directors shall notify the Board as soon as possible and keep it up to date on any situations in which they may be involved and that could be detrimental to the standing and reputation of the company, to enable the Board to assess the circumstances, particularly in pursuance of the preceding paragraph.

B.1.44 Indicate whether the Company has been notified by any Board member that he has been sued or is being tried for any of the offences contemplated in Article 124 of the Joint Stock Companies Act:

NO

Name of Director	Criminal Case	Comments
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Indicate whether the Board has studied the case. If so, give a reasoned explanation of the decision made as to whether or not the director in question should remain in office.

NO

Decision made	Reasoned explanation
Should or shouldn't remain in office	

B.2

Board of Directors' Committees

B.2.1 List all the committees of the Board of Directors and their members:

DELEGATE COMMITTEE

Name	Position	Type
Antonio Brufau Niubó	Chairman	Executive
Isidro Fainé Casas	Member	Proprietary
Juan Abelló Gallo	Member	Proprietary
Javier Echenique Landiribar	Member	Independent
Artur Carulla Font	Member	Independent
Pemex Internacional España, s.A.	Member	Proprietary
Henri Philippe Reichstul	Member	Independent
Luis Suárez de Lezo Mantilla	Member & Secretary	Executive

AUDIT AND CONTROL COMMITTEE

Name	Position	Type
Ángel Durández Adeva	Chairman	Independent
Paulina Beato Blanco	Member	Independent
Javier Echenique Landiribar	Member	Independent

NOMINATION AND COMPENSATION COMMITTEE

Name	Position	Type
Artur Carulla Font	Chairman	Independent
María Isabel Gabarró Miquel	Member	Independent
José Manuel Loureda Mantiñán	Member	Proprietary
Juan María Nin Génova	Member	Proprietary
Mario Fernández Pelaz	Member	Independent

STRATEGY, INVESTMENT AND CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Name	Position	Type
Juan María Nin Génova	Chairman	Proprietary
Juan Abelló Gallo	Member	Proprietary
Luis Carlos Croissier Batista	Member	Independent
María Isabel Gabarró Miquel	Member	Independent
José Manuel Loureda Mantiñán	Member	Proprietary
Pemex Internacional España, s.A.	Member	Proprietary

B.2.2 Indicate whether the following duties correspond to the Audit Committee:

	YES	NO
Supervise the integrity and process of preparing the financial information on the company and its group, ensuring compliance with all requirements, adequate definition of the consolidated group and correct application of the accounting principles	X	
Regularly check the internal control and risk management systems, ensuring that the principal risks are identified, handled and reported on adequately	X	
Guarantee the independence and efficiency of the internal audit department; propose the selection, appointment, re-election and removal of the chief audit officer; propose the budget for this department; receive regular information on its activities; and check that the top management heeds the conclusions and recommendations of its reports	X	
Establish and oversee a mechanism whereby employees may report, confidentially and, if appropriate, anonymously, any potentially important irregularities, especially financial and accounting irregularities, that they may detect within the company	X	
Submit proposals to the Board for the selection, appointment, re-election and replacement of the external auditors and the terms and conditions of their engagement	X	
Regularly receive information from the external auditors on the audit plan and results of their work, and check that the executives heed their recommendations	X	
Guarantee the independence of the external auditors	X	
In the case of groups, encouraging the group auditors to audit the group companies.	X	

B.2.3 Describe the rules of organisation and procedure and the responsibilities attributed to each Committee.

Delegate Committee

The Delegate Committee consists of the Chairman of the Board and up to a maximum of seven directors from the three existing categories (executive, proprietary and independent), endeavouring to maintain a similar proportion to that existing on the Board of Directors. Its members shall be appointed with a majority of at least two-thirds of the current Board members.

All the powers of the Board are permanently delegated to the Delegate Committee, except those that may not be lawfully delegated and those considered as such by the Articles of Association or the Regulations of the Board of Directors.

The Chairman of the Delegate Committee shall be the Chairman of the Board and the Secretary shall be the Secretary of the Board, who may be assisted by the Vice-Secretary.

Whenever the business is sufficiently important, in the opinion of the Chairman or three members of the Delegate Committee, the resolutions adopted by the Delegate Committee shall be submitted to the full Board for ratification. The same shall be applicable in any business referred by the Board to be studied by the Delegate Committee, while reserving the ultimate decision thereon. In all other cases, the resolutions adopted by the Delegate Committee shall be valid and binding with no need for subsequent ratification by the Board.

At the end of the meeting, the Secretary issues the minutes of the resolutions adopted, that will be reported to the Board at the following full Board meeting, and makes available to the Board members a copy of the minutes. Seven meetings were held in 2012.

Audit and Control Committee

The Audit and Control Committee consists exclusively of Independent External Directors, no fewer than three in number, appointed by the Board on the basis of their experience and expertise in accounting, auditing or risk management.

The Board shall appoint the members of this Committee for a term of four years. Without prejudice to one or several re-elections, they shall retire at the end of that term, when they retire from the Board, in case they cease to be considered as External Independent Directors or whenever so resolved by the Board, subject to a prior report by the Nomination and Compensation Committee. The chairman shall hold office as such for a maximum of four years, after which he shall not be eligible for re-election until one year has passed, without prejudice to his continuation or re-election as member of the Committee.

This Committee, set up on 27 February 1995, supports the Board in its supervisory duties, through regular checking of the preparation of economic and financial reporting, executive controls, supervision of the systems for recording and controlling the company's hydrocarbon reserves, the internal audit department and the independence of the external auditors, as well as checking compliance with all the legal provisions and internal regulations applicable to the company. This Committee is competent to submit proposals to the Board regarding the appointment of external auditors, extension of their appointment, their removal and the terms of their engagement. It shall also inform the General Meeting, through its Chairman, on any issues raised by Shareholders' regarding matters within its competence.

Its duties shall also include knowing and guiding the company's environmental and safety policies, objectives and guidelines and drawing up an Annual Report on its activities, on which it shall report to the Board.

The Committee shall appoint one of its members to be Chairman and the Secretary shall be the Secretary of the Board.

The Committee shall meet as often as necessary, in the opinion of the Chairman, to perform the duties commissioned to it, although an annual calendar of meetings shall be drawn up before the end of each year for the following year, as well as an Action Plan for each year, informing the Board accordingly. Meetings shall be called whenever so requested by any two of its members. Nine meetings were held in 2012.

The Chairman of the Committee shall regularly report to the Board on the actions taken by the Committee.

At least once a year, the Committee shall assess its functioning and the quality and efficiency of its work, reporting to the full Board.

The Secretary of the Committee shall issue minutes of the resolutions adopted at each meeting, which shall be made available to Board members.

Nomination and Compensation Committee

This Committee consists of no fewer than three directors appointed by the Board, taking account of the expertise, skills and experience of the directors and the duties of the Committee. Most of its members shall be External Independent Directors.

The Board shall appoint the members of this Committee for a term of four years. Without prejudice to one or several re-elections, they shall retire at the end of that term, when they retire from the Board or whenever so resolved by the Board, subject to a prior report by the

Audit and Control Committee.

This Committee, which was set up on 27 February 1995, has the duties of proposing and reporting to the Board on the selection, appointment, re-election and removal of Directors, Managing Director, Chairman, Vice-Chairman, Secretary, Vice-Secretary and the Directors who are to sit on the different Committees of the Board; proposing the Board compensation policy and, in the case of Executive Directors, the additional consideration for their management duties and other contract conditions; reporting on the appointment of Senior Executives of the Company and their general pay policy and incentives; reporting on the compliance by Directors of the corporate governance principles or the obligations established in the Articles of Association or the Regulations of the Board; and, in general, proposing and informing on any other business related with the above at the request of the Chairman or the Board of Directors.

The Chairman of this Committee shall be one of its members, who shall necessarily be an External Independent Director, and the Secretary shall be the Secretary of the Board.

The Committee shall meet whenever the Board or Chairman of the Board requests reports or proposals within the scope of its duties, and whenever called by the Chairman of the Committee, requested by two Committee members or when reports are required to be able to adopt the corresponding resolutions. Four meetings were held in 2012.

The Chairman of the Committee shall regularly report to the Board on the actions taken by the Committee.

At least once a year, the Committee shall assess its functioning and the quality and efficiency of its work, reporting to the full Board.

The Secretary of the Committee shall issue minutes of the resolutions adopted at each meeting, which shall be made available to Board members.

Strategy, Investment and Corporate Social Responsibility Committee

On December 2007, the Board of Directors of Repsol, S.A. resolved, within the modification of its Regulations, to change the name of the Strategy, Investment and Competition Committee, set up on 25 September 2002, to Strategy, Investment and Corporate Social Responsibility Committee.

The Strategy, Investment and Corporate Social Responsibility Committee consists of no fewer than three directors appointed by the Board, taking account of the expertise, skills and experience of the directors and the duties of the Committee. Most of its members shall be External or Non-Executive Directors.

The Board shall appoint the members of this Committee for a term of four years. Without prejudice to one or several re-elections, they shall retire at the end of that term, when they retire from the Board or whenever so resolved by the Board, subject to a prior report by the Nomination and Compensation Committee.

This Committee has the duties of reporting on the principal highlights, landmarks and reviews of the Group's strategic plan; major strategic decisions for the Repsol Group; and investments or divestments in assets which, by virtue of their value or strategic nature, the Executive Chairman believes should be first considered by the Committee.

It must also be familiar with and steer the policy, objectives and guidelines of the Repsol Group on Corporate Social Responsibility and inform the Board thereon; check and report on the Corporate Responsibility Report of the Repsol Group before it is submitted to the Board; and, in general, perform any other duties related with the matters within its competence and requested by the Board or its Chairman.

One of the members of this Committee shall be appointed Chairman and the secretary shall be the Secretary of the Board.

The Committee shall meet with the established frequency or whenever called by its Chairman or requested by two of its members. Two meetings were held in 2012.

The Chairman of the Committee shall regularly report to the Board on the actions taken by the Committee.

At least once a year, the Committee shall assess its functioning and the quality and efficiency of its work, reporting to the full Board.

The Secretary of the Committee shall issue minutes of the resolutions adopted at each meeting, which shall be made available to Board members.

B.2.4 Indicate, where appropriate, the powers of advising, consultation and, where appropriate, delegations of each Committee:

Committee	Brief description
Delegate Committee	See B.2.3
Audit and Control Committee	See B.2.3
Nomination and Compensation Committee	See B.2.3
Strategy, Investment and Corporate Social Responsibility Committee	See B.2.3

B.2.5 Indicate the existence, if appropriate, of regulations of the Board committees, where they are available for consultation and any modifications made during the year. State whether an annual report has been issued voluntarily on the activities of each Committee.

Delegate Committee

The internal regulation of the Delegate Committee is currently set out in the Articles of Association and the Regulations of the Board of Directors.

The Articles of Association and the Regulations of the Board of Directors are entered in the Madrid Trade Registry and accessible to the public through the company's web site (www.repsol.com).

Audit and Control Committee

The internal regulation of the Audit and Control Committee is currently set out in the Articles of Association and the Regulations of the Board of Directors.

The Articles of Association and the Regulations of the Board of Directors are entered in the Madrid Trade Registry and accessible to the public through the company's web site (www.repsol.com).

The Audit and Control Committee has drawn up a Report of its activities during 2012.

Nomination and Compensation Committee

The internal regulation of the Compensation Committee is currently set out in the Regulations of the Board of Directors.

The Regulations of the Board of Directors are entered in the Madrid Trade Registry and accessible to the public through the company's web site (www.repsol.com).

Strategy, Investment and Corporate Social Responsibility Committee

The internal regulation of the Strategy, Investment and Corporate Social Responsibility Committee is currently set out in the Regulations of the Board of Directors.

The Regulations of the Board of Directors are entered in the Madrid Trade Registry and accessible to the public through the company's web site (www.repsol.com).

B.2.6 Does the composition of the Delegate Committee reflect the participation on the Board of the different types of Director?

YES

If no, explain the composition of your Executive Committee

C Related party transactions

C.1 Indicate whether the full Board has reserved approval, subject to a favourable report by the Audit Committee or any other committee commissioned this task, of any transactions that the company may enter into with directors, significant Shareholders' or Shareholders' represented on the Board, or with persons related to them:

YES

C.2 List any significant transactions involving a transfer of resources or obligations between the company and/or companies in its group and significant Shareholders' of the company:

Name of significant shareholder	Name of company or group company	Nature of the relationship	Type of transaction	Amount (thousand euro)
Sacyr Vallehermoso, s.A.	Grupo Repsol	Commercial	Services received	2,345
Sacyr Vallehermoso, s.A.	Grupo Repsol	Commercial	Purchase of tangible assets, intangible or other assets	95,550
Sacyr Vallehermoso, s.A.	Grupo Repsol	Contractual	Leases	520
Sacyr Vallehermoso, s.A.	Grupo Repsol	Corporate	Dividends and other distributed profits	137,179
Sacyr Vallehermoso, s.A.	Grupo Repsol	Commercial	Services rendered	10,225
Sacyr Vallehermoso, s.A.	Grupo Repsol	Commercial	Sales of goods (finished or outstanding)	58,540
Sacyr Vallehermoso, s.A.	Grupo Repsol	Commercial	Other incomes	293
Sacyr Vallehermoso, s.A.	Grupo Repsol	Contractual	Purchase of goods (finished or outstanding)	6,557
Sacyr Vallehermoso, s.A.	Grupo Repsol	Contractual	Commitments acquired	3,000
Sacyr Vallehermoso, s.A.	Grupo Repsol	Contractual	Bonds and guarantees received	23,375
Caixabank, s.A.	Grupo Repsol	Commercial	Financial expenses	16,477
Caixabank, s.A.	Grupo Repsol	Contractual	Leases	200
Caixabank, s.A.	Grupo Repsol	Commercial	Services received	3,287
Caixabank, s.A.	Grupo Repsol	Commercial	Other expenses	28,592
Caixabank, s.A.	Grupo Repsol	Contractual	Financial incomes	24,260
Caixabank, s.A.	Grupo Repsol	Commercial	Sales of goods (finished or outstanding)	15
Caixabank, s.A.	Grupo Repsol	Commercial	Other incomes	327
Caixabank, s.A.	Grupo Repsol	Commercial	Services rendered	420
Caixabank, s.A.	Grupo Repsol	Commercial	Sales of tangible assets, intangible or other assets	244,543
Caixabank, s.A.	Grupo Repsol	Contractual	Financing agreements, loans and capital contributions (lender)	773,167
Caixabank, s.A.	Grupo Repsol	Contractual	Financing agreements: loans and capital contributions (borrower)	1,032
Caixabank, s.A.	Grupo Repsol	Contractual	Bonds and guarantees received	33,827

Name of significant shareholder	Name of company or group company	Nature of the relationship	Type of transaction	Amount (thousand euro)
Caixabank, s.A.	Grupo Repsol	Contractual	Bonds and guarantees provided	118,778
Caixabank, s.A.	Grupo Repsol	Corporate	Dividends and other distributed profits	263,387
Petróleos Mexicanos	Grupo Repsol	Commercial	Services received	322
Petróleos Mexicanos	Grupo Repsol	Contractual	Purchase of goods (finished or outstanding)	3,995,389
Petróleos Mexicanos	Grupo Repsol	Commercial	Other expenses	309
Petróleos Mexicanos	Grupo Repsol	Contractual	Financial incomes	313
Petróleos Mexicanos	Grupo Repsol	Commercial	Services rendered	32,991
Petróleos Mexicanos	Grupo Repsol	Commercial	Sales of goods (finished or outstanding)	210,175
Petróleos Mexicanos	Grupo Repsol	Commercial	Other incomes	4,214
Petróleos Mexicanos	Grupo Repsol	Contractual	Bonds and guarantees provided	99,785
Petróleos Mexicanos	Grupo Repsol	Contractual	Commitments acquired	693,000
Petróleos Mexicanos	Grupo Repsol	Corporate	Dividends and other distributed profits	66,923

C.3 List any significant transactions involving a transfer of resources or obligations between the company and/or companies in its group and the directors or executives of the company:

Name of director or executive	Name of company or group company	Nature of the transaction	Type of transaction	Amount (thousand euro)
Company Executives	Repsol Group	Contractual	Financing Agreements: credits and capital contributions (lender)	145

C.4 List any significant transactions with other companies in the group that are not eliminated in the consolidated financial statements and which do not, by virtue of their object or terms, correspond to the normal business of the Company:

Name of group company	Brief description of the transaction	Amount (thousand euro)
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C.5 Indicate whether any company directors have been in any conflicts of interest during the year, pursuant to Article 127 ter of the Joint Stock Companies Act.

YES

Name of Director	Description of the conflict of interest situation
Antonio Brufau Niubó	All the resolutions regarding the Chairman's remuneration have been passed without the participation of the Chairman.
Luis Suárez de Lezo Mantilla	All the resolutions regarding the Secretary's remuneration have been discussed and passed without the participation of the Secretary.
Isidro Fainé Casas	<p>a. The resolution regarding the submission to the Annual General Meeting of his re-election as member of the Board has been passed, on the Board's meeting of April 17, 2012, without the participation of said Director.</p> <p>b. The resolution regarding his re-election as Vice-Chairman of the Board has been passed, on the Board's meeting of May 31, 2012 without the participation of said Director.</p> <p>c. The resolution regarding his re-election as member of the Delegated Committee has been passed, on the Board's meeting of May 31, 2012, without the participation of said Director.</p>
Juan María Nin Génova	<p>a. The resolution regarding the submission to the Annual General Meeting of his re-election as member of the Board has been passed, on the Board's meeting of April 17, 2012, without the participation of said Director.</p> <p>b. The resolution regarding his re-election as member of the Nomination and Compensation Committee has been passed on the Board's meeting of May 31, 2012, without the participation of said Director.</p> <p>c. The resolution regarding his re-election as Chairman of the Strategy, Investment and Corporate Social Responsibility Committee has been passed, on the Board's meeting of May 31, 2012, without the participation of said Director.</p>
Pemex Internacional España, s.A.	The resolution regarding the subscription of an Industrial Strategic Alliance by and between Repsol S.A. and Petróleos Mexicanos (Pemex) has been passed, on the Board's meeting of February 28, 2012, without the participation of said Director.

C.6 Explain the mechanisms established to detect and resolve possible conflicts of interests between the company and/or its group, and its directors, executives or significant Shareholders'.

The Regulations of the Board of Directors require directors to avoid any direct or indirect conflicts of interest with the Company's interests, notifying the Board whenever any such conflicts inevitably exist. In the event of a conflict, the director affected shall abstain in the discussion and decision dealing with the issues giving rise to the conflict.

Any directors affected by proposals for appointment, re-election or removal shall abstain in the discussions and voting dealing with those matters. Ballots shall be secret.

Directors shall inform the Nomination and Compensation Committee of any other professional obligations they may have and any material change in their professional situation, as well as any affecting the nature or condition by virtue of which they have been appointed Director.

Finally, directors shall tender their resignations and step down from the Board, should the latter deem fit, whenever they incur in any of the events of incompatibility or disqualification established in law, the Articles of Association or Regulations.

In this regard, Articles 19-22 of the Regulations of the Board of Directors set out the obligations to be met by Directors in respect of non-competition, use of corporate information and assets and taking advantage of business opportunities, and the requirements established in respect of related party transactions between the Company and the Directors, significant Shareholders' represented on the Board or persons related to them.

Similarly, the Repsol Group Internal Conduct Regulations regarding the Securities Market, applicable to directors, top management and the executives of certain departments and divisions with access to privileged information of the company or its group and who carry out tasks related with the Securities Market, contemplate the preclusion and solving of conflicts of interest in Articles 8.3. and 8.4., as follows:

"To control potential conflicts of interest, the executives and employees of Repsol Group must inform the person responsible for their respective Area, sufficiently in advance for timely decisions to be made and before conducting the transaction or concluding the business in question, of

any situation which may potentially involve, and in each concrete circumstance that actually involves, the appearance of a conflict of interest with Repsol, S.A. or any company of its Group.

If the person affected is a member of the Board of Directors, the conflict must be reported to the Board of Directors, which, if it considers fit, will apply for the opinion of the Audit and Control Committee.

In case of a doubt about the existence of a conflict of interest, the executives and employees of Repsol Group must act prudently and inform the person responsible for their respective Area or the Board of Directors, as the case may be, about the specific circumstances of the case, for the appropriate consideration of the situation by the latter.

The general principle to be considered in the resolution of all kind of conflicts of interest is abstention. Therefore, persons subject to conflicts of interest must refrain from making decisions that could affect the individuals or legal entities with which said conflict is posed. They must likewise refrain from exerting any influence on said decision-making and must act with full loyalty to the Repsol Group in all cases. In any situation of conflict of interest between the executives and employees of Repsol Group and Repsol or any company within the Group, the former must act in all moments with loyalty to the Repsol Group, giving preference to the interest of the Repsol Group over its own interests".

Finally, the Ethics and Conduct Regulation for Repsol Employees which applies to all employees of Repsol including its executives and its Directors, has been reviewed and updated on December 19, 2012 and provides in its Article 3.6, the following:

"Conflicts of interest appear when the personal interests of the employees, directly or indirectly, are contrary to or could potentially be a conflict with the interests of the Company, interfere with the proper fulfilment of their duties and professional responsibilities or involve them in a personal way in any transaction or economic operation of the Company.

Repsol recognises and respects the participation of its employees in financial and corporate activities other than those which they carry out for the Company, provided they are legal and ethical and do not collude with their responsibilities as employees of Repsol.

Repsol employees shall avoid situations that could give rise to a conflict between their personal interests and those of the Company; they shall refrain from representing it and from intervening or influencing in the decision taking in any situation in which, directly or indirectly, they personally or the persons related with them, have a personal interest. They shall always act loyally in fulfilling their responsibilities, and in defence of the interests of Repsol. To these effects, related persons shall be understood to be the spouse or persons with analogous relationship, the ascendants, descendants and brothers and sisters of the employee and of his/her spouse; the spouses of the ascendants, descendants and brothers and sisters of the employee and the companies directly or indirectly controlled by the employee or by an intermediary.

Furthermore, Executive Directors and individuals in an employment relationship with Repsol shall not either personally or for another party, carry out tasks, work or provide services in benefit of companies in the sector or companies that develop activities liable to compete directly or indirectly with those of Repsol or which could eventually do so.

When faced with a situation of possible conflict of interest the Repsol employees shall observe the following general working principles:

- a) Communication: they shall inform the hierarchical superiors in writing about the conflicts of interest in which they are involved, before undertaking the operation or concluding the business in question, in order to adopt the appropriate decisions in each specific circumstance, and thus avoid the possibility of compromising their impartial action.
- b) Abstention: they shall refrain from intervening or influencing, directly or indirectly, in the decision making that could affect the entities of Repsol with which there is conflict of interest. They shall refrain from participating in meetings at which such decisions are raised and of accessing confidential information that affects such conflict.
- c) Independence: they shall act at all times with professionalism, with loyalty to Repsol and its Shareholders' and independently of their own or third party interests. They shall consequently refrain in all events from giving priority to their own or third party interests at the expense of those of Repsol".

C.7

Are more than one of the Group companies listed in Spain?

NO

Name the subsidiaries listed in Spain:

Listed subsidiaries

State whether they have publicly and accurately defined their respective areas of activity and any possible business relationships among them, as well as those between the listed dependent company and the other companies within the Group:

Describe the possible business relationships between the parent company and the listed subsidiary, and between the subsidiary and the other companies within the Group

Describe the mechanisms established to resolve possible conflicts of interest between the listed subsidiary and the other companies within the Group:

Mechanisms for the resolution of possible conflicts of interest

D

Risk control systems

D.1

General description of the risk policy of the company and/or its group, including details and assessment of the risks covered by the system, together with justification that those systems adapt to the profile of each type of risk.

Repsol operates in numerous countries, under numerous regulatory frameworks and in different areas of the oil and gas business. Consequently, Repsol is exposed to:

- market risks, deriving from the price volatility of oil, natural gas and by-products, exchange rates and interest rates,
- financial risks, including those related to Repsol's liquidity and solvency positions as well as the counterparty risks, deriving from financial arrangements and commercial commitments with suppliers or clients,
- risks related to the strategy of the Company, portfolio management and allocation of resources connected to internal decisions which shall be approved by the Executive Committee or the Board of Directors,
- regulatory and compliance risks related to regulatory changes and to the compliance of the applicable regulation on legal, tax, security and environmental, reporting and corporate governance matters,
- operating risks related to the effectiveness and efficiency of the transactions which could take place in case the existing internal processes were not suitable or wrong (including the risks of accidents and natural catastrophes, uncertainty regarding the geological characteristics of oil and gas fields, safety and environmental risks and reputation risks, such as those relating to corporate ethics and the social impact of Repsol's business).
- economic environment risks related with external factors to the Company such as the macroeconomic context, the sector in which it performs its activity, country risk, natural disasters, competitors, relations with partners and the different perceptions of the interested parties.

The Company considers the most important risks to be those that could hamper it in achieving the goals established in its Strategic Plan. Repsol manages its assets and businesses prudently. Nevertheless, many of the risks mentioned above are inherent in the activities it performs, are beyond the control of the company and cannot be entirely eliminated.

Repsol has an organisation, procedures and systems that enable it to identify, measure, assess, prioritize and control reasonably the risks to which the group is exposed, and decide to what extent those risks are to be assumed, managed, reduced or avoided. Risk analysis is an integral element in the group's decision-making processes, both in the centralised governing bodies and in the management of the different businesses, paying special attention in all cases to the existence of several risks at the same time or the effects of diversification that may occur on an aggregate level.

The following independent analysis, supervision and control units specialise in different areas of risk management:

- Audit Projects Unit, focusing on the assessment and improvement of existing controls to verify that potential risks (strategic, operational, financial, environment, regulatory, etc.) that could hamper achievement of the strategic goals of the Repsol Group are reasonably identified, measured and controlled. When performing said duty it is specially foreseen that the existing controls of the Company ensure the reasonable compliance with the applicable regulation, the adequate safeguarding of the assets as well as the reliability of the financial information and the managing and prevention of fraud.
- Financial Risk Control and Management Unit which breaks down itself in:
 - Credit Risk Management Unit, responsible for:
 - monitoring and controlling the Group's credit risk,
 - coordinating the development of specific rules and regulations concerning market and credit risks of the different business units and corporate areas of the Group and establishing methods for measuring and assessing such risks according to the best practices,
 - analysing and controlling the credit risk generated by the Group's activities, establishing individual third-party credit risk limits,
 - defining the criteria regarding the funding and use of provisions for insolvency, refinancing and judicial claiming of debts,
 - acceptance, validation and guarding of guarantees delivered to third parties,
 - the solvency analysis of the financial counterparties,
 - the approval of extensions in client payment conditions.
 - Market Risk Management Unit, responsible for:
 - identifying, monitoring, measuring and controlling foreign exchange, interest rate and treasury stock risks positions through:
 - The identification, calculation and market assessment of risk positions and financial instruments;
 - The analysis and measurement of the risk (VaR) associated to risk positions and financial instruments and the analysis of sensitivity of risk positions and results;
 - The calculation of the management results connected to those risks.
 - calculating the accounting results of the derivatives subscribed as well as preparing the documentation related to the accounting coverings.
 - controlling and reporting the treasury stock transactions.
 - designing, preparing and implementing standards and valuation processes of instruments, sensitivity analysis and risk measuring.
 - calculating and controlling the cash positions and its effects derived from the derivatives operative as well as calculating and analysing the results of managing said positions.
 - preparing and validating the regulation related to the definition, management, control, measuring and operative of said positions and risks.
 - calculating, analysing, and controlling the credit risk exposure of financial counterparties related with the activity of cash managing and financial derivatives subscription.

- Risk Monitoring Unit, responsible for:
 - coordinating the development of specific rules and regulations concerning commodities price risk of the different business units and corporate areas of the Group, and establishing methods for measuring and assessing these risks according to best practices,
 - monitoring and controlling Group's commodities price risk.
- Insurance Unit, responsible for:
 - analysing and assessing any accidental risks that could affect the assets and activities of the Group in order to assess the insurance needs,
 - defining the most efficient financing policy for these risks, through an optimum combination of self-insurance and risk transfer measures,
 - taking out such insurance cover as may be considered convenient in each case,
 - negotiating the compensations deriving from insured accidents.
- Safety and Environment Unit, responsible for:
 - defining and monitoring the company's safety and environmental strategic policies and objectives,
 - establishing the corporate rules and regulations (policy, rules, procedures, manuals and guidelines) on safety and environment throughout the company worldwide and the mechanisms required to publicise them,
 - identifying and leading corporate safety and environment projects, counselling business units in their implementation and monitoring the progress,
 - establishing key indicators of performance, monitoring the company's performance in safety and environmental matters and proposing actions for improvement,
 - promoting the creation of working groups and exchanging the best practices in safety and the environment,
 - monitoring safety and environmental audits
- Corporate Responsibility Unit, within the Direction of Corporate Responsibility and Institutional Services, responsible for advising, promoting and coordinating the joint Company's Corporate Responsibility strategy. The Direction of Corporate Responsibility and Institutional Services is responsible for the following duties:
 - Monitoring the Company's performance in the 7 principles of the CR, reporting to the Board of Director's Investment, Strategy and Corporate Responsibility Committee, the Executive Committee and the Corporate Responsibility Committee.
 - Monitoring the tools to coordinate the CR system.
 - Propose to the Corporate Responsibility Committee the strategic guidelines of the CR and coordinate in collaboration with the units of the Company the development of the CR multi-annual plans.
 - Coordinating the dialogue with the Company's stakeholders at corporate level and submitting their expectations to the Corporate Responsibility Committee.
 - Proposing corporate government elements, such as corporate regulations, manuals or guides, goals, indicators and other management tools of CR.
 - Consolidate the CR information in a corporate level and coordinate the development of the Company's communication tools on CR at this level, such as the Annual Report on CR, the Repsol's CR website; and prepare the necessary information for quotation in selective sustainability index or required by the Shareholders' or investors in relation to ethical and social-environmental criteria.
 - Identification and leading of projects and initiatives on CR, advising the units in its implementation and tracking.
- Compliance and Risk Unit: assumes the functions for monitoring the reviewing procedures and assessing the internal control and compliance models as follows:
 - Continuous defining, monitoring and assessing of the design and functioning of the Internal Control over Financial Information Reporting System, in accordance with the methodology on the basis of the COSO model.

- Monitoring the Regulation Compliance Programme related to the legal obligations of the Group's legal entities within the Public Administrations regarding the activities performed in different countries.
- Monitoring the Fraud Prevention Model for the Spanish companies of the Repsol Group, cooperating with the Legal Services and Corporate Governance areas; assuming the responsibility of monitoring the proceedings for reviewing and evaluating periodically the model; designing and implementing a response plan for any breach identified; and designing and executing the dissemination and training programs regarding the compliance of the regulations and procedures related to the Fraud Prevention Model.
- Coordinating the preparation of the Risks Map in order to provide the Group a common and uniform methodology for identifying and evaluating the critical risks by all the areas involved, looking after the correct implementation of the method guidelines provided and reporting, periodically, the results obtained to the relevant Responsible or Bodies of the Group that may be determined from time to time.
- Reserves Control Unit, which aims to make sure that the estimates of Repsol proved reserves comply with prevailing legislation on the different Securities Markets on which the company is listed. It also makes internal audits of reserves, mandates, coordinates and validates reserves external audits and assesses the quality controls on reserve reporting, making the appropriate suggestions within a process of continuous improvement and application of best practices.

There are also several functional and business committees responsible for the oversight of the risk management activities performed within their respective areas of responsibility. Additionally, with the purpose of continue developing the risk management and to align the Company's model with the best practices, since the beginning of year 2013 the Group has a Risk Unit responsible for the coordination and improvement of the existing risk management system.

D.2 Indicate whether any of the risks (operating, technological, financial, legal, reputational, tax, etc.) affecting the company and/or its group have actually materialised during the year:

YES

If so, indicate the underlying circumstances and whether the established control systems worked adequately.

Risks occurred during the year	Causes of risks	Operation of Control Systems
Expropriation by the Argentinean State of the 51% of "Class D" shares of YPF, s.A. owned by Repsol and the 60% of "Class A" shares of Repsol YPF Gas, s.A. owned by Repsol Butano, s.A.	On May 7, 2012 it was published in the Official Bulletin of the Argentinian Republic the Law 26,741 (penalized and published on May 3 and 4, 2012 respectively) that declares of public utility and subject to expropriation the 51% of the assets of YPF, s.A. owned by Repsol, s.A. and the 60% of Repsol YPF Gas, s.A. owned by Repsol Butano, s.A.	When developing its activities Repsol is subject to different risks which are described in the consolidated Management Report. Some of these risks, as the expropriation, are out of Repsol's control.
Risks inherent to the Company's business.	Circumstances of business development.	Control systems established by the Company have worked correctly, making possible to manage the risks appropriately.

D.3 Is there a Committee or other governing body responsible for establishing and supervising the control systems?

YES

If so, state its duties.

Name of Committee or governing body

Audit and Control Committee

Description of duties

The main duty of the Audit and Control Committee, as advisory body to the Board of Directors, is to support the Board in its oversight duties, among other actions by regularly checking the risk management and internal control systems, to ensure that the principal risks are identified, managed and adequately publicised.

With this aim, the Audit and Control Committee monitors the development of the Annual Corporate Audit Plan, drawn up to assess and oversee the correct functioning and adequacy of the established control systems, to ensure that they are sufficient to identify, manage and/or mitigate the operating, financial and reputation risks of the Repsol Group. The Corporate Audit Department informs the Committee on any material irregularities, anomalies or defaults of the audited units reporting to the Board whenever they are considered to represent a significant risk for the Group.

Moreover, the Audit and Control Committee ensures that the procedures and systems for recording and internal control of the measuring, assessment, classification and entering in the accounts of the Group's hydrocarbon reserves are sufficient, adequate and efficient.

Finally, the Committee is informed by the corresponding divisions of the company and steers the environmental and safety policies, guidelines and objectives of the Repsol Group.

D.4 Identification and description of processes for compliance with the different regulations affecting the company and/or its group.

The Audit and Control Committee supports the Board in its oversight duties, watching over the compliance with all legal and internal laws and regulations applicable to the company. It oversees compliance with applicable national and international rules and regulations on market conduct and data protection and ensures that the Internal Codes of Conduct and Professional Ethics and of Market Conduct applicable to Group employees meet all the legal requirements and are adequate for the company.

The Audit and Control Committee also supervises the preparation and integrity of the financial information on the Company and the Group, checking compliance with the applicable legal requirements and correct application of the accounting principles.

E General meeting

E.1 Indicate whether there are any differences between the quorums for General Meetings and the minimums stipulated in the Joint Stock Companies Act and, if appropriate, explain.

NO

	% quorum different from that established in Art. 102 Joint Stock Companies Act for general cases	% quorum different from that established in Art. 103 Joint Stock Companies Act for the special cases of Art. 103
Quorum required on first call		
Quorum required on second call		
Description of differences		

E.2 Explain whether there are any differences between the system used for adopting corporate resolutions and the system stipulated in the Joint Stock Companies Act, and if so give details:

YES

	Qualified majority other than that established in section 103.2 of the Joint Stock Companies Act for the cases set forth in section 103.1	Other instances in which a qualified majority is required
% established by the entity for the adoption of resolutions		75%
Describe the differences		
There is a requirement for, on both first and second call, the favourable votes of seventy-five per cent (75%) of the voting capital attending the Shareholders' meeting, to validly adopt resolutions on the following matters:		
a. modification of Articles 22bis and 44bis of the Bylaws concerning related party transaction and the prohibition of competition by Directors, or this special rule;		
b. authorization of related party transactions in the cases contemplated in Article 22bis of the Bylaws; and		
c. waiving a Director from the no competition obligation pursuant to Article 44bis of the Bylaws.		

E.3 Describe any Shareholders' rights in respect of General Meetings differing from those established in the Joint Stock Companies Act.

According to Article 23 of the Articles of Association, general meetings may be attended by Shareholders' holding any number of shares, provided they have been recorded in the corresponding accounting record five days prior to the date of the meeting and the shareholder has obtained the attendance card proving that the above requirements have been met. Attendance cards shall be issued by the institutions indicated in law and shall be non-transferable.

The Regulations of the Board of Directors of Repsol S.A. provide as follows regarding Shareholders' right to participate and information:

"6.3. The Board of Directors shall take all the measures it sees fit to ensure that the Shareholders' Meeting performs its proper functions. To that end it shall place all the legally demandable information, as well as information which is not legally required but is of interest to the Shareholders' and can reasonably be furnished, at the Shareholders' disposal prior to the Shareholders' Meeting. It shall likewise respond with the greatest possible diligence to information requests and questions from Shareholders' prior to the Shareholders' Meetings or while they are underway.

6.4. The information given to Shareholders' and other financial market participants by the Company shall be complete, accurate, fair, symmetrical, and timely.

To achieve maximum transparency and immediacy in the dissemination of information, the Company shall make use of the generally available procedures and technologies to which companies and private citizens have access. To that end, the Board of Directors shall intensify the use of the Company's Web page and determine the contents to be transmitted through that medium, which shall include among other documents the Articles of Association, the Board of Directors' Regulations, the quarterly and annual reports, the notices of Shareholders' Meetings, their regulations and the resolutions or decisions adopted at the previous meeting, and any other information considered of interest".

Furthermore, pursuant to Article 5 of the Regulations of the General Shareholders' Meeting, concerning Shareholders' right to information and participation, the notice of call to General Meetings shall state *"the place and times at which Shareholders' may consult the documents to be laid before the general meeting and such other reports as may be required by law or decided by the Board, without prejudice to the right of Shareholders' to request and receive, free of charge, copies of all the above-mentioned documents".*

Article 5 of the Regulations of the General Shareholders' Meeting also provides that *"in addition to the requirements stipulated in law or the Articles of Association, as from the date of publication of the notice of call to the general meeting, the company shall publish on its web site the text of all proposed resolutions submitted by the Board in connection with the items on the agenda, including, with regard to proposals for the appointment of directors, the information contemplated in Article 47.13 of the Articles of Association (I) professional and biographic profile, (II) list of other Boards they are on, (III) indication of the type of director, indicating, in the case of proprietary directors, the shareholder they represent or with which they have ties, (IV) date of first appointment as company directors, and subsequent appointments, and (V) company shares and options they hold).*

An exception may be made to this rule for proposals which the law and Articles of Association do not require to be made available to Shareholders' as from the notice of call, if the Board considers there are just grounds for not doing so.

If a supplementary notice of call is published, the company shall thereafter publish on its web site the text of the justified proposals for resolutions contained in that supplementary notice, provided they have been sent to the company".

Article 6.1. of the Regulations for the General Shareholders' Meeting further provides that:

"Through the Shareholders' Information Office of the Company's web page, Shareholders' may at any time, upon entering proof of identification as such, raise any questions or make suggestions relating to the activities and interests of the Company and which they consider should be discussed at a General Shareholders' Meeting.

Once a General Shareholders' Meeting has been called and up to seven consecutive days before the date set for the meeting on first call, Shareholders' may utilize the same means to comment upon or make suggestions in writing regarding the proposals included on the Agenda thereof.

The Company's Departments will examine the Shareholders' questions, suggestions and comments, and the responses will be disclosed, grouped together as pertinent, on the Company web page or, if the Board of Directors considers it appropriate, they will be considered at the General Shareholders' Meeting, even if they are not included on the Agenda".

Apart from the foregoing and with a view to facilitating access by Shareholders' to the information on the company, Repsol set up the Shareholders' Information Office mentioned above, offering Shareholders' a free call service and an email address at which they may request whatever information they may require. Shareholders' may also visit the Office, where they will receive personal attention.

E.4

Describe the measures adopted, if any, to encourage the participation of Shareholders' at General Meetings.

To encourage Shareholders' to participate in general meetings, Article 6 of the Regulations of the General Shareholders' Meeting, establishes Shareholders' right to information and participation, indicating that they may raise any questions or make any suggestions in connection with the company's activities or interests which they consider ought to be discussed by the General Meeting, through the Shareholders' Information Office or the company's web site (www.repsol.com).

Apart from these measures, which are expressly contemplated in the Repsol, S.A. Rules of Corporate Governance, the company also encourages Shareholders' to participate in general meetings with the following measures:

- Publication of the notice of call sufficiently in advance in the Official Commercial Registry Bulletin (*Boletín Oficial del Registro Mercantil –BORME*), and/or one of the daily newspapers having the largest circulation in Spain, the website of the National Securities Market Commission (CNMV), in the Company's website (www.repsol.com) and in any other means that the Board of Directors decides in order to provide more publicity to the calling. A copy is also sent to the stock exchanges on which its shares are listed and to the depositaries of its shares, so that they can issue the necessary attendance cards.
- Warning in the notice of call that the general meeting will be held on second call.
- Practices to encourage attendance, by delivering gifts and even, if appropriate, paying attendance premiums.
- Holding general meetings at a large-capacity location with ideal conditions for the procedure and following of the meeting, providing transport.
- Possibility of exercising or delegating the vote through distance means (post or electronic means), providing for Shareholders':
 - A form prepared for postal votes on the company's web site and at the Shareholders' Information Office.
 - An application on the web site to exercise or delegate the vote by electronic means, for all Shareholders' having a recognised or advanced electronic signature based on a recognised, valid electronic certificate issued by the Spanish Public Certification Entity (CERES).
- Possibility of fractioning votes through the voting platform and delegation by post and electronic means.
- Assistance and personalized guidance for all Shareholders' who wish to participate through staff of the Shareholders' Information Office.
- Possibility of connecting to a live broadcast of the meeting through the company's web site (www.repsol.com).
- Publication through the company's web site (www.repsol.com) of the proposed resolutions corresponding to the items on the Agenda and the Board's report on each of the proposed resolutions to be laid before the General Meeting.
- Enabling, with the occasion of the General Shareholders' Meeting, an Electronic Shareholders' Forum in the web site of the Company (www.repsol.com), which will be accessible for both individual Shareholders' and voluntary associations that may be established in accordance with current regulations, in order to facilitate communication prior to the General Shareholders' Meeting. Proposals claiming to be a complement to the agenda posted on the announcement, applications to support such proposals, initiatives to achieve the percentage sufficient to execute a right for minorities under the law, as well as offers or requests for voluntary representation may be published in the Forum.

E.5

Indicate if the Chairman of the Board chairs the General Meeting.
List any measures adopted to ensure the independence and correct operation of the General Meeting:

YES

Details of measures

The Board traditionally requests, on its own initiative, the presence of a Notary to attend the General Meeting and issue minutes thereof.

Consequently, neither the Chairman nor the Secretary of the General Meeting participate in the preparation of the minutes, for which a notary or other public attesting officer is engaged, with the consequent guarantee of neutrality for the Shareholders'.

E.6

Indicate any modifications made during the year to the Regulations of the General Shareholders' Meeting.

The Annual Shareholders' Meeting held on May 31, 2012, approved the following amendments of its Regulations:

I. Adding of the new sections 3.8 and 3.9 and amendment of section 3.10 (formerly 3.8) of Article 3 ("Powers of the Shareholders' meeting").

II. Article 5 ("Calling").

III. Section 6.2 of Article 6 ("Shareholders' right to participation and information").

IV. Article 8 ("Representation").

V. Section 9.2 of Article 9 ("Quorum")

VI. Adding of new sections 13.7, 13.8 and 13.11, amendment of section 13.6 and reordering of sections 13.9 and 13.10 (formerly 13.7) of Article 13 ("Deliberation and passing of resolutions").

The above amendments of Articles 5, 6, 8 and 14 were made to adjust the text of the Regulations of the General Shareholders' Meeting to the most recent law amendments and in particular to those introduced in the Companies Act by Act 25/2011 of August 1, the Royal Law-Decree of March 16 and Act 2/2011 of March 4.

Meanwhile, the amendments of Articles 3, 9, and 13 of the Regulations of the General Shareholders' Meeting intended to reinforce the Company's protection in case of conflicts of interest, originated, particularly, by related party transactions and situations of competition.

The referred amendments were notified to the CNMV on June 11 and 19, 2012 and they have been entered in the Madrid Trade Register.

The Regulations of the General Shareholders' Meeting may be consulted on the company's web site (www.repsol.com).

E.7

Give details of attendance of General Meetings held during the year:

Details of attendance

Date General Meeting	% attending in person	% attending by proxy	% Distance voting		
			Electronic vote	Others	Total
05/31/2012	15.329	42.418	0.0052	6.82	64.574

E.8

Give a brief account of the resolutions adopted at the General Meetings held during the year and percentage of votes with which each resolution was approved.

Only one General Shareholders' Meeting of Repsol, S.A., the Annual General Meeting, was held during 2012, on May 31, 2012, at which the following resolutions were adopted with the majorities indicated below:

1. Review and approval, if appropriate, of the Annual Financial Statements and the Management Report of Repsol YPF, S.A., of the Consolidated Annual Financial Statements and the Consolidated Management Report, for the fiscal year ended 31st December 2011, and of the proposal of application of its earnings.

- Votes for 723,874,545 shares, votes against 82,536 shares, abstentions 251,228 shares.
2. Review and approval, if appropriate, of the management by the Board of Directors during year 2011.
Votes for 713,294,157 shares, votes against 6,897,527 shares, abstentions 4,016,625 shares.
 3. Appointment of the External Auditor of the Company and its consolidated Group for 2012 fiscal year.
Votes for 717,704,172 shares, votes against 46,235,587 shares, abstentions 268,550 shares.
 4. Modification of Articles 19, 20, 28 and 47 and addition of a new Article 45bis of the Bylaws; and modification of Articles 5, 6, 8 and 14 of the Regulations of the General Shareholders' Meeting to adjust the Company's corporate governance regulations to the recent changes in law.
Votes for 723,841,422 shares, votes against 98,593 shares, abstentions 268,294 shares.
 5. Modification of Articles 27, 32, 37, 39 and addition of a new Article 45ter of the Bylaws to improve the functioning of the Board of Directors and other aspects of the Company's corporate governance.
Votes for 723,696,963 shares, votes against 238,171 shares, abstentions 273,175 shares.
 6. Modification of Article 22 and addition of new Articles 22bis and 44bis of the Bylaws; and modification of Articles 3, 9 and 13 of the Regulations of the General Shareholders' Meeting to reinforce the protection of the Company against conflicts of interest.
Votes for 723,840,571 shares, votes against 105,924 shares, abstentions 261,814 shares.
 7. Re-election as Director of Mr. Isidro Fainé Casas.
Votes for 607,862,685 shares, votes against 109,386,721 shares, abstentions 6,958,903 shares.
 8. Re-election as Director of Mr. Juan María Nin Génova.
Votes for 567,372,080 shares, votes against 149,990,478 shares, abstentions 6,845,751 shares.
 9. Share Acquisition Plan 2013-2015.
Votes for 723,659,818 shares, votes against 285,797 shares, abstentions 262,694 shares.
 10. Increase of share capital in a determinable amount pursuant to the terms of the resolution, by issuing new common shares having a par value of one (1) euro each, of the same class and series as those currently outstanding, charged to reserves, offering Shareholders' the possibility of selling the free-of-charge allocation rights to the Company itself or on the market. Delegation of powers to the Board of Directors or, by substitution, to the Delegate Committee, to fix the date the increase is to be implemented and the terms of the increase in all respects not provided for by the General Meeting, all in accordance with Article 297(1)(a) of the Companies Act. Application for admission of the newly issued shares to listing on the Madrid, Barcelona, Bilbao and Valencia stock exchanges through the Automated Quotation System (Sistema de Interconexión Bursátil) and on the Buenos Aires stock exchange.
Votes for 722,354,059 shares, votes against 543,568 shares, abstentions 1,310,682 shares.
 11. Second increase of share capital in a determinable amount pursuant to the terms of the resolution, by issuing new common shares having a par value of one (1) euro each, of the same class and series as those currently outstanding, charged to reserves, offering Shareholders' the possibility of selling the free-of-charge allocation rights to the Company itself or on the market. Delegation of powers to the Board of Directors or, by substitution, to the Delegate Committee, to fix the date the increase is to be implemented and the terms of the increase in all respects not provided for by the General Meeting, all in accordance with Article 297(1)(a) of the Companies Act. Application for admission of the newly issued shares to listing on the Madrid, Barcelona, Bilbao and Valencia stock exchanges through the Automated Quotation System (Sistema de Interconexión Bursátil) and on the Buenos Aires stock exchange.
Votes for 722,350,637 shares, votes against 543,550 shares, abstentions 1,314,122 shares.

12. Modify the corporate name of the Company and subsequent modification of Article 1 of the Bylaws.
Votes for 723,864,271 shares, votes against 95,564 shares, abstentions 248,474 shares.
13. Delegation to the Board of Directors of the power to issue fixed rate, convertible and/or exchangeable securities for company shares or exchangeable for shares in other companies, as well as warrants, including the possibility of excluding totally or partially the pre-emptive subscription rights of the Shareholders' of said issues.
Votes for 688,696,067 shares, votes against 34,035,556 shares, abstentions 1,476,686 shares.
14. Ratification of the creation of the Company's corporate website www.repsol.com.
Votes for 723,870,371 shares, votes against 106,729 shares, abstentions 231,209 shares.
15. Advisory vote on the Report on the Remuneration Policy for Directors of Repsol YPF, S.A. for 2012.
Votes for 519,624,861 shares, votes against 181,977,728 shares, abstentions 22,605,720 shares.
16. Delegation of the Powers to complement, develop, execute, amend and formalize the resolutions adopted by the General Shareholders' Meeting.
Votes for 722,573,007 shares, votes against 1,385,248 shares, abstentions 250,054 shares.

E.9 State whether any restrictions are established in the Articles of Association requiring a minimum number of shares to attend General Meetings:

NO

Number of shares required to attend General Meetings

E.10 Describe and justify the company's policies on proxy votes at General Meetings.

According to Article 8 of the Regulations of the General Shareholders' Meeting, all Shareholders' entitled to attend may be represented at general meetings by another person, who need not be a shareholder. Proxies shall be granted in writing or by distance communication, especially for each general meeting.

For this purpose, apart from the possibility of sending proxies for attendance and voting at general meetings through the members of "Sociedad de Gestión de Sistemas de Registro, Compensación y Liquidación de Valores S.A". (Iberclear), Shareholders' also have the Shareholders' Information Office, where they may deliver proxies by post or by hand, and another office opened exclusively for this purpose at the registered office, where attendance cards may be received and the corresponding gifts are handed out.

An application is made available on the web site for electronic proxies, available for Shareholders' who have a recognised or advanced electronic signature based on a recognised, valid electronic certificate issued by the *Entidad Pública de Certificación Española* (CERES).

E.11 Indicate whether the company is aware of the policies of institutional investors regarding their participation or otherwise in company decisions:

NO

Describe the policy

E.12

Indicate the address and access to the corporate governance contents on the company's web site.

The information on corporate governance, regulated in Article 539 of the Companies Act, Order ECO/3722/2003 of 26 December, and the *Comisión Nacional del Mercado de Valores* (CNMV) Circular 1/2004 of 17 March, is published in the section "Shareholders' and investors" on the company's web site (www.repsol.com).

F

Extent of compliance with the Corporate Governance recommendations

Indicate the degree of compliance by the company with the recommendations of the Unified Good Governance Code.

In the event of non-compliance with any recommendations, explain the recommendations, standards, practices or principles applied by the company.

1. The bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

See sections: A.9, B.1.22, B.1.23 and E.1, E.2

Comply

2. When a dominant and a subsidiary company are stock market listed, the two should provide detailed disclosure on:
 - a. The type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other group companies;
 - b. The mechanisms in place to resolve possible conflicts of interest.

See sections: C.4 and C.7

Not applicable

3. Even when not expressly required under company law, any decisions involving a fundamental corporate change should be submitted to the General Shareholders' Meeting for approval or ratification. In particular:
 - a. The transformation of listed companies into holding companies through the process of subsidiarisation, i.e. reallocating core activities to subsidiaries that were previously carried out by the originating firm, even though the latter retains full control of the former;
 - b. Any acquisition or disposal of key operating assets that would effectively alter the company's corporate purpose;
 - c. Operations that effectively add up to the company's liquidation.

Comply

4. Detailed proposals of the resolutions to be adopted at the General Shareholders' Meeting, including the information stated in Recommendation 28, should be made available at the same time as the publication of the Meeting notice.

Comply

5. Separate votes should be taken at the General Shareholders' Meeting on materially separate items, so Shareholders' can express their preferences in each case. This rule shall apply in particular to:
 - a. The appointment or ratification of directors, with separate voting on each candidate;
 - b. Amendments to the bylaws, with votes taken on all Articles or groups of Articles that are materially independent.

See section: E.8

Comply

6. Companies should allow split votes, so financial intermediaries acting as nominees on behalf of different clients can issue their votes according to instructions.

See section: E.4

Comply

7. The Board of Directors should perform its duties with unity of purpose and independent judgement, according all Shareholders' the same treatment. It should be guided at all times by the company's best interest and, as such, strive to maximise its value over time.

It should likewise ensure that the company abides by the laws and regulations in its dealings with stakeholders; fulfils its obligations and contracts in good faith; respects the customs and good practices of the sectors and territories where it does business; and upholds any additional social responsibility principles it has subscribed to voluntarily.

Comply

8. The Board should see the core components of its mission as to approve the company's strategy and authorise the organisational resources to carry it forward, and to ensure that management meets the objectives set while pursuing the company's interests and corporate purpose. As such, the Board in full should reserve the right to approve:

a. The company's general policies and strategies, and in particular:

I. The strategic or business plan, management targets and annual budgets;

II. Investment and financing policy;

III. Design of the structure of the corporate group;

IV. Corporate governance policy;

V. Corporate social responsibility policy;

VI. Remuneration and evaluation of senior officers;

VII. Risk control and management, and the periodic monitoring of internal information and control systems;

VIII. Dividend policy, as well as the policies and limits applying to treasury stock.

See sections: B.1.10, B.1.13, B.1.14 and D.3

b. The following decisions:

I. On the proposal of the company's chief executive, the appointment and removal of senior officers, and their compensation clauses.

See section: B.1.14

II. Directors' remuneration and, in the case of executive directors, the additional consideration for their management duties and other contract conditions.

See section: B.1.14

III. The financial information listed companies must periodically disclose.

IV. Investments or operations considered strategic by virtue of their amount or special characteristics, unless their approval corresponds to the General Shareholders' Meeting;

V. The creation or acquisition of shares in special purpose entities resident in jurisdictions considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.

c. Transactions which the company conducts with directors, significant Shareholders', Shareholders' with Board representation or other persons related thereto ("related party transactions").

However, Board authorisation need not be required for related party transactions that simultaneously meet the following three conditions:

1. They are governed by standard form agreements applied on an across-the-Board basis to a large number of clients;

2. They go through at market rates, generally set by the person supplying the goods or services;

3. Their amount is no more than 1% of the company's annual revenues.

It is advisable that related party transactions should only be approved on the basis of a favourable report from the Audit Committee or committee handling the same function;

and that the directors involved should neither exercise nor delegate their votes, and should withdraw from the meeting room while the Board deliberates and votes.

Ideally the above powers should not be delegated with the exception of those mentioned in b) and c), which may be delegated to the Delegate Committee in urgent cases and later ratified by the full Board.

See sections: C.1 and C.6

Partial compliance

The Company complies with this recommendation, except for the following sections:

- a.III. Owing to the complexity and large number of companies in the Repsol Group at present, it has not been considered convenient to expressly include the contents of this recommendation in the company's internal regulations.
 - a.VII. The Company complies with this recommendation, except regarding the periodic monitoring of internal information and control systems. In this regard, since recommendation 50.1 of the Unified Code assigns duties to the Audit and Control Committee involving supervision of the information, internal control and risk management systems, and Repsol was subject to the US Sarbanes-Oxley Act (Section 404) until June 2011, according to which the Audit Committee must oversee and control the functioning of the Internal Financial Reporting Control system, the Company has considered it convenient to assign that Committee the duty of supervising the risk management, internal control and information systems of the company, without prejudice to reporting to the Board on these matters.
 - b.I. The Regulations of the Board of Directors does not reserve to the Board the removal of senior officers. The Company considers that this power over the top management should be reserved for the chief executive, since these positions come under his trust and responsibility, without prejudice to reporting to the Board. Nevertheless, the Board of Directors reserves the power to approve any guarantee or golden parachute clauses for senior executives of the company in cases of dismissals or changes of ownership, when the conditions exceed those normally established on the market.
9. In the interests of maximum effectiveness and participation, the Board of Directors should ideally comprise no fewer than five and no more than fifteen members.

See section: B.1.1

Comply

10. External directors, proprietary and independent, should occupy an ample majority of Board places, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.

See sections: A.2, A.3, B.1.3 and B.1.14

Comply

11. In the event that some external director can be deemed neither proprietary nor independent, the company should disclose this circumstance and the links that person maintains with the company or its senior officers, or its Shareholders'.

See section: B.1.3

Not applicable

12. That among external directors, the relation between proprietary members and independents should match the proportion between the capital represented on the Board by proprietary directors and the remainder of the company's capital.

This proportional criterion can be relaxed so the weight of proprietary directors is greater than would strictly correspond to the total percentage of capital they represent:

- 1. In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings, despite the considerable sums actually invested.
- 2. In companies with a plurality of Shareholders' represented on the Board but not otherwise related.

See sections: B.1.3, A.2 and A.3

Comply

13. The number of independent directors should represent at least one third of all Board members.

See section: B.1.3

Comply

14. The nature of each director should be explained to the General Meeting of Shareholders', which will make or ratify his or her appointment. Such determination should subsequently be confirmed or reviewed in each year's Annual Corporate Governance Report, after verification by the Nomination Committee. The said Report should also disclose the reasons for the appointment of proprietary directors at the urging of Shareholders' controlling less than 5% of capital; and explain any rejection of a formal request for a Board place from Shareholders' whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

See sections: B.1.3 and B.1.4

Comply

15. When women directors are few or non-existent, the Board should state the reasons for this situation and the measures taken to correct it; in particular, the Nomination Committee should take steps to ensure that:

- a. The process of filling Board vacancies has no implicit bias against women candidates;
- b. The company makes a conscious effort to include women with the target profile among the candidates for Board places.

See sections: B.1.2, B.1.27 and B.2.3

Comply

16. The Chairman, as the person responsible for the proper operation of the Board of Directors, should ensure that directors are supplied with sufficient information in advance of Board meetings, and work to procure a good level of debate and the active involvement of all members, safeguarding their rights to freely express and adopt positions; he or she should organise and coordinate regular evaluations of the Board and, where appropriate, the company's chief executive, along with the chairmen of the relevant Board committees.

See section: B.1.42

Comply

17. When a company's Chairman is also its chief executive, an independent director should be empowered to request the calling of Board meetings or the inclusion of new business on the agenda; to coordinate and give voice to the concerns of external directors; and to lead the Board's evaluation of the Chairman.

See section: B.1.21

Comply

18. The Secretary should take care to ensure that the Board's actions:
- a. Adhere to the spirit and letter of laws and their implementing regulations, including those issued by regulatory agencies;
 - b. Comply with the company bylaws and the regulations of the General Shareholders' Meeting, the Board of Directors and others;
 - c. Are informed by those good governance recommendations of the Unified Code that the company has subscribed to.

In order to safeguard the independence, impartiality and professionalism of the Secretary, his or her appointment and removal should be proposed by the Nomination Committee and approved by a full Board meeting, the relevant appointment and removal procedures being spelled out in the Board's Regulations.

See section: B.1.34

Comply

19. The Board should meet with the necessary frequency to properly perform its functions, in accordance with a calendar and agendas set at the beginning of the year, to which each director may propose the addition of other items.

See section: B.1.29

Comply

20. Director absences should be kept to the bare minimum and quantified in the Annual Corporate Governance Report. When directors have no choice but to delegate their vote, they should do so with instructions.

See sections: B.1.28 and B.1.30

Comply

21. When directors or the Secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, the person expressing them can request that they be recorded in the minute book.

Not applicable

22. The Board in full should evaluate the following points on a yearly basis:

- a. The quality and efficiency of the Board's operation;
- b. Starting from a report submitted by the Nomination Committee, how well the Chairman and chief executive have carried out their duties;
- c. The performance of its committees on the basis of the reports furnished by the same.

See section: B.1.19

Comply

23. All directors should be able to exercise their right to receive any additional information they require on matters within the Board's competence. Unless the bylaws or Board regulations indicate otherwise, such requests should be addressed to the Chairman or Secretary.

See section: B.1.42

Comply

24. All directors should be entitled to call on the company for the advice and guidance they need to carry out their duties. The company should provide suitable channels for the exercise of this right, extending in special circumstances to external assistance at the company's expense.

See section: B.1.41

Comply

25. Companies should organise induction programmes for new directors to acquaint them rapidly with the workings of the company and its corporate governance rules. Directors should also be offered refresher programmes when circumstances so advise.

Comply

26. Companies should require their directors to devote sufficient time and effort to perform their duties effectively, and, as such:

- a. Directors should apprise the Nomination Committee of any other professional obligations, in case they might detract from the necessary dedication;
- b. Companies should lay down rules about the number of directorships their Board members can hold.

See sections: B.1.8, B.1.9 and B.1.17

Comply

27. The proposal for the appointment or renewal of directors which the Board submits to the General Shareholders' Meeting, as well as provisional appointments by the method of co-option, should be approved by the Board:

- a. On the proposal of the Nomination Committee, in the case of independent directors.
- b. Subject to a report from the Nomination Committee in all other cases.

See section: B.1.2

Comply

28. Companies should post the following director particulars on their websites and keep them permanently updated:

- a. Professional experience and background;
- b. Directorships held in other companies, listed or otherwise;

- c. An indication of the director's classification as executive, proprietary or independent; in the case of proprietary directors, stating the shareholder they represent or have links with.

- d. The date of their first and subsequent appointments as a company director, and;

- e. Shares held in the company and any options on the same.

Comply

29. Independent directors should not stay on as such for a continuous period of more than 12 years.

See section: B.1.2

Comply

30. Proprietary directors should resign when the Shareholders' they represent dispose of their ownership interest in its entirety. If such Shareholders' reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.

See sections: A.2, A.3 and B.1.2

Comply

31. The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where just cause is found by the Board, based on a proposal from the Nomination Committee. In particular, just cause will be presumed when a director is in breach of his or her fiduciary duties or comes under one of the disqualifying grounds enumerated in section III.5 (Definitions) of this Code.

The removal of independents may also be proposed when a takeover bid, merger or similar corporate operation produces changes in the company's capital structure, in order to meet the proportionality criterion set out in Recommendation 12.

See sections: B.1.2, B.1.5 and B.1.26

Comply

32. Companies should establish rules obliging directors to inform the Board of any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, with particular mention of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is indicted or tried for any of the crimes stated in Article 124 of the Public Limited Companies Law, the Board should examine the matter and, in view of the particular circumstances and potential harm to the company's name and reputation, decide whether or not he or she should be called on to resign. The Board should also disclose all such determinations in the Annual Corporate Governance Report.

See sections: B.1.43 and B.1.44

Comply

33. All directors should express clear opposition when they feel a proposal submitted for the Board's approval might damage the corporate interest. In particular, independents and other directors unaffected by the conflict of interest should challenge any decision that could go against the interests of Shareholders' lacking Board representation.

When the Board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next Recommendation.

The terms of this Recommendation should also apply to the Secretary of the Board; director or otherwise.

Not applicable

34. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the Board. Irrespective of whether such resignation is filed as a significant event, the motive for the same must be explained in the Annual Corporate Governance Report.

See section: B.1.5

Not applicable

35. The company's remuneration policy, as approved by its Board of Directors, should specify at least the following points:
- The amount of the fixed components, itemised where necessary, of Board and Board committee attendance fees, with an estimate of the fixed annual payment they give rise to;
 - Variable components, in particular:
 - The types of directors they apply to, with an explanation of the relative weight of variable to fixed remuneration items;
 - Performance evaluation criteria used to calculate entitlement to the award of shares or share options or any performance-related remuneration;
 - The main parameters and grounds for any system of annual bonuses or other, non cash benefits; and
 - UAn estimate of the sum total of variable payments arising from the remuneration policy proposed, as a function of degree of compliance with pre-set targets or benchmarks.
 - The main characteristics of pension systems (for example, supplementary pensions, life insurance and similar arrangements), with an estimate of their amount or annual equivalent cost.
 - The conditions to apply to the contracts of executive directors exercising senior management functions. Among them:
 - Duration;
 - Notice periods; and
 - Any other clauses covering hiring bonuses, as well as indemnities or 'golden parachutes' in the event of early termination of the contractual relation between company and executive director.

See section: B.1.15

Comply

36. Remuneration comprising the delivery of shares in the company or other companies in the group, share options or other share-based instruments, payments linked to the company's performance or membership of pension schemes should be confined to executive directors.

The delivery of shares is excluded from this limitation when directors are obliged to retain them until the end of their tenure.

See sections: A.3 and B.1.3

Comply

37. External directors' remuneration should sufficiently compensate them for the dedication, abilities and responsibilities that the post entails, but should not be so high as to compromise their independence.

Comply

38. In the case of remuneration linked to company earnings, deductions should be computed for any qualifications stated in the external auditor's report.

Comply

39. In the case of variable awards, remuneration policies should include technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, atypical or exceptional transactions or circumstances of this kind.

Comply

40. The Board should submit a report on the directors' remuneration policy to the advisory vote of the General Shareholders' Meeting, as a separate point on the agenda. This report can be supplied to Shareholders' separately or in the manner each company sees fit.

The report will focus on the remuneration policy the Board has approved for the current year with reference, as the case may be, to the policy planned for future years. It will address all the points referred to in Recommendation 34, except those potentially entailing the disclosure of commercially sensitive information. It will also identify and explain the most significant

changes in remuneration policy with respect to the previous year, with a global summary of how the policy was applied over the period in question.

The role of the Remuneration Committee in designing the policy should be reported to the Meeting, along with the identity of any external advisors engaged.

See section: B.1.16

Comply

41. The notes to the annual accounts should list individual directors' remuneration in the year, including:
- A breakdown of the compensation obtained by each company director, to include where appropriate:
 - Participation and attendance fees and other fixed director payments;
 - Additional compensation for acting as chairman or member of a Board committee;
 - Any payments made under profit-sharing or bonus schemes, and the reason for their accrual;
 - Contributions on the director's behalf to defined-contribution pension plans, or any increase in the director's vested rights in the case of contributions to defined-benefit schemes;
 - Any severance packages agreed or paid;
 - Any compensation they receive as directors of other companies in the group;
 - The remuneration executive directors receive in respect of their senior management posts;
 - Any kind of compensation other than those listed above, of whatever nature and provenance within the group, especially when it may be accounted as a related party transaction or when its omission would detract from a true and fair view of the total remuneration received by the director.
 - An individual breakdown of deliveries to directors of shares, share options or other share-based instruments, itemised by:
 - Number of shares or options awarded in the year, and the terms set for their execution;
 - Number of options exercised in the year, specifying the number of shares involved and the exercise price;
 - Number of options outstanding at the annual close, specifying their price, date and other exercise conditions;
 - Any change in the year in the exercise terms of previously awarded options.
 - Information on the relation in the year between the remuneration obtained by executive directors and the company's profits, or some other measure of enterprise results.

Comply

42. When the company has a Delegate Committee, the breakdown of its members by director category should be similar to that of the Board itself. The Secretary of the Board should also act as secretary to the Delegate Committee.

See sections: B.2.1 and B.2.6

Comply

43. The Board should be kept fully informed of the business transacted and decisions made by the Delegate Committee. To this end, all Board members should receive a copy of the Committee's minutes.

Comply

44. In addition to the Audit Committee mandatory under the Securities Market Law, the Board of Directors should form a committee, or two separate committees, of Nomination and Remuneration.

The rules governing the make-up and operation of the Audit Committee and the committee or committees of Nomination and Remuneration should be set forth in the Board regulations, and include the following:

- a. The Board of Directors should appoint the members of such committees with regard to the knowledge, aptitudes and experience of its directors and the terms of reference of each committee; discuss their proposals and reports; and be responsible for overseeing and evaluating their work, which should be reported to the first Board plenary following each meeting;
- b. These committees should be formed exclusively of external directors and have a minimum of three members. Executive directors or senior officers may also attend meetings, for information purposes, at the Committees' invitation.
- c. Committees should be chaired by an independent director.
- d. They may engage external advisors, when they feel this is necessary for the discharge of their duties.
- e. Meeting proceedings should be minuted and a copy sent to all Board members.

See sections: B.2.1 and B.2.3

Comply

45. The job of supervising compliance with internal codes of conduct and corporate governance rules should be entrusted to the Audit Committee, the Nomination Committee or, as the case may be, separate Compliance or Corporate Governance committees.

Comply

46. All members of the Audit Committee, particularly its chairman, should be appointed with regard to their knowledge and background in accounting, auditing and risk management matters.

Comply

47. Listed companies should have an internal audit function, under the supervision of the Audit Committee, to ensure the proper operation of internal reporting and control systems.

Comply

48. The head of internal audit should present an annual work programme to the Audit Committee; report to it directly on any incidents arising during its implementation; and submit an activities report at the end of each year.

Comply

49. Control and risk management policy should specify at least:
 - a. The different types of risk (operational, technological, financial, legal, reputational...) the company is exposed to, with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks;
 - b. The determination of the risk level the company sees as acceptable;
 - c. Measures in place to mitigate the impact of risk events should they occur;
 - d. The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

See section: D

Comply

50. The Audit Committee's role should be:
 1. With respect to internal control and reporting systems:
 - a. Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.
 - b. Review internal control and risk management systems on a regular basis, so main risks are properly identified, managed and disclosed.
 - c. Monitor the independence and efficacy of the internal audit function; propose the selection, appointment, reappointment and removal of the head of internal audit; propose the department's budget; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.

- d. Establish and supervise a mechanism whereby staff can report confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the firm.

2. With respect to the external auditor:

- a. Make recommendations to the Board for the selection, appointment, reappointment and removal of the external auditor, and the terms and conditions of his engagement.
- b. Receive regular information from the external auditor on the progress and findings of the audit programme, and check that senior management are acting on its recommendations.
- c. Monitor the independence of the external auditor, to which end:
 - I. The company should notify any change of auditor to the CNMV as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.
 - II. The Committee should ensure that the company and the auditor adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other requirements designed to safeguard auditors' independence;
 - III. The Committee should investigate the issues giving rise to the resignation of any external auditor.
- d. In the case of groups, the Committee should urge the group auditor to take on the auditing of all component companies.

See sections: B.1.35, B.2.2, B.2.3 and D.3

Comply

51. The Audit Committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

Comply

52. The Audit Committee should prepare information on the following points from Recommendation 8 for input to Board decision-making:
 - a. The financial information that all listed companies must periodically disclose. The Committee should ensure that interim statements are drawn up under the same accounting principles as the annual statements and, to this end, may ask the external auditor to conduct a limited review.
 - b. The creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.
 - c. Related party transactions, except where their scrutiny has been entrusted to some other supervision and control committee.

See sections: B.2.2 and B.2.3

Comply

53. The Board of Directors should seek to present the annual accounts to the General Shareholders' Meeting without reservations or qualifications in the audit report. Should such reservations or qualifications exist, both the Chairman of the Audit Committee and the auditors should give a clear account to Shareholders' of their scope and content.

See section: B.1.38

Comply

54. The majority of Nomination Committee members –or Nomination and Remuneration Committee members as the case may be– should be independent directors.

See section: B.2.1

Comply

55. The Nomination Committee should have the following functions in addition to those stated in earlier recommendations:

- a. Evaluate the balance of skills, knowledge and experience on the Board, define the roles and capabilities required of the candidates to fill each vacancy, and decide the time and dedication necessary for them to properly perform their duties.
- b. Examine or organise, in appropriate form the succession of the chairman and the chief executive, making recommendations to the Board so the handover proceeds in a planned and orderly manner.
- c. Report on the senior officer appointments and removals which the chief executive proposes to the Board.
- d. Report to the Board on the gender diversity issues discussed in Recommendation 14 of this Code.

See section: B.2.3

Partial compliance

As mentioned in respect of Recommendation 8 above, the Company considers that the power to remove senior officers of the company should be reserved to the chief executive, since they are positions within his trust and responsibility.

56. The Nomination Committee should consult with the company's Chairman and chief executive, especially on matters relating to executive directors.

Any Board member may suggest directorship candidates to the Nomination Committee for its consideration.

Comply

57. The Remuneration Committee should have the following functions in addition to those stated in earlier recommendations:

- a. Make proposals to the Board of Directors regarding:
 - I. The remuneration policy for directors and senior officers;
 - II. The individual remuneration and other contractual conditions of executive directors.
 - III. The standard conditions for senior officer employment contracts.
- b. Oversee compliance with the remuneration policy set by the company.

See sections: B.1.14 and B.2.3

Comply

58. The Remuneration Committee should consult with the Chairman and chief executive, especially on matters relating to executive directors and senior officers.

Comply

G

Other information of interest

If you consider there to be an important principle or aspect regarding the corporate governance practices applied by your company that have not been mentioned in this report, indicate them below and explain the contents.

This section may be used to include any other information, clarification or qualification relating to the previous sections of the report.

In particular, state whether the company is subject to any laws other than the laws of Spain on corporate governance and, if this is the case, include whatever information the company may be obliged to supply that differs from the information included in this report.

1. Note on section A.1

On January 11, 2013 the Delegated Committee, exercising the powers granted to Repsol's Board of Directors by the General Shareholders' Meeting on May 31, 2012 under resolution eleventh, and in accordance with the substitution of said powers made by the Board of Directors in favour of the Delegated Committee on said date, has agreed to complete and execute the free-of-charge capital increase of Repsol so that the current share capital of the company is 1,282,448,428 euros and it is represented by 1,282,448,428 shares and 1,282,448,428 voting rights.

2. Note on section A.2.

Due to the fact the company's shares are issued in book-entry form, the company does not have up-to-date information on the identity of its Shareholders' or details of their stakes. Therefore, the details set out in this section, as of December 31, 2012, are obtained from the last information supplied by *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, Sociedad Anónima Unipersonal* (IBERCLEAR), and from the information sent by Shareholders' to the Company and to the *Comisión Nacional del Mercado de Valores* (CNMV).

Petróleos Mexicanos (Pemex) holds its stake through Pemex Internacional España, S.A., PMI Holdings B.V. and through several swap instruments (equity swaps) with certain financial entities which enable Pemex to exercise the economic and political rights of a percentage of up to 9.43% of the share capital of the Company as of December 31, 2012.

In addition, it should be noted that as a result of the execution of the capital increase of the Company, agreed on January 11, 2013, the relevant shareholdings are as follows:

Name of shareholder	Number of direct voting rights	Number of indirect voting rights ^(*)	total voting rights
Sacyr Vallehermoso, s.A.	o	122,208,433	9.53
CaixaBank, s.A.	156,509,448		12.20
Petróleos Mexicanos	o	120,167,553	9.37

(*) Through

Name of the indirect holder of the stake	Through: Name of the direct holder of the stake	Number of direct voting rights	% total voting rights
Sacyr Vallehermoso, s.A.	Sacyr Vallehermoso Participaciones Mobiliarias, s.L.	122,208,433	9.53
Petróleos Mexicanos	Financial entities	62,934,554	4.91
Petróleos Mexicanos	PMI Holdings BV	57,232,998	4.46
Petróleos Mexicanos	Pemex Internacional España, s.A.	1	0.00

3. Note on section A.8

The 5.05% treasury stock percentage indicated as of December 31, 2012 has been calculated considering the shares issued on the free-of-charge capital increase that, within the framework of the Shareholders' pay-out programme "Repsol Flexible Dividend", was recorded on the Madrid Commercial Registry on January 15, 2013 and that for accounting effects has been recorded on the financial statements of the Group as of December 31, 2012. As a result of said capital increase and in relation to the referred calculation, the Group received the proportional amount of new shares corresponding to the shares held as treasury stock before said capital increase.

The amount of 49,938 thousand euros refers to the patrimonial effect generated due to transactions with shares issued by the Company.

4. Note on section A.10

With regard to the legal restrictions on the purchase or sale of shares in the capital, under Supplementary Provision 11th to the Hydrocarbons Act 34/1998, as drafted in Royal Decree-Law 4/2006 of February 24, prior administrative authorisation by the *Comisión Nacional de Energía* must be sought for certain acquisitions or investments in companies that engage in regulated activities or activities subject to significant oversight by administrative bodies that implies special regulation.

On July 28, 2008, the European Court of Justice determined that Spain had, through the imposition of this requirement of administrative authorisation by the *Comisión Nacional de Energía*, failed to fulfil its obligations under Articles 43 and 56 of the EC Treaty.

5. Note on Section B.1.7.

Mr. Brufau and Mr. Suárez de Lezo have occupied respectively the positions of Chairman and Director of YPF, S.A. until April 16, 2012 when the Argentine Government announced the start of a process of parliamentary approval of a law for the expropriation of the 51% of the shares of said company, all of them owned by Repsol. The Argentinian Government approved also, on the same date, a Decree (*Decreto de Necesidad y Urgencia*) with immediate effect and by which it appointed an Argentinean Minister with all the powers of the Board of Directors.

6. Note on section B.1.11.

Following the former practice of Repsol, S.A. and to supplement the information supplied in section B.1.11., the sums accrued by members of the Board during 2012, individually and by types of remuneration, or other benefits, are set out in this Annual Report on Corporate Governance.

a. Due to membership of the Board

Under the system established and approved by the Nomination and Compensation Committee, the amounts of the annual remunerations earned in 2011 and 2012 by virtue of membership of each of the Group's managing bodies are as follows:

Governing Body	2011	2012
Euros		
Board of Directors	176,594	176,594
Delegate Committee (DC)	176,594	176,594
Audit and Control Committee (ACC)	88,297	88,297
Strategy, Investment and Corporate Social Responsibility Committee (SICRC)	44,149	44,149
Nomination and Compensation Committee (NCC)	44,149	44,149

The amount of the remunerations earned by the members of the Board of Directors for belonging to same in 2012 and payable against the aforesaid assignment in the Articles of Association was EUR 4.812 million, itemised as follows:

Director	Board Committees					TOTAL
	Board	DC	ACC	NCC	SICRC	
Antonio Brufau Niubó	176,594	176,594	–	–	–	353,188
Luis Suárez De Lezo Mantilla	176,594	176,594	–	–	–	353,188
Pemex Internacional España, s.A.	176,594	176,594	–	–	44,149	397,337
Henri Philippe Reichstul	176,594	176,594	–	–	–	353,188
Paulina Beato Blanco	176,594	–	88,297	–	–	264,891
Javier Echenique Landiribar	176,594	176,594	88,297	–	–	441,486
Artur Carulla Font	176,594	176,594	–	44,149	–	397,337
Juan Abelló Gallo	176,594	176,594	–	–	44,149	397,337
José Manuel Loureda Mantiñán	176,594	–	–	44,149	44,149	264,891
Luis Carlos Croissier Batista	176,594	–	–	–	44,149	220,743
Isidro Fainé Casas	176,594	176,594	–	–	–	353,188
Juan María Nin Génova	176,594	–	–	44,149	44,149	264,891
Ángel Durández Adeva	176,594	–	88,297	–	–	264,891
M ^a Isabel Gabarro Miquel	176,594	–	–	44,149	44,149	264,891
Mario Fernández Pelaz	176,594	–	–	44,149	–	220,743
TOTAL	2,648,913	1,412,754	264,891	220,743	264,891	4,812,192

It should also be noted that:

- The members of the Board of Directors of Repsol, S.A. have not been granted any loans or advances by any Group company, jointly controlled entity or associate.
- No Group company, jointly controlled entity or associate has pension or life insurance obligations to any former or current member of the Board of Directors of Repsol, S.A., except in the case of the Executive Chairman and the General Counsel whose remunerations, as Executive Directors, are governed by the obligations provided for in their contracts for services, which envisage a defined contribution system.

b. Due to the holding of executive positions and performing executive duties

The fixed monetary remuneration earned in 2012 by the Board members who had performed executive duties in the Group during the year totalled EUR 3.351 million, corresponding EUR 2.368 million to Antonio Brufau and EUR 0.983 million to Luis Suárez de Lezo.

Additionally, the remuneration in kind (housing, etc.), annual variable and multi-annual variable calculated on the basis of the degree to which targets of the Medium Term Incentives Program 2009-2012, accrued by Antonio Brufau, totalled EUR 1.885 million. The remuneration in kind, annual variable and multi-annual variable, multi-annual as a participant of the above program, earned by Luis Suárez de Lezo, totalled EUR 1.305 million.

The referred amounts do not include those indicated in the section e) below.

c. Due to membership of the Boards of Directors of subsidiaries

The remuneration earned in 2012 by the members of the Board of Directors of Repsol, S.A. in their capacity as directors of other Group companies, jointly controlled entities and associates amounted to EUR 0.445 million, according to the following details:

Euros	YPF	Gas Natural	TOTAL
Antonio Brufau	19,899	265,650	285,549
Luis Suárez de Lezo	19,899	139,150	159,049

d. Due to third-party liability insurance premiums

The Board members are covered by the same third-party liability insurance policy as that covering all the directors and executives of the Repsol Group.

e. Due to retirement and disability insurance policies and contributions to pension plans and long service bonus

The cost of retirement, disability and death insurance policies, and contributions to pension plan and the long service bonus, including the corresponding on account payments, if any, incurred by the Company in relation to Board members who discharged executive duties at the Group during 2012 totalled EUR 3.037 million, of which EUR 2.739 million corresponded to Antonio Brufau and EUR 0.298 million to Luis Suárez de Lezo.

Further to Mr. Brufau's petition, Repsol will not contribute any additional amount to his pension plan as of March 12, 2013.

f. Indemnity payments to members of the Board of Directors

No director has received any indemnity payment from Repsol in 2012.

g. Transactions with Directors

Apart from the remuneration earned, the dividends corresponding to the shares they hold and, in the case of External Proprietary Directors, the transactions with significant Shareholders', the directors of Repsol did not perform any relevant transaction other than in the normal course of business or other than on an arm's-length basis with the Company or with Group companies.

Notwithstanding the above, the Company has implemented cycles 2011-2014 and 2012-2015 of the Delivery Share Plan for Beneficiaries of Pluriannual Remuneration Programmes which were approved, respectively, by the Shareholders' on the Annual General Meeting that took place on April 15, 2011 and on May 31, 2012. The purpose of said Plan is to enable its beneficiaries (among which are the Executive Directors and the other members of the Executive Committee), to invest

in Repsol's shares up to the 50% of the gross amount that they will receive in accordance with the pluriannual remuneration programme so that if the beneficiary holds the shares during a period of three years and the other conditions of the Plan are met, they will have the right to receive from the Company shares in Repsol to the proportion of one share for every three shares acquired initially. Both the CEO and the General Counsel have adhered to cycles 2011-2014 and 2012-2015 of the Plan, buying the number of shares indicated herein below, as informed to the National Stock Exchange Commission (*Comisión Nacional del Mercado de Valores*)

	Cycle 2011-2014	Cycle 2012-2015
CEO	31,981	24,461
General Counsel	6,373	12,230

h. Related to Company's profit

Remuneration accrued by Executive Board Members, as detailed under sections a, b and c of this note, amounted to EUR 7.7 million, representing the 0.37% of the period's profit.

7. Note on section B.1.12.

For the purposes of this Annual Report on Corporate Governance, Repsol considers "senior management" to be members of the Executive Committee of Repsol Group, the other executives who report directly to the Executive Chairman and the Corporate Director of Audit and Control.

This description, for informational purposes only, does not replace or is configured as interpreting elements of other "senior management" concepts established in the rules applicable to the Company (as Royal Decree 1382/1985), and has not the effect of creation, recognition, modification or termination of rights or legal or contractual obligations.

The information about senior management supplied in paragraph B.1.12 does not include the managerial staff with condition of executive director.

In addition, it should be noted that on May 28, 2012 the Company agreed to modify its organizational structure to include that Mr. Nemesio Fernández Cuesta has changed from Upstream Executive Managing Director to Business Units Executive Managing Director, Mr. Pedro Fernández Frial from Downstream Executive Managing Director to Strategy and Control Executive Managing Director and Mr. Miguel Martínez San Martín from CFO and Executive Managing Director of Participated Entities to CFO and Corporate Development Executive Managing Director. On the other hand, Ms. M^a Victoria Zingoni, Corporate Director of Investor Relations and Mr. Pedro Antonio Merino García, Director of Studies and Analysis of the Environment began to report directly to the CFO and Corporate Development Executive Managing Director instead of the Executive Chairman and Mr. Antonio Gomis Sáez, Executive Managing Director of YPF, began to report directly to the General Counsel and Secretary of the Board of Directors. Finally, Mr. Josu Jon Imaz and Mr. Luis Cabra were appointed respectively Executive Managing Director of Industrial and New Energy Unit and Executive Managing Director of Exploration and Production, as well as members of the Executive Committee.

The amount of EUR 11.685 million corresponds to the total remuneration of senior management includes the remuneration of senior management mentioned in paragraph B.1.12. during the period in which they have been considered as "senior management".

This amount does not include the cost of contributions to pension plans, life insurance, contingent plans and award for permanency, which totalled EUR 2.178 million.

8. Note on section B.1.13

The Report on the Remuneration Policy for Directors of Repsol for 2011, which was approved by the General Shareholders' Meeting, held on May 31, 2012, includes in its Section 5.5 information about the compensation clauses provided in the Executive Directors agreements.

9. Note on section B.1.39

Deloitte S.L. has been Repsol's individual and consolidated annual accounts auditor, uninterruptedly, since 2002.

Before said year, Repsol's auditor was the firm Arthur Andersen. As a result of the disappearance of such firm in 2002, the company through which it operated in Spain, became integrated into the international network of Deloitte. As per Spain, the other companies through which Arthur Andersen carried out its activity in the different countries decided their adherence to other existing international networks different from Deloitte. Before the integration of Arthur Andersen in Deloitte Spain, Deloitte operated in this country but it was not until such integration that Deloitte became Repsol's Group auditor.

10. Note on section C.2.

In the case of Sacyr Vallehermoso, S.A. and Petróleos Mexicanos commitments acquired correspond to volume of purchases commitments in force at December 31, 2012 net of volume of sales commitments.

The lease data refer to those leaseings in which the Group acts as lessee net of those in which it acts as lesser.

Additionally to the related party transactions mentioned above, at December 31, 2012 the Group has another transactions with "la Caixa" Group, totalled EUR 1,639 million, which include short term investments in a sum of EUR 667 million, exchange rate hedging tools in a sum of EUR 158 million and interest rate hedging tools in a sum of 115 million.

11. Good Tax Practice Code

Repsol is adhered to the Good Tax Practice Code, sponsored by the Large Business Forum and the State Tax Agency, and complies with the provisions contained therein.

Binding definition of Independent Director:

Indicate whether any of the independent directors have or have had any relationship with the company, its significant Shareholders' or its executives, which, if sufficiently significant or important, would have meant that the director could no longer be considered independent, pursuant to the definition set out in section 5 of the Unified Good Governance Code:

NO

This annual report on corporate governance was approved by the Board of Directors of the Company on February 27, 2013.

Indicate whether any Directors have voted against or abstained in connection with the approval of this Report.

NO

Name of the director that did not vote in favor of the approval of this report	Reasons (opposed, abstained, absent)	Explain the reasons
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Annex to Repsol, S.A. 2012 Corporate Governance Annual Report

This Annex contains information supplementing the Corporate Governance Annual Report pursuant to Article 61 bis of the Securities Market Act 24/1988 of 28 July, as amended by the Sustainable Economy Act 2/2011 of 4 March.

Since these contents are not included in the current model of Corporate Governance Annual Report approved by the National Securities Market Commission Circular 4/2007 of 27 December, this Annex sets out the additional information required by the Securities Market Act, Article 61 bis.

1. Securities that are not traded on a regulated EU market, indicating the different classes of shares, if any, and the rights and obligations conferred for each class of shares

All the Repsol, S.A. (the “Company”, or “Repsol”) shares have the same voting and economic rights; no Shareholders’ have different voting rights.

The Repsol shares are issued in book-entry form and are listed in the electronic dealing system (continuous electronic market) of the stock exchanges of Spain (Madrid, Barcelona, Bilbao and Valencia) and Buenos Aires (Bolsa de Comercio de Buenos Aires). On December 31, 2012 the Repsol shares issued as *American Depositary Shares* (ADSs) are listed on the OTCQX market.

In addition, the shares of Refinería La Pampilla, S.A. are listed on the Lima Stock Exchange.

The shares and ADSs of YPF, S.A. are listed on the Bolsa de Comercio de Buenos Aires and the New York Stock Exchange (NYSE), respectively. Last April 16, 2012 the Argentine Government announced the start of a process of parliamentary approval of a law for the expropriation of 51% of YPF S.A.’s shares, all of them owned by Repsol, and passed a Decree (*Decreto de Necesidad y Urgencia*) with immediate effect, establishing the intervention of YPF, S.A. As a result of these actions YPF does not belong to Repsol Group since the referred date.

2. Restrictions on the transferability of securities and voting rights

This information is set out in Section A.10 and the Note to Section A.10 included in point G (*Other Information of Interest*) in the Corporate Governance Annual Report.

3. Rules for amending the Company's Articles of Associations

Repsol’s Articles of Association do not establish any conditions differing from those set out in the Companies Act for amending said Articles except for Article 22 which provides that the amendment of Articles 22bis (“Related Party Transactions”), 44bis (“Prohibition of competition by Directors”) or the special rule contained in Article 22, will require the favourable votes of seventy-five per cent (75%) of the voting capital attending the General Shareholders’ Meeting, on both first and second call.

On the other hand, Article 22 of the Articles of Association establishes that in order to adopt valid resolutions to modify the Articles of Association, ordinary or extraordinary Shareholders’ meetings must be attended, in person or by proxy, by Shareholders’ holding at least fifty per cent (50%) of the subscribed voting capital on first call, or twenty-five per cent (25%) of that capital on second call.

When attended by Shareholders’ representing less than fifty per cent (50%) of the subscribed voting capital, resolutions to alter the Articles may only be validly adopted with the favourable vote of two-thirds of the capital present or represented at the general meeting.

4. Significant resolutions passed by the company which enter into force or are modified or terminated in the event of takeover of the company following a tender bid, and the ensuing effects

The Company participates in hydrocarbon exploration and operation through joint ventures with other state-owned and private oil companies. The contracts regulating the relationships between members of those joint ventures generally grant the other members a right of pre-emption over the interest of any member that is taken over whenever the value of that interest is significant in respect of the total assets of the transaction or when other conditions established in the contracts are met.

In addition, the laws regulating the oil and gas industry in several countries in which the Company operates require prior authorisation by the competent authorities for any transfer of all or part of the licences for exploration or operating concessions granted, and sometimes also for any change in the control of the concessionaire(s), especially for operators of mining areas.

Moreover, the agreements signed between Repsol and Caja de Ahorros y Pensiones de Barcelona in respect of Gas Natural SDG, S.A., announced through regulatory disclosures to the National Securities Market Commission (CNMV); the Industrial Action Agreement between Repsol and Gas Natural SDG, S.A. contemplated in those agreements and announced in a regulatory disclosure on 29 April 2005; and the Shareholders’ Agreement between Repsol and Gas Natural SDG regarding Repsol-Gas Natural LNG, S.L. contemplate a change in the control structure of any of the parties as grounds for termination.

5. Agreements between the company and its executives and employees establishing indemnities for resignation, unfair dismissal or termination of their contracts due to a takeover bid

The consequences established in law and collective agreements of the termination of employment or service relationships between employees and the company are not homogenous but vary according to the employee(s) in question, the position they hold, the type of contract they have, the laws and regulations governing their employment or services relationship and other factors.

This notwithstanding, the Company has a single legal statute for executives, set down in the Executive Agreement, which regulates the indemnity payable in different cases of termination of employment, establishing as grounds for compensation those stipulated in prevailing laws. For members of the Executive Committee, these grounds include resignation by the executive following a business succession or major change in ownership of the company bringing about a renewal of the governing bodies or alteration of the contents and approach of the company’s main business activity. The indemnities of existing members of the Executive Committee are calculated according to each executive’s age, seniority and salary.

A deferred economic compensation is contemplated for Executive Directors on termination of their relationship with the Company, provided that termination is not a consequence of default of their obligations or of their own will whenever this is not justified by any of the grounds contemplated in their contracts. The details of compensations are set out in the Compensation Policy Report, which will be submitted to Shareholders’ at the Annual Shareholders’ Meeting 2013.

6.

Description of the principal characteristics of the system of internal control and risk management over the financial reporting process (sifcr) of the repsol group

6.1 Introduction

According to the reference frameworks on internal control, companies must have models enabling them to implement, manage and assess their control systems in order to guarantee their effectiveness.

In this regard, the Repsol Group (the “Group”) has an internal control model of the financial information based on the generally accepted reference methodology framework COSO (*Committee of Sponsoring Organizations of the Treadway Commission*), being its purpose to contribute to the consistent registration of the transactions carried out, in accordance with the accounting framework, and to provide a reasonable security in relation to the prevention and identification of mistakes that may have a relevant impact on the annual consolidated accounts. This internal control model of the financial information has been developed through a process consisting of five components:

1. The **company's control environment** is the foundation for the other components; it is the control awareness within an organisation. The aim pursued with this component is to establish and promote a collective attitude to achieve effective internal control over the organisation's processes.
2. **Risk assessment** points to the need to assess all risks inherent in the company's business and consists of identifying and analysing any factors that could hamper achievement of its strategic objectives and, based on that analysis, designing control activities to reduce the risks and determine how they should be managed.
3. The **control activities** refer to the policies and procedures, are designed to mitigate the risks identified, which should exist in all duties and at all levels of the company, focusing on the prevention and detection of errors and fraud.
4. **Information and communication**, focuses on the need to identify, gather and report significant information in such a way and within a time that will enable each part of the organisation to assume its responsibilities. Management must put across a clear message to all employees regarding the importance of the responsibilities of each one in respect of control.
5. **Monitoring the functioning of the system**, since it is necessary to assess its adequate design, the quality of its performance, its adaptation, implementation and effectiveness. The aim pursued by observing this component is to assess on the effectiveness, detecting and correcting any deficiencies identified in the internal control system.

As part of this internal control model, the Group has implemented a System of Internal Control over Financial Reporting (“SICFR”) in accordance the best practices in internal control over financial reporting, which responds to and complies with the requirements established by Securities Market Law 24/1988 of 28 July, as amended by Sustainable Economy Law 2/2011 of 4 March and other legislation in force.

In addition, the SICFR enabled the Group, since its implementation, to respond, during the time when Repsol was registered with the U.S. Securities and Exchange Commission (“SEC”), to the requirements established in US laws and regulations. In particular to the provisions of the Sarbanes-Oxley Law in accordance with the guidelines issued by the SEC and the Public Company Accounting Oversight Board (“PCAOB”), which, among other issues, require an opinion by the External Auditor on the effectiveness of the SICFR. During the referred period the opinion of the External Auditor has always been unqualified.

6.2 The company's control environment

The control environment lays down the guidelines for the Group's behaviour and has a direct influence on employees' level of awareness of control. It is the foundation for all other internal control aspects, providing discipline and structure.

The control environment includes the following elements, tangible and intangible:

- Integrity and ethical values
- Organisational structure and governability

- Management Philosophy and operating style
- Assignment of authority and responsibilities
- Human Resources policies and procedures
- Commitment to competence in the different organizational units.

The Governing Bodies and the Management of the Group have a strong influence over the control environment through the establishing of rules, a code of conduct and other behavioural patterns, through its actions and behaviour, and by effectively promulgating policies and written procedures.

The SICFR is fully integrated within the organisation through the establishment of an outline of roles and responsibilities for the different bodies and functions, which are duly approved and promulgated within the Group, especially the following:

6.2.1 Board of Directors:

According to the Articles of Association, the Repsol Board of Directors is responsible for governing, managing and administrating the company's businesses and interests in all aspects that are not specifically reserved for the Shareholders' General Meeting. It focuses on its general function of supervision and the consideration of matters of special importance for the Company.

The Regulations of the Board of Directors define the powers to be exercised by the Board, such as presenting the separate and consolidated Annual Financial Statements and Management Reports at the Ordinary Shareholders' Meeting. The Board must draw up those documents in clear, precise terms, endeavouring to avoid a qualified report by the external auditors. The Board must ensure that they give a true and fair view of the equity, financial position and results of the Company and the Group, pursuant to the applicable legal provisions. It must also approve the risk management and control policy and the annual and half-year financial statements which the Company, as a listed company, is obliged to publish regularly.

The Regulations also establish the Board's responsibility for approving the Company's codes of ethics and conduct, regulating its own organisation and functioning and those of the Senior Management, and specific duties related with the Company's trading on stock markets.

The Board deals directly with the members of the Senior Management of the Company and the external auditors, respecting at all times the independence of the latter.

In pursuance of Article 31 of its Articles of Association, at 31 December 2012 the Repsol Board has fifteen members: two executive directors, five proprietary directors and eight independent directors.

The Board of Directors has set up the following Committees, the Delegate Committee with decision-making powers and the others with supervisory, reporting, advisory and proposal duties:

- a. The **Audit and Control Committee** of Repsol, set up on 27 February 1995, which main object, according to the Regulations of the Board of Directors, is to support the Board of Directors in its oversight duties, through regular checking of the financial reporting process, the effectiveness of the executive controls and independence of the External Auditor, as well as checking compliance with all legal provisions and internal regulations applicable to the company.

According to the Regulations of the Board of Directors, the duties of the Audit and Control Committee related with the financial reporting process include the following:

- Supervise the process of preparing and presenting the regulated financial information on the Company and its Group, as well as its integrity, the compliance with all requirements, adequate definition of the scope of consolidation and correct application of the accounting principles.
- Watch over the independence and efficiency of the internal audit department; analyse and approve, if appropriate, the Annual Internal Audit Plan and oversee the degree of fulfilment by the audited units of the corrective measures recommended by the internal audit department in previous actions. The Audit and Control Committee shall inform the Board of any cases that may entail a major risk for the Group.
- Prior to their submission to the Board, analyse the financial statements of the company and its consolidated Group included in the annual, half-year and quarterly reports and any other financial information that the company is obliged to publish regularly by virtue of being a listed company, with the necessary requirements to ensure that they are correct, reliable,

adequate and clear. For this purpose it shall have all the necessary information and such degree of aggregation as it may deem fit, assisted as necessary by the top management of the Group, particularly the Finance and Corporate Development Department, and with the opinion and recommendations of the external auditor.

- Provide that the Annual Financial Statements to be submitted to the Board of Directors for authorisation are certified by the Executive Chairman and the Chief Financial Officer and Executive Director of Corporate Development, pursuant to the internal or external regulations applicable from time to time.
- Check all significant changes in the accounting principles applied and the presentation of financial statements, ensuring that adequate notification is given thereof, expressly stating that the committee has checked them.
- Examine the draft ethic and conduct codes and amendments thereto prepared by the corresponding area of the Group and issue an opinion before proposals are submitted to the corporate bodies.
- Oversee with special diligence compliance with the rules on securities market conduct and supervise all actions of the company's Internal Transparency Committee.
- Supervise the sufficiency, adequacy and effective functioning of the recording and internal control systems and procedures in the measuring, valuation, classification and accounting of the hydrocarbon reserves of the Repsol Group, ensuring that they are included in the Group's regular financial reporting in accordance with the sector standards and applicable laws and regulations.

According to the Regulations of the Board of Directors, the Audit and Control Committee is responsible for receiving confidential, anonymous communications expressing their concern over possible dubious practices in accounting or auditing. The Audit and Control Committee has established adequate procedures, mechanisms and controls to receive, process and follow-up any communications received through the communication channel for the Audit and Control Committee, through which the Committee can be informed on any issues related with accounting, internal control and auditing. This channel is available to employees and third parties through the corresponding applications on the corporate web site and the internal portal.

In accordance with the Board of Directors Regulations, all members of the Audit and Control Committee are external independent directors with expertise and experience in accounting and auditing. The Chairman of the Committee also has extensive experience in business, risk and financial management and a thorough knowledge of accounting procedures.

The Board appoints the members of this Committee for a term of four years. Without prejudice to their possible reappointment, they shall step down from the Committee on expiry of the aforesaid term, when they cease to be Directors, in case they cease to be considered as Independent Directors, or whenever so resolved by the Board following a report by the Nomination and Compensation Committee. The Chairman is appointed for a maximum term of four years, after which he cannot be re-elected until one year after leaving the position, without prejudice to his continuation or re-election as member of the Committee.

- b. According to the Articles of Association and the Regulations of the Board of Directors, the Delegate Committee of Repsol has been permanently delegated all the powers of the Board of Directors except those whose delegation is prohibited by law, the Articles of Association and/or the aforesaid Regulations.

The Delegate Committee consists of the Chairman of the Board and seven directors from the three different groups of directors (executive, proprietary and independent), in a proportion similar to that existing within the Board of Directors.

- c. According to the Articles of Association and the Regulations of the Board of Directors, the Nomination and Compensation Committee of Repsol, set up on 27 February 1995, has among others, duties related to the appointments and compensation of both Directors and Senior Executives of the Company.

Additionally it shall inform the Board of Directors in cases concerning non-compete obligations, use of corporate information and assets, business opportunities and related party transactions as well as on compliance by directors with the corporate governance principles or the obligations established in the Articles of Association or Regulations of the Board of Directors.

Finally, it also reviews the Corporate Governance Annual Report before its approval by the Board of Directors to check the nature attributed to each director (executive, proprietary, independent or external).

The Nomination and Compensation Committee is entirely made up of external directors, three of which are independent and the other two proprietary. They all have adequate expertise, skill and experience to perform the duties of the Committee.

- d. The Strategy, Investment and Corporate Social Responsibility Committee of Repsol was created on 25 September 2002. According to the Regulations of the Board of Directors, it is responsible, among other duties, for:

- Inform the Board of Directors and/or Delegate Committee on the principal highlights, landmarks and reviews of the Group's strategic plan and any other major strategic decisions within the Group.
- Inform on investments or divestments in assets which, by virtue of their value or strategic nature, the Executive Chairman believes should be first considered by the committee.
- Know and steer the policy, objectives and guidelines of the Repsol Group on corporate social responsibility and inform the Board thereon; check and report on the Corporate Responsibility Report of the Repsol Group before it is submitted to the Board.

The Strategy, Investment and Corporate Social Responsibility Committee is made up entirely of external directors, two of whom are independent and the remaining four proprietary. They all have adequate expertise, skills and experience for the Committee's duties.

6.2.2 Internal Transparency Committee:

The Internal Transparency Committee of Repsol was set up on 29 January 2003 and, as established in its Regulations, its main object is to promote and strengthen whatever policies may be necessary to ensure that the information provided for Shareholders', markets and regulatory bodies is true and complete, present fairly its financial position and the results of its operations and is reported within the deadlines and in compliance with any other requirements stipulated in the applicable laws and standards and the general market and good governance rules binding on the Company, providing support for the Executive Chairman and the Chief Financial Officer and ED Corporate Development.

According to its Regulations, the Internal Transparency Committee has the following duties, among others:

- Supervise the establishment and maintenance of the procedures for preparing the information that the Company is obliged to publish according to the applicable rules and regulations or, in general, any information it may announce to the markets, and the controls and procedures designed to ensure that (1) such information is recorded, processed, summarised and announced accurately and in due time and that (2) the information is compiled and submitted to the senior management, including the Executive Chairman and the Chief Financial Officer and ED Corporate Development, enabling decisions to be made in advance on the information to be publicly announced and proposing such improvements as it may deem fit.
- Check and ensure that the information set out in the documents to be published, especially announcements or disclosures to be made to the regulators and agents operating on the securities markets on which the Repsol shares are traded, are correct, reliable, adequate and clear.

The members of the Internal Transparency Committee are: the Corporate Director of Tax and Economic Affairs, as Chairman, the Corporate Director for Legal Affairs, as Secretary, the Media Director, Strategy Director, Corporate Audit and Control Director, Administrative Economic Director, Corporate Investor Relations Director, Corporate Governance Affairs Director, Reserves Control Director, Management Control and Planning Director, a representative of General Management of People and Organisation and a representative of General Management of Business.

6.2.3 The Audit and Control Corporate Department:

Reporting to the General Management of Strategy and Control, this Department assesses whether the design and functioning of the internal control and risk management systems in the Group are reasonable, helping to improve them and including any processes to ensure that:

- Any risks that may affect the organisation are adequately identified, measured, ranked and controlled, especially those affecting financial reporting.

- All operations are performed efficiently and effectively.
- The operations are performed in accordance with the applicable laws and regulations and the internal policies, rules and procedures established within the Group, assessing their adequacy and guaranteeing their compliance.
- The assets are adequately protected and reasonably controlled.
- The most important financial, management and operating information is adequately prepared.

It also monitors the assessment of design and functioning of the Group's SICFR reporting the Audit and Control Committee about the results obtained

6.2.4 Business Units and Corporate Areas identified as “owners of the controls”:

Within the Group, the different Business Units and Corporate Areas identified as “owners of the controls” are responsible for guaranteeing the present validity, implementation and functioning of the controls and the adequate design of related processes. Of those Units, those with an especially important role in the development, maintenance and operation of the SICFR are described below:

- The Unit that prepares the financial statements and corresponding financial report and defines the inventory of SICFR controls and processes required to guarantee the reliability of the financial information, in coordination with the Audit and Control Corporate Department, as a result of its process of defining and assessing the Group SICFR.
- The unit that is responsible for ensuring compliance with all tax obligations; giving tax advice; monitoring, assessing and implementing changes in legislation; pinpointing, controlling, monitoring and assessing tax risks; handling tax disputes and conflicts and preparing the tax information for financial statements. According to the Code of Good Tax Practices, this unit is also responsible for reporting annually to the Audit and Control Committee on the tax policies applied by the Company.
- The Unit that monitors, analyses, reviews and interprets the accounting regulations and standards set out in the different regulatory frameworks applicable to the Group.
- The Unit that ensures the continuity and development of business plans, guaranteeing efficient utilisation of financial resources, optimisation of financial results and adequate monitoring and control of financial, market and credit risks.
- The Unit that that defines the Annual Training Plan lays down the instructions and criteria for developing the regulatory framework and establishes the guidelines for defining the organisational structure and sizing of the Group.
- The Unit that makes sure that the estimates of proved hydrocarbon reserves of the Repsol Group comply with prevailing legislation on the different securities markets on which the Company is listed. It also makes internal audits of reserves, coordinates certification of reserves by external auditors and assesses the quality controls on reserve reporting, making the appropriate suggestions within a process of continuous improvement and application of best practices.
- The Units that provide adequate legal assistance to the Group on issues related with corporate governance and business or corporate areas. This assistance is provided through: (I) legal counselling to provide the necessary legal basis for the actions and decisions of the different corporate and business areas; (II) preventive legal security to see that the Group acts at all times in accordance with all applicable laws and internal regulations; (III) defence in legal proceedings; and (IV) legal and corporate management.

6.2.5 Other issues concerning the company's control environment

Internal regulations have been developed to define the lines of responsibility and authority related with the organisational structure, establishing the organisational criteria and principles to ensure adequate sizing and distribution of tasks. These internal regulations have been formally approved and distributed throughout the entire Group through the internal communication network.

A specific body of rules has been developed, identifying the units participating in the preparation of the financial statements and the duties and responsibilities assigned to each unit.

Apart from the internal rules and regulations contemplated hereinabove, such as the Articles of Association, the Regulations of the Board of Directors and the Regulations of the Internal Transparency Committee, the Group also has a “Code of Conduct and Professional Ethics of

the Employees of Repsol”, approved by the Board of Directors following a favourable report by the Audit and Control Committee, which is applicable to all the Group's employees. This code develops the ethical values of the Repsol Group (integrity, responsibility, transparency, flexibility and innovation), the minimum rules of conduct that should guide all employees during the performance of their professional work and the penalties applicable when those rules are broken. Among other aspects, the code lays down the basic principles for action in information transparency and reliability, control of registries as well as processing of reserved and confidential information.

As a general rule, the new employees receive a copy of the Code of Conduct and Professional Ethics on joining the Group and sign an acknowledgement of receipt. Employees also regularly receive information on the applicable rules of ethics.

There is a communication channel on the Code of Conduct and Professional Ethics of the Employees of Repsol, which provides an effective means for submitting consultations or reporting possible breaches of conduct under the code. This channel is accessible to both Group employees and third parties, through internal and/or external communication networks, particularly through the corresponding applications on the corporate web site and the internal portal.

The Ethics Committee, formally created on 4 December 2006, oversees compliance with the Code by all employees of the Repsol Group and resolves the communications received through the channel. The Secretary of this Committee is responsible for processing, confidentially, all communications received through this channel.

According to the Regulations of the Repsol Ethics Committee, the committee consists of the General Counsel and Secretary of the Board of Directors, the Managing Director for People and Organisation, the Audit and Control Corporate Director, the Corporate Director of the Repsol Legal Services and the Corporate Director of Industrial Relations, Occupational Legal Management and Safety in the Workplace.

In addition, the Group has an “Anti-corruption policy” which contains the commitment and the principles that should guide Repsol's and all its employees' behaviour for fighting corruption. This Policy is further developed in the “Code of Conduct and Professional Ethics of the Employees of Repsol”.

The Group also has an “Internal Code of Market Conduct”, approved by the Board of Directors following a favourable report by the Audit and Control Committee, which meets the requirements stipulated in Spanish law, developing aspects such as rules of conduct for dealings in financial instruments and securities issued by the Group, treatment of inside information, reporting of important information, treasury stock dealing, prohibition of price rigging and the handling and management of conflicts of interest. The Company has formally established mechanisms promoting promulgation and compliance with the Code throughout the organisation.

As regards training programmes and regular refresher courses for employees, the Group has a formally approved Training Plan to support and promote the achievement of the Group's challenges and objectives through training and learning, by means of an integral, homogenous management of training requirements, coordination of that training and assessment of its impact and results.

Along these lines, internal regulations have been drawn up establishing powers and responsibilities in respect of training.

The units involved in preparing and checking the financial information and assessment of the SICFR have a special Training Plan designed to meet the specific training needs of these employees to perform their duties correctly.

6.3 Assessment of financial reporting risks

The Group has a risk map structured into five major types: strategic, operational, financial, environmental and regulatory or compliance (the “**Map**”). It defines the units participating in the management, control and supervision of each risk, the parameters and controls established and the applicable rules and regulations.

The Map is updated each year by the head of each of the different risks identified, within a process coordinated by the Audit and Control Corporate Department.

Within the compliance risks, the Group has identified a type called accounting and reporting risks.

An *inventory of financial reporting risks* has been drawn up to cover the principal risks affecting the reliability of the financial reporting, based on the following categories:

- General environment risks
- Risks in monitoring changes in regulation
- Business transaction risks
- Estimate and subjective calculation risks
- Preparation of consolidated financial statement risks
- Economic and financial information reporting risks.

This document, which is subject to annual review, identifies, measures, assesses and categorises the Group’s financial reporting risks.

Updates of the inventory of financial reporting risks are subject to final approval by the Executive Committee and the Audit and Control Committee.

This inventory covers the principal risks associated with the process of preparing the financial statements (separate and consolidated) and other different risks (operational, financial, tax compliance, labour, regulatory, etc.) insofar as they have any effect on financial reporting.

The problems associated with the risk of fraud in financial reporting have also been considered an important factor to be taken into account when designing and implementing the SICFR. Accordingly, a *model for preventing fraud in financial reporting* has been developed, set out in the manual “Management of fraud risks in financial reporting”, based on the framework established by the AICPA (*American Institute of Certified Public Accountants*) in its document “*Consideration of Fraud in a Financial Statement Audit*”, Section 316 (*Standard Auditing Statement 99*) and by the *Public Company Accounting Oversight Board (PCAOB)* in its document “*An Audit of Internal Control over Financial Reporting that is Integrated with an Audit of Financial Statements*” (*Auditing Standard number 5*). This model for preventing fraud in financial reporting identifies all those controls to cover the risk of fraud in financial reporting.

The Group has also a *segregation of duties model* to prevent and reduce the risk of fraud in the financial reporting process. This model has permitted the implementation in the reporting systems covered by the SICFR of matrixes of incompatibilities defined for each of the major processes enabling it to establish continuous, routine monitoring of any conflicts and detect any cases in which the functions are not performed according to the previously defined profiles.

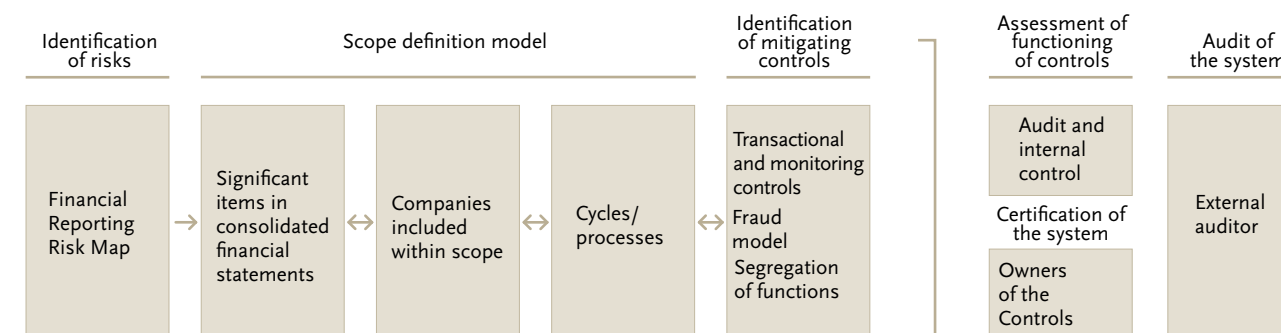
6.4 Control activities

The financial information review and authorisation processes performed by the Board of Directors, Audit and Control Committee and the Internal Transparency Committee have been described hereinabove in the section “The company’s control environment”.

The *Manual of Internal Control of Financial Reporting*, reviewed annually and distributed throughout the Group, describes the methods and main features of the SICFR implemented.

The Group has developed corporate applications covering the processes of monitoring, assessment of functioning and certification of the SICFR, enabling it to maintain and update the model expeditiously and efficiently.

Broadly speaking, the SICFR consists of the following phases:



The *scope of the model* is defined by identifying the financial reporting risks and associating them with important items, companies and processes of the consolidated financial statements, considering both qualitative and quantitative criteria.

The scope of the Group’s SICFR does not include controls over the relevant processes of those companies that are integrated in the consolidated financial statements under the method of proportional consolidation, since the Group does not have the exclusive power to implement its own system, modify the existing controls in those companies or to assess their effectiveness. Notwithstanding this, the SICFR includes controls addressed to look after the homogeneity, validity and reliability of the economic and financial information provided by said companies for its inclusion in the consolidated financial accounts.

The contribution of the Repsol Group’s jointly controlled companies to the main consolidated aggregates at December 31, 2012 is the following:

Millions of Euros	Companies integrated proportionally	Total Group
Current assets	8,241	20,161
Non-current assets	14,402	44,760
Current liabilities	(3,767)	(13,310)
Non-current liabilities	(8,504)	(24,139)
Operating incomes	10,125	59,593
Operating expenses	(8,432)	(55,307)
Net Income attributable to the parent	878	1,890

The most relevant companies controlled jointly by the Group on December 31, 2012 are included in Note 26 of the consolidated financial statements.

The SICFR model is structured in cycles defined as the set of transaction flows, for which operations are systematized and documented. Business transaction cycles (fixed assets, inventories, acquisitions and income) are identified for the major companies and cross cycles (salaries and human resources, financial management, collections and payments, data processing environment, risk hedging and insurance, environmental management, legal and regulatory management, tax management, financial reporting, credit risk management, estimation of hydrocarbon reserves and *Entity and Company level*) which work in the same way for all the companies included within the scope.

Each cycle consists of *processes*, which are assigned a degree of criticality, and a set of *control objectives* intended to reduce the risks associated with the *potential errors* (validity, valuation, cut-off, integrity, recording and presentation) in the preparation of financial reporting. Following this assignment, the controls that will cover the risks of the process will be defined.

The following types of controls are defined in the SICFR:

- Controls implemented at a cycle, process and company level, established by the Group to guarantee reaching the control objectives of each process.
- Controls implemented at a global level for the entire Group, including general and global controls in relation to the issues included under the previous section in this document, “The company’s control environment”, general computer controls, Group-level cross-process controls and anti-fraud controls.

Considering that the Group's transaction flows are basically carried out through the information systems, some **general computer controls** have been identified and established to reasonably guarantee the reliability, integrity, availability and confidentiality of the information contained in the relevant applications for financial reporting.

The general computer controls have a direct effect on the achievement of several control objectives and are considered in the assessment of the SICFR, grouped into the following areas:

- Development of information systems
- Modifications of information systems
- Operations
- Control of access to programmes and data.

The controls over applications have the following characteristics:

- They contribute towards guaranteeing the precision, accuracy, authority and validity of the transactions effected in the applications.
- They apply to interfaces with other systems to check that inputs are complete and accurate and outputs are correct.
- In general, they are integrated within the programme logics to prevent and/or detect unauthorised transactions.

The scope of the general computer controls is delimited firstly by the applications covered in the business transaction cycles and cross cycles and secondly by the infrastructure used for those applications, such as technological platforms, servers, data bases or data processing centres.

The Group has internal rules on information systems, which lay down the general guidelines and principles of action for the different processes in this area covered by the general computer controls.

Controls for outsourced activities have been identified within the financial reporting processes to provide reasonable cover for the financial reporting risks and associated control objectives. The Reserves Control Unit engages external firms to audit the reserve estimates made by the operating units within the Group. The most relevant issues identified in these audits serve as basis to determine the reserves, in accordance to the Group Reserves Manual, being presented to the Executive Committee and the Control and Audit Committee.

The process of preparing the economic and financial information requires making assumptions and estimates that may affect the amount of the assets and liabilities recorded, the presentation of contingent assets and liabilities as well as the expenses and incomes registered. These estimates may be affected, among other reasons, for changes on the competing, economic, political, legal, regulatory, social, industrial, business and financial conditions.

In this sense, the Group has a methodology addressed to identify the departments in charge and to establish homogenous criteria on estimates and valuations for the processes considered as relevant in the preparation of economic and financial reporting, particularly those concerning crude and natural gas reserves, provisions for lawsuits and other contingencies, calculation of corporate income tax and deferred tax assets, assets impairment test and derivative financial instruments. The results of these estimates are reported to the governing bodies of the Group.

The functioning of all the controls of the model is assessed based on their scores in terms of impact on the financial statements and probability of failure in their execution. The results of the control tests provide evidence on which to base the report on effectiveness of the SICFR issued by the Group Management at year end.

In this sense, it has also been established an internal procedure defining the calculation methods to be used to assess and classify the deficiencies detected during the assessment of the SICFR. These methods contemplate quantitative and qualitative factors and are based on the reference framework for assessing financial reporting internal control deficiencies developed jointly by the leading firms of auditors, listed companies and other institutions.

At year end, the Company requires the owners of the controls comprising the SICFR to issue a certificate on the validity and effectiveness of the processes and controls for which they are responsible. These are annual certificates through an ascending process on the organizational structure that ends with the certificate issued by the Executive Chairman and the Chief Financial Officer and Executive Director of Corporate Development.

The SICFR documents consist essentially of the following: flowcharts of the processes covered by the SICFR, control matrixes identified therein, results of the tests on design and functioning of the controls and certificates of the validity and effectiveness of the controls by their respective owners.

6.5 Information and communication

In order to identify and establish the consolidating perimeter for preparing the consolidated financial statements, the Group has implemented a process and has identified the corresponding controls that enable it to identify the companies that are part of the consolidating perimeter and to provide the accounting criteria for their adequate classification, registration and presentation, looking after the integrity, reliability and validity of the economic and financial information.

In this regard, it should be noted that the Group has integrated information systems both for the bookkeeping of transactions and for preparing the separate and consolidated financial statements. It also has centralised coding and parameterization processes which, together with the Accounting Criteria Manual, guarantee the homogeneity of the information. Finally, there are also tools for processing information on how to obtain and prepare the breakdown of information contained in the notes of the annual report. The systems related with the process of preparation and reporting of economic and financial information conform to the security standards established by the general computer controls.

Additionally, there is a unit responsible for monitoring, analysing and reviewing the accounting laws and regulations contained in the different regulatory frameworks applicable to the elaboration of the consolidated Financial Statements, and for analysing and answering consultations on the interpretation and adequate application of those laws and regulations. The organisational units involved in preparing financial information are formally informed of any new laws, regulations or accounting techniques and the results of the different analyses made.

The **Accounting Criteria Manual** establishes the accounting rules, policies and principles adopted by the Group. The Manual is revised and updated every six months and whenever there are material changes in the laws and regulations. The Manual is distributed throughout the organisation through its internal communication network.

6.6 Supervision of the functioning of the system

The financial reporting review processes performed by the Board of Directors, Audit and Control Committee and the Internal Transparency Committee have been described hereinabove in the section "The company's control environment".

In addition to the supervising mechanisms described above, the Audit and Control Committee analyses and approves, if appropriate, the **Annual Internal Audit Plan** and any other occasional or ad hoc plans that may be required following changes in regulation or to meet the needs of the Group's business organisation.

The annual internal audit plan is designed to assess and supervise the correct functioning and adequacy of the control systems established and to ensure that they enable identification, management and/or reduction of the operating, financial and reputational risks of the Group. As mentioned earlier, the Audit and Control Committee must be informed on the degree of fulfilment of the corrective measures recommended by the Internal Audit Corporate Department in previous actions and relies on that department to obtain information on any significant irregularities, anomalies and defaults by audited units, informing the Board of any cases that may entail a major risk for the Group.

Within the annual internal audit plan and based on a defined test plan, the Audit and Control Corporate Department performs its design and effectiveness **testing strategy** on an annual basis.

The Audit and Control Corporate Department is responsible for informing the owners of the controls on the results of the tests made on the design and functioning of effectiveness of the SICFR and any weakness detected in the updating and assessment process of the system.

After year-end, the Audit and Control Corporate Department reports to the Internal Transparency Committee and the Audit and Control Committee on the outcome of the SICFR assessment. The Audit and Control Committee is also informed of any deficiencies detected by the Audit and Control Corporate Department during its assessment of the effectiveness of the SICFR.

As mentioned in the section "The company's control environment", the Audit and Control Commission's duties include establishing liaisons with the external auditor to receive regular information on the audit plan and results of its implementation, and on any other issues concerned with the auditing process and corresponding laws and standards. It also checks that the management team heeds the recommendations made by the external auditor.

The Audit and Control Committee also regularly requires the external auditor, at least once a year, to assess the quality of the internal control procedures and systems, discusses with the external auditor any significant weaknesses detected during the audit and requests an opinion on the effectiveness of the SICFR.

The Group Management has made its assessment of the effectiveness of the SICFR in 2012 and did not detect any significant deficiency, concluding that the SICFR is effective, based on the criteria established by COSO.

6.7 Report of the External Auditor

The Group has submitted to the review of the External Auditor, the effectiveness of its SICFR in relation to the financial information contained in the consolidated financial statements of the Group at December 31, 2012. It is attached herein the Report issued by the External Auditor in relation to its assessment on the effectiveness of the SICFR.

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Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

AUDITORS' REPORT ON THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (SICFR)

To the Board of Directors of Repsol, S.A.:

We have examined the information relating to the System of Internal Control over Financial Reporting (SICFR) of Repsol, S.A. and Subsidiaries ("the Repsol Group") contained in the accompanying "Description of the Principal Characteristics of the System of Internal Control and Risk Management over the Financial Reporting Process (SICFR) of the Repsol Group". This examination includes an evaluation of the effectiveness of the SICFR in relation to the financial information contained in the Repsol Group's consolidated financial statements at December 31, 2012, prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Repsol Group. The objective of this system is to contribute to the transactions performed being presented fairly under the aforementioned accounting framework and to provide reasonable assurance in relation to the prevention or detection of any errors that might have a material effect on the consolidated financial statements. The aforementioned system is based on the rules and policies defined by Repsol Group management in accordance with the guidelines established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its report "Internal Control-Integrated Framework".

A system of internal control over financial reporting is a process designed to provide reasonable assurance on the reliability of financial information in accordance with the accounting principles and standards applicable to it. A system of internal control over financial reporting includes policies and procedures that: (i) enable the records reflecting the transactions performed to be kept accurately and with a reasonable level of detail; (ii) guarantee that these transactions are only performed in accordance with the authorisations established; (iii) provide reasonable assurance as to the proper recognition of transactions to make it possible to prepare the financial information in accordance with the accounting principles and standards applicable to it; and (iv) provide reasonable assurance in relation to the prevention or timely detection of unauthorised acquisitions, uses or sales of the company's assets which could have a material effect on the financial information. The limitations inherent to any system of internal control over financial reporting might give rise to errors, irregularities or fraud that might not be detected. Also, the projection to future periods of an evaluation of internal control is subject to risks, including the risk that the internal controls are rendered inadequate as a result of future changes in the applicable conditions or that there is a reduction in the future in the degree of compliance with the policies or procedures established.

Repsol Group management is responsible for maintaining the system of internal control over the financial information included in the consolidated financial statements and for evaluating its effectiveness. Our responsibility is limited to expressing an opinion on its effectiveness, based on the work performed by us in accordance with the requirements established in Standard ISAE 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) for the issuance of reasonable assurance reports.

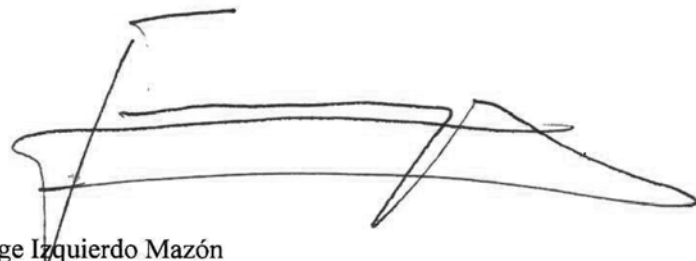
A reasonable assurance engagement includes understanding the system of internal control over the financial information contained in the consolidated financial statements, evaluating the risk of there being material errors therein, performing tests and evaluations of the design and operating effectiveness of the system, and performing such other procedures as we consider appropriate. We consider that our examination provides a reasonable basis for our opinion.

In our opinion, at December 31, 2012, the Repsol Group maintained, in all material respects, an effective system of internal control over the financial information contained in its consolidated financial statements, and this internal control system is based on the rules and policies defined by Repsol Group management in accordance with the guidance established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its report "Internal Control-Integrated Framework". Also, the disclosures contained in the information relating to the SICFR which is included in the Repsol Group's Annex to the corporate governance annual report at December 31, 2012 are in accordance, in all material respects, with the requirements established by Securities Market Law 24/1988 of 28 July, as amended by Sustainable Economy Law 2/2011 of 4 March, and other legislation in force.

As described in the accompanying "Description of the Principal Characteristics of the System of Internal Control and Risk Management over the Financial Reporting Process (SICFR) of the Repsol Group", the SICRF does not include controls over the companies that are integrated in the consolidated financial statements under the method of proportional consolidation, since Repsol Group does not have the exclusive power to implement its own system, modify the existing controls in those companies or to assess their effectiveness. The contribution of the Repsol Group's jointly controlled companies to the main consolidated aggregates at December 31, 2012 is detailed in section 6.4 of the accompanying "Description of the Principal Characteristics of the System of Internal Control and Risk Management over the Financial Reporting Process (SICFR) of the Repsol Group". As a result, our work did not include an examination of the effectiveness of the internal control system over the generation of the financial information of the aforementioned companies included in the consolidated financial statements of the Repsol Group.

This examination does not constitute an audit of financial statements and is not subject to the Consolidated Audit Law approved by Legislative Royal Decree 1/2011 of 1 July, and, therefore, we do not express an audit opinion under the terms of the aforementioned legislation. However, we have audited, in accordance with the audit regulations in force in Spain, the consolidated financial statements of Repsol, S.A. and Subsidiaries prepared by the directors of Repsol, S.A. in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Repsol Group, and our report dated February 27, 2013 expresses an unqualified opinion on the aforementioned consolidated financial statements.

DELOITTE, S.L.



Jorge Izquierdo Mazón

February 27, 2013





2012

Supplementary information on oil and gas
exploration and production activities

Supplementary information on oil and gas exploration and production activities

(Unaudited information)

Below is presented the information on Repsol Group's⁽¹⁾ oil and gas exploration and production activities which include the following disclosures:

- Capitalized cost, in relation with capitalized historical costs;
- Cost incurred: which represent the amounts capitalized or charged to profit during the year;
- Results of oil and gas exploration and production activities, including revenue and expenses associated directly to this activity;
- Estimated proved net developed and undeveloped oil and gas reserves;
- Standardized measure of discounted future net cash flows relating to proved oil and gas reserves, which represent the estimate of future net cash flows from proven reserves on the basis of a standardized measure criteria.
- Changes in standardized measure of discounted future net cash flows relating to proved oil and gas reserves with respect to those presented for the previous year.

This information, which the Group compiles and publishes annually, is prepared in accordance with the general accepted principles applied in the oil and gas industry, specifically those principles laid down by the U.S. Financial Accounting Standards Board (FASB) and the guidelines and framework established for the industry by the U.S. Securities and Exchange Commission (SEC), which govern financial information practices in the U.S.A. Proved reserves are also estimated in accordance with the criteria established by the Petroleum Reserves Management System of the Society of Petroleum Engineers (PRMS-SPE).

⁽¹⁾ Due to the expropriation process of Repsol Group shares in YPF S.A. and YPF Gas S.A. (formerly known as Repsol YPF Gas S.A.), Repsol lost control of YPF and YPF Gas, and therefore, both companies were deconsolidated for accounting purposes. As a result, Repsol's assets and liabilities related to these investments were derecognized, other assets and liabilities related to these investments affected by the change in control and the expropriation process were revalued, and Repsol Group's ownership interest in YPF and YPF Gas, derived from the shares subject to expropriation - which still belong to the Group - and as well as the remaining shares owned by it, were recognized as financial instruments (shares).

In accordance with prevailing accounting regulation, from the loss of control, activities from YPF and YPF Gas were considered as discontinued operations and therefore the results contributed to the Group from both companies until loss of control and the impact on the income statement derived from the expropriation process were recognized under specific headings related to discontinued operations in the consolidated income statement.

In the following tables, information related to YPF has been maintained for financial years 2011 and 2010. In financial year 2012 information related to YPF and its subsidiaries is not included for the reasons explained above.

Capitalized costs

Capitalized costs represent the historical costs Capitalized related to oil and gas exploration and production activities, including auxiliary equipment and facilities, and the related accumulated depreciation and accumulated impairment losses.

	Total	Europe	Argentina	Trinidad & Tobago	Venezuela	Peru	Rest of South America	North America	Africa	Asia
Millions of euros										
At 31 DECEMBER 2010										
Capitalized costs of proved oil and gas properties	30,847	488	23,164	1,342	515	458	2,008	1,886	933	53
Capitalized costs of unproved oil and gas properties	2,297	5	116	243	86	131	314	1,017	377	8
	33,144	493	23,280	1,585	601	589	2,322	2,903	1,310	61
Auxiliary equipment and facilities	2,093	52	521	697	95	–	170	316	242	–
Total Capitalized costs	35,237	545	23,801	2,282	696	589	2,492	3,219	1,552	61
Accumulated depreciation and impairment losses	(22,830)	(367)	(18,171)	(1,094)	(188)	(30)	(1,452)	(732)	(743)	(53)
Net amounts ⁽¹⁾	12,407	178	5,630	1,188	508	559	1,040	2,487	809	8
Millions of euros										
At 31 DECEMBER 2011										
Capitalized costs of proved oil and gas properties	34,481	504	25,492	1,581	690	579	2,330	2,116	1,189	–
Capitalized costs of unproved oil and gas properties	2,624	13	158	263	65	150	505	1,312	103	55
	37,105	517	25,650	1,844	755	729	2,835	3,428	1,292	55
Auxiliary equipment and facilities	2,401	52	595	818	78	–	272	331	255	–
Total Capitalized costs	39,506	569	26,245	2,662	833	729	3,107	3,759	1,547	55
Accumulated depreciation and impairment losses	(25,264)	(359)	(19,986)	(1,268)	(235)	(48)	(1,584)	(1,062)	(722)	–
Net amounts ⁽¹⁾	14,242	210	6,259	1,394	598	681	1,523	2,697	825	55
Millions of euros										
At 31 DECEMBER 2012										
Capitalized costs of proved oil and gas properties	9,440	462	–	1,550	725	679	2,393	2,249	1,218	164
Capitalized costs of unproved oil and gas properties	3,038	15	–	376	55	189	527	1,516	252	108
	12,478	477	–	1,926	780	868	2,920	3,765	1,470	272
Auxiliary equipment and facilities	2,220	172	–	880	164	–	299	459	246	–
Total Capitalized costs	14,698	649	–	2,806	944	868	3,219	4,224	1,716	272
Accumulated depreciation and impairment losses	(5,724)	(383)	–	(1,420)	(270)	(66)	(1,595)	(1,186)	(793)	(11)
Net amounts ⁽¹⁾	8,974	266	–	1,386	674	802	1,624	3,038	923	261

⁽¹⁾ Does not include Capitalized costs regarding non current assets held for sale.

⁽²⁾ At December 31, 2011, all capitalized costs in "Argentina" relate to oil and gas exploration and production operations carried out by YPF. Moreover, in "North America", amounts pertaining to YPF companies are included under capitalized costs in assets with proven reserves, with unproven reserves, and accumulated amortization and provisions, amounting to €183, 14 and 163 million, respectively.

As of 31 December 2012 and 2011, Repsol Group's share in oil and gas exploration and production activities from equity method investees amount to €169 and €130 million, respectively.

Costs incurred

The costs incurred represent amounts Capitalized or charged to profit during the year relating to acquisitions of properties and for exploration and development activities.

	Total	Europe	Argentina	Trinidad & Tobago	Venezuela	Peru	Rest of South America	North America	Africa	Asia	Australia
At 31 December 2010 Millions of euros											
Acquisitions of proved properties	266	-	-	-	-	110	156	-	-	-	-
Acquisitions of unproved properties	45	-	-	-	-	45	-	-	-	-	-
Exploration costs	818	28	85	9	25	42	411	113	80	25	-
Development costs	1,724	48	1,205	79	55	71	152	70	44	-	-
TOTAL ⁽¹⁾	2,853	76	1,290	88	80	268	719	183	124	25	-

	Total	Europe	Argentina ⁽²⁾	Trinidad & Tobago	Venezuela	Peru	Rest of South America ⁽²⁾	North America ⁽²⁾	Africa	Asia	Australia
At 31 December 2011 Millions of euros											
Acquisitions of proved properties	-	-	-	-	-	-	-	-	-	-	-
Acquisitions of unproved properties	-	-	-	-	-	-	-	-	-	-	-
Exploration costs	1,259	62	268	3	1	43	302	386	127	66	1
Development costs	2,332	44	1,389	276	109	1	336	159	18	-	-
TOTAL ⁽¹⁾	3,591	106	1,657	279	110	44	638	545	145	66	1

	Total	Europe	Argentina	Trinidad & Tobago	Venezuela	Peru	Rest of South America	North America	Africa	Asia	Australia
At 31 December 2012 Millions of euros											
Acquisitions of proved properties	154	-	-	-	-	-	-	-	-	154	-
Acquisitions of unproved properties	388	-	-	-	-	-	-	199	110	79	-
Exploration costs	806	80	-	1	-	97	226	228	131	43	-
Development costs	1,423	96	-	185	175	115	327	466	52	7	-
TOTAL ⁽¹⁾	2,771	176	-	186	175	212	553	893	293	283	-

⁽¹⁾ Does not include costs incurred regarding to non-current assets held for sale.

⁽²⁾ At December 31, 2011, all costs incurred in Argentina relate to oil and gas exploration and production operations carried out by YPF. Moreover, "Rest of South America" and "North America" include costs incurred by YPF companies amounting to €10 and €18 million, respectively.

As of December 31, 2012 and 2011, Repsol Group's share in investments made in oil and gas exploration and production activities from equity method investees amounted to €80 and €65 million, respectively.

Results of oil and gas exploration and production activities

The following table shows the revenues and expenses associated directly with the Group's oil and gas exploration and production activities. It does not include any allocation of the finance costs or general expenses and, therefore, is not necessarily indicative of the contribution to consolidated net profit of the oil and gas activities.

	Total	Europe	Argentina	Trinidad & Tobago	Venezuela	Peru	Rest of South America	North America	Africa	Asia	Australia
2010 Millions of euros											
Income											
Sales to non-Group companies	2,022	-	906	222	352	151	327	37	27	-	-
Sales between business segments and to Group companies	5,584	50	3,464	699	3	31	350	628	359	-	-
Other income ⁽³⁾	644	-	-	-	-	-	33	-	611	-	-
Total income	8,250	50	4,370	921	355	182	710	665	997	-	-
Production costs ⁽¹⁾	(3,104)	(21)	(2,009)	(360)	(113)	(117)	(300)	(47)	(137)	-	-
Exploration expenses	(502)	(30)	(64)	(5)	-	(11)	(238)	(48)	(76)	(30)	-
Other operating expenses	(332)	(4)	(286)	(4)	(1)	-	(34)	(1)	(2)	-	-
Depreciation and amortization charge	(2,066)	(6)	(1,275)	(153)	(47)	(12)	(150)	(352)	(71)	-	-
Profit (Loss) before taxes and charges	2,246	(11)	736	399	194	42	(12)	217	711	(30)	-
Taxes and charges	(1,277)	10	(255)	(206)	(193)	(12)	(40)	(89)	(500)	8	-
Results of oil and gas production activities ⁽²⁾	969	(1)	481	193	1	30	(52)	128	211	(22)	-

	Total	Europe	Argentina ⁽⁴⁾	Trinidad & Tobago	Venezuela	Peru	Rest of South America	North America ⁽⁴⁾	Africa	Asia	Australia
2011 Millions of euros											
Income											
Sales to non-Group companies	2,031	-	643	404	432	162	317	42	31	-	-
Sales between business segments and to Group companies	5,433	51	3,614	552	-	100	280	746	90	-	-
Other income	187	-	-	-	-	-	33	-	154	-	-
Total income	7,651	51	4,257	956	432	262	630	788	275	-	-
Production costs ⁽¹⁾	(3,107)	(25)	(2,224)	(334)	(209)	(111)	(77)	(42)	(85)	-	-
Exploration expenses	(494)	(64)	(82)	(3)	-	(19)	(48)	(130)	(124)	(23)	(1)
Other operating expenses	(352)	(6)	(317)	(3)	(2)	-	(22)	(1)	(1)	-	-
Depreciation and amortisation charge	(1,786)	(4)	(1,142)	(130)	(40)	(17)	(141)	(286)	(26)	-	-
Profit (Loss) before taxes and charges	1,912	(48)	492	486	181	115	342	329	39	(23)	(1)
Taxes and charges	(806)	29	(172)	(288)	(5)	(35)	(108)	(120)	(114)	7	-
Results of oil and gas production activities ⁽²⁾	1,106	(19)	320	198	176	80	234	209	(75)	(16)	(1)

⁽¹⁾ Production costs include local taxes, production taxes and other similar payments amounting to €513, €1,241 and €1,191 million in 2012, 2011 and 2010 respectively. In 2011 and 2010, figures also include withholdings on exports of crude oil from Argentina. They also include transport and other costs totalling €356, €170 and €426 million in 2012, 2011 and 2010 respectively.

⁽²⁾ The results do not include the income and expenses associated with the impairment provisions, registered as a result of the comparison between market value (discounted cash flows) from oil and gas proved and non-proved reserves (the latter of which are subject to a risk factor) from each field owned by the Company at year-end and the carrying amount of the assets associated therewith, which amounted to a net expense of €14 million in 2012, a net income of €36 million in 2011, and a net expense of €163 million in 2010.

⁽³⁾ The results do not include gains recognized as consequence of the agreement reached in relation to the exploration and production assets in Brazil, which amounted to €2,847 million (See Note 31 to the consolidated Financial Statements for the year ended December 31, 2010).

⁽⁴⁾ Results at December 31, 2011 in Argentina correspond entirely to oil and gas exploration and production operations carried out by YPF. In addition, the "North America" column includes a loss of €4 million owing to activities performed by YPF companies, constituting total revenues of €42 million, and costs, expenses, amortization and depreciation of €46 million.

	Total	Europe	Argentina	Trinidad & Tobago	Venezuela	Peru	Rest of South America	North America	Africa	Asia	Australia
2012	Millions of euros										
Income											
Sales to non-Group companies	1,474	–	–	295	488	168	425	21	38	39	–
Sales between business segments and to Group companies	2,538	81	–	629	–	111	320	820	577	–	–
Other income	1,002	–	–	–	–	–	20	–	982	–	–
Total income	5,014	81	–	924	488	279	765	841	1,597	39	–
Production costs ⁽¹⁾	(1,229)	(20)	–	(385)	(255)	(133)	(213)	(7)	(192)	(24)	–
Exploration expenses	(551)	(84)	–	(1)	–	(62)	(128)	(141)	(92)	(43)	–
Other operating expenses	(75)	(4)	–	(4)	(1)	–	(62)	(3)	(1)	–	–
Depreciation and amortisation charge	(871)	(37)	–	(183)	(44)	(20)	(186)	(313)	(77)	(11)	–
Profit (Loss) before taxes and charges	2,288	(64)	–	351	188	64	176	377	1,235	(39)	–
Taxes and charges	(1,290)	38	–	(192)	(22)	(19)	(78)	(137)	(892)	12	–
Results of oil and gas production activities ⁽²⁾	998	(26)	–	159	166	45	98	240	343	(27)	–

⁽¹⁾ Production costs include local taxes, production taxes and other similar payments amounting to €513, €1,241 and €1,191 million in 2012, 2011 and 2010 respectively. In 2011 and 2010, figures also include withholdings on exports of crude oil from Argentina. It also includes transport and other costs totalling €356, €170 and €426 million in 2012, 2011 and 2010 respectively.

⁽²⁾ The results do not include the income and expenses associated with the impairment provisions, registered as a result of the comparison between market value (discounted cash flows) from oil and gas proved and non-proved reserves (the latter of which are subject to a risk factor) from each field owned by the Company at year end and the carrying amount of the assets associated therewith, which amounted to a net expense of €14 in 2012, a net income of €36 in 2011, and a net expense of €163 million in 2010.

Estimated proved net developed and undeveloped oil and gas reserves

The tables below reflect the net developed and undeveloped proved reserves of crude oil, condensed oil and LPG and natural gas as of December 31, 2012, 2011 and 2010, and the variations therein. Proved reserves shown includes the reserves equivalent to the economic income obtained under certain production sharing contracts entered into as of December 31, 2012, 2011 and 2010.

In determining net reserves, we exclude from our reported reserves royalties due to others, whether payable in cash or in kind, where the royalty owner has a direct interest in the underlying production and is able to make lifting and sales arrangements independently. By contrast, to the extent that royalty payments required to be made to a third party, whether payable in cash or in kind, are a financial obligation, or are substantially equivalent to a production or severance tax, the related reserves are not excluded from our reported reserves despite the fact that such payments are referred to as “royalties” under local rules. We follow the same methodology in reporting our production amounts.

Proved reserves in each year were estimated in accordance with the disclosure requirements and framework established for the petroleum and gas industry by the Securities and Exchange Commission (SEC) and on the basis of the criteria established by the Petroleum Reserves Management System of the Society of Petroleum Engineers (PRMS-SPE). In accordance with these rules, proved oil and gas reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible – from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations – prior to the time at which contracts providing the right to operate expire, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time.

All of Repsol’s oil and gas reserves have been estimated by the Company’s petroleum engineers.

To control the quality of reserves booked, Repsol has established a process that is integrated into Repsol’s internal control system. The process of managing reserves booking is centrally

controlled by the Reserve Control Direction which is independent from the Upstream activities and it is overseen by the Audit and Control Committee. Furthermore, the volumes booked are submitted to third party engineers for a reserves audit on a periodic basis (100% of the reserves on a three-year cycle).

For those areas submitted to third party audit, Repsol’s proved reserves figures have to be within 7% of the third party reserves audit figures for Repsol to declare that the reserves information meets the third party reserves audit standards. In the event that the difference is greater than 7% tolerance, Repsol reestimates its proved reserves to achieve this tolerance level or discloses the third party reserves audit figures.

In 2012, DeGolyer and MacNaughton (D&M) audited certain areas in South America; Netherland, Sewell & Associates, Inc., (NSAI) audited certain areas in South America and North America; and Ryder Scott Company (RSC) audited certain areas in South America and North Africa. The third party engineers’ reports will be available at www.repsol.com.

PROVED DEVELOPED AND UNDEVELOPED RESERVES OF CRUDE OIL, CONDENSATE AND LPG

Millions of barrels	Total	Europe	Argentina	Trinidad & Tobago	Venezuela	Peru	Resto of South America	North America	Africa	Asia
RESERVES AT DECEMBER 31, 2009 ^{(1) (2)}	883	7	539	40	20	35	53	66	123	–
Revisions of previous estimates	92	1	45	1	–	19	13	2	11	–
Improved recovery	32	–	32	–	–	–	–	–	–	–
Extensions and discoveries	31	–	23	–	–	5	1	–	2	–
Purchases of minerals in place	38	–	–	–	38	–	–	–	–	–
Sales of minerals in place	(8)	–	–	–	–	–	(8)	–	–	–
Production ⁽³⁾	(160)	(1)	(107)	(6)	(5)	(3)	(12)	(11)	(15)	–
RESERVES AT DECEMBER 31, 2010 ^{(1) (2)}	908	7	532	35	54	55	47	57	121	–
Revisions of previous estimates	112	–	91	1	2	–	17	1	(1)	–
Improved recovery	19	–	19	–	–	–	–	–	–	–
Extensions and discoveries	80	–	43	–	–	11	26	–	–	–
Purchases of minerals in place	–	–	–	–	–	–	–	–	–	–
Sales of minerals in place	(1)	(1)	–	–	–	–	–	–	–	–
Production ⁽³⁾	(140)	–	(100)	(5)	(5)	(3)	(13)	(10)	(4)	–
RESERVES AT DECEMBER 31, 2011 ^{(1) (2) (3)}	978	6	584	32	50	63	79	49	115	–
Revisions of previous estimates	41	–	–	2	(1)	–	13	2	23	–
Improved recovery	–	–	–	–	–	–	–	–	–	–
Extensions and discoveries	33	–	–	–	–	2	22	6	3	–
Purchases of minerals in place	24	–	–	–	–	–	–	–	–	24
Sales of minerals in place	(595)	–	(584)	–	–	–	(10)	(1)	–	–
Production ⁽³⁾	(52)	(1)	–	(4)	(5)	(3)	(12)	(10)	(16)	(1)
RESERVES AT DECEMBER 31, 2012 ⁽¹⁾	429	5	–	30	44	62	92	46	125	23
PROVED DEVELOPED RESERVES OF CRUDE OIL, CONDENSATE AND LPG										
At December 31, 2009	656	2	429	33	17	24	45	29	77	–
At December 31, 2010	649	2	404	28	37	48	31	21	78	–
At December 31, 2011	671	2	438	24	34	45	36	21	71	–
At December 31, 2012	255	5	–	23	35	42	34	20	80	16

Note: The aggregated changes in reserves and total reserves at December 31 may differ from the individual values shown because the calculations use more precise figures than those shown in the table.

⁽¹⁾ Total proved developed and undeveloped net reserves at December 31, 2012, 2011, 2010, and 2009 include an estimated 39, 109, 99 and 94 million barrels of oil equivalent, respectively, in respect of royalty payments which, as described above, are a financial obligation, or are substantially equivalent to a production or similar tax. Net production in 2012, 2011 and 2010 includes an estimated 3, 15, and 16 million barrels of oil equivalent, respectively, in respect of such types of payments.

⁽²⁾ Includes 249 and 107 million barrels of oil equivalent relating to the participation in the minority interest of YPF, as of December 31, 2011 and 2010, respectively.

⁽³⁾ At December 31, 2011, proven reserves of crude oil, condensates and LPG relating to YPF stood at 584 million barrels in “Argentina” and less than 1 million barrels of crude oil equivalent in “North America”. Similarly, YPF production at December 31, 2011 amounted to 100 million barrels in “Argentina” and 0.5 million barrels in “North America”.

PROVED DEVELOPED AND UNDEVELOPED RESERVES OF NATURAL GAS

	Total	Europe	Argentina	Trinidad & Tobago	Venezuela	Peru	Resto of South America	North America	Africa	Asia
Thousand millions of standard cubic feet										
RESERVES AT DECEMBER 31, 2009 ^{(1) (2)}	6,744	3	2,719	2,239	537	630	489	16	111	-
Revisions of previous estimates	730	-	313	78	-	386	(35)	5	(17)	-
Improved recovery	1	-	1	-	-	-	-	-	-	-
Extensions and discoveries	230	-	50	-	-	121	59	-	-	-
Purchases of minerals in place	-	-	-	-	-	-	-	-	-	-
Sales of minerals in place	(149)	-	-	-	(147)	-	(2)	-	-	-
Production ⁽¹⁾	(913)	(2)	(505)	(281)	(51)	(23)	(34)	(4)	(13)	-
RESERVES AT DECEMBER 31, 2010 ^{(1) (2)}	6,643	1	2,578	2,036	339	1,114	477	17	81	-
Revisions of previous estimates	164	1	167	55	14	-	(64)	2	(11)	-
Improved recovery	1	-	-	-	1	-	-	-	-	-
Extensions and discoveries	778	-	104	-	305	166	97	-	106	-
Purchases of minerals in place	-	-	-	-	-	-	-	-	-	-
Sales of minerals in place	-	-	-	-	-	-	-	-	-	-
Production ⁽¹⁾	(839)	(1)	(452)	(250)	(47)	(37)	(36)	(4)	(12)	-
RESERVES AT DECEMBER 31, 2011 ^{(1) (2) (3)}	6,747	-	2,397	1,842	613	1,243	473	14	165	-
Revisions of previous estimates	218	2	-	80	83	-	53	-	(1)	-
Improved recovery	-	-	-	-	-	-	-	-	-	-
Extensions and discoveries	691	-	-	-	452	31	20	33	-	155
Purchases of minerals in place	-	-	-	-	-	-	-	-	-	-
Sales of minerals in place	(2,405)	-	(2,397)	(6)	-	-	-	(2)	-	-
Production ⁽¹⁾	(391)	(2)	-	(240)	(48)	(39)	(46)	(5)	(12)	-
RESERVES AT DECEMBER 31, 2012 ⁽¹⁾	4,860	-	-	1,676	1,100	1,235	500	40	152	155
PROVED DEVELOPED RESERVES OF NATURAL GAS										
At December 31, 2009	4,513	3	2,149	1,058	508	432	288	9	66	-
At December 31, 2010	4,275	1	1,994	875	310	839	168	7	81	-
At December 31, 2011	3,854	-	1,796	699	305	802	186	8	58	-
At December 31, 2012	2,134	-	-	686	267	764	299	18	46	54

Note: The aggregated changes in reserves and total reserves at December 31 may differ from the individual values shown because the calculations use more precise figures than those shown in the table.

⁽¹⁾ Total proved developed and undeveloped net reserves at December 31, 2012, 2011, 2010 and 2009 include an estimated 767, 1,026, 959 and 812 thousand million standard cubic feet of gas, respectively, in respect of royalty payments which, as described above, are a financial obligation, or are substantially equivalent to a production or similar tax. Net production in 2012, 2011 and 2010 includes an estimated 26, 74 and 73 thousand million standard cubic feet of gas, respectively, in respect of such types of payments.

⁽²⁾ Includes 1,021 and 521 thousand million standard cubic feet of gas relating to the participation in the minority interest of YPF, as of December 31, 2011 and 2010.

⁽³⁾ At December 31, 2011, proven reserves of natural gas relating to YPF stood at 2,397 billion cubic feet of gas in "Argentina" and 2 million cubic feet of gas in "North America". Similarly, YPF production at December 31, 2011 amounted to 452 billion cubic feet of gas in "Argentina" and 1 billion cubic feet in "North America".

PROVED DEVELOPED AND UNDEVELOPED RESERVES OF CRUDE OIL, CONDENSATE, LPG AND NATURAL GAS

	Total	Europe	Argentina	Trinidad & Tobago	Venezuela	Peru	Resto of South America	North America	Africa	Asia
Millions of barrels of oil equivalent										
RESERVES AT DECEMBER 31, 2009 ^{(1) (2)}	2,084	7	1,023	439	116	147	140	69	143	-
Revisions of previous estimates	222	1	101	15	-	87	7	3	8	-
Improved recovery	32	-	32	-	-	-	-	-	-	-
Extensions and discoveries	72	-	32	-	-	27	12	-	2	-
Purchases of minerals in place	38	-	-	-	38	-	-	-	-	-
Sales of minerals in place	(34)	-	-	-	(26)	-	(8)	-	-	-
Production ⁽¹⁾	(323)	(1)	(197)	(56)	(14)	(7)	(18)	(12)	(18)	-
RESERVES AT DECEMBER 31, 2010 ^{(1) (2)}	2,091	7	991	398	114	254	132	60	135	-
Revisions of previous estimates	141	-	121	11	4	-	6	1	(3)	-
Improved recovery	19	-	19	-	-	-	-	-	-	-
Extensions and discoveries	219	-	62	-	54	40	44	-	19	-
Purchases of minerals in place	-	-	-	-	-	-	-	-	-	-
Sales of minerals in place	(1)	(1)	-	-	-	-	-	-	-	-
Production ⁽¹⁾	(290)	(1)	(180)	(49)	(13)	(10)	(20)	(11)	(7)	-
RESERVES AT DECEMBER 31, 2011 ^{(1) (2) (3)}	2,179	6	1,011	360	159	285	163	51	145	-
Revisions of previous estimates	80	1	-	17	14	-	23	2	23	-
Improved recovery	-	-	-	-	-	-	-	-	-	-
Extensions and discoveries	156	-	-	-	80	7	26	12	3	28
Purchases of minerals in place	24	-	-	-	-	-	-	-	-	24
Sales of minerals in place	(1,023)	-	(1,011)	(1)	-	-	(10)	(1)	-	-
Production ⁽¹⁾	(122)	(1)	-	(47)	(13)	(10)	(20)	(11)	(19)	(1)
RESERVES AT DECEMBER 31, 2012 ⁽¹⁾	1,294	6	-	329	240	282	182	53	152	51
PROVED DEVELOPED AND UNDEVELOPED RESERVES OF CRUDE OIL, CONDENSATE, LPG AND NATURAL GAS										
At December 31, 2009	1,461	3	812	221	108	101	96	31	89	-
At December 31, 2010	1,410	2	759	184	92	197	62	22	92	-
At December 31, 2011	1,358	2	758	149	89	188	68	23	82	-
At December 31, 2012	635	5	-	145	82	178	88	24	88	25

Note 1: The aggregated changes in reserves and total reserves at December 31 may differ from the individual values shown because the calculations use more precise figures than those shown in the table.

⁽¹⁾ Total proved developed and undeveloped net reserves at December 31, 2012, 2011, 2010 and 2009 include an estimated approximately 176, 292, 270 and 239 million barrels of oil equivalent, respectively, in respect of royalty payments which, as described above, are a financial obligation, or are substantially equivalent to a production or similar tax. Net production in 2012, 2011 and 2010 includes an estimated 7, 28 and 29 million barrels of oil equivalent, respectively, in respect of such types of payments.

⁽²⁾ Includes 431 and 200 million barrels of oil equivalent relating to the participation in the minority interest of YPF, as of December 31, 2011 and 2010 respectively.

⁽³⁾ At December 31, 2011, proven reserves of crude oil, condensates, LPG and natural gas relating to YPF stood at 1,011 million barrels of equivalents in "Argentina" and 2 million barrels equivalent in "North America". Similarly, YPF production at December 31, 2011 amounted to 180 million barrels in "Argentina" and 0.7 million barrels equivalent in "North America".

Standardized measure of discounted future net cash flows and changes therein relating to proved oil and gas reserves

The estimate of future net cash flows was performed in accordance with the guidelines and framework established for the oil and gas industry by the Securities Exchange Commission (SEC) and the principles laid down by the U.S. Financial Accounting Standards Board (FASB), which govern financial information practices in the U.S.A. The method applied is the impartiality or fairness method and is the result of applying the average oil and gas prices in 2012 (considering price changes only by contractual agreement) to estimated future production of proved reserves of oil and gas as of the date of the last balance sheet, less the estimated future costs (based on current costs) to be incurred in the development and production of proved reserves, assuming the continuation of current economic conditions.

Future production costs were estimated on based on a costs structure at the end of the year. Future development costs were calculated on the basis of technical studies conducted by Repsol and by the operators holding joint title with Repsol. The taxes projected for each of the future years were determined under the contractual and tax regime prevailing at the end of the year. The rate used to discount the future net revenues was 10%.

The present value of the future net cash flows estimated on the basis of the aforementioned assumptions, applying the principle of impartiality, is not intended to be interpreted, and should not be interpreted, as the fair value of the Group's oil and gas reserves. An estimation of the fair value of these reserves should also include the future exploitation of reserves not yet classified as proved reserves, possible changes in future prices and costs and a discount rate which represents the time value of money at the calculation date and the uncertainties inherent to estimating the reserves.

The following table shows the present value of the future net revenues relating to proved oil and gas reserves, calculated on the basis of the aforementioned assumptions:

	Total	Europe	Argentina	Trinidad & Tobago	Venezuela	Peru	Resto of South America	North America	Africa	Asia
At DECEMBER 31, 2010										
Millions of euros										
Future cash inflows	57,177	360	29,900	5,426	3,338	3,992	3,470	3,227	7,464	–
Future production costs	(18,593)	(120)	(10,839)	(2,250)	(1,026)	(2,061)	(1,087)	(362)	(848)	–
Future development and abandonment costs	(6,827)	(183)	(3,203)	(1,385)	(425)	(235)	(571)	(518)	(307)	–
Future income tax expenses	(10,844)	2	(4,423)	(650)	(760)	(458)	(392)	(191)	(3,972)	–
Future net cash flows after taxes	20,913	59	11,435	1,141	1,127	1,238	1,420	2,156	2,337	–
10% annual discount for estimated timing of cash flows	(6,499)	40	(3,130)	(425)	(445)	(612)	(484)	(578)	(865)	–
Standardized measure of discounted future net cash flows⁽¹⁾	14,414	99	8,305	716	682	626	936	1,578	1,472	–
At DECEMBER 31, 2011										
Future cash inflows	72,363	498	32,052	6,437	5,299	6,178	7,016	4,033	10,850	–
Future production costs	(25,993)	(145)	(14,144)	(2,610)	(2,771)	(2,608)	(2,128)	(361)	(1,226)	–
Future development and abandonment costs	(9,621)	(215)	(4,687)	(1,506)	(585)	(569)	(944)	(526)	(589)	–
Future income tax expenses	(13,162)	3	(3,344)	(902)	(678)	(968)	(939)	(621)	(5,713)	–
Future net cash flows after taxes	23,587	141	9,877	1,419	1,265	2,033	3,005	2,525	3,322	–
10% annual discount for estimated timing of cash flows	(8,887)	16	(3,440)	(573)	(532)	(1,088)	(1,136)	(792)	(1,342)	–
Standardized measure of discounted future net cash flows⁽¹⁾	14,700	157	6,437	846	733	945	1,869	1,733	1,980	–
At DECEMBER 31, 2012										
Future cash inflows	43,468	449	–	6,544	6,388	5,087	8,468	3,608	11,474	1,450
Future production costs	(14,343)	(139)	–	(3,089)	(3,017)	(2,637)	(2,919)	(442)	(1,185)	(915)
Future development and abandonment costs	(4,916)	(229)	–	(1,615)	(678)	(233)	(906)	(535)	(545)	(175)
Future income tax expenses	(10,212)	15	–	(894)	(824)	(657)	(1,113)	(481)	(6,185)	(73)
Future net cash flows after taxes	13,997	96	–	946	1,869	1,560	3,530	2,150	3,559	287
10% annual discount for estimated timing of cash flows	(5,467)	65	–	(402)	(1,027)	(723)	(1,194)	(629)	(1,418)	(139)
Standardized measure of discounted future net cash flows⁽¹⁾	8,530	161	–	544	842	837	2,336	1,521	2,141	148

⁽¹⁾ Includes €2,747 and €1,681 million relating to the share of minority interest of YPF, as of December 31, 2011 and 2010.

⁽²⁾ At December 31, 2011, the current value of the net cash flows in "Argentina" related entirely to YPF. Moreover, in "North America" 16 million euros of the current value of the cash flows corresponded to YPF companies.

Changes in standardized measure of discounted future net cash flows relating to proved oil and gas reserves

The detail of the changes in the standardized measure of discounted future net cash flows for 2012, 2011 and 2010 is as follows:

Millions of euros	Total	Europe	Argentina	Trinidad & Tobago	Venezuela	Peru	Rest of South America	North America	Africa	Asia
BALANCE AT 31 DECEMBER 2009 ⁽¹⁾	9,770	14	5,656	564	388	285	579	1,222	1,062	-
Changes due to sale or transfer prices or future production costs	5,074	56	2,679	370	111	130	355	501	872	-
Changes in future development costs	(1,218)	14	(747)	(55)	(4)	(88)	(120)	(194)	(24)	-
Oil and gas sales and transfers in the period	(3,887)	7	(2,021)	(373)	(121)	(56)	(246)	(417)	(660)	-
Net changes due to extensions, discoveries, and improvements in the recovery of reserves	1,718	-	1,388	-	-	217	41	-	72	-
Net changes due to purchases/sales of assets	193	-	-	-	283	-	(90)	-	-	-
Net changes due to revisions in quantity estimates	2,215	1	1,104	64	(33)	188	292	222	377	-
Previously estimated development costs incurred in the year	993	3	389	130	38	24	171	167	71	-
Effect of discounting to a different date and exchange rate effect	1,623	3	935	92	67	50	95	203	178	-
Other non-specific changes	-	-	-	-	-	-	-	-	-	-
Changes in income tax	(2,067)	1	(1,078)	(76)	(47)	(124)	(141)	(126)	(476)	-
Net change	4,644	85	2,649	152	294	341	357	356	410	-
BALANCE AT 31 DECEMBER 2010 ⁽¹⁾	14,414	99	8,305	716	682	626	936	1,578	1,472	-
Changes due to sale or transfer prices or future production costs	(497)	90	(4,420)	508	(31)	414	532	930	1,480	-
Changes in future development costs	(2,222)	(44)	(1,566)	(134)	20	(147)	(186)	(147)	(18)	-
Oil and gas sales and transfers in the period	(4,958)	(43)	(2,407)	(472)	(266)	(82)	(349)	(476)	(863)	-
Net changes due to extensions, discoveries, and improvements in the recovery of reserves	2,704	-	1,525	-	91	278	783	-	27	-
Net changes due to purchases/sales of assets	-	-	-	-	-	-	-	-	-	-
Net changes due to revisions in quantity estimates	2,153	10	1,934	59	27	(180)	163	(285)	425	-
Previously estimated development costs incurred in the year	1,499	33	627	173	46	119	225	203	73	-
Effect of discounting to a different date and exchange rate effect	1,763	12	1,011	84	80	90	121	191	174	-
Other non-specific changes	-	-	-	-	-	-	-	-	-	-
Changes in income tax	(156)	-	1,428	(88)	84	(173)	(356)	(261)	(790)	-
Net change	286	58	(1,868)	130	51	319	933	155	508	-
BALANCE AT 31 DECEMBER 2011 ^{(1) (2)}	14,700	157	6,437	846	733	945	1,869	1,733	1,980	-

Changes due to sale or transfer prices or future production costs	(205)	(3)	-	(99)	104	(228)	(2)	(40)	63	-
Changes in future development costs	(436)	(9)	-	(149)	(162)	59	(126)	(86)	37	-
Oil and gas sales and transfers in the period	(3,012)	(56)	-	(464)	(261)	(142)	(455)	(654)	(980)	-
Net changes due to extensions, discoveries, and improvements in the recovery of reserves	1,153	-	-	-	180	28	617	100	148	80
Net changes due to purchases/sales of assets	(6,373)	-	(6,312)	(3)	-	-	(110)	(16)	-	68
Net changes due to revisions in quantity estimates	1,034	6	-	38	(36)	(98)	185	131	808	-
Previously estimated development costs incurred in the year	936	48	-	208	178	69	226	165	42	-
Effect of discounting to a different date and exchange rate effect	392	11	(125)	57	58	70	102	96	123	-
Other non-specific changes	-	-	-	-	-	-	-	-	-	-
Changes in income tax	341	7	-	110	48	134	30	92	(80)	-
Net change	(6,170)	4	(6,437)	(302)	109	(108)	467	(212)	161	148
BALANCE AT 31 DECEMBER 2012 ⁽¹⁾	8,530	161	-	544	842	837	2,336	1,521	2,141	148

⁽¹⁾ Includes €2,741 and €1,681 million relating to the share of minority interest of YPF, as of December 31, 2011 and 2010.

⁽²⁾ In 2011, the net variation in the current value of the net cash flows in "Argentina" related entirely to YPF. Moreover, in "North America" 4 million euros of the variation in the current value of the cash flows related to YPF companies.



2013

Ordinary General Shareholders' Meeting

Call for Ordinary General Shareholders' Meeting

Proposals of Resolutions

Reports of the Board of Directors

Report of the Remuneration Policy for Directors

Audit and Control Committee of the Board of Directors-Activity Report



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Repsol, S.A.

Notice of Call to Ordinary General Shareholders' Meeting

By resolution of the Board of Directors of Repsol, S.A. shareholders are called to the Ordinary General Shareholders' Meeting (AGM), which will be held at **Palacio Municipal de Congresos, Avenida de la Capital de España-Madrid, Campo de las Naciones, Madrid**, at 12:00 noon on 30 May 2013 on first call and at the same time and place on 31 May 2013 on second call, with the following:

Agenda

Items regarding the Annual Accounts, management by the Board, the re-election of the accounts auditor and updating of the balance sheet

First. Review and approval, if appropriate, of the Annual Financial Statements and Management Report of Repsol, S.A., the Consolidated Annual Financial Statements and Consolidated Management Report, for Fiscal Year ended 31 December 2012.

Second. Review and approval, if appropriate, of the management of the Board of Directors of Repsol, S.A. during 2012.

Third. Appointment of the Accounts Auditor of Repsol, S.A. and its Consolidated Group for Fiscal Year 2013.

Fourth. Review and approval, if appropriate, effective as of January 1, 2013, of the Updated Balance Sheet of Repsol, S.A., in accordance with Law 16/2012, of 27 December.

Items regarding shareholder compensation

Fifth. Review and approval, if appropriate, of the proposed application of profits and distribution of the dividend for 2012.

Sixth. Increase of share capital in an amount determinable pursuant to the terms of the resolution, by issuing new common shares having a par value of one (1) euro each, of the same class and series as those currently in circulation, charged to voluntary reserves, offering the shareholders the possibility of selling the scrip dividend rights to the Company itself or on the market. Delegation of authority to the Board of Directors or, by delegation, to the Executive Committee, to fix the date the increase is to be implemented and the terms of the increase in all respects not provided for by the General Meeting, all in accordance with Article 297.1.(a) of the Companies Act. Application for official listing of the newly issued shares on the Barcelona, Bilbao, Madrid and Valencia stock exchanges through Spain's Continuous Market and on the Buenos Aires stock exchange.

Seventh. Second capital increase in an amount determinable pursuant to the terms of the resolution, by issuing new common shares having a par value of one (1) euro each, of the same class and series as those currently in circulation, charged to voluntary reserves, offering the shareholders the possibility of selling the scrip dividend rights to the Company itself or on the market. Delegation of authority to the Board of Directors or, by delegation, to the Executive Committee, to fix the date the increase is to be implemented and the terms of the increase in all respects not provided for by the General Meeting, all in accordance with Article 297.1.(a) of the Companies Act. Application for official listing of the newly issued shares on the Barcelona, Bilbao, Madrid and Valencia stock exchanges through Spain's stock exchange Market and on the Buenos Aires stock exchange.

Items regarding the composition of the Board of Directors

Eighth. Re-election of Mr. Luis Suárez de Lezo Mantilla as Director.

Ninth. Re-election of Ms. M^a Isabel Gabarró Miquel as Director.

Tenth. Ratification of the interim appointment and re-election of Mr. Manuel Manrique Cecilia as Director of the Company.

Eleventh. Appointment of Mr. Rene Dahan as Director.

Items regarding remuneration of the Company Directors

Twelfth. Directors' Remuneration System: amendment of Article 45 ("*Remuneration of Directors*") of the Bylaws.

Thirteenth. Remuneration of Board members.

Fourteenth. Advisory vote on the Report on the Remuneration Policy for Directors of Repsol, S.A. for 2012.

Point regarding the authorization and express delegation required for the Board of Directors

Fifteenth. Delegation to the Board of Directors of the power to issue debentures, bonds and any other fixed rate securities or debt instruments of analogous nature, simples or exchangeables by issued shares or other pre-existing securities of other entities, as well as promissory notes and preference shares, and to guarantee the issue of securities by companies within the Group, leaving without effect, in the portion not used, the eighth resolution of the General Shareholders' Meeting held on May 14, 2009.

Point regarding the composition of the delegate committee

Sixteenth. Composition of the Delegate Committee: amendment of Article 38 ("*Delegate Committee*") of the Bylaws.

Item regarding general matters

Seventeenth. Delegation of powers to interpret, supplement, develop, execute, rectify and formalize the resolutions adopted by the General Shareholders' Meeting.

Right to supplement the Agenda and propose new resolutions

Shareholders representing at least five per cent of the capital may request the publication of a supplementary notice of call, including one or several items on the agenda. This request shall be sent through any certifying means, to be received at the registered office within five days after publication of the original notice of call, stating the identity of the shareholders exercising the right, the number of shares they hold and the items to be included in the agenda, enclosing the reasons for their proposal or the corresponding proposed resolutions and justification thereof, together with any other relevant documents. The same shareholders representing at least five per cent of the capital may also submit, by any certifying means to be received at the registered office within five days after publication of the original notice of call, proposed resolutions, stating reasons, on matters already included or to be included on the agenda, all pursuant to Article 519.2 of the Companies Act. The foregoing is without prejudice to the right of any shareholder, during the General Meeting, to submit alternative proposals or proposals on items that do not need to be included on the agenda, pursuant to the Companies Act.

Attendance right

Shareholders whose shares have been registered in the appropriate stock ledger five (5) days prior to the date set for the Shareholders' Meeting and who have the corresponding attendance, proxy and distance voting card may attend and vote.

Attendance, proxy and distance voting cards shall be issued by the corresponding member of *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.* (hereinafter IBERCLEAR) in each case and a model card will also be available for shareholders on the Company's website (www.repsol.com) and at the Shareholder Information Office. Attendance, proxy and distance voting cards may be exchanged on the date of the Shareholders' Meeting for other standardized documents for recording attendance, issued by the

Company to facilitate drawing-up of the attendance list and exercise of the shareholders' voting and other rights.

The registration of attendance, proxy and distance voting cards shall commence two (2) hours before the scheduled time of the General Shareholders' Meeting.

For the purpose of verifying the identity of shareholders or their valid representatives, attendees may be asked for proof of identity on entry to the Shareholders' Meeting, presenting their National Identity Document or any other official document generally accepted for these purposes.

Representation

Any shareholder entitled to attend may be represented by a proxy, who need not be a shareholder.

If the name of the proxy is left blank on the proxy form received by the Company, it will be presumed granted in favor of the Chairman of the Board or, in his absence, the Secretary of the AGM.

The voting instructions shall be set out in proxy forms. If the corresponding instruction boxes are not marked, the represented shareholder will be deemed to have issued specific instructions to vote for the proposed resolutions submitted by the Board.

Save otherwise indicated by the represented shareholder, the proxy will be deemed extended to proposed resolutions not submitted by the Board of Directors or any business which, although not included on the agenda, may lawfully be put to the vote at the General Shareholders' Meeting. In this case, unless otherwise indicated by the represented shareholder, the latter will be deemed to have issued specific instructions to vote against the proposal.

Pursuant to Articles 523 and 526 of the Companies Act, the Board of Directors informs shareholders as follows: (I) the Chairman of the Board of Directors and other Board members may be in a potential conflict of interest in respect of items Second (*Review and approval, if appropriate, of the management of the Board of Directors of Repsol, S.A. during 2012*), Thirteenth (*Directors' remuneration system: amendment of Article 45 ("Remuneration of Directors") of the Bylaws*) and Fifteenth (*Advisory vote on the Report on the Remuneration Policy for Directors of Repsol, S.A. for 2012*) on the Agenda; (II) the Directors whose re-election, ratification or appointment is proposed in items Eighth (*Re-election of Mr. Luis Suárez de Lezo Mantilla as Director*), Ninth (*Re-election of Ms. M^a Isabel Gabarró Miquel as Director*) and Tenth (*Ratification of the interim appointment and re-election of Mr. Manuel Manrique Cecilia as Director of the Company*) on the Agenda are in a conflict of interest in respect of those items; and (III) if one or some of the proposals contemplated in the Companies Act, Art. 526, section b. (removal) or c. (exercise of a corporate action for liability), the director or Directors affected by those proposals shall be in a conflict of interest for the voting thereof.

The shareholder shall notify the designated representative in writing or by electronic means of the proxy granted in his favor. If the proxy is granted in favor of a member of the Board of Directors, notification shall be deemed made upon receipt by the Company of the proxy documents.

The shareholder shall also notify the Company, in writing or by electronic means, of both the appointment of a proxy and revocation, if appropriate.

The Company shall be notified of the appointment of a proxy as follows: (I) by post, sending the attendance, proxy and distance voting card to the Shareholder Information Office; (II) online, when the shareholder grants the proxy via the Company's website (www.repsol.com); or (III) in person, upon presentation by the proxy of the attendance, proxy and distance voting card for inclusion in the shareholder entry register on arrival at the time and place indicated for the Shareholders' Meeting.

Personal attendance at the Shareholders' Meeting by any shareholder who has granted a proxy, or exercise by that shareholder of distance voting, by electronic means or by post, shall automatically revoke the appointment of the designated proxy.

Information right

In addition to the provisions of Articles 197 and 520 of the Companies Act, from the date of publication of this notice of call to the date of the General Shareholders' Meeting, the following documents and information shall be permanently posted on the Company's website (www.repsol.com), save in the event of force majeure or technical impossibility beyond its control:

1. The notice of call to the Ordinary General Shareholders' Meeting.
2. The total number of shares and voting rights existing at the date of the meeting.
3. The Annual Financial Statements of Repsol, S.A. and the Consolidated Annual Financial Statements of the Repsol Group for the year ended 31 December 2012.
4. The Auditors' Report on the Annual Financial Statements of Repsol, S.A. and the Consolidated Annual Financial Statements of the Repsol Group for the year ended 31 December 2012.
5. The Management Report of Repsol, S.A. and the Consolidated Management Report of the Repsol Group for the year ended 31 December 2012.
6. The text of the proposed resolutions corresponding to the items on the agenda and the reports by the Board of Directors on each of the proposed resolutions corresponding to the items on the Agenda.
7. The currently valid recast texts of the Bylaws, Regulations of the General Shareholders' Meeting and Regulations of the Board of Directors.
8. The Report on the Remuneration Policy for Directors of Repsol, S.A. for the year ended 31 December 2012.
9. The Annual Report on Corporate Governance for the year ended 31 December 2012.
10. The Activity Report of the Audit and Control Committee for the year ended 31 December 2012.
11. The Corporate Responsibility Report for the year ended 31 December 2012.
12. The attendance, proxy and voting standard form for the Ordinary General Shareholders' Meeting.

As from the date of publication of the notice of call, shareholders may examine at the registered office (Méndez Álvaro, 44, 28045 Madrid) or request immediate delivery or remittance, free of charge (by e-mail with acknowledgement of receipt if the shareholder accepts this method) copies of all the documents listed in paragraphs 1 - 12 above, for or related to the Ordinary General Shareholders' Meeting.

In addition, from the publication of this notice up to the seventh calendar day (inclusive) prior to the date of the General Meeting, shareholders may request in writing further information or clarifications or submit such questions as they may deem fit in respect of the items on the agenda. In the same form and time, shareholders may request written explanations on (I) the information available to the public submitted by the Company to the National Securities Market Commission since the date of the previous General Shareholders' Meeting, i.e. since May 31, 2012; and (II) the Auditors' Reports on the Annual Financial Statements of Repsol, S.A. and the Consolidated Annual Financial Statements of the Repsol Group for the year ended 31 December 2012. The foregoing is understood notwithstanding the right of shareholders to require verbally, during the General Meeting, any information or clarification he or she may deem necessary in relation to any point of the Agenda or the information provided under points (I) and (II) above.

Distance voting and proxies prior to the General Shareholders' Meeting

1. Voting by distance communication prior to the General Shareholders' Meeting

Pursuant to Article 23 of the Bylaws and Article 7 of the Regulations of the General Shareholders' Meeting, shareholders entitled to attend may vote through distance communication on the proposals regarding the items on the Agenda prior to the date of the General Meeting, provided the identity of the voting shareholder is duly guaranteed.

1.1 Means for distance voting

The means of communication valid for distance voting are as follows:

I. Postal vote

To vote by post on the items on the Agenda, shareholders must complete and sign the "Distance Voting" section of the attendance, proxy and distance voting card issued by the member of IBERCLEAR with which they have deposited their shares or duly complete the model card available on the Company's website (www.repsol.com) and at the Shareholder Information Office.

Once the appropriate section of the card has been completed and signed -with a handwritten signature-, the shareholder must send it to the Company, for the attention of the Shareholder Information Office at Calle Méndez Álvaro, 44, 28045 Madrid.

II. Electronic vote

Shareholders may vote on the items on the Agenda for the Shareholders' Meeting through the Company's web site (www.repsol.com), entering the AGM 2013 page and following the procedure established there, provided the shareholder has an electronic DNI (national identity document) or a recognized or advanced electronic signature, based on a recognized, valid electronic certificate issued by *Entidad Pública de Certificación Española (CERES)*, of *Fábrica Nacional de Moneda y Timbre*, and uses one of these means to identify himself.

1.2 Specific rules for distance voting

I. Voting indications

If the shareholder sending a distance vote fails to mark any of the boxes provided for any of the items on the Agenda, he will be presumed to vote for the Board's proposal.

II. Receipt by Company

In order to be valid, postal votes must be received by the Company no later than 24:00 on May, 29 or 30 2013, depending on the General Meeting taking place on first or second call, respectively. Electronic votes must be received by the Company no later than 9:00 on May 29, 2013.

After this time, the Company will only accept the votes cast at the General Meeting.

2. Distance proxies

Pursuant to Article 24 of the Bylaws and Article 8 of the Regulations of the General Shareholders' Meeting, shareholders entitled to attend may grant a proxy through distance communication for voting on the proposals regarding the items on the Agenda prior to the date of the General Meeting, provided the identity of the voting shareholder is duly guaranteed.

2.1 Means for granting proxies

The means of communication valid for distance proxies are as follows:

I. Postal proxy

To grant proxies by post, shareholders must complete and sign the "Proxy" section of the attendance, proxy and voting card issued by the member of IBERCLEAR with which they have deposited their shares or duly complete the model card available on the Company's website (www.repsol.com) and at the Shareholder Information Office.

This section must be signed -with a handwritten signature- by the shareholder and sent to the Company, for the attention of the Shareholder Information Office at Calle Méndez Álvaro, 44, 28045 Madrid, or to the designated proxy for presentation at the General Shareholders' Meeting.

II. Electronic proxy

Shareholders may grant proxies through the Company's web site (www.repsol.com), entering the AGM 2013 page and following the procedure established there, provided the shareholder has an electronic DNI (national identity document) or a recognized or advanced electronic signature, based on a recognized, valid electronic certificate issued by *Entidad Pública de Certificación Española* (CERES), of *Fábrica Nacional de Moneda y Timbre*, and uses one of these means to identify himself.

2.2 Specific rules for proxies

Distance proxies will be subject to the general rules established for representation at Shareholders' Meetings in respect of (I) blank proxies received by the Company; (II) the issuing of specific voting instructions, consisting of voting in favor of the proposed resolutions submitted by the Board of Directors if the voting instruction boxes are not marked; (III) extension of the proxy to proposed resolutions not submitted by the Board of Directors and any business not included on the Agenda that may be transacted at the Shareholders' Meeting; and voting instructions in those cases; and (IV) the necessary notification to the designated representative of the proxy granted in his favor, or revoked, as the case may be.

In order to be valid, postal proxies must be received by the Company no later than 24:00 on May, 29 or 30 2013, depending on the General Meeting taking place on first or second call, respectively. Electronic proxies must be received by the Company no later than 9:00 on May 29, 2013. After this time, the Company will only accept the proxies made in writing on the attendance, proxy and distance voting cards presented for inclusion in the shareholder entry register on arrival at the time and place indicated for the Shareholders' Meeting.

At the date and place of the General Shareholders' Meeting, proxies must prove their identity, showing their National Identity Document or any other official document generally accepted for these purposes, together with the attendance, proxy and distance voting card or a print-out of the electronic proof of proxy, as the case may be, so that the Company can confirm the proxy granted.

3. Rules common to distance voting and distance proxies

I. Confirmation of distance vote or distance proxy

The validity of votes cast and proxies granted through distance communication is subject to checking of the particulars supplied by the shareholder against those contained in the file supplied by IBERCLEAR. In the event of any discrepancy between the number of shares indicated by the shareholder in the proxy form or distance voting form and those indicated in the aforesaid file, the number of shares indicated by IBERCLEAR will prevail for the purposes of quorum and voting.

II. Rules of priority

Personal attendance of the general meeting by a shareholder who has previously granted a proxy or voted through distance communication, by whatsoever means used, will render that distance proxy or vote void.

If a shareholder validly issues both a distance vote and a proxy, the former will prevail. Similarly, electronic votes and proxies will prevail over those sent by post.

Electronic votes and proxies may be rendered void through express revocation by the shareholder through the same means.

In case the Company receives by post two proxies from the same shareholder the one received on the latest date will prevail.

Any of the joint owners of a shares deposit shall be entitled to vote, delegate or attend being applicable the rules of priority provided under this section. As per Article 126 of the Companies Act, it is presumed that the joint owner that carries out an action in each moment has been appointed by the other joint owners to exercise the shareholder's rights.

III. Other provisions

The Company reserves the right to modify, suspend, cancel or restrict the electronic voting and proxy mechanisms for technical or security reasons. The Company further reserves the right to request additional identification from shareholders as and when it may so deem fit to guarantee the identity of those concerned, the authenticity of the vote or proxy and, in general, the legal certainty of the General Shareholders' Meeting.

The Company will not be responsible for any damages caused to shareholders through unavailability or failure in the maintenance and effective functioning of its website and the services and contents provided through such site, or for any faults, overrun, overload, fallen lines, connection faults or whatsoever other similar incidents beyond the Company's control, which prevent use of the electronic voting and proxy mechanisms.

Electronic voting and proxy mechanisms will be available online from May 6, 2013 to 09:00 on 29 May 2013.

In any aspects not expressly contemplated in these procedures, the General Conditions set out in the Legal Notice on the Company's website will be applicable.

Presence of notary

The Board of Directors has requested the presence of a notary to take the minutes of the General Shareholders' Meeting.

Electronic Shareholders' Forum

In pursuance of Article 539.2 of the Companies Act and as of the date of the notice of call to the General Shareholders' Meeting, the Company has enabled an Electronic Shareholders' Forum on its website (www.repsol.com), accessible with due guarantees by both individual shareholders and any voluntary associations that may be formed in accordance with current regulations, to facilitate communication prior to the General Shareholders' Meeting.

Proposals to supplement the Agenda as it appears in the notice of call, requests for support for those proposals, initiatives to reach a sufficient percentage to exercise a minority shareholders' right contemplated in law and offers of or requests for voluntary representation may all be published in the Forum.

The Forum is not a communication channel between the Company and its shareholders and is enabled for the sole purpose of facilitating communication among the Company's shareholders prior to the Shareholders' Meeting.

To enter the Forum, shareholders must obtain a specific password on the Company's website (www.repsol.com), following the instructions and terms of use of the Forum established within the section on the 2013 AGM. Participants will generally obtain clearance to obtain the password using their electronic DNI or a recognized or advanced electronic signature, based on a recognized, valid electronic certificate issued by *Entidad Pública de Certificación Española* (CERES), of *Fábrica Nacional de Moneda y Timbre*.

General information

Any personal data of shareholders supplied to the Company on exercise or delegation of attendance and voting rights at the Shareholders' Meeting shall be used by the Company, under its own responsibility, to develop, control and manage the shareholding relationship, calling, celebrating and disseminating the General Meeting and comply with its legal obligations. For this reason, the particulars shall be provided to the Notary issuing the minutes of the General Shareholders' Meeting and may be supplied to third parties exercising the right of information provided by Law. These data may also be accessible to the general public if they are included in the documentation provided on the web page www.repsol.com or mentioned during the General Meeting which shall be recorded on video (totally or partially) and publicly broadcasted through said web page. By attending the General Meeting the attendant provides his or her consent to said recording and broadcasting.

Shareholders' rights of access, rectification, deletion and objection may be exercised on the terms prescribed by law, sending written notification to the Company at its registered office, Calle Méndez Álvaro, 44, 28045 Madrid.

If personal details of other individuals are included in the attendance, delegation and distance voting card, the shareholder must inform those individuals of the indications of the preceding

paragraphs and meet any other requests that may be applicable for a correct transfer of their data to the Company, which need not take any further action in terms of providing information or obtaining consent.

Foreseeable effective date of the General Shareholders' Meeting

It is expected to hold the General Shareholders' Meeting on **SECOND CALL**, that is, on 31 May 2013, at the place and date indicated above. Otherwise, due notice will be given sufficiently in advance in an announcement published in the daily press and on the Company's website (www.repsol.com).

Madrid, April 25, 2013

Luis Suárez de Lezo Mantilla

Director Secretary of the Board of Directors

Ordinary Shareholders' Meeting 2013 Resolution proposals

Resolution proposal related to the first point of the Agenda ("Revision and approval, if appropriate, of the Annual Financial Statements and Management Report of Repsol, S.A., of the Consolidated Annual Financial Statements and the Consolidated Management Report, corresponding to the Fiscal Year ended 31st December 2012").

To approve the Annual Financial Statements (Balance Sheet, Profit and Loss Account, Statement of Changes on Equity, Cash Flow Statement and Notes to the Accounts) and the Management Report of Repsol, S.A. corresponding to the Fiscal Year ending on the 31st of December 2012, as well as the Consolidated Financial Statements and the Consolidated Management Report corresponding to the same Fiscal Year.

Resolution proposal related to the second point of the Agenda ("Revision and approval, if appropriate, of the management of the Board of Directors of Repsol, S.A. corresponding to the Fiscal Year 2012").

To approve the management of the Board of Directors of Repsol, S.A. corresponding to the Fiscal Year 2012.

Resolution proposal related to the third point of the Agenda ("Appointment of the Accounts Auditor of Repsol, S.A. and its Consolidated Group for the Fiscal Year 2013").

To re-elect as Accounts Auditor of Repsol, S.A. and of its Consolidated Group, for the Fiscal Year 2013, the Company Deloitte, S.L., with registered office in Madrid, Plaza Pablo Ruiz Picasso, number 1 (Torre Picasso) and Tax ID number B-79104469, registered in the Official Registry of Auditors of Spain with number S-0692, and registered in the Mercantile Registry of Madrid, in volume 13.650, sheet 188, section 8, page M-54414. They are equally entrusted with carrying out other auditing services required by Law that may be specified by the Company until the next General Shareholders' Meeting.

Proposed resolution corresponding to the fourth point on the Agenda ("Examination and approval, if appropriate, with effect from January 1, 2013, of the Restatement Balance Sheet of Repsol, S.A. under Act 16/2012 of December 27").

To approve, with effect from January 1, 2013, the Restatement Balance Sheet of Repsol, S.A., pursuant to section 9 of Act 16/2012 of December 27 adopting several tax measures designed to consolidate public finance and boost the economy.

Proposed resolution corresponding to item fifth on the Agenda (“Review and approval, if appropriate, of the proposed application of profits and distribution of the dividend for 2012”).

To approve the following application of profits of Repsol, S.A. for 2012:

2012	Euros
Profit for the year 2012	480,656,238.74
Payment of the remuneration equivalent to the interim dividend through the acquisition, waiving exercise, of free-of-charge allocation rights from any shareholders who opt to receive that remuneration in cash within the “Repsol Flexible Dividend” Program ^(*)	184,128,768.81
Payment of the remuneration equivalent to the final dividend through:	
- The acquisition, waiving exercise, of free-of-charge allocation rights from shareholders who are expected to opt to sell those rights to the Company within the “Repsol Flexible Dividend” Program ^(**)	208,435,317.04
- A cash dividend of four euro cents gross per share (maximum amount) ^(***)	51,297,937.12
Legal reserve	12,316,993.43
Voluntary reserves, which amount will be raised or lowered automatically by the corresponding amount, if appropriate ^(****)	24,477,222.34
TOTAL	480,656,238.74

^(*) This acquisition of free-of-charge allocation rights was made in respect of the free-of-charge capital increase executed in December 2012 and January 2013 recorded in the item Equity – Dividends and remuneration. In addition to the 184,129 thousand euro mentioned, a further 410,044 thousand euro in shares were allocated to remunerate shareholders in the free-of-charge capital increase approved at the Ordinary General Shareholders' Meeting on May 31, 2012 under the eleventh point on the agenda, within the “Repsol Flexible Dividend” Program.

^(**) The Board of Directors of the Company has agreed to submit a proposal for approval under the sixth point on the agenda for the AGM, within the “Repsol Flexible Dividend” Program and on the dates on which the final dividend has traditionally been paid, to make a capital increase against voluntary reserves from retained earnings, in a reference sum of 589,926 thousand euro, with the irrevocable commitment of Repsol to buy the free-of-charge allocation rights deriving from the capital increase at a fixed guaranteed price.

^(***) A proposal is submitted for approval at this AGM of a dividend of 0.04 euro gross per share of Repsol, S.A. entitled to it and that is outstanding at the date on which the corresponding payment is made, i.e. as from June 20, 2013. This is the maximum amount to be distributed, corresponding to a dividend of 0.04 euro per share, gross, for the total 1,282,448,428 ordinary shares into which the capital is divided.

^(****) In connection with the capital increase mentioned in note ^(***) above and its execution, the Board of Directors has estimated the percentage of requests for shares at 63.64%, so it expects to remunerate shareholders with approximately 208,435 thousand euro in cash, through purchase of the free-of-charge allocation rights. If the amount finally used to purchase the rights from shareholders who opt to receive cash is smaller than the amount indicated, the difference between the two amounts will automatically be allocated to increase the voluntary reserves. If it is greater, the difference will be deducted from the amount allocated to voluntary reserves. Furthermore, the amount allocated to voluntary reserves may be increased if the number of Repsol, S.A. shares entitled to the dividend of 0.04 euro gross per share is lower than the 1,282,448,428 ordinary shares into which the capital is divided.

Resolution proposal related to the sixth point of the Agenda (“Increase of share capital in a determinable amount pursuant to the terms of the resolution, by issuing new common shares having a par value of one (1) euro each, of the same class and series as those currently outstanding, charged to reserves, offering shareholders the possibility of selling the free-of-charge allocation rights to the Company itself or on the market. Delegation of powers to the Board of Directors or, by substitution, to the Delegate Committee, to fix the date the increase is to be implemented and the terms of the increase in all respects not provided for by the General Meeting, all in accordance with Article 297(1)(a) of the Companies Act. Application for admission of the newly issued shares to listing on the Madrid, Barcelona, Bilbao and Valencia stock exchanges through the Automated Quotation System (*Sistema de Interconexión Bursátil*) and on the Buenos Aires stock exchange”).

To approve an increase of share capital (the “Capital Increase”) by the amount resulting from multiplying: (a) the par value of one euro (1 €) per share of Repsol, S.A. (the “Company”) by (b) the total number new shares of the Company to be determined by the formula outlined in point 2 below. The Capital Increase will be made on the following conditions:

1. Capital Increase with a charge to reserves

The Capital Increase will be made by the issue and placement into circulation of a determinable number of new shares of the Company resulting from the formula set out in point 2 below (the new shares issued in execution of this resolution will hereinafter be referred to as “New Shares” and each one of them, individually, as a “New Share”).

The Capital Increase will be made by the issue and placement into circulation of the New Shares, which will be ordinary shares with a par value of one euro (1 €) each, of the same class and series and with the same rights as those currently issued, in book-entry form.

The Capital Increase will be made entirely against voluntary reserves from retained earnings. When making the Capital Increase, the Board of Directors or, by substitution, the Delegate Committee, will specify the reserve to be used and the amount of that reserve according to the balance sheet for the transaction.

The New Shares will be issued at par, i.e., at their par value of one euro (1 €), with no share premium, and will be allocated to the Company shareholders without charge.

Within the year following the approval of this resolution, the Capital Increase may be implemented by the Board of Directors or, by substitution, the Delegate Committee, without having further recourse to the General Shareholders' Meeting and taking account of the legal and financial conditions prevailing at the date of the Capital Increase, in order to offer the Company's shareholders a flexible and efficient remuneration formula.

Pursuant to Article 311 of the Companies Act, the possibility of an incomplete allocation of the Capital Increase is foreseen.

2. New Shares to be issued in the Capital Increase

The maximum number of New Shares to be issued in the Capital Increase will be determined by applying the following formula, rounded down to the nearest whole number:

$$MNNS = NES / \text{No. Rights per share}$$

where,

“MNNS” = Maximum number of New Shares to be issued in the Capital Increase;

“NES” = number of outstanding Company shares on the date the Board of Directors or, by substitution, the Delegate Committee, resolves to implement the Capital Increase; and

“No. Rights per share” = number of free-of-charge allocation rights required for the allocation of one New Share in the Capital Increase, resulting from the following formula, rounded up to the nearest whole number:

$$\text{No. Rights per share} = \text{NES} / \text{Provisional no. shares}$$

where,

“Provisional no. shares” = Amount of the Alternative Option/Share Price

For this purpose, “Share Price” will be the arithmetic mean of the weighted average prices of the Company's share on the Madrid, Barcelona, Bilbao and Valencia stock exchanges over the five (5) trading sessions prior to the date of the resolution adopted by the Board of Directors or, by substitution, the Delegate Committee to implement the Capital Increase, rounded up or down to the nearest thousandth of a euro and, in the event of half a thousandth of a euro, rounded up to the nearest thousandth of a euro.

“Amount of the Alternative Option” will be 589,926,276.88 euro.

3. Free-of-charge allocation rights

Each outstanding share of the Company will confer one (1) free-of-charge allocation rights.

The number of free-of-charge allocation rights required to receive one New Share will be determined automatically according to the ratio of the number of maximum number of New Shares (MNNS) to the number of outstanding shares (NES), resulting from the formula indicated in point 2 above. In particular, shareholders will be entitled to receive one New Share for a number of free-of-charge allocation rights determined according to point 2 above (No. Rights per share) that they may hold.

If the number of free-of-charge allocation rights required for the allocation of one share (No. Rights per share) multiplied by the maximum number of New Shares (MNNS) is lower than the number of outstanding shares (NES), the Company will waive a number of free-of-charge allocation rights equal to the difference between the two figures, for the sole purpose of ensuring that the number of New Shares is a whole number and not a fraction.

Free-of-charge allocation rights will be allocated in the Capital Increase to whom being entitled to receive them according to the accounting registers of Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal (Iberclear) at 23:59 Madrid time on the date on which the announcement of the Capital Increase is published in the Official Gazette of the Commercial Registry.

The holders of any convertible debentures into Repsol shares that may be outstanding at the date on which the Board of Directors or, by substitution, the Delegate Committee resolves to implement the Capital Increase will not have free-of-charge allocation right over the New Shares, notwithstanding the modifications to be made to the conversion rate by virtue of the terms of each issue.

The free-of-charge allocation rights may be traded on the same conditions as the shares in respect of which they are granted and may be traded on the market for such time as may be determined by the Board of Directors or, by substitution, the Delegate Committee, at least fifteen (15) calendar days, commencing on the day after the date on which the announcement of the Capital Increase is published in the Official Gazette of the Commercial Registry. During the period of trading of the free-of-charge allocation rights of the Capital Increase, sufficient rights may be acquired on the market in the necessary proportion to be able to subscribe New Shares.

4. Irrevocable undertaking to purchase free-of-charge allocation rights

The Company irrevocably undertakes, at the prices indicated below, an irrevocable commitment to purchase the free-of-charge allocation rights assigned in the Capital Increase from whom being entitled to receive them according to the accounting registers of Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal (Iberclear) at the time and date indicated in the above section 3 and, therefore, will receive those rights free (the “Purchase Commitment”).

The Purchase Commitment will only cover the rights originally and freely received by the shareholders, not those purchased on the market or otherwise acquired, and will be in force and may be accepted during such time, within the trading period of the rights, as may be determined by the Board of Directors or, by substitution, the Delegate Committee. For this purpose, the Company will be authorized to purchase those free-of-charge allocation rights (and the corresponding shares) up to and not exceeding the total rights issued, respecting all and any applicable legal limits.

The “Purchase Price” for each free-of-charge allocation right will be calculated applying the following formula, rounded up or down to the nearest thousandth of a euro and, in the event of half a thousandth of a euro, rounded up to the nearest thousandth of a euro:

$$\text{Purchase Price} = \text{Share Price} / (\text{No. Rights per share} + 1)$$

Additionally, in the event that the total Purchase Price of free-of-charge allocation rights that have accepted the Purchase Commitment exceeds the amount provided for that purpose in the resolution for the allocation of profits for financial year 2012 that, if any, will be approved by the Annual Shareholders' Meeting under the fifth point of the Agenda, it is resolved to authorize the application of the voluntary reserves from retained earnings to purchase free-of-charge allocation rights, by the amount of the difference between the indicated total Purchase Price and the total amount allocated for the purchase of rights in the above proposal for the allocation of profits.

The Company will foreseeably waive the New Shares corresponding to the free-of-charge allocation rights acquired under the Purchase Commitment so the capital will be increased only by the amount corresponding to the free-of-charge allocation rights in respect of which there has been no waiver.

5. Balance sheet for the operation and reserve against which the Capital Increase is made

The balance sheet on which this operation is based is the balance sheet for the year ended 31 December 2012, duly audited and approved by this Ordinary Shareholders' Meeting.

As mentioned earlier, the Capital Increase will be made entirely against the voluntary reserves from retained earnings. When implementing the Capital Increase, the Board of Directors or, by substitution, the Delegate Committee, will specify the reserve to be used and the amount of that reserve according to the balance sheet used as the basis for the Capital Increase.

6. Representation of the New Shares

he New Shares will be issued in book-entry form, the accounting register being kept by *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal (Iberclear)* and its members.

7. Rights of the New Shares

As from the date on which the Capital Increase is declared subscribed and paid up, the New Shares will confer upon their holders the same voting and economic rights as the Company's outstanding ordinary shares.

8. Shares on deposit

At the end of the trading period for the free-of-charge allocation rights, any New Shares that have not been allocated for reasons beyond the Company's control will be held on deposit for any investors who can prove that they are the legitimate owners of the corresponding free-of-charge allocation rights. If any New Shares are still pending allocation three (3) years after the end of the trading period of the free-of-charge allocation rights, they may be sold, pursuant to Article 117 of the Companies Act, for the account and risk of the interested parties. The net proceeds from the sale will be deposited at the Bank of Spain or Government Depository (Caja General de Depósitos) at the disposal of the interested parties.

9. Application for listing

It is resolved to apply for listing of the New Shares on the Madrid, Barcelona, Bilbao and Valencia stock exchanges through the Automated Quotation System (*Sistema de Interconexión Bursátil*) and to complete whatever formalities and actions may be necessary and file such documents as may be required with the competent authorities for listing of the New Shares on the Buenos Aires stock exchange, expressly putting on record that the Company submits to existing or future laws and regulations governing the stock market, particularly regarding trading, minimum time frames and delisting.

It is expressly declared that if the Company subsequently applies for delisting of its shares, this will be subject to the same applicable formalities and, in that case, the interests of any shareholders objecting to the delisting resolution or who do not vote for it will be protected, complying with the requirements stipulated in the Companies Act and other applicable provisions, in pursuance of the Securities Market Act 24/1988 of 28 July and relevant statutory instruments in force from time to time

10. Implementation of the Capital Increase

Within a period of one year from the date of this resolution, the Board of Directors or, by substitution, the Delegate Committee, may implement the Capital Increase, setting the date for it and any conditions not expressed in this resolution.

This notwithstanding, if the Board of Directors (with express powers of substitution) does not consider it convenient to make the Capital Increase within the time stipulated, owing to prevailing market conditions, circumstances of the Company and any deriving from a socially or economically important event or circumstance, it may submit a proposal to the Shareholders' Meeting to revoke it. The Capital Increase will have no effect if the Board of Directors or, by substitution, the Delegate Committee, does not exercise the powers delegated to it within the period of one year, in which case it will report on that at the first Shareholders' Meeting held thereafter.

After the end of the trading period for the free-of-charge allocation rights in respect of the Capital Increase:

- a. The New Shares will be allocated to those shareholders who hold free-of-charge allocation rights according to the registers kept by *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal* (Iberclear) and its members, in the proportions deriving from the preceding sections.
- b. The Board of Directors or, by substitution, the Delegate Committee will declare the free-of-charge allocation rights trading period over and will apply the reserves in the Company's accounts in the amount of the Capital Increase, which will be deemed paid up by that application.

In addition, after the end of the free-of-charge allocation rights trading period, the Board of Directors or, by substitution, the Delegate Committee, will adopt the corresponding resolution to (I) modify the Articles of Association in order to reflect the new amount of the capital and the number of New Shares corresponding to the Capital Increase; and (II) apply for listing of the New Shares from the Capital Increase on the Madrid, Barcelona, Bilbao and Valencia stock exchanges and the Buenos Aires stock exchange.

11. Delegation of powers to implement the Capital Increase

The Board of Directors is authorized, pursuant to Article 297.1.a) of the Companies Act, with express power to substitute to the Delegate Committee, to establish the conditions of the Capital Increase in any aspects not contemplated in this resolution. In particular, but by no means exclusively, the Board of Directors, with express power to delegate to the Delegate Committee, is authorized to:

- a. Specify, within the times established in point 10 above, the date on which the Capital Increase approved by this resolution is to be made and the reserves against which it is to be made, from those contemplated in the resolution.
- b. Define the exact amount of the Capital Increase, the number of New Shares and the free-of-charge allocation rights required for the allocation of New Shares in the Capital Increase, applying the rules established for this purpose at this Shareholders' Meeting.
- c. Set the duration of the trading period for free-of-charge allocation rights, which will be at least fifteen calendar days as from publication of the announcement of the Capital Increase in the Official Gazette of the Commercial Registry.
- d. Define the period during which the Purchase Commitment will be effective and implement the Purchase Commitment, paying the corresponding sums to the holders of free-of-charge allocation rights who have accepted that commitment.
- e. Declare the Capital Increase closed and completed, determining the incomplete allocation, if appropriate.
- f. Re-draft Articles 5 and 6 of the Company's Articles of Association regarding the capital and shares, respectively, to adjust them to the outcome of the Capital Increase.
- g. Waive any New Shares corresponding to the free-of-charge allocation rights held by the Company at the end of the rights trading period acquired pursuant to the Purchase Commitment.
- h. If appropriate, waive free-of-charge allocation rights to subscribe New Shares for the sole purpose of ensuring that the number of New Shares is a whole number and not a fraction.

- i. Complete whatever formalities may be necessary to have the New Shares corresponding to the Capital Increase entered in the accounting registers kept by *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal* (Iberclear) and listed on the Madrid, Barcelona, Bilbao and Valencia stock exchanges and the Buenos Aires stock exchange, according to the procedures established on each of those stock exchanges; and take whatsoever action may be necessary or convenient to make the Capital Increase and complete the appropriate formalities in respect of Spanish or foreign, public or private entities or authorities, including the duties to declare, supplement or remedy any defects or omissions that may hamper or impede the full effectiveness of the foregoing resolutions. The Board of Directors is expressly authorized to delegate, in turn, the powers vested in it by this resolution, pursuant to Article 249.2 of the Companies Act.

Resolution proposal related to the seventh point of the Agenda ("Second increase of share capital in a determinable amount pursuant to the terms of the resolution, by issuing new common shares having a par value of one (1) euro each, of the same class and series as those currently outstanding, charged to reserves, offering shareholders the possibility of selling the free-of-charge allocation rights to the Company itself or on the market. Delegation of powers to the Board of Directors or, by substitution, to the Delegate Committee, to fix the date the increase is to be implemented and the terms of the increase in all respects not provided for by the General Meeting, all in accordance with Article 297(1)(a) of the Companies Act. Application for admission of the newly issued shares to listing on the Madrid, Barcelona, Bilbao and Valencia stock exchanges through the Automated Quotation System (Sistema de Interconexión Bursátil) and on the Buenos Aires stock exchange").

To approve an increase of share capital (the "Capital Increase") by the amount resulting from multiplying: (a) the par value of one euro (1 €) per share of Repsol, S.A. (the "Company") by (b) the total number new shares of the Company to be determined by the formula outlined in point 2 below. The Capital Increase will be made on the following conditions:

1. Capital Increase with a charge to reserves

The Capital Increase will be made by the issue and placement into circulation of a determinable number of new shares of the Company resulting from the formula set out in point 2 below (the new shares issued in execution of this resolution will hereinafter be referred to as "New Shares" and each one of them, individually, as a "New Share").

The Capital Increase will be made by the issue and placement into circulation of the New Shares, which will be ordinary shares with a par value of one euro (1 €) each, of the same class and series and with the same rights as those currently issued, in book-entry form.

The Capital Increase will be made entirely against voluntary reserves from retained earnings. When making the Capital Increase, the Board of Directors or, by substitution, the Delegate Committee, will specify the reserve to be used and the amount of that reserve according to the balance sheet for the transaction.

The New Shares will be issued at par, i.e., at their par value of one euro (1 €), with no share premium, and will be allocated to the Company shareholders without charge.

Within the year following the approval of this resolution, the Capital Increase may be implemented by the Board of Directors or, by substitution, the Delegate Committee, without having further recourse to the General Shareholders' Meeting and taking account of the legal and financial conditions prevailing at the date of the Capital Increase, in order to offer the Company's shareholders a flexible and efficient remuneration formula.

Pursuant to Article 311 of the Companies Act, the possibility of an incomplete allocation of the Capital Increase is foreseen.

2. New Shares to be issued in the Capital Increase

The maximum number of New Shares to be issued in the Capital Increase will be determined by applying the following formula, rounded down to the nearest whole number:

$$MNNS = NES/No. \text{ Rights per share}$$

where,

“MNNS” = Maximum number of New Shares to be issued in the Capital Increase;

“NES” = number of outstanding Company shares on the date the Board of Directors or, by substitution, the Delegate Committee, resolves to implement the Capital Increase; and

“No. Rights per share” = number of free-of-charge allocation rights required for the allocation of one New Share in the Capital Increase, resulting from the following formula, rounded up to the nearest whole number:

$$No. \text{ Rights per share} = NES/Provisional \text{ no. shares}$$

where,

“Provisional no. shares” = Amount of the Alternative Option/Share Price

For this purpose, “Share Price” will be the arithmetic mean of the weighted average prices of the Company’s share on the Madrid, Barcelona, Bilbao and Valencia stock exchanges over the five (5) trading sessions prior to the date of the resolution adopted by the Board of Directors or, by substitution, the Delegate Committee to implement the Capital Increase, rounded up or down to the nearest thousandth of a euro and, in the event of half a thousandth of a euro, rounded up to the nearest thousandth of a euro.

“Amount of the Alternative Option” will be the market value of the capital increase, to be determined by the Board of Directors or, by substitution, the Delegate Committee, considering the outstanding Company shares (NES) and the remuneration already paid to shareholders from earnings of the Fiscal Year 2013 and not exceeding 792,000,000 euro.

3. Free-of-charge allocation rights

Each outstanding share of the Company will confer one (1) free-of-charge allocation right.

The number of free-of-charge allocation rights required to receive one New Share will be determined automatically according to the ratio of the number of maximum number of New Shares (MNNS) to the number of outstanding shares (NES), resulting from the formula indicated in point 2 above. In particular, shareholders will be entitled to receive one New Share for a number of free-of-charge allocation rights determined according to point 2 above (No. Rights per share) that they may hold.

If the number of free-of-charge allocation rights required for the allocation of one share (No. Rights per share) multiplied by the maximum number of New Shares (MNNS) is lower than the number of outstanding shares (NES), the Company will waive a number of free-of-charge allocation rights equal to the difference between the two figures, for the sole purpose of ensuring that the number of New Shares is a whole number and not a fraction.

Free-of-charge allocation rights will be allocated in the Capital Increase to whom being entitled to receive them according to the accounting registers of *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal (Iberclear)* at 23:59 Madrid time on the date on which the announcement of the Capital Increase is published in the Official Gazette of the Commercial Registry.

The holders of any convertible debentures into Repsol YPF shares that may be outstanding at the date on which the Board of Directors or, by substitution, the Delegate Committee resolves to implement the Capital Increase will not have free-of-charge allocation right over the New Shares, notwithstanding the modifications to be made to the conversion rate by virtue of the terms of each issue.

The free-of-charge allocation rights may be traded on the same conditions as the shares in respect of which they are granted and may be traded on the market for such time as may be determined by the Board of Directors or, by substitution, the Delegate Committee, at least fifteen (15) calendar days, commencing on the day after the date on which the announcement of the Capital Increase is published in the Official Gazette of the Commercial Registry. During the period of trading of the free-of-charge allocation rights of the Capital Increase, sufficient rights may be acquired on the market in the necessary proportion to be able to subscribe New Shares.

4. Irrevocable undertaking to purchase free-of-charge allocation rights

The Company irrevocably undertakes, at the prices indicated below, an irrevocable commitment to purchase the free-of-charge allocation rights assigned in the Capital Increase from whom being entitled to receive them according to the accounting registers of *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal (Iberclear)* at the time and date indicated in the above section 3 and, therefore, will receive those rights free (the “Purchase Commitment”).

The Purchase Commitment will only cover the rights originally and freely received by the shareholders, not those purchased or otherwise acquired on the market, and will be in force and may be accepted during such time, within the trading period of the rights, as may be determined by the Board of Directors or, by substitution, the Delegate Committee. For this purpose, the Company will be authorized to purchase those free-of-charge allocation rights (and the corresponding shares) up to and not exceeding the total rights issued, respecting all and any applicable legal limits.

The “Purchase Price” for each free-of-charge allocation right will be calculated applying the following formula, rounded up or down to the nearest thousandth of a euro and, in the event of half a thousandth of a euro, rounded up to the nearest thousandth of a euro:

$$Purchase \text{ Price} = Share \text{ Price}/(No. \text{ Rights per share} + 1)$$

The Company will foreseeably waive the New Shares corresponding to the free-of-charge allocation rights acquired under the Purchase Commitment so the capital will be increased only by the amount corresponding to the free-of-charge allocation rights in respect of which there has been no waiver.

5. Balance sheet for the operation and reserve against which the Capital Increase is made

The balance sheet on which this operation is based is the balance sheet for the year ended 31 December 2012, duly audited and approved by this Ordinary Shareholders’ Meeting.

As mentioned earlier, the Capital Increase will be made entirely against the voluntary reserves from retained earnings. When implementing the Capital Increase, the Board of Directors or, by substitution, the Delegate Committee, will specify the reserve to be used and the amount of that reserve according to the balance sheet used as the basis for the Capital Increase.

6. Representation of the New Shares

The New Shares will be issued in book-entry form, the accounting register being kept by *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal (Iberclear)* and its members.

7. Rights of the New Shares

As from the date on which the Capital Increase is declared subscribed and paid up, the New Shares will confer upon their holders the same voting and economic rights as the Company’s outstanding ordinary shares.

8. Shares on deposit

At the end of the trading period for the free-of-charge allocation rights, any New Shares that have not been allocated for reasons beyond the Company’s control will be held on deposit for any investors who can prove that they are the legitimate owners of the corresponding free-of-charge allocation rights. If any New Shares are still pending allocation three (3) years after the end of the trading period of the free-of-charge allocation rights, they may be sold, pursuant to Article 117 of the Companies Act, for the account and risk of the interested parties. The net proceeds from the sale will be deposited at the Bank of Spain or Government Depository (*Caja General de Depósitos*) at the disposal of the interested parties.

9. Application for listing

It is resolved to apply for listing of the New Shares on the Madrid, Barcelona, Bilbao and Valencia stock exchanges through the Automated Quotation System (*Sistema de Interconexión Bursátil*) and to complete whatever formalities and actions may be necessary and file such documents as may be required with the competent authorities for listing of the New Shares on the Buenos Aires stock exchange, expressly putting on record that the Company submits to existing or future laws and regulations governing the stock market, particularly regarding trading, minimum time frames and delisting.

It is expressly declared that if the Company subsequently applies for delisting of its shares, this will be subject to the same applicable formalities and, in that case, the interests of any shareholders objecting to the delisting resolution or who do not vote for it will be protected, complying with the requirements stipulated in the Companies Act and other applicable provisions, in pursuance of the Securities Market Act 24/1988 of 28 July and relevant statutory instruments in force from time to time.

10. Implementation of the Capital Increase

Within a period of one year from the date of this resolution, the Board of Directors or, by substitution, the Delegate Committee, may implement the Capital Increase, setting the date for it and any conditions not expressed in this resolution.

This notwithstanding, if the Board of Directors (with express powers of substitution) does not consider it convenient to make the Capital Increase within the time stipulated, owing to prevailing market conditions, circumstances of the Company and any deriving from a socially or economically important event or circumstance, it may submit a proposal to the Shareholders' Meeting to revoke it. The Capital Increase will have no effect if the Board of Directors or, by substitution, the Delegate Committee, does not exercise the powers delegated to it within the period of one year, in which case it will report on that at the first Shareholders' Meeting held thereafter.

After the end of the trading period for the free-of-charge allocation rights in respect of the Capital Increase:

- a. The New Shares will be allocated to those shareholders who hold free-of-charge allocation rights according to the registers kept by *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal* (Iberclear) and its members, in the proportions deriving from the preceding sections.
- b. The Board of Directors or, by substitution, the Delegate Committee will declare the free-of-charge allocation rights trading period over and will apply the reserves in the Company's accounts in the amount of the Capital Increase, which will be deemed paid up by that application.

In addition, after the end of the free-of-charge allocation rights trading period, the Board of Directors or, by substitution, the Delegate Committee, will adopt the corresponding resolution to (I) modify the Articles of Association in order to reflect the new amount of the capital and the number of New Shares corresponding to the Capital Increase; and (II) apply for listing of the New Shares from the Capital Increase on the Madrid, Barcelona, Bilbao and Valencia stock exchanges and the Buenos Aires stock exchange.

11. Delegation of powers to implement the Capital Increase

The Board of Directors is authorized, pursuant to Article 297.1.a) of the Companies Act, with express power to substitute to the Delegate Committee, to establish the conditions of the Capital Increase in any aspects not contemplated in this resolution. In particular, but by no means exclusively, the Board of Directors, with express power to delegate to the Delegate Committee, is authorized to:

- a. Specify, within the times established in point 10 above, the date on which the Capital Increase approved by this resolution is to be made, determine the Amount of the Alternative Option, and specify the reserves against which it is to be made, from those contemplated in the resolution.
Define the exact amount of the Capital Increase, the number of New Shares and the free-of-charge allocation rights required for the allocation of New Shares in the Capital Increase, applying the rules established for this purpose at this Shareholders' Meeting.
- b. Set the duration of the trading period for free-of-charge allocation rights, which will be at least fifteen calendar days as from publication of the announcement of the Capital Increase in the Official Gazette of the Commercial Registry.
- c. Define the period during which the Purchase Commitment will be effective and implement the Purchase Commitment, paying the corresponding sums to the holders of free-of-charge allocation rights who have accepted that commitment.
- d. Declare the Capital Increase closed and completed, determining the incomplete allocation, if appropriate.

- e. Re-draft Articles 5 and 6 of the Company's Articles of Association regarding the capital and shares, respectively, to adjust them to the outcome of the Capital Increase.
- f. Waive any New Shares corresponding to the free-of-charge allocation rights held by the Company at the end of the rights trading period acquired pursuant to the Purchase Commitment.
- g. If appropriate, waive free-of-charge allocation rights to subscribe New Shares for the sole purpose of ensuring that the number of New Shares is a whole number and not a fraction.
- h. Complete whatever formalities may be necessary to have the New Shares corresponding to the Capital Increase entered in the accounting registers kept by *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal* (Iberclear) and listed on the Madrid, Barcelona, Bilbao and Valencia stock exchanges and the Buenos Aires stock exchange, according to the procedures established on each of those stock exchanges; and take whatsoever action may be necessary or convenient to make the Capital Increase and complete the appropriate formalities in respect of Spanish or foreign, public or private entities or authorities, including the duties to declare, supplement or remedy any defects or omissions that may hamper or impede the full effectiveness of the foregoing resolutions. The Board of Directors is expressly authorized to delegate, in turn, the powers vested in it by this resolution, pursuant to Article 249.2 of the Companies Act.

Resolution proposal related to the eighth point of the Agenda ("Re-election as Director of Mr. Luis Suárez de Lezo Mantilla").

To re-elect Mr. Luis Suárez de Lezo Mantilla as Director, for a new period of four years.

Resolution proposal related to the ninth point of the Agenda ("Re-election as Director of Ms. María Isabel Gabarró Miquel").

To re-elect Ms. María Isabel Gabarró Miquel as Director, for a new period of four years.

Resolution proposal related to the tenth point of the Agenda ("Ratification of the interim appointment and re-election of Mr. Manuel Manrique Cecilia as Director of the Company").

To ratify the appointment of Mr. Manuel Manrique Cecilia as Director, designated on an interim basis by resolution adopted by the Board of Directors at the meeting held on April 25, 2013, and to re-elect him for the Bylaw mandated four-year term.

Resolution proposal related to the eleventh point of the Agenda ("Appointment of Mr. Rene Dahan as Director").

To appoint Mr. Rene Dahan as Director for the Bylaw mandated four-year term.

Resolution proposal related to the twelfth point of the Agenda ("Directors' Remuneration system: amendment of Article 45 ("Remuneration of Directors") of the Bylaws").

To modify first paragraph of Article 45 of the Bylaws without modifying the other paragraphs of said Article, so that said first paragraph of Article 45 will have the following wording:

"As members of the Board and for the supervisory and decision-making duties performed by this body, Directors shall be entitled to a fixed annual amount determined by the shareholders at the General Shareholders' Meeting. Such amount shall remain in effect to the extent that the shareholders at the General Shareholders' Meeting do not resolve to change it. The Board shall

decide on the exact sum payable within this limit and distribute it among the Directors, taking into account the positions held by each Director on the Board and its Committees”.

Resolution proposal related to the thirteenth point of the Agenda (“Remuneration of Board members”).

To set, further to the new provisions of Article 45 of the Bylaws’ first paragraph, at 6,000,000 euros the annual fixed amount of the compensation of the Directors for the supervisory and decision-making duties. Said amount shall be applicable to the compensation corresponding to current financial year 2013 and shall remain in force until the Shareholders’ Meeting does not resolve its amendment, and it may be reduced by the Board of Directors upon the terms set forth in such Article.

Proposed resolution corresponding to the fourteenth point on the Agenda (“Advisory vote on the Report on the Remuneration Policy for Directors of Repsol, S.A. for 2012”).

To approve, by advisory vote, the Annual Report on the Remuneration Policy for Directors of Repsol, S.A. for the Fiscal Year 2012, the text of which has been made available to shareholders together with the other documents for the Shareholders’ Meeting as from the date of call.

Proposed resolution corresponding to the fifteenth point on the Agenda (“Delegation to the Board of Directors of the power to issue debentures, bonds and any other fixed rate securities or debt instruments of analogous nature, simples or exchangeables for issued shares or other pre-existing securities of other entities, as well as promissory notes and preference shares, and to guarantee the issue of securities by companies within the Group, leaving without effect, in the portion not used, the eighth resolution of the General Shareholders’ Meeting held on May 14, 2009”).

First. To Delegate to the Board of Directors, in accordance with the general applicable regime and the provisions of Article 319 of the Regulations of the Commercial Register, the power to issue, once or on several occasions, fixed rate securities or debt instruments in accordance with the following conditions:

1. **Description of the securities.** The securities this delegation refers to include debentures, bonds and any fixed rate securities or debt instrument of analogous nature in any of the forms permitted by law, simple or exchangeable for issued shares or other existing securities of other entities. Likewise, this delegation may be used also for the issuance of preference shares or other securities of analogous nature, and promissory notes, under this or another denomination. The delegation includes the power to establish and/or renew continuous or open-ended programs of debentures, bonds and any fixed rate securities of analogous nature as well as promissory notes, under this or another denomination.
2. **Term of the delegation.** The issuance of securities may be made once or on several occasions at any moment within a maximum period of five years counted as from the date of this resolution.
3. **Maximum amount of the delegation.** The aggregate maximum amount of securities to be issued by virtue of this delegation will be the following:
 - a. € 15,000,000,000, or the equivalent in another currency, for debentures, bonds and any fixed rate securities or debt instruments of analogous nature;
 - b. € 5,000,000,000, or the equivalent in another currency, for promissory notes (under this or another denomination); such limit refers to the nominal balance of the promissory notes in circulation at any time and not to the aggregate amount of the different issues;

c. € 3,000,000,000, or the equivalent in another currency, for preference shares and other securities of analogous nature;

4. **Extension of the delegation.** The Board of Directors shall be responsible for deciding the terms and conditions of each particular issue, including but not limited, to the following: amount of each issue (with strict observance at all time of the applicable quantitative limits); the number of securities and its par value; the applicable law; the issuing place –domestic or abroad– and currency, and in case of foreign currency, its equivalent in euros; the form; the issuing date or dates; the denomination, that may be totally or partially exchangeable (being compulsory or voluntary, and in this last case, whether at the option of the holder and/or the issuer) for issued shares or other existing securities of other entities, or including a purchase option; the form of the securities; the guarantees; the interest rate; the maturity date or dates; the character of perpetual or redeemable and, in the latter case, the regime and forms of redemption; the inclusion of subordinate clauses; the admission, if appropriate to listing on any secondary market, national or foreigner, of the securities issued with compliance of the conditions required in each case by the law in force; the designation, if appropriate, of the Commissioner and the approval, if applicable, of the main rules that will govern the legal relations between the Company and the association of holders of the securities issued; in case of programs for the issue of promissory notes, the aggregate maximum amount of the program or programs, the maximum and minimum par value of the promissory notes to be issued, the issue and allotment procedure or system and, in general, any other aspect or condition of the issues or programs, including its subsequent amendment.
5. **Guarantee of issues of fixed rate securities by companies within the Group.** The Board is also empowered, within a period of five years, to guarantee on behalf of the Company, within the limits set forth above, the issuances of fixed rate securities (debentures, bonds, notes or any other securities) as well as the issues of promissory notes (under this or another denomination) and preference shares and other securities of analogous nature by companies within the Group.
6. **Listing.** The Board is empowered to apply for the listing of the debentures, bonds, promissory notes (under this or another denomination), preference shares and other securities of analogous nature, and of any other securities issued by the Company by virtue of this delegation, if appropriate or if it deems convenient, on official or unofficial, organized or OTC, national or foreign secondary markets, carrying out in such case the necessary proceedings and acts for the listing before the competent authorities of the different national or foreigner securities markets, conferring to the Board of Directors the widest powers for such purpose.
7. **Power of delegation.** The Board of Directors is authorized to delegate the delegated powers contemplated in these resolutions, pursuant to the provisions of Article 249 of the Companies Act.

Two. This resolution leaves without effect, in the portion not used, the authorization to issue debentures, bonds and any other fixed rate securities of analogous nature, simples or exchangeable for issued shares of other companies, as well as promissory notes and preference shares, and to guarantee the issue of securities by companies within the Group, granted by the Ordinary General Shareholders’ Meeting held on May 14, 2009 in favor of the Board of Directors, under point five of the Agenda.

Resolution proposal related to the sixteenth point of the Agenda (“Composition of the Delegate Committee: amendment of Article 38 (“Delegate Committee”) of the Bylaws”).

To modify first paragraph of Article 38 of the Bylaws without modifying the other paragraphs of said Article, so that said first paragraph of Article 38 will have the following wording:

“The Board may appoint a Delegate Committee that will be composed by no more than nine (9) Directors. The Chairman of the Board will be in any case member of said Committee and will head it. Secretary of the Board shall be secretary of this Committee”.

Resolution proposal related to the seventeenth point of the Agenda ("Delegation of powers to interpret, complement, develop, execute, correct and formalize the resolutions adopted by the General Meeting").

First. To delegate in the Board of Directors with the widest range possible, including the power to delegate fully or in part the powers received in the Delegate Committee, as many powers necessary to interpret, complement, develop, execute and correct any of the resolutions adopted by the General Meeting. The power to correct will include the power to make as many modifications, amendments and additions necessary or convenient as a consequence of objections or observations raised by the securities markets regulating bodies, the Securities Markets, the Mercantile Registry and any other public authority with competence related to the resolutions adopted.

Second. To delegate jointly and indistinctly in the Chairman of the Board of Directors and the Secretary and Vice-Chairman of the Board, the powers necessary to formalize the resolutions adopted by the General Meeting, and to register that subject to this requirement, in full or in part, including the powers related to formalizing the deposit of Annual Accounts, being able for this purpose to sign all kinds of public or private documents, even to complement or correct said resolutions.

Ordinary Shareholders' Meeting 2013 Reports of the Board of Directors on the Resolution Proposals

Report of the Board of Directors on the resolution proposed under the first point on the Agenda ("Revision and approval, if appropriate, of the Annual Accounts and Management Report of Repsol, S.A., of the Consolidated Annual Accounts and the Consolidated Management Report, corresponding to the Fiscal Year ending on 31 December 2012").

The Annual Accounts and the different documents which make up said accounts, in accordance with the Trading Code, the Companies Act and other applicable provisions, including current sectorial regulations, both the individual Repsol, S.A. accounts and the consolidated accounts of its Group of Companies, together with the Management Report of Repsol, S.A. and the Consolidated Management Report, have been formulated by the Board of Directors during their meeting of 27 February 2013, after their revision by the Audit and Control Committee and by the Internal Transparency Committee of Repsol, S.A., and following their certification by the Chief Executive Officer and by the Chief Financial Officer.

The Management Reports, individual and consolidated, include as an Appendix in a separate section, the Annual Corporate Governance Report for the Fiscal Year 2012 which also includes another Annex with the additional information required by Article 61 bis of the Securities Market Act pursuant to the wording provided by Law 2/2011 of March 4 on Sustainable Economy.

These Annual Accounts and the Management Reports have been reviewed by the External Auditors of Repsol, S.A. and its Consolidated Group.

All these documents, together with the Auditors' Reports, are available to shareholders through the Company's website (www.repsol.com) and at our registered office, Calle Méndez Álvaro, 44 28045 Madrid, where they can also request their free delivery to the address they may indicate.

Report of the Board of Directors on the resolution proposed under the second point on the Agenda ("Review and approval, if appropriate, of the management of the Board of Directors of Repsol, S.A. corresponding to Fiscal Year 2012").

In accordance with Article 164 of the Companies Act, the management developed by the Board of Directors during Fiscal Year 2012 is subjected to approval by shareholders, the remuneration of the Directors is detailed in the Annual Accounts Report, in the Annual Corporate Governance Report and in the Report on Directors' Remuneration Policy.

Report of the Board of Directors on the resolution proposed under the third point on the Agenda ("Appointment of Auditor of Repsol, S.A. and its Consolidated Group for Fiscal Year 2013.")

The proposal presented by the Board of Directors to the General Meeting for this point of the Agenda has been approved at the request of the Audit and Control Committee, which is responsible, in accordance with the Regulations of the Board of Directors, for submitting to the Board the proposals concerning the selection and appointment of the external Auditor of the Company and its Consolidated Group.

The Audit and Control Committee agreed, in its meeting of April 24, 2013, to propose to the Board of Directors, for its later submission to the General Shareholders' Meeting, the re-election of the entity Deloitte, S.L. as Auditor of Repsol, S.A. and of its Consolidated Group for the Fiscal Year 2013.

Report of the Board of Directors on the resolution proposed under the fourth point on the Agenda ("Review and approval, if appropriate, effective as of January 1, 2013, of the Updated Balance Sheet of Repsol, S.A., in accordance with Law 16/2012, of 27 December").

Section 9 of Act 16/2012 of December 27 adopting several tax measures designed to consolidate public finance and boost the economy, published in the Official State Gazette (BOE) on December 28, 2012 and entering into force as of the same date, established the option for Corporate Income Tax payers to make a voluntary restatement of the value of certain assets included in their balance sheets.

The amount of the increased value deriving from such restatements will be recorded in the account "*Revaluation reserve under Act 16/2012 of December 27*", which will form part of the Company's equity. A single levy of 5% will be applied to the credit balance of that account, payable on the date of filing the Corporate Income Tax return for 2012. The amount of the single tax levy will be debited in the same account and will not be considered a tax deductible expense.

Pursuant to the Act, use of the balance of the account "*Revaluation reserve under Act 16/2012 of December 27*" is restricted. The balance of that account may not be used until it has been checked and accepted by the tax authorities, for which purpose those authorities have a period of three years from the date of filing of the 5% levy return. Once this account has been checked or the time limit for doing so has lapsed, the balance may be used to cancel out accounting losses, to increase the capital or, 10 years after December 31, 2013, to fund unappropriated reserves. It may only be distributed, directly or indirectly, when the restated assets are fully amortized or have been transferred or derecognized on the balance sheet.

The restatement requires approval by the General Shareholders' Meeting and a Restatement Balance Sheet and will have retroactive accounting and tax effects from January 1, 2013. As from 2013 it will also be necessary to include in the Company's Annual Report the information indicated in Section 12, Article 9 of Act 16/2012.

The Company has calculated the restatement of items of property, plant and equipment recognized on the individual balance sheet at December 31, 2012 (submitted for approval under the first point on the agenda for the AGM) which were not fully amortized for accounting or tax purposes. The amount of the restatement would be approximately 31 million euro (27 million euro in *Land and buildings*, 3 million euro in *Technical Installations* and 1 million euro in *Other property, plant & equipment*).

In the Board's opinion, the restatement has economic and financial benefits for Repsol, S.A., so it has considered it convenient to submit this proposal.

The Restatement Balance Sheet of Repsol, S.A. laid before the shareholders at this general meeting was approved by the Board of Directors on April 25, 2013, with a prior favorable report by the Audit and Control Committee and the Internal Transparency Committee.

The report on agreed procedures issued by Deloitte, S.L., auditor of Repsol, S.A. and the Repsol Group, on March 20 contained no qualifications regarding the calculation of the accounting and tax effects of the restatement.

Shareholders may consult the Restatement Balance Sheet of Repsol, S.A. at the Company's registered office, calle Méndez Álvaro, no. 44, 28045 Madrid and on its website (www.repsol.com). Shareholders may also request delivery of the Restatement Balance Sheet or remittance free of charge to the address they indicate.

Report of the Board of Directors on the resolution proposed under the fifth point on the Agenda ("Review and approval, if appropriate, of the proposed application of profits and distribution of the dividend for 2012").

As in earlier years, a proposal is submitted to approve the application of profits of Repsol, S.A. corresponding to 2012, in a sum of 480,656 thousand euro, as indicated in the Notes to the Individual Annual Accounts (Note 3 – Distribution of Profit), approved by the Board on February 27, 2013.

The proposal contemplates allocating 184,129 thousand euro, paid on January 15, 2013, to payment of the remuneration equivalent to the interim dividend made within the "Repsol Flexible Dividend" Program. This payment was made by acquiring the free-of-charge allocation rights from those shareholders who opted to sell their rights to the Company in the capital increase against reserves approved at the AGM on May 31, 2012, under the eleventh point on the agenda, and made in December 2012 and January 2013. In addition to the aforesaid 184,129 thousand euro, a further 410,044 thousand euro in shares was allocated to remunerate shareholders.

In addition, it is proposed paying shareholders a remuneration equivalent to the final dividend of the year, consisting of:

- I. The acquisition of free-of-charge allocation rights from any shareholder who, within the "Repsol Flexible Dividend" Program, opt to sell their rights to the Company in the capital increase against reserves, for a reference value of 589,926 thousand euro, submitted for approval at the AGM under the sixth point on the agenda. The Board of Directors has estimated a percentage of 63.64% of requests for shares in this capital increase, so the remuneration in cash through purchase of the free-of-charge allocation rights would total approximately 208,435 thousand euro.
- II. The payment of a dividend of 0.04 euro gross per share of Repsol, S.A. entitled to them and that is outstanding at the date on which the corresponding payment is made, as from June 20, 2013. At the date of issuing this report, the maximum amount to be distributed for all the ordinary shares into which the capital is divided would be 51,298 thousand euro.

The proposal is completed with the amounts that would be allocated to funding the legal reserve (12,317 thousand euro) and the voluntary reserves (24,477 thousand euro) of the Company.

Finally, according to the proposal, if the amount estimated for the acquisition of free-of-charge allocation rights in the capital increase against reserves contemplated in point (I) above (i.e. 208,435 thousand euro) is smaller or greater than the amount finally used to acquire those rights, the difference will automatically be allocated to increase the voluntary reserves or reduce the amount allocated to increasing those reserves, respectively. This is coordinated with the resolution proposed under the sixth point on the agenda, whereby if the total purchase price of the free allocation rights acquired by the Company exceeds the aforesaid amount, the Company is authorized to apply voluntary reserves from retained earnings to the purchase of free-of-charge allocation rights in the amount of that excess.

Report by the Board of Directors on the resolution proposals at the sixth and seventh points of the Agenda relating to capital increases in a determinable amount pursuant to the terms of the resolution, by issuing new common shares having a par value of one (1) euro each, of the same class and series as those currently outstanding, charged to reserves, offering shareholders the possibility of selling the free-of-charge allocation rights to the Company itself or on the market. Delegation of powers to the Board of Directors or, by substitution, to the Delegate Committee, to fix the date the increase is to be implemented and the terms of the increase in all respects not provided for by the General Meeting, all in accordance with Article 297(1)(a) of the Companies Act. Application for admission of the newly issued shares to listing on the Madrid, Barcelona, Bilbao and Valencia stock exchanges through the Automated Quotation System (Sistema de Interconexión Bursátil) and on the Buenos Aires stock exchange”).

This report is issued by the Board of Directors of Repsol, S.A. (the “Company”) to justify the two proposals to increase the capital in the context of the shareholder remuneration program called “Repsol Flexible Dividend”, which will be submitted for approval under the sixth and seventh points of the Agenda, respectively, at the Ordinary General Shareholders' Meeting called at 12:00 on 30 May 2013, on first call and at the same time on 31 May 2013, on second call.

This report is issued in compliance with Articles 286 and 296 of the recast Companies Act (the “Companies Act”), approved by Legislative Royal Decree 1/2010 of 2 July, by virtue of which the Board of Directors must issue a report justifying the proposals to be submitted to the General Shareholders' Meeting, insofar as the approval of those resolutions and their implementation necessarily require a modification of Articles 5 and 6 of the Company's Articles of Association, on the capital and shares, respectively.

In order to enable a clearer understanding of the operations behind the proposals to increase the capital submitted to the General Shareholders' Meeting, shareholders are provided firstly with a description of the purpose of and grounds justifying those capital increases, and secondly with a description of the main terms and conditions of the capital increases against reserves contemplated in this report.

1 Purpose and justification of the proposals

1.1 Purpose and justification of the proposals

The Company has traditionally remunerated its shareholders through the payment of cash dividends and intends to continue to allow the shareholders, if they wish, to receive all of his compensation in cash.

With this approach, in order to improve shareholder remuneration structure and in keeping with the latest trends in this matter among other companies in IBEX-35, in 2012 the Company first offered its shareholders an option (called “Repsol Flexible Dividend”) which, without affecting their right to receive the entire remuneration in cash if they so wished, gave them the possibility of receiving shares in the Company, with the tax benefits applicable to free-of-charge shares, as described below. This system was first implemented in the Company to replace the traditional payment of the final dividend for the year 2011 and was repeated to replace the traditional payment of the interim dividend for the year 2012.

Thus, the purpose of the capital increase proposals submitted to the Shareholders' Meeting is to offer again all the Company's shareholders the option, at their free choice, of receiving new free-of-charge shares in the Company, without altering the Company's policy of remunerating its shareholders in cash, since they may opt, as an alternative, to receive an amount in cash by selling their scrip dividend rights to the Company (if they do not sell on the market), as explained herein below.

1.2 Structure of the operations and options available to shareholders

The two proposals laid before the General Shareholders' Meeting under the sixth and seventh points of the Agenda contemplate offering the Company's shareholders the option to receive, at their choice, either free-of-charge shares of the Company or a remuneration in cash.

These offers are structured in two capital increases against reserves (each on an “Increase” or a “Capital Increase” and jointly the “Capital Increases”). However, although they both correspond to the purpose described in section 1.1 above, each Capital Increase is independent, so they would be made on different dates and Repsol, S.A. could even decide not to make one or both, in which case the corresponding Increase would have no effect pursuant to section 2.7 below.

When the Board of Directors or, by substitution, the Delegate Committee decides to implement one of the Capital Increases:

- a. The Company's shareholders will receive a free-of-charge allocation right for each share in the Company that they hold at that time. These rights will be tradable so may be traded, on the same conditions as the shares in respect of which they are issued, on the Madrid, Barcelona, Bilbao and Valencia stock exchanges for a period of at least fifteen (15) calendar days, after which the rights will automatically become new shares in the Company, which will be allocated to the holders of the free-of-charge allocation rights at that date. The specific number of shares to be issued and, therefore, the number of rights needed for the allocation of one new share will depend on the price of the Company's share on the date of implementation of the Capital Increase (the “Share Price”), calculated by the procedure described herein below. However, as will be explained later (I) the total number of shares to be issued in the first Capital Increase will be determined so that their market value calculated at the Share Price will be approximately 590 million euro; and (II) the maximum number of shares to be issued in the Second Capital Increase will be determined so that their market value calculated at the Share Price will be the amount fix by the Board or, by substitution, the Delegate Committee, with the limit established in section 1.4 below.
- b. The Company will irrevocably undertake to purchase the aforesaid free-of-charge allocation rights at a fixed price from whom being entitled to receive them according to the accounting registers of *Sociedad de Gestión de los Sistemas de Registro, Compensación and Liquidación de Valores, S.A. Unipersonal* (Iberclear) at 23:59, Madrid time, on the date on which the announcement of the corresponding Capital Increase is published in the Official Gazette of the Commercial Registry and, therefore, will receive those rights free (the “Purchase Commitment”). The Purchase Commitment will only cover the rights received by the shareholders free of charge, not those purchased or otherwise acquired on the market. The fixed purchase price of the free-of-charge allocation rights will be calculated before trading of the rights commences, based on the Share Price (such that the price per right will be the result of dividing the Share Price by the number of rights needed to receive one new share, plus one). The Company thus guarantees that all shareholders will be able to monetize their rights and thus receive the cash if they do not wish to receive new shares.

Therefore, when each Capital Increase is made, the Company's shareholders may choose freely between the following options¹⁾:

- a. Not to sell their free-of-charge allocation rights. In this case, at the end of the trading period the shareholder will receive the corresponding number of new free-of-charge shares.
- b. To sell all or part of their free-of-charge allocation rights to the Company under the Purchase Commitment at a guaranteed fixed price. Shareholders choosing this option would monetize their rights and receive a remuneration in cash dividend instead of shares.

¹⁾ The options available to holders of *American Depositary Shares/American Depositary Receipts* and ordinary shares listed on the Buenos Aires stock exchange may be subject to certain variations in respect of the options described here, due to the terms and conditions applicable to the programs in which those holders participate and the regulations of the stock markets on which those securities are traded.

- c. To sell all or part of their free-of-charge allocation rights on the market. Shareholders choosing this option would also monetize their rights, although in this case they would not receive a guaranteed fixed price, as in option (b) above, but instead the consideration payable for the rights would depend on market conditions in general and the quotation price of those rights in particular.

The Company's shareholders may combine any or all of the alternatives mentioned in paragraphs (a) to (c) above. It should be noted in this regard that the alternatives receive different tax treatment.

The gross amount received by shareholders choosing options (a) and (b) will be equivalent, as the Share Price will be used to determine both the fixed price of the Purchase Commitment and the number of free-of-charge allocation rights needed for the allocation of one new share. In other words, the gross price received by a shareholder selling all his free-of-charge allocation rights to the Company under the Purchase Commitment will be approximately equal to the value of the new shares he will receive if he does not sell his rights, calculated at the market price of the Company's share at the date of the Capital Increase (i.e. the Share Price). However, the tax treatment of each alternative is different. The tax treatment of the sales contemplated in options (b) and (c) is also different (see section 2.6 below for a summary of the tax regime applicable to this operation in Spain).

1.3 Coordination with the traditional dividend

In addition to the distribution of a cash dividend to be submitted for approval to the Annual Shareholders' Meeting under the fifth point on the agenda for the AGM, the Company plans to replace what would have been the traditional final dividend of 2012 and the interim dividend of 2013 with two issues of free-of-charge shares, although preserving its shareholders' right to receive a cash remuneration if they prefer.

1.4 Amount of the Alternative Option and price of the Purchase Commitment

The structure of the proposals consists of offering shareholders free-of-charge shares, the value of which, determined according to the Share Price, will be:

- in the first Increase, a total of 589,926,276.88 euro gross; and
- in the second Increase, the amount determined by the Board of Directors or, by substitution, the Delegate Committee, with the limit of 792,000,000 euro gross.

Since, as mentioned earlier, the purpose of the Purchase Commitment is to enable shareholders to monetize the Amount of the Alternative Option of each Increase, and bearing in mind that shareholders will be assigned one free-of-charge allocation right for each outstanding share, the gross price per right at which the Purchase Commitment will be made in each Increase would be approximately equal, subject to the provisions of sections 2.1 and 2.3 below, to the amount per share of the Amount of the Alternative Option.

The final purchase price (and, in relation to the second Increase, the Amount of the Alternative Option, if appropriate) will be determined and announced pursuant to section 2.3.

2. Main terms and conditions of the capital increase

2.1 Amount of each Capital Increase, number of shares to be issued and number of scrip dividend rights needed for the allocation of one new share

The maximum number of shares to be issued in each Capital Increase will be the result of dividing the Amount of the Alternative Option of the corresponding Increase between the value of the Company's share when the Board of Directors or, by substitution, the Delegate Committee, decides to implement each Capital Increase (i.e. the Share Price). The number thus calculated will be rounded off to obtain a whole number of shares and a rights-shares conversion rate, also in a whole number. In addition and for the same purpose, the Company will waive the free-of-charge allocation rights corresponding to it, for the sole purpose of ensuring that the number of new shares to be issued in each Capital Increase is a whole number and not a fraction.

To determine the number of shares to be issued, it will be considered only the outstanding free-of-charge allocation rights at the end of the trading period, excluding those that were sold to the Company under the Purchase Commitment at a guaranteed fixed price (alternative b). When it is decided to implement a Capital Increase, the Board of Directors or, by substitution, the Delegate Committee will determine the maximum number of shares to be issued in each Increase and, therefore, the maximum amount of the Capital Increase and the number of free-of-charge allocation rights need for the allocation of one new share by applying the following formula (rounding the result down to the nearest whole number):

$$MNNS = NES / \text{No. Rights per share}$$

where,

"MNNS" = Maximum number of New Shares to be issued in the Capital Increase;

"NES" = number of outstanding shares in the Company at the date on which the Board of Directors or, by substitution, the Delegate Committee resolves to implement the Capital Increase; and

"No. Rights per share" = number of free-of-charge allocation rights required for the allocation of one New Share in the Capital Increase, which will be the result of applying the following formula, rounded up to the nearest whole number:

$$\text{No. Rights per Share} = NES / \text{Provisional no. shares}$$

where,

"Provisional no. shares" = Amount of the Alternative Option / Share Price

For this purpose, "Share Price" will be the arithmetic mean of the weighted average prices of the Company's share on the Madrid, Barcelona, Bilbao and Valencia stock exchanges over the five (5) trading sessions prior to the date of the resolution adopted by the Board of Directors or, by substitution, the Delegate Committee to implement the Capital Increase, rounded up or down to the nearest thousandth of a euro and, in the event of half a thousandth of a euro, rounded up to the nearest thousandth of a euro.

The final number of shares to be issued will be the ratio of the number of outstanding rights at the end of the negotiation period and the number of rights per share, and if this figure is not a whole number, the Company will waive the free-of-charge allocation rights necessary to do so.

Once determined the final number of shares to be issued, the amount of each Capital Increase will be the result of multiplying the number of the new shares by the par value of the Company's shares – one euro per share (1 €). The Capital Increases will be made, therefore, at par, with no share premium.

Example of the calculation of the number of new shares to be issued, the amount of a Capital Increase and the number of free-of-charge allocation rights needed for the allocation of one new share:

For the sole purpose of helping shareholders to understand its application, a sample calculation is set out below using the formula contemplated in this section. The results of these calculations are not representative of the possible real results in the event of making the Capital Increases, which will depend on the different variables used in the formula (essentially the Share Price of the Company's share at that time) and the rounding off to be made.

For the sole purpose of this example:

The Amount of the Alternative Option of the Increase to be made is 589,926,276.88 euro.

A Share Price of 16.70 euro is assumed.

The NES is 1,282,448,428 (number of Company shares at the date of this report).

Therefore:

$$\text{Provisional no. shares} = \text{Amount of the Alternative Option} / \text{Share Price} = 589,926,276.88 / 16.70 = 35,324,926$$

$$\text{No. Rights per share} = \text{NES} / \text{Provisional no. shares} = 1,282,448,428 / 35,324,926 = 36.30 = 37 \text{ (rounded up)}$$

$$\text{MNNS} = \text{NES} / \text{No. Rights per share} = 1,282,448,428 / 37 = 34,660,768 \text{ (rounded down)}$$

The free-of-charge allocation rights sold to the Company under the Purchase Commitment at a guaranteed fixed price (alternative b), are excluded from the computation of shares to be issued (NNS). In the example, if the Company had purchase 500,000,000 free-of-charge allocation rights, would be 782,448,428 of outstanding free-of-charge allocation rights at the end of the trading period. The calculation of the final number of new shares to be issued (NNS) would be:

$$NNS = \text{Number of outstanding free-of-charge allocation rights} / \text{No. Rights per share} = 782,448,428 / 37 = 21,147,254$$

Consequently, in this example, (I) the final number of new shares to be issued in the Capital Increase would be 21,147,254, (II) the amount of the Capital Increase would be 21,147,254 euros, and (III) 37 free-of-charge allocation rights (or old shares) would be needed for the allocation of one new share in that Increase.

2.2 Free-of-charge allocation rights

In each Capital Increase each share of the Company in circulation will entitle its holder to one free-of-charge allocation right.

The number of free-of-charge allocation rights needed to receive one new share in each Capital Increase will be determined automatically according to the ratio of the number of new shares to the number of outstanding shares at that time, calculated using the formula established in section 2.1 above. In particular, shareholders will be entitled to receive one New Share for a number of free-of-charge allocation rights determined according to section 2.1 above, that they hold in the corresponding Increase.

If the number of free-of-charge allocation rights required for the allocation of one share (37 in the example set out above) multiplied by the maximum number of new shares to be issued (34,660,768 in the example) is lower than the number of shares in circulation (1,282,448,428), the Company will waive a number of free-of-charge allocation rights equal to the difference between the two figures (12 rights in the example) for the sole purpose of ensuring that the number of new shares is a whole number and not a fraction. In that case, there would be an incomplete allocation of the Capital Increase and the capital would be increased only by the amount corresponding to the free-of-charge allocation rights in respect of which no waiver has been made (for which the provisions of section 2.3 below must also be taken into consideration), pursuant to Article 311 of the Companies Act.

Free-of-charge allocation rights will be allocated to whom being entitled to receive them according to the accounting registers of *Sociedad de Gestión de los Sistemas de Registro, Compensación and Liquidación de Valores, S.A. Unipersonal* (Iberclear) at 23:59 on the date on which the announcement of the Capital Increase is published in the Official Gazette of the Commercial Registry. Such rights may be traded on the same conditions as the shares in respect of which they are granted and may be traded on the market for such time as may be determined by the Board of Directors or, by substitution, the Delegate Committee, at least fifteen (15) calendar days, commencing on the day after the date on which the announcement of the corresponding Capital Increase is published in the Official Gazette of the Commercial Registry. During that period, sufficient free-of-charge allocation rights may be acquired on the market in the necessary proportion to receive new shares.

The holders of any convertible debentures into Repsol shares that may be outstanding at the date on which the Board of Directors or, by substitution, the Delegate Committee resolves to implement the Capital Increase will not have free-of-charge allocation right over the New Shares, notwithstanding the modifications to be made to the conversion rate by virtue of the terms of each issue.

2.3 Purchase Commitment of the free-of-charge allocation rights

As mentioned earlier, the Company irrevocably undertakes to purchase the free-of-charge allocation rights assigned in each Capital Increase (the "Purchase Commitment"), so those receiving free the free-of-charge allocation rights at the start of the trading period of those rights will have guaranteed the possibility of selling their rights to the Company and receiving, at their choice, all or part of their remuneration in cash. The Purchase Commitment will only cover the rights received by the shareholders free of charge, not those purchased or otherwise

acquired on the market, and will be in force and may be accepted during such time, within the trading period of the rights, as may be determined by the Board of Directors or, by substitution, the Delegate Committee. The purchase price under the Purchase Commitment will be fixed, calculated prior to opening of the trading period for the free-of-charge allocation rights applying the following formula (applying the definitions set out in section 2.1 above), rounded up or down to the nearest thousandth of a euro and, in the event of half a thousandth of a euro, rounded up to the nearest thousandth of a euro (the "Purchase Price"): Purchase Price = Share Price / (No. Rights per share +1).

The final Purchase Price thus calculated will be determined and announced on the date of implementation of each Capital Increase.

The Company will foreseeably waive the new shares corresponding to the free-of-charge allocation rights acquired under the Purchase Commitment. In that case there would be an incomplete allocation of each Capital Increase and the capital would be increased only by the amount corresponding to the free-of-charge allocation rights in respect of which no waiver has been made, pursuant to Article 311 of the Companies Act.

2.4 Rights of the new shares

The new shares issued in each Capital Increase will be ordinary shares with a par value of one euro (1 €) each, of the same class and series as those currently in circulation, issued in book-entry form, the accounting register of which will be assigned to *Sociedad de Gestión de los Sistemas de Registro, Compensación and Liquidación de Valores, S.A. Unipersonal* (Iberclear) and its members. The new shares will confer upon their holders the same voting and economic rights as the Company's ordinary shares currently in circulation as from the date on which the Capital Increase is declared subscribed and paid up.

The Capital Increases will be made free of charges and commissions for the allocation of new shares issued. The Company will bear the costs of issue, subscription, putting into circulation, listing and any others related to each Capital Increase.

Nevertheless, the Company's shareholders should bear in mind that the members of *Sociedad de Gestión de los Sistemas de Registro, Compensación and Liquidación de Valores, S.A. Unipersonal* (Iberclear) at which they have deposited their shares may, under prevailing laws, establish such administration charges and commissions as they may freely determine for the subscription of the new shares and the maintaining of the shares in the accounting registers. Moreover, these members may, under prevailing laws, establish such charges and commissions as they may freely determine for handling purchase and sale orders in respect of free-of-charge allocation rights.

2.5 Balance sheet and reserve against which the Capital Increases are made

The balance sheet on which the Capital Increases are based is the balance sheet for the year ended 31 December 2012, audited by Deloitte, S.L. on 27 February 2013 and laid before the Ordinary General Shareholders' Meeting for approval under the first point of the Agenda.

The Capital Increases will be made entirely against the voluntary reserves from retained earnings. When making the Capital Increase, the Board of Directors or, by substitution, the Delegate Committee, will specify the reserve to be used and the amount of that reserve according to the balance sheet used as the basis for the Capital Increases.

2.6 Taxation

General comments

The principal tax implications deriving from the Capital Increase are set out below, based on the tax laws in place in the common territory and the interpretation made by the Spanish tax authorities (*Dirección General de Tributos*) in answers to several binding consultations.

Although the tax regime applicable to shareholders resident in Ceuta and Melilla is similar to that of the common territory, certain differences may arise in the tax treatment (particularly for individual shareholders resident in certain territories, in connection with the sale of their free-of-charge allocation rights in the market).

Shareholders not resident in Spain, the holders of *American Depositary Shares/American Depositary Receipts* representing shares in the Company and the holders of Company shares listed on the Buenos Aires stock exchange should consult their tax advisers on the effects deriving from the different options for the Capital Increase, including the right to apply the provisions of double taxation treaties signed by Spain.

It should be borne in mind that the taxation of the different options for the Capital Increase set out herein does not cover all possible tax consequences. Consequently, shareholders are recommended to consult their tax advisers on the specific tax impact of the proposed operation and to pay attention to any changes or amendments that may be made in both the laws in place at the date of this operation and the interpretation criteria, as well as the specific circumstances of each shareholder or holder of free-of-charge allocation rights.

Specific comments

The new shares delivered in each Capital Increase will, for tax purposes, be considered bonus shares and, as such, will not be considered income for personal income tax (IRPF), corporate income tax (IS) or non-resident income tax (IRNR), regardless of whether or not the recipients of those shares operate through a permanent establishment in Spain. In line with the foregoing, the delivery of new shares is not subject to withholding tax or payment on account (advance tax).

The acquisition value of both the new shares and the shares in respect of which they are issued will be determined by dividing the total cost by the number of shares, both old shares and bonus shares. The bonus shares will be considered to have the same age as the shares in respect of which they are issued.

Consequently, in the event of a subsequent sale, the income obtained will be calculated with reference to this new value.

If shareholders sell their free-of-charge allocation rights on the market, the proceeds obtained from trading those rights on the market will not be subject to withholding tax or payment on account and will be given the tax treatment described below:

- a. For personal income tax and income tax of non-residents with no permanent establishment in Spain, the proceeds obtained from the sale of free-of-charge allocation rights on the market will be given the same tax treatment as preferential subscription rights. Consequently, the proceeds from selling the free-of-charge allocation rights reduce the acquisition value for tax purposes of the shares giving rise to those rights, pursuant to Article 37.1.a) of the Personal Income Tax Act 35/2006 of 28 November.

Therefore, if the amount obtained from that sale is greater than the acquisition value of the shares in respect of which the rights are granted, the difference will be considered a capital gain for the seller in the tax period in which the sale is made, without prejudice to the possible application to non-resident taxpayers with no permanent establishment in Spain of the double taxation treaties signed by Spain to which they may be entitled.

- b. For corporate income tax and income tax of non-residents with a permanent establishment in Spain, since a full commercial cycle is closed, it will be taxed according to the applicable accounting standards and, where appropriate, any special tax regimes applicable to the shareholders subject to the taxes indicated.

Finally, if holders of the free-of-charge allocation rights decide to take up the Repsol Purchase Commitment, the proceeds from sale to Repsol of such rights received as shareholders will be given the same tax treatment as a cash dividend and, therefore, they will be subject to withholding tax and the corresponding taxation.

2.7 Authorization to make each Capital Increase

Pursuant to Article 297.1.a) of the Companies Act, it is proposed authorizing the Board of Directors, with express power to delegate to the Delegate Committee, to determine the date on which each capital increase resolution adopted by the Ordinary General Shareholders' Meeting is to be implemented and to establish the conditions of each Capital Increase in any aspects not stipulated by the Shareholders' Meeting, within a period not exceeding one year from the date on which the resolutions are adopted by the Shareholders' Meeting in respect of the Capital Increases.

This notwithstanding, if the Board of Directors, with express powers of substitution, does not consider it convenient to make any of the Capital Increases, it may submit a proposal to the Shareholders' Meeting for revocation, in which case it will not be obliged to make the Capital Increase in question. In particular, the Board of Directors or, by substitution, the Delegate Committee, will analyze and take account of the market conditions, circumstances of the Company and any deriving from a socially or economically important event or circumstance, as well as the level of acceptance of the first Capital Increase and, if in the opinion of the Board of Directors those or other considerations make it unadvisable to make the corresponding Increase, it may submit a proposal to the Shareholders' Meeting to revoke any of the Capital Increases. Moreover, the Capital Increases will have no effect if the Board of Directors or, by delegation, the Delegate Committee, does not exercise the powers delegated to it within the period of one year indicated by the Shareholders' Meeting for making the Capital Increase, in which case it will report on that at the first Shareholders' Meeting held thereafter.

When the Board of Directors or, by substitution, the Delegate Committee decides to make a Capital Increase, defining the final terms thereof in any aspects not already specified by the Shareholders' Meeting, the Company will publish those terms. In particular, prior to commencement of the period for free allocation of the corresponding Increase, the Company will publish a document containing information on the number and nature of the shares and the reasons for the Capital Increase, in pursuance of Article 26.1.e) of Royal Decree 1310/2005 of 4 November, partly developing the Securities Market Act 24/1988 of 28 July.

After the end of the trading period for free-of-charge allocation rights in respect of each Capital Increase:

- a. The new shares will be allocated to those shareholders who hold the free-of-charge allocation rights according to the registers kept by *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal* (Iberclear) and its members in the necessary proportions.
- b. The Board of Directors or, by substitution, the Delegate Committee will declare the free-of-charge allocation rights trading period over and will apply the reserves in the Company's accounts in the amount of the corresponding Capital Increase, which will be deemed paid up by that application.

Finally, the Board of Directors or, by substitution, the Delegate Committee, will adopt the corresponding resolution to modify the Articles of Association in order to reflect the new amount of the capital following each Capital Increase and apply for listing of the new shares.

2.8 Listing of the new shares

The Company will apply for listing of the new shares issued in each Capital Increase on the Madrid, Barcelona, Bilbao and Valencia stock exchanges through the Automated Quotation System (*Sistema de Interconexión Bursátil*) and complete whatever formalities and actions may be necessary and file such documents as may be required with the competent authorities for listing of the new shares issued in each Capital Increase on the Buenos Aires stock exchange, expressly putting on record that the Company submits to existing or future laws and regulations governing the stock market, particularly regarding trading, minimum time frames and delisting.

Report of the Board of Directors on the resolution proposed under the eighth point on the Agenda: ("Re-election as Director of Mr. Luis Suárez de Lezo Mantilla").

The eighth point of the Agenda is to re-elect Mr. Luis Suárez de Lezo, as Director, for a further period of four years.

The proposal consisting in re-electing Mr. Luis Suárez de Lezo as Director, which the Board of Directors presents to the General Meeting, has been agreed following a favorable report by the Nomination and Compensation Committee held on April 25, 2013, which equally ratified the concurrence and subsistence, at the time of re-election, of the conditions of full eligibility of Mr. Suárez de Lezo to hold the position of Director.

Mr Suárez de Lezo was appointed Repsol Board Member by the Board of Directors on 2 February 2005, subsequently ratified and appointed by the General Shareholders' Meeting of 31 May 2005, and re-elected by the General Shareholders' Meeting of 14 May 2009.

According to the provisions included in the Bylaws and Regulations of the Board of Directors, Mr. Suárez de Lezo is considered to be an *"Executive Director"*.

Herein below it is included additional information about the professional history of Mr. Suárez de Lezo, other Boards of Directors to which he belongs, the number of shares of the Company that he holds and the number of Board meeting he has attended personally during 2012.

Mr. Suárez de Lezo has a Law Degree from the Complutense University and he is Public Prosecutor (on leave of absence). Lawyer specializing in Mercantile and Administrative Law. He was Legal Affairs Director at Campsa until the end of the oil monopoly and has practised as a liberal professional, specifically in the energy sector. He is currently a Member of the Board at Gas Natural SDG, S.A. and Repsol – Gas Natural LNG, S.L., as well as Vice-Chairman of the Repsol Foundation. He is also a member of the Environment and Energy Commission at the International Chamber of Commerce (ICC).

Mr. Suárez de Lezo holds, whether directly or indirectly, 21,830 shares of Repsol, S.A.

Mr. Suárez de Lezo has attended personally to all the meetings of the Board of Directors held during 2012 (12 out of 12).

Report of the Board of Directors on the resolution proposed under the ninth point ninth on the Agenda: ("Re-election as Director of Ms. María Isabel Gabarró Miquel").

The ninth point of the Agenda is to re-elect Ms. María Isabel Gabarró Miquel, as Director, for a further period of four years.

The proposal consisting in re-electing Ms. María Isabel Gabarró Miquel as Director, which the Board of Directors presents to the General Meeting, has been agreed following a favorable report issued by the Nomination and Compensation Committee held on April 25, 2013 which equally ratified the concurrence and subsistence, at the time of re-election, of the conditions of full eligibility of Ms. Gabarró to hold the position of Director.

Ms. Gabarró was appointed as Director of Repsol, S.A. by resolution of the Annual Shareholders Meeting on May 14th, 2009.

According to the provisions included in the Bylaws and Regulations of the Board of Directors, Ms. Gabarró is considered to be an *"Independent External Director"*.

Herein below it is included additional information about the professional history of Ms. Gabarró, the number of shares of the Company that she holds and the number of Board meeting she has attended personally during 2012.

Ms. Gabarró has a Graduate in Law from the University of Barcelona in 1976. In 1979 she joined the Bar of Notaries. She has been a board member of important entities in different sectors: financial, energy, telecommunications, infrastructure and also property, where she was also a member of the Nomination and Compensation Committee and of the Audit and Control Committee. Currently, she is registered on the Bar of Notaries of Barcelona, since 1986, and is a member of the Sociedad Económica Barcelonesa de Amigos del País.

Ms. Gabarró holds, whether directly or indirectly, 8,255 shares of Repsol, S.A.

Ms. Gabarró has attended personally 11 out of the 12 meetings of the Board of Directors held during 2012.

Report by the Board of Directors on the resolution proposed under the tenth point on the Agenda ("Ratification of the interim appointment and re-election of Mr. Manuel Manrique Cecilia as Director of the Company").

The tenth point of the Agenda consists on the ratification of the interim appointment of Mr. Manuel Manrique Cecilia as Director and his re-election, for a further period of four years.

Further to Mr. Juan Abelló Gallo's resignation on March 6, 2013, the Board of Directors of the Company resolved to appoint Mr. Manuel Manrique Cecilia as Director, through the cooptation system and further to the proposal submitted by Sacyr Vallehermoso, S.A., holder of 9.53% share capital of Repsol. Said appointment was resolved by the Board of Directors of April 25, 2013 following a favorable report issued by the Nomination and Compensation Committee that verified the concurrence of the conditions of full eligibility of Mr. Manrique to hold the position of Director.

The proposal consisting in ratifying and re-electing Mr. Manrique as Director, which the Board of Directors presents to the General Meeting, has also been agreed following a favorable report issued by the Nomination and Compensation Committee held on April 25, 2013 which ratified the concurrence and subsistence, at the time of re-election, of the conditions of full eligibility of Mr. Manrique to hold the position of Director.

According to the provisions included in the Bylaws and Regulations of the Board of Directors, Mr. Manrique is considered to be an *"External Proprietary Director"* proposed by the shareholder Sacyr Vallehermoso, S.A.

Herein below it is included additional information about the professional history of Mr. Manrique, other Boards of Directors to which he belongs and the number of shares of the Company that he holds.

Mr. Manrique is a Civil Engineering graduate from Escuela Técnica Superior, Madrid. He has more than 35 years of professional experience in construction, infrastructure concessions, services, rental property, residential development and the energy sector.

He began his professional career in Ferrovial. In 1987 he was one of the founding partners of Sacyr, being appointed its International Responsible in the late 90's. In 2001 he was appointed Executive Director of the Construction area. In 2003, at the time of the merger with Vallehermoso, Mr. Manrique was appointed Chairman and CEO of the construction division and member of the Board of Directors of the new Group Sacyr Vallehermoso. In November 2004, he was appointed First Vice-chairman and CEO of Sacyr Vallehermoso, S.A. as well as member of the Delegate Committee of the Group. Since October 2011, Mr. Manrique also holds the position of Chairman of the Board of Directors of Sacyr Vallehermoso, S.A.

Mr. Manrique is also a member of the Board of Directors in other Group companies such as Testa Inmuebles en Renta, S.A.

Mr. Manrique holds, whether directly or indirectly, 100 shares of Repsol, S.A.

Report of the Board of Directors on the resolution proposed under the eleventh point on the Agenda ("Appointment of Mr. Rene Dahan as Director").

The eleventh point of the Agenda concerns the appointment of Mr. Rene Dahan as Director for the statutory period of four years.

The proposal consisting in appointing Mr. Rene Dahan as Director, which the Board of Directors presents to the General Meeting, has been agreed further to the proposal submitted by Temasek, which holds 6.41% of Repsol share capital and has been favorably informed by the Nomination and Compensation Committee held on April 25, 2013 which equally ratified the concurrence of the conditions of full eligibility of Mr. Dahan to hold the position of Director.

According to the provisions included in the Bylaws and Regulations of the Board of Directors, Mr. Dahan is considered to be an *"External Proprietary Director"* proposed by the shareholder Temasek.

Herein below it is included additional information about the professional history of Mr. Dahan and other Boards of Directors to which he belongs.

Former Director and Executive Vice President of ExxonMobil corporation.

Started his career with Exxon at its Rotterdam refinery in 1964. After several operating, engineering and staff assignments was appointed manager of the 325 kbd Rotterdam Refinery in 1974.

He transferred to the European Exxon headquarters in 1976 where he was responsible for Exxon natural gas interests in Europe.

After a short assignment in the corporation's New York headquarters he was appointed CEO of Esso B.V., the Company's affiliate responsible for all upstream and downstream interests in the Benelux countries.

In 1990 he transferred to New Jersey, USA and was appointed in 1992 President of Exxon Company International responsible for all Exxon businesses outside North America.

In 1998 he joined the Management Committee and was appointed as Director of Exxon corporation in Dallas with responsibility for the worldwide downstream and chemical business.

In 1999 he led the implementation of the merger between Exxon and Mobil and was subsequently named Executive Vice President of ExxonMobil corporation. He retired in 2002.

In the period between 2002 and 2009 he served as a director in the Supervisory Boards of VNU N.V., TNT N.V. and Aegon N.V. and the Advisory Boards of CVC (private equity) and the Guggenheim group in New York.

He currently serves as Chairman of the Supervisory Board of Royal Ahold N.V.

He is a member of the International Advisory Board of the Instituto de Empresa in Madrid and President of the Dahan Family Foundation.

Mr. Dahan is of Dutch nationality and resides in Montreux, Switzerland.

Report by the Board of Directors on the resolutions proposed under the twelfth point ("Directors' Remuneration system: amendment of Article 45 ("Remuneration of Directors") of the Bylaws.") and thirteenth on the Agenda ("Remuneration of Board members").

1. Purpose of the Report

In pursuance of section 286 of the Corporate Enterprises Act and Article 2 of the Regulations of the General Shareholders' Meeting, the Board of Directors of Repsol, S.A. ("**Repsol**" or the "**Company**") issues this report to justify the proposed alteration of Article 45 of the Company's Bylaws, submitted to the shareholders at the General Meeting for approval.

2. Purpose and justification of the proposal

The proposed alteration of the Bylaws consists of modifying the first paragraph of Article 45 regarding the system of remuneration of Directors for their collegiate supervisory and decision-making duties, replacing the current system of remuneration based on a share in the profits with a system of remuneration consisting of the payment of a fixed annual sum, the amount of which is to be determined by the General Meeting.

The proposed alteration is intended to adapt the system established in the Bylaws to the Company's remuneration policy for Directors, which has been applied in practice for several years. Under the system as it is currently regulated in the Bylaws, Directors are entitled to a sum equivalent to 1.5% of the net profit, after setting aside the necessary amounts to cover the legal reserve and other compulsory reserves and recognizing shareholders a dividend of at least 4%, as Board members and in compensation for the collegiate supervisory and decision-making duties corresponding to this body. In a Company of the size and with the profits reported by Repsol, that percentage could represent a very large sum, for which reason the current Bylaws already contemplate the possibility that the Board may reduce the amount corresponding to the aforesaid percentage, and in practice this reduction has been resolved consistently in recent years. Consequently, the new system proposed, consisting of a fixed annual sum to be determined by the General Meeting is more in line with what the Company has been doing so far and is, moreover, a system commonly used among large-cap Spanish listed companies.

As indicated in the Report on the Remuneration Policy for Directors of Repsol, S.A. 2012, put to an advisory vote under the fourteenth point on the Agenda for the General Meeting, the remuneration received by Directors for their collegiate supervisory and decision-making duties is a fixed remuneration calculated by assigning points for being on the Board of Directors or different Committees. The value of the point has remained unchanged since 2011. This fixed

sum is and has been far smaller than the amount that would be obtained by applying the percentage share in the Company's profits as established in the Bylaws.

In view of the foregoing and in order to adapt the Directors' compensation system to current practice in the Company, a motion is put to the shareholders to alter the first paragraph of Article 45 of the Bylaws, stipulating that Directors will receive a fixed sum for their collegiate supervisory and decision-making duties, the maximum amount of which will be set by the General Meeting. The Board will have the power to decide on the exact sum to be paid within that limit and how it is to be distributed among the Directors, taking account of the positions they hold and their participation in the different Committees.

The remaining paragraphs of Article 45 remain unchanged, maintaining the possibility of remunerating Directors with the delivery of shares in the Company, stock options or other securities entitling them to obtain shares in the Company and other forms of remuneration linked to the market value of the shares, subject to resolution by the General Meeting. The system of remuneration of Executive Directors and the provision regarding civil liability insurance for Directors and executives are also maintained.

Finally, for the purposes contemplated in the new first paragraph of Article 45 of the Bylaws, a proposal is put to the General Meeting under the thirteenth point on the agenda to determine the fixed annual sum of Directors' compensation for 2013, which will remain in force until the General Meeting resolves to change it. That sum would be a ceiling and the Board would establish the exact amount to be paid not exceeding that ceiling. For this purpose, shareholders are reminded that the Board has raised its remuneration for collegiate supervisory and decision-making duties by only 2.5% since 2008 and that the limit proposed is much smaller than the maximum amount that could be applied under the system of remuneration in force up to now.

Purely for shareholders' information and to facilitate comparison between the current version of the Article to be altered under point twelve on the agenda and the new text as it would be drafted according to the proposed alterations, both versions are transcribed below, in two columns.

Current wording	Proposal of amendment
Article 45 Director's Remuneration	Article 45 Director's Remuneration
As members of the Board and for the supervisory and decision-making duties performed by this body, Directors shall be entitled to a sum equivalent to 1.5% of the net profit, which may be paid only after covering the legal reserve and any other compulsory reserves and declaring a dividend of at least 4% in favor of the shareholders. The Board shall decide on the exact sum payable within this limit and distribute it among the Directors, taking into account the positions held by each Director on the Board and its Committees. The Company may make advance payments against the future share in the profits.	As members of the Board and for the supervisory and decision-making duties performed by this body, Directors shall be entitled to a <u>fixed annual amount determined by the shareholders at the General Shareholders' Meeting. Such amount shall remain in effect to the extent that the shareholders at the General Shareholders' Meeting do not resolve to change it.</u> sum equivalent to 1.5% of the net profit, which may be paid only after covering the legal reserve and any other compulsory reserves and declaring a dividend of at least 4% in favor of the shareholders. The Board shall decide on the exact sum payable within this limit and distribute it among the Directors, taking into account the positions held by each Director on the Board and its Committees. <u>The Company may make advance payments against the future share in the profits.</u>

Current wording (cont.)	Proposal of amendment (cont.)
Directors' remuneration may also include the delivery of shares in the Company, stock option rights or other securities entitling their holders to obtain shares, or systems of remuneration linked to the market price of the Company's shares. Application of any such system of remuneration shall be resolved by the Shareholders' Meeting, which shall specify the value of the shares taken as reference, the number of shares to be delivered to each Director, the price for exercising stock options, the duration of the system established and such other conditions as it may deem fit.	Directors' remuneration may also include the delivery of shares in the Company, stock option rights or other securities entitling their holders to obtain shares, or systems of remuneration linked to the market price of the Company's shares. Application of any such system of remuneration shall be resolved by the Shareholders' Meeting, which shall specify the value of the shares taken as reference, the number of shares to be delivered to each Director, the price for exercising stock options, the duration of the system established and such other conditions as it may deem fit.
The emoluments contemplated in this Article shall be compatible with and independent of the salaries, remuneration, severance pay, pensions or compensations of whatsoever nature established for Board members with executive duties, regardless of their relationship with the Company, whether deriving from a contract of employment (ordinary or top management), or from commercial or service contracts. The Company shall report on these remuneration in the Notes to the Annual Accounts and the Annual Corporate Governance Report.	The emoluments contemplated in this Article shall be compatible with and independent of the salaries, remuneration, severance pay, pensions or compensations of whatsoever nature established for Board members with executive duties, regardless of their relationship with the Company, whether deriving from a contract of employment (ordinary or top management), or from commercial or service contracts. The Company shall report on these remuneration in the Notes to the Annual Accounts and the Annual Corporate Governance Report.
The Company may take out civil liability insurance for its Directors and executives.	The Company may take out civil liability insurance for its Directors and executives.

Report by the Board of Directors on the resolution proposed under the fourteenth point on the Agenda ("Advisory vote on the Report on the Remuneration Policy for Directors of Repsol, S.A. for 2012").

Pursuant to Article 61 ter of the Securities Market Act 24/1988 of 28 July, as amended by the Sustainable Economy Act 2/2011 of 4 March, the Annual Report on the Remuneration Policy for Directors of Repsol, S.A. for the Fiscal Year 2012 is put to the advisory vote by the shareholders as a separate item on the agenda.

This Report was approved by the Board of Directors at its meeting of April 25, 2013, upon recommendation by the Nomination and Compensation Committee, and is available for consultation by shareholders on the Company's website (www.repsol.com) and at its registered office, Calle Méndez Álvaro, 44 28045 Madrid, where shareholders may also request its delivery or remittance free of charge to such address as they may indicate.

Report of the Board of Directors on the resolution proposed under the fifteenth point on the Agenda ("Delegation to the Board of Directors of the power to issue debentures, bonds and any other fixed rate securities or debt instruments of analogous nature, simples or exchangeables by issued shares or other pre-existing securities of other entities, as well as promissory notes and preference shares, and to guarantee the issue of securities by companies within the Group, leaving without effect, in the portion not used, the eighth resolution of the General Shareholders' Meeting held on May 14, 2009").

This report aims to justify the proposal submitted to the General Shareholders' Meeting, under the fifteenth point of the Agenda, for granting the Board of Directors, with express power to delegate the delegated powers, to issue, on one or several occasions, debentures, bonds and any other fixed rate securities or debt instrument of analogous nature, simple or exchangeable for issued shares or other existing securities of other entities. The delegation is also extended to the issue of preference shares or other securities of analogous nature, and promissory notes (under this or another denomination) and includes the power to establish and/or renew continuous or open-ended programs of debentures, bonds and any fixed rate securities of analogous nature as well as promissory notes, under this or another denomination.

The Board of Directors considers highly convenient to have the delegated powers permitted by the current legislation, in order to be in a position to obtain from the securities primary markets the necessary funds for an appropriate management of the corporate interests. From this point, the purpose of the proposed delegation is to provide the management body of the Company with the movement and response capacity required by the competitive environment in which the Company is involved, where the success of a strategic initiative or financial transaction frequently depends on the possibility to carry it out quickly and without the delays and costs of holding a General Shareholders' Meeting. This flexibility and agility is especially desirable in the current fragile financial context and uncertain market circumstances and make it advisable for the Company's Board of Directors to have the necessary means to have recourse, at any time, to the different sources of financing available, in order to obtain the most advantageous financial terms.

With this aim in mind, and due to the fact of close maturity of the authorizations granted by the General Shareholders' Meeting held on May 14th, 2009 for the issue of certain fixed rate securities, it is submitted to the General Shareholders' Meeting the approval of the resolution proposed under point fifteenth of the Agenda, in accordance with Article 319 of the Mercantile Register Regulations and applicable provisions.

Notwithstanding the provisions of the current Article 510 of the Companies Act (under which the maximum limit for the issuance of debentures provided in the Article 405 of the above Companies Act would not apply to listed companies), the proposal contains quantitative limits for the different issues.

In that sense, the Board of Directors considers advisable that these limits should be broad enough to permit the required fundraising in the capital market so as, in the implementation of the financing policy of the Company and its Group, to enable it to cover the financing requirements of the ordinary course of its business and those contemplated in the Strategic Plan 2012--2016 and to undertake such other investments as may be deemed appropriate for the Company or, in the case, refinance a part of the Company's debt.

Apart from this, and taking into consideration that, in certain circumstances, especially in the international markets, it could be convenient to obtain the funds in the market through subsidiaries and, in such case, the success of the operation could require the support and guarantee of the Company, the Board of Directors applies for the General Shareholders' Meeting express authorization, within the same period of five years, to guarantee any and all securities assumed by subsidiaries in relation with their issues made to obtain financing for the Group.

The proposal is completed with the application for the listing on any secondary market, organized or OTC, official or unofficial, domestic or abroad, of the securities issued by virtue of this authorization, empowering the Board of Directors to carrying out the corresponding procedures for such purpose and with the express power to delegate on the Delegate Committee any and all powers conferred to the Board of Directors.

Finally, the proposal includes leaving without effect, in the portion not used, the eighth resolution of the General Shareholders' Meeting held on May 14st, 2009, for the identity in the regulated subject, regarding the authorization granted to the Board of Directors to issue debentures, bonds and any other fixed rate securities of analogous nature, simples or exchangeable by issued shares of other companies, as well as promissory notes (under this or another denomination) and preference shares, and to guarantee the issue of securities by companies within the Group.

Report of the Board of Directors on the resolution proposed under the sixteenth point on the Agenda ("Composition of the Delegate Committee: amendment of Article 38 ("Delegate Committee") of the Bylaws").

The proposed amendment of the Bylaws consists in modifying first paragraph of Article 38 of the Bylaws concerning the composition of the Delegate Committee so that said Committee is composed by no more than nine Directors instead of eight. The purpose of said amendment is to provide more flexibility to the Committee in order to adjust its composition to the shareholding structure that the Company has at each moment. As provided in the current Article of the Bylaws, the Chairman of the Board will be in any case member of the Committee and will head it.

The other paragraphs of Article 38 of the Bylaws concerning the delegation of powers and the functioning regime of the Committee as regards the meetings, calling and passing of resolutions will not be modified.

To facilitate comparison of the existing wording of the Article for which modifications are proposed under the sixteenth point on the Agenda with the re-drafted wording resulting from the proposed modifications, a transcript of both wordings is inserted below in two columns, purely for informative purposes.

Current wording	Proposal of amendment
Article 38 Delegate Committee	Article 38 Delegate Committee
The Board may appoint a Delegate Committee, headed by the chairman of the Board, with no more than seven other Directors. The Secretary of the Board shall be secretary of this Committee.	The Board may appoint a Delegate Committee that will be composed by no more than nine (9) Directors. The Chairman of the Board will be in any case member of said Committee and will head it , headed by the chairman of the Board, with no more than seven other Directors. The Secretary of the Board shall be secretary of this Committee.
The favorable vote of two-thirds of the Board members shall be required for the permanent delegation of any power of the Board to the Delegate Committee and to appoint the Directors who are to sit on this Committee.	The favorable vote of two-thirds of the Board members shall be required for the permanent delegation of any power of the Board to the Delegate Committee and to appoint the Directors who are to sit on this Committee.
The Board may permanently delegate all its powers to the delegate Committee, save any which may not lawfully be delegated.	The Board may permanently delegate all its powers to the delegate Committee, save any which may not lawfully be delegated.

Current wording (cont.)	Proposal of amendment (cont.)
The delegate Committee shall meet whenever called by the chairman or when requested by the majority of its members. It may adopt final resolutions on all and any matters delegated to it by the Board, reporting to the latter at the next meeting held thereafter. In emergencies, it may also take decisions on other matters subject to delegation, submitting them to the Board for approval and ratification.	The delegate Committee shall meet whenever called by the chairman or when requested by the majority of its members. It may adopt final resolutions on all and any matters delegated to it by the Board, reporting to the latter at the next meeting held thereafter. In emergencies, it may also take decisions on other matters subject to delegation, submitting them to the Board for approval and ratification.

Report of the Board of Directors on the resolution proposal related to the seventeenth point on the Agenda ("Delegation of powers to interpret, complement, develop, execute, correct and formalize the resolutions adopted by the General Meeting").

This is the usual resolution that grants the Board of Directors the ordinary powers for the appropriate execution of the resolutions of the General Meeting itself, including the powers to formalize the deposit of the Annual Accounts and to register the resolutions subject to the same.

Report on the Remuneration Policy for Directors of Repsol, S.A.

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1.

Introduction

This report (the “**Report**”) sets out the remuneration policy of Repsol, S.A. (hereinafter “**Repsol**” or the “**Company**”) for the members of its Board of Directors and has been drawn up according to the principles of maximum transparency and information on remuneration applied by this Company in its public reporting documents.

The Report was approved by the Board of Directors at its meeting on April 25, 2013, following the recommendation of the Nomination and Compensation Committee and in accordance with the Articles of Association, and put to an advisory vote as a separate item on the agenda at the Ordinary General Shareholders' Meeting 2013.

The Report contains a description of the basic principles of the Company's remuneration policy regarding the members of the Board of Directors, addressing the remuneration of Executive and Non-Executive Directors separately, and a detailed disclosure of the different items comprising their remuneration.

2.

Duties of the Board of Directors and the Nomination and Compensation Committee

The duties of the Board of Directors of Repsol and its Nomination and Compensation Committee regarding remuneration are regulated in the Articles of Association and the Regulations of the Board of Directors.

Article 45 of the Articles of Association expressly establishes the obligation of the **Board of Directors** to approve each year a report on the remuneration policy for Directors including an overall summary of the application of that policy during the preceding year, the details of the individual remuneration of each Director in that year and references to the policy approved by the Board for the present year and future years, if any. This report must be made available to shareholders upon publication of the notice of call to the Ordinary General Meeting and put to an advisory vote as a separate item on the agenda.

Article 5 of the Regulations of the Board of Directors provides that the Board must approve the remuneration of the Directors and, in the case of Executive Directors, the additional remuneration for the performance of executive duties and other conditions of their contracts. It shall also approve the remuneration policy for Senior Executives.

According to Article 33 of the Regulations, the **Nomination and Compensation Committee** has the duty of submitting to the Board proposals on its remuneration policy, assessing in its proposal the responsibility, dedication and incompatibilities required of Directors. In the case of Executive Directors, the Committee proposes the additional remuneration payable for performing their executive duties and for the other conditions of their contracts.

The Nomination and Compensation Committee also has a duty to submit to the Board of Directors a proposal regarding the remuneration policy for Senior Executives.

The Nomination and Compensation Committee is also responsible for the selection, appointment, re-election and removal of Directors. For this purpose, it assesses the competence, expertise and experience required on the Board, defining the duties and skills sought in the candidates for any vacancy and assessing the time and dedication required to be able to perform their duties well. It also proposes the appointment, re-election or ratification of Non-Executive Independent Directors and informs on the appointment, re-election or ratification of other Directors, and on proposals for the appointment and removal of the Chairman, Vice-Chairmen, Secretary and Vice-Secretary of the Board of Directors and the Directors who are to sit on the different Committees, ensuring that when new vacancies arise or new Directors are appointed, women with the required professional profile are deliberately sought and included among the potential candidates.

3. Composition of the Nomination and Compensation Committee and the Board of Directors

According to the Articles of Association and the Regulations of the Board of Directors, all the members of the Nomination and Compensation Committee are Non-Executive Directors, most of whom, i.e. three (3), are Independent and the other two (2) Proprietary. All the Committee members have extensive experience and expertise in the duties to be performed.

As of December 31, 2012, the composition of the Nomination and Compensation Committee was as follows:

Name	Position	Status
Artur Carulla Font	Chairman	Independent
Mario Fernández Pelaz	Member	Independent
María Isabel Gabarró Miquel	Member	Independent
José Manuel Loureda Mantiñán	Member	Proprietary
Juan María Nin Génova	Member	Proprietary

The Nomination and Compensation Committee held four (4) meetings in 2012, with 100% attendance by its members.

At December 31, 2012, the Board of Directors had fifteen (15) members, the majority Independent. In particular, two (2) were Executive Directors, five (5) were Proprietary and the remaining eight (8) were Independent, as follows:

Name	Position	Status
Antonio Brufau Niubó	Chairman	Executive
Isidro Fainé Casas	Vice-Chairman	Proprietary
Juan Abelló Gallo ^(*)	Vice-Chairman	Proprietary
Paulina Beato Blanco	Member	Independent
Artur Carulla Font	Member	Independent
Luis Carlos Croissier Batista	Member	Independent
Ángel Duráñez Adeva	Member	Independent
Javier Echenique Landiríbar	Member	Independent
Mario Fernández Pelaz	Member	Independent
María Isabel Gabarró Miquel	Member	Independent
José Manuel Loureda Mantiñán	Member	Proprietary
Juan María Nin Génova	Member	Proprietary
Pemex Internacional España, S.A. represented by Luis Felipe Luna Melo ^(**)	Member	Proprietary
Henri Philippe Reichstul	Member	Independent
Luis Suárez de Lezo Mantilla	Member and Secretary	Executive

^(*) Juan Abelló Gallo tendered his resignation from the Board on March 6, 2013.

^(**) As of March 19, 2013 Arturo Francisco Henríquez Autrey has been substituted as representative of the Director Pemex Internacional España S.A.

The Board of Directors held twelve (12) meetings in 2012, with a 96,11% attendance ⁽¹⁾. The Chairman of the Board of Directors and the Secretary have attended all the meetings held.

⁽¹⁾ The rules established in the current model of Annual Report on Corporate Governance approved by the National Securities Market Commission Circular 4/2007 of 27 December have been followed to calculate non-attendance.

4. Remuneration Policy for Directors

4.1 General principles of the remuneration policy for Directors

The principles and criteria of the remuneration policy for Directors are reviewed permanently by the Nomination and Compensation Committee and the Board of Directors within their respective areas of competence, to make sure the Company's remuneration policy is in line at all times with the best practices and market trends.

As a rule, when establishing its remuneration policies, the Company seeks the reciprocal generation of value for employees and the Group, in line with the long-term interests of the shareholders in general and guaranteeing transparency.

Accordingly, the remuneration of **Directors** for their collegiate supervisory and decision-making duties is based on the following principles:

- The remuneration must be sufficient and adequate for the dedication, qualification and responsibilities of the Directors, but not to the extent of compromising their independence.
- Their remuneration must also be in line with that paid on the market, so the remuneration established for Directors in other Spanish and European groups of listed companies having a similar size, business and operating complexity and geographical distribution of assets to those of Repsol is taken into consideration.

The remuneration of **Executive Directors** for their executive duties is established according to the general remuneration policy for executives in the Repsol Group, following the principles described below:

- Make sure the remuneration complies with best practices and is competitive in terms of structure and overall amount in comparison with other comparable enterprises, so as to attract, retain and motivate the best professionals.
- Establish remuneration according to objective criteria related to the individual performance of Executive Directors and achievement of the business targets of the Company and Group.
- Maintain an annual variable component linked to the achievement of specific, quantifiable objectives aligned with corporate interests, control and measurement systems to determine the receipt of the variable remuneration according to individual performance assessments and evaluation of the personal contribution to meeting the set objectives.
- Incorporate multi-year medium and long term variable remuneration systems to encourage the sustained achievement of objectives over time and retain the key executives linked to those objectives.

The total compensation of the Executive Directors, considered the entire pay package, is made up of different items with a view to achieving a balance between them. These pay items are essentially: (I) non-variable monetary remuneration; (II) annual variable remuneration; and (III) multi-year variable remuneration; and (IV) welfare schemes.

4.2 Remuneration policy for Directors for their collegiate supervisory and decision-making duties

4.2.1 Global limit

Pursuant to Art. 45 of the Articles of Association, the Company may set aside each year a sum equivalent to 1.5% of the total net profit, after funding the legal and any other compulsory reserves and recognizing a dividend of at least 4% for shareholders, for remuneration of the members of the Board, as compensation for the collegiate supervisory and decision-making duties corresponding to this body.

4.2.2 Competent bodies

The Nomination and Compensation Committee recommends to the Board of Directors the criteria it considers adequate to comply with this provision of the Articles and the Board of Directors then sets the exact amount payable within that limit and its distribution among the different Directors, according to the positions held and duties performed by each one within the Board and its Committees.

4.2.3 Remuneration structure

The Directors receive a non-variable remuneration for their collegiate supervisory and decision-making duties. This remuneration is calculated by assigning points for being on the Board of Directors and/or its different Committees.

The points table is set out below:

Body	Points
Board of Directors	2
Executive Committee (CD)	2
Audit and Control Committee (CAC)	1
Nomination and Compensation Committee (CNR)	0.5
Strategy, Investment and Corporate Social Responsibility Committee (CEIRSC)	0.5

According to the Articles of Association and the Regulations of the Board of Directors, all Non-Executive Directors are excluded from the welfare systems financed by the Company covering events of dismissal or retirement, death or any other contingencies and the long-term incentive plans, such as stock options.

4.2.4 Application of the remuneration policy for Directors for their collegiate supervisory and decision-making duties in 2012

On February 28, 2012 the Board of Directors resolved, upon recommendation by the Nomination and Compensation Committee, to maintain the value of the point for 2012 at the same amount as in 2011, i.e. 88,297.11 euro gross a year.

The evolution of the point value over the past five years is shown below:

Year	Increase
2009	0%
2010	0%
2011	2.5%
2012	0%
2013	0%

The amounts received in 2012 by each of the Directors for being on the Board of Directors and its different Committees are indicated below:

Director						2012
	Board	Committees				Total
		CD	CAC	CNR	CEIRSC	
Antonio Brufau Niubó	176,594	176,594	–	–	–	353,188
Isidro Fainé Casas	176,594	176,594	–	–	–	353,188
Juan Abelló Gallo ⁽¹⁾	176,594	176,594	–	–	44,149	397,337
Paulina Beato Blanco	176,594	–	88,297	–	–	264,891
Artur Carulla Font	176,594	176,594	–	44,149	–	397,337
Luis Carlos Croissier Batista	176,594	–	–	–	44,149	220,743
Ángel Durández Adeva	176,594	–	88,297	–	–	264,891
Javier Echenique Landiribar	176,594	176,594	88,297	–	–	441,486
Mario Fernández Pelaz	176,594	–	–	44,149	–	220,743
M ^a Isabel Gabarró Miquel	176,594	–	–	44,149	44,149	264,891
Jose Manuel Loureda Mantiñán	176,594	–	–	44,149	44,149	264,891
Juan María Nin Génova	176,594	–	–	44,149	44,149	264,891
Pemex Internacional España S.A.	176,594	176,594	–	–	44,149	397,337
Henri Philippe Reichstul	176,594	176,594	–	–	–	353,188
Luis Suárez de Lezo Mantilla	176,594	176,594	–	–	–	353,188
TOTAL	2,648,913	1,412,754	264,891	220,743	264,891	4,812,192

⁽¹⁾ Juan Abelló Gallo stepped down from the Board on March 6, 2013.

4.3 Remuneration policy for Executive Directors for their executive duties

4.3.1 Competent bodies

The Nomination and Compensation Committee recommends to the Board of Directors the criteria it considers adequate for the additional remuneration of the Executive Directors for their executive duties and other contract conditions, which must then be approved by the Board.

4.3.2 Remuneration structure

As indicated above, the remuneration policy for Executive Directors for performance of their executive duties is in line with the general remuneration policy for executives in the Repsol Group and contemplates, inter alia, the following items:

- A non-variable remuneration taking account of the level of responsibility of those duties, making sure it is competitive in respect of the remuneration payable for equivalent duties in enterprises comparable with Repsol.
- A variable remuneration which represents a significant proportion of the total remuneration and is linked to the achievement of predetermined, specific, quantifiable objectives directly aligned with the creation of value for shareholders. The variable remuneration is not based on the general evolution of the markets or the sector, but on achievement of the objectives set and the Company's earnings.

4.3.3 Application of the remuneration policy for Executive Directors for their executive duties in 2012

The non-variable and variable (annual and multi-annual) remuneration accrued for each of the Executive Directors in 2012 for their executive work represented, in relation to their total monetary remuneration, the following percentages:

	Non-variable remuneration	Variable remuneration
Antonio Brufau	49.39%	50.61%
Luis Suárez de Lezo	43.1%	56.9%

It should be mentioned that the Nomination and Compensation Committee received counseling from the internal services of Repsol and information supplied by the global consultancy firm for compensation issues, Hay Group, which has made a benchmarking survey on the remuneration of executive chairmen of Spanish and European companies comparable with Repsol in terms of capitalization, size, shareholding structure and international establishment. The details of this survey are annexed to this report. The survey concludes that the total remuneration of the Executive Chairman of Repsol falls within the average remuneration level of comparative companies.

4.3.3.1 Non-variable remuneration

This remuneration includes the non-variable remuneration of Executive Directors as compensation for their executive positions and duties. The amount is set every year by the Board of Directors, upon recommendation by the Nomination and Compensation Committee.

On February 28, 2012 the Board of Directors resolved, upon recommendation by the Nomination and Compensation Committee, to keep the non-variable remuneration of Executive Directors in 2012 at the same levels as those set for 2011.

The evolution of the non-variable remuneration of the Executive Directors over the past five years is shown in the following table:

Year	Increase
2009	0%
2010	0%
2011	2.5%
2012	0%
2013	0%

Consequently, the non-variable remuneration received by the Executive Chairman and the Director-Secretary in 2012 are as indicated below:

Non-variable remuneration 2012	Thousand euros
Antonio Brufau	2,368
Luis Suárez de Lezo	983

4.3.3.2 Variable remuneration

The purpose of the variable remuneration is to strengthen the Executive Directors' commitment to the Company and provide incentive for the best possible performance of their duties, aligning them with the long-term interests of the Company and its shareholders.

a. Annual variable remuneration

The annual variable remuneration assesses on an annual basis the contribution by Executive Directors towards achievement of predetermined, specific, quantifiable objectives related to application of the Strategic Plan, economic-financial and operating variables and issues of safety and environment, corporate social responsibility and good governance. When setting these objectives, reference is made to the key indicators for fulfillment of the Company's Strategic Plan.

The indicators and weightings established by the Board of Directors, upon recommendation by the Nomination and Compensation Committee, were taken into account to calculate the annual variable remuneration of the Executive Chairman for 2012, and in particular the following parameters were assessed to determine the degree of fulfillment of the objectives:

- For the objectives related to the application of the Strategic Plan, the development and performance within the pre-set times and budgets were assessed of the strategic projects of Margarita (Bolivia), Lubina and Montanazo (Spain), Sapinohá (Brazil), Midcontinent (United States), Russia, Kinteroni (Peru) and Cardón IV and Carabobo (Venezuela); management of the Company's portfolio; prospecting in 2012, especially highlighting the discovery of Pao de Açucar in Brazil (included by IHS and Wood Mackenzie in the list of the ten largest discoveries of the year) and that of Sagari in Peru; the incorporation of contingent resources and the reserve replenishment ratio, both above budget; average production and the principal actions in LNG, Refining, Chemical, Marketing and LPG. Presentation of the new Strategic Plan 2012-2016 just one month after the expropriation of YPF deserved special assessment. Its principal goals have been met successfully in due time and form, as reflected by the granting of the prestigious Platts Global Energy Award to the Chief Executive Officer of 2012 to Antonio Brufau for his strategic vision, leadership capacity and for maintaining Repsol's successful track record even after the expropriation of YPF.
- A high degree of fulfillment was considered of the financial, efficiency, cost-cutting and income objectives, in spite of the expropriation of YPF by the Argentine government, and the measures adopted in the wake of that expropriation to strengthen Repsol's balance sheet and liquidity. Thus, the operating income at CCS of the Repsol Group outstripped the budget; the net profit was slightly below budget, even with the effect of the YPF expropriation; and the net profit at CCS – taking YPF as recurring – was up on 2011. The budget has also been met with respect to the checking of investments and workforce, increasing the free cash flow and reducing the net debt at year end. The dividend paid to shareholders was also larger than in 2011 and the scrip dividend was widely accepted among most shareholders.
- Finally, with regard to the objectives related to the furthering of good governance, corporate social responsibility and environmental policies, among others, the Company's improvement was appreciated in complying with the recommendations of the Unified Code of Good Governance, the Code of Ethics and Conduct updating and the reduction of the accident rate and GHG emissions. It was also taken into consideration that in 2012 Repsol was the first Company in the oil and gas sector to head the classification two years in succession in the *Dow Jones Sustainability Index World (DJSI World)* and the *Dow Jones Sustainability Index Europe (DJSI Europe)*², and that it received other important recognitions during the year.

The annual variable remuneration of the Director-Secretary is also calculated according to predetermined, measurable criteria, the amount of which is approved by the Board of Directors, upon recommendation by the Nomination and Compensation Committee.

The objectives set for the Director-Secretary, apart from being generally related to the Strategic Plan, are especially linked to each of the management departments under his charge and the control of the Company. In particular, in 2012 they took into account variables related to: (I) control of reserves; (II) internal audit and control duties; (III) corporate governance; (IV) institutional relations; (V) corporate responsibility; (V) legal services; (VI) asset management; and (VII) recovery of the value of YPF.

Based on the foregoing and after analyzing the degrees of fulfillment of their respective objectives by the Executive Chairman and the Director-Secretary, the Board of Directors resolved on February 27, 2013, upon recommendation by the Nomination and Compensation Committee, to establish and settle the amounts indicated below as the annual variable remuneration for 2012 to be received by each one.

⁽²⁾ According to the "Report on Corporate Social Responsibility" commissioned by the European Commissioner for Internal Market and Services Michel Barnier and published in December 2012, the Dow Jones Indexes are "the worldwide benchmark for socially responsible investment and an indicator for portfolio managers and institutional investors that take sustainability criteria into account among the important aspects for managing their portfolios."

Annual variable remuneration 2012	Thousand euros
Antonio Brufau	427 ^(*)
Luis Suárez de Lezo	786

^(*) The sum of 427 thousand euro is the result of deducting from the total annual variable remuneration accrued by the Executive Chairman according to his terms of contract the amounts corresponding to him according to the Articles of Association for being on the boards of the Repsol Group and its subsidiaries, which amounted to 639 thousand euro in 2012, so the sum finally received by the Executive Chairman as annual variable remuneration is that indicated in the above table.

b. Multi-year variable remuneration

Since 2000, the Company has implemented four-year monetary incentive programs for all executives, linked to the achievement of medium-term objectives, with a view to retaining and motivating the key executives related to those objectives and securing a sustained maximization of the value of Repsol. Those programs have been approved by the Board of Directors of Repsol, upon recommendation by the Nomination and Compensation Committee. The beneficiaries of these programs are the executives and, selectively, other employees with a high qualification and potential for the Company.

At year-end 2012 the Medium-Term Remuneration Programs 2009-2012, 2010-2013, 2011-2014 and 2012-2015 were in force, although the first of them (2009-2012) was closed, in accordance with its terms, as of 31 December 2012 and its beneficiaries will receive the corresponding variable remuneration in the first quarter of 2013, after assessing the degree of achievement of its objectives.

The aforesaid programs are independent of one another but their main features are the same. In all cases they are specific multi-year remuneration schemes for the years contemplated in each one. Each scheme is linked to the fulfillment of a number of objectives and strategic commitments established in the Group's Strategic Plan in force from time to time and is directly aligned with the shareholders' interests, in that it contributes to the generation of value for the Company. Both the objectives and the variables used to measure achievement are previously established by the Board, following a report by the Nomination and Compensation Committee.

If they meet their respective objectives, the beneficiaries of each scheme are entitled to a medium-term variable remuneration in the first quarter of the year after the end of the scheme. The Nomination and Compensation Committee assesses the level of achievement of the predetermined objectives and submits its proposal to the Board of Directors. However, in each case receipt of the incentive is conditional upon the beneficiary remaining in the Group up to 31 December of the last year of the program, save in the special cases contemplated in the regulations of each program.

The sum receivable under each of the incentive programs is calculated by applying two variable coefficients: one according to the degree of achievement of the set objectives and the other linked to the personal performance of the beneficiary during the period contemplated in the program.

Several variables have been taken to determine the degree of fulfillment of the Medium-Term Remuneration Program 2009-2012, within the different business, corporate and financial objectives, those variables being weighted to establish the final value of the objective.

Within the business objectives, the Committee took particularly into account the core growth variables in the Downstream area and focused growth in the Exploration and Production area. Within the corporate and financial objectives, the variables used are those of optimization and financial discipline and value creation.

To be able to assess the level of fulfillment of each variable, coefficients have been established according to certain indicators within each of the variables mentioned. The degree of individual fulfillment is calculated by comparing the real values and the reference values of those indicators.

The indicators used to determine the degree of fulfillment of the Medium-Term Remuneration Program 2009-2012, in respect of the Exploration and Production Area, include, inter alia, the reserve replenishment ratio, prospecting success rate and the increase in production. In Downstream, the execution of the two major projects in Spain (Cartagena and Bilbao) was taken as reference. The indicators assessed for the financial discipline and optimization objec-

tives were the free cash flow before dividends, the programs for saving and improvement of operations, improvement of the credit rating and the net profit for the value creation objective.

According to the Executive Chairman's terms of contract, he receives a multi-year variable remuneration based on the degree of achievement of the objectives approved for the variable remuneration programs for Executives of the Repsol Group. Consequently, although the Executive Chairman is not a formal member of the Medium-Term Remuneration Programs as such, the degree of achievement of the objectives approved for the corresponding incentive scheme ending in each year is taken as reference to determine the amount of his multi-year variable remuneration, paid in the following year.

The Director-Secretary is a beneficiary of the Medium-Term Remuneration Programs 2009-2012, 2010-2013, 2011-2014 and 2012-2015.

The Nomination and Compensation Committee agreed at its meeting on February 27, 2013 to set the degree of fulfillment of the objectives of the Medium-Term Remuneration Program 2009-2012 at 75.6% and, accordingly, to submit a proposal to the Board of Directors for the amounts of multi-year variable remuneration for the Executive Chairman and the Director-Secretary, as indicated in the following table. The Board of Directors resolved on February 27, 2013 to approve the proposal of the Nomination and Compensation Committee to pay the amount of the multi-year variable remuneration of the Executive Chairman and the Director-Secretary for 2012.

Multi-year variable remuneration 2012	Thousand euros
Antonio Brufau	1,360
Luis Suárez de Lezo	514

4.3.3.3 Other payments

In addition, the expense for 2012 corresponding to payments in kind received by the Executive Directors amounts to 98 thousand Euros for the Executive Chairman and 5 thousand Euros for the Director-Secretary.

4.3.3.4 Non-variable remuneration as members of the Board of Directors of other Group companies

The Executive Directors may receive an additional non-variable remuneration for being on the boards of Directors of other Group, multi-group or associated companies.

In this regard, in 2012 the Executive Chairman and the Director-Secretary received the amounts indicated below for being on the boards of Directors of other Group, multi-group or associated companies. As indicated in point 4.3.3.2.a) above, these amounts corresponding to the Executive Chairman are deducted from his annual variable remuneration.

Remuneration 2012	Thousand euros		
	Gas Natural SDG, S.A.	YPF, S.A.	TOTAL
Antonio Brufau	266	20	286
Luis Suárez de Lezo	139	20	159

4.3.3.5 Welfare Schemes

Repsol considers that the pay package of the Executive Directors should have a composition in line with market trends, so the emoluments described above are supplemented with a welfare scheme. The Non-Executive Directors are not beneficiaries of any Repsol welfare scheme.

The Executive Chairman has an insurance policy covering retirement, disability and death, in which Repsol is named policyholder. The beneficiary for retirement and disability is the Executive Chairman himself, and in the event of his death, the beneficiaries shall be the persons designated by the Executive Chairman.

The Director-Secretary is a beneficiary of the "Permanence Reward", a deferred compensation rewarding his permanence in the Repsol Group. This compensation is structured in an investment fund called "Permanence Fund, FI".

Each year Repsol contributes an amount equal to 20% of the annual non-variable remuneration of the Director-Secretary to the Permanence Fund, FI, receiving in exchange units in the Fund. Those units are owned by Repsol until the Director-Secretary retires, whereupon the vested right will be transferred to him, together with the title over the units. He will also be entitled to the cumulative amount of the Permanence Reward upon termination of his contract, in cases entitling him to compensation, and on reaching the age of 62.

The Director-Secretary is also unit-holder of a defined contribution Company pension scheme of Repsol, the maximum contribution to which is set by collective agreement at 7,212€ a year. He is also the beneficiary of an insurance policy covering disability and death, in which Repsol is named policyholder.

The cost of the insurance policies taken out by the Company for the Executive Directors, covering retirement, disability and death, and the contributions to pension schemes and welfare schemes, including the corresponding payments on account, where appropriate, totaled 3,037 thousand euro in 2012, corresponding to the following items: for the Executive Chairman, 273 thousand euro correspond to life insurance and 2,467 thousand euro to contributions to the pension scheme and cost of retirement insurance. For the Director-Secretary, 94 thousand euro correspond to life insurance, 7 thousand euro to contributions to pension schemes and cost of retirement insurance and 197 thousand euro to contributions to the Permanence Reward.

4.4 Stock Plans

The Company has implemented cycles 2011-2014 and 2012-2015 of the Stock Acquisition Plan by the Beneficiaries of the Medium-Term Remuneration Programs, which were approved at the General Shareholders' Meeting held on April 15, 2011, the aim of which is to enable their beneficiaries (which include, inter alia, the Executive Directors) to invest in Repsol shares up to 50% of the gross amount of their multi-year incentive, such that if the beneficiary holds the shares for a period of three years and meets the other conditions of the Plan, the Company will give them, at the end of that period, one additional share for every three initially acquired. Consequently, the Stock Acquisition Plan by the Beneficiaries of the Medium-Term Remuneration Programs is not linked to the fulfillment of objectives of the multi-year variable remuneration programs or their results; these programs are only taken as reference to determine who the beneficiaries of the Plan are and the maximum amount that these can assign to such Plan. This Plan is designed to foster alignment of the long-term interests of those individuals with the interests of the Company shareholders, so it is a fidelity program.

As a demonstration of their commitment to the Company's and shareholders' interests, both the Executive Chairman and the Director-Secretary have joined the 2011-2014 and 2012-2015 cycles of the Plan, buying the number of shares indicated below, as announced to the National Securities Market Commission:

	2011-2014 cycle	2012-2015 cycle
Executive Chairman	31,981	24,461
Director-Secretary	6,373	12,230

4.5 Civil liability insurance

All the Directors are covered by the same civil liability policy, which covers all the directors and executives of the Repsol Group.

4.6 Other features of the Executive Directors' contracts

The contracts with the Executive Chairman and the Director-Secretary were signed in 2004 and 2005, respectively. Both contracts were approved by the Board of Directors following a favorable report by the Nomination and Compensation Committee, which, after analyzing prevailing market practices at that time and obtaining external advice from independent experts, submitted the proposed terms of contract to the Board.

A deferred economic compensation is contemplated for both Executive Directors in the event of termination of contract, equivalent to three years' total annual monetary remuneration.

This deferred economic compensation will be paid if their contracts are terminated on grounds attributable to Repsol by mutual accord or, in the case of the Director-Secretary, in the event of objective circumstances such as a significant change in the shareholding structure of the Company.

The Executive Directors' contracts establish in any case a no competition obligation in respect of companies and activities of a similar nature to those of Repsol throughout the duration of their relationship with the Company and for one year after termination thereof. In consideration for this commitment, the Executive Directors are entitled to economic compensation in a sum equivalent to one year's total annual remuneration at the amount prevailing at the date of termination.

The evolution of corporate governance practices and the financial crisis that began in 2007 have an effect on both the voting policies of investors on issues related to the terms and conditions of the contracts of Executive Directors and Senior Officers of companies and in the recommendations issued concerning these matters, particularly the Recommendation of the European Commission 2009/385/EC of 30 April 2009.

The Nomination and Compensation Committee and the Board of Directors are aware and sensitive to this evolution and permanently analyze the actions and position to be taken by Repsol in this regard, taking into account not only the relevant recommendations, but also market practices in the markets in which the Company is to operate, so the aforementioned recommendations to limit termination payments will be taken into consideration in any new contracts that may be made in the future with Executive Directors.

4.7 Remuneration Policy 2013

Certain issues of the remuneration policy applicable for Directors of Repsol during 2013 are explained below.

With regard to the remuneration of Directors for performing collegiate supervisory and decision-making duties, the Board of Directors resolved on February 27, 2013, upon recommendation by the Nomination and Compensation Committee, to maintain for this year the value of the point assigned for being on the Board of Directors or the different Committees at the value set in 2011 and 2013 (i.e. 88,297.11€ gross a year).

With regard to the non-variable remuneration of the Executive Directors for the performance of their executive duties in addition to their collegiate supervisory and decision-making duties as Directors, the Board resolved on February 27, 2013, upon recommendation by the Nomination and Compensation Committee, to maintain the amount for 2013 at the same amount established in 2011 and 2012.

With regard to the annual variable remuneration of the Executive Chairman, following the evolution of corporate government practices over recent years, the Board of Directors, upon recommendation by the Nomination and Compensation Committee, reviewed and set the strategy, operations and corporate social responsibility objectives with their corresponding ratings, weightings and scales of achievement, according to which the performance of the Executive Chairman will be assessed to calculate his variable remuneration for 2013. The annual variable remuneration of the Executive Chairman has also been formally capped at 200% of his non-variable remuneration which may not be overshoot in any circumstances.

The principal indicators, therefore, to which payment of the variable remuneration is linked, focus on the Company's medium term development and refer to the application of the Strategic Plan, the evolution of its net profit and net debt, the production and reserve replenishment ratio and the utilization of conversion capacity. Within corporate social responsibility, the indicators are mainly linked to the accident rate, the Sustainability Plan and the Plan for Energy Efficiency and reduction of CO₂ and other greenhouse gases.

Finally, the Executive Chairman has proposed that the Company stop making contributions to the complementary welfare scheme covering retirements agreed in its Services Contract as from March 12, 2013, without modifying the other conditions contemplated therein. Accordingly, the Board of Directors, upon recommendation by the Nomination and Compensation Committee, has passed a resolution for the total gross contribution for the Executive Chairman's retirement to be made only up to March 12, 2013. Therefore, the total amount of the complementary welfare provision for 2013, including the corresponding payment on account, if any, amounts to a total of 789,635 euro, of which 493,737 euro correspond to the gross contribution for retirement and the remaining 295,898 euro to the gross contribution of the life insurance premium.

4.8 Remuneration Policy for future years

At present no substantial changes are expected in the basic principles of the remuneration policy for Directors, so the principles described would continue to be applicable in the future, unless the competent corporate bodies decide on any modifications in view of prevailing circumstances, for regulatory, strategic, economic or any other nature. For this purpose, the Board of Directors and the Nomination and Compensation Committee will, in exercise of their duties, regularly check the remuneration policy principles.

This notwithstanding and with the aim of adapting the Articles of Association to the remuneration policy for Directors that has been applied in practice for several years, the Board plans to put a motion at the forthcoming Ordinary General Shareholders' Meeting 2013 to alter the first paragraph of Article 45 of the Articles of Association, making Directors' remuneration for their collegiate supervisory and decision-making duties consist of a fixed sum, established by the General Shareholders' Meeting. The Board may then decide on the amount corresponding to each of the Directors in view of the positions they hold and their participation in the different Committees. This would replace the current system which establishes a limit equivalent to 1.5% of the total net profit, after funding the legal reserve and any other compulsory reserves and recognizing a dividend of at least 4% for shareholders, since in a Company of the size and with the profits of Repsol, that could represent a very large sum. The remaining paragraphs of Article 45 remain unaltered.

That fixed sum will be a ceiling and the Board of Directors will set the amount actually payable within that sum. For this purpose, it is recalled that the Board of Directors increased its remuneration by a total of 2.5% in 2008 for the collegiate supervisory and decision-making duties and that the ceiling proposed is far lower than the maximum that could have been payable under the remuneration system in place up to now.

Annex Details of comparative group

SPANISH MARKET	
TELEFÓNICA	FERROVIAL
SANTANDER	ENDESA
BBVA	GAS NATURAL
IBERDROLA	INDRA
EUROPEAN INDUSTRIAL MARKET	
ABB	SCHNEIDER ELECTRIC
AIR LIQUIDE	SIEMENS
AKZO NOBEL	SKANSKA
ALCATEL-LUCENT	FIAT
ALFA LAVAL	FINMECCANICA
ALSTOM	HOCHTIEF
ARCELOR MITTAL	HOLCIM
ASSA ABLOY	LAFARGE
ATLAS COPCO	SKF
BASF SE	MICHELIN
BMW AG	PSA
BOUYGUES	RENAULT
CONTINENTAL	SAINT GOBAIN
DAIMLER AG	SANDVIK
EADS	STORA ENSO
EIFFAGE	THYSSENKRUPP
ELECTROLUX	SCHINDLER
ESSILOR INTERNATIONAL	

Audit and Control Committee of the Board of Directors of Repsol, S.A.

Activity Report for the 2012 Fiscal Year

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Appendix: Calendar of meetings held in the 2012 Fiscal Year

1

Background

The Audit and Control Committee of the Board of Directors of Repsol, S.A. was constituted by the Board at its meeting held on February 27, 1995.

Although recognized by a number of “Codes of Good Corporate Governance” published in Spain, such as the “Olivencia” Report (1998) and the “Aldama” Report (2003), the constitution of this type of Committee in the Board of Directors of listed companies, was not obligatory in this country until November 23, the date on which the Financial System Reform Measures Act 44/2002, of 22 November, came into effect.

Article 32 of the Regulations of the Board of Directors of Repsol, S.A. establishes the structure, the operation and the field of activity of the Audit and Control Committee.

In accordance with the provisions of these Regulations, the Committee is an internal body of the Board of Directors with duties of supervision, reporting, advice and proposal, as well as the other duties attributed to it by Law, the Articles of Association or the Regulations of the Board of Directors.

The essential function of the Committee is to act as support for the Board of Directors in its tasks of supervising, through the regular checking of the preparation of economic and financial information, of the effectiveness of its executive controls, supervision of the Internal Audit and of the independence of the External Auditor, as well as reviewing compliance with all the legal provisions and internal regulations applicable to the Company. Similarly, the Committee has the power to submit the agreement proposal for the Board of Directors, for its subsequent submission to the General Shareholders’ Meeting, on the appointment of the External Accounts Auditors, the renewal or cessation of its appointment, and the terms under which it is to be retained.

Since its creation, and until 31 December 2012, the Board of Directors’ Audit and Control Committee has met on one hundred and forty (140) occasions (the last –in this period– was on 18 December 2012).

2

Composition

Both the Articles of Association and the Regulations of the Board of Directors establish that the Audit and Control Committee will comprise at least three members. Similarly, these rules stipulate that all the members of the Committee should be Independent External Directors.

Likewise, and with the aim of ensuring the best fulfilment of its duties, the Regulations of the Board of Directors establish that the members of this Committee will be appointed by the Board, taking into account their knowledge and experience in terms of accountancy, auditing or in both, and the Chairman must also have experience in business or risk management and knowledge of accounting procedures and, in any event, some of its members must have the financial experience that may be required by the market regulatory bodies of the stock markets in which the shares or titles of the Company are listed.

The Committee appoints its Chairman from among its members, while the Secretary of the Committee will be the Secretary of the Board of Directors.

The members of the Audit and Control Committee serve for a term of four years as of their appointment, and they may be re-elected after this term, with the exception of its Chairman, who may not be re-elected until one year has elapsed after their resigning from the post, without prejudice to their continuance or re-election as member of the Committee.

During the 2012 Fiscal Year, the composition of the Audit and Control Committee has been the following (this composition is maintained at the date of approval of this report):

Position	Members	Type
Chairman	Mr. Ángel Duráñez Adeva	Independent External
Member	Ms. Paulina Beato Blanco	Independent External
Member	Mr. Javier Echenique Landiribar	Independent External

Consequently, during the 2012 Fiscal Year all the members of the Audit and Control Committee have held the status of “Independent Outside Directors”, in accordance with the requirements set out in Articles 3.5 and 32.1 of the Regulations of the Board of Directors, having been appointed due to their recognized personal and professional prestige and to their experience and expertise for the exercise of their duties. Similarly, they are not connected with the executive team and the significant shareholders of the Company and they incur none of the situations described in Article 13.2 of the Regulations of the Board of Directors.

The professional profiles of the current members of the Committee are the following:

Mr. Ángel Duráñez Adeva: BA Economics, Professor of Commerce, chartered accountant and founding member of the Registry of Economic Auditors. He joined Arthur Andersen in 1965 where he was Partner from 1976 to 2000. Up to March, 2004 he headed the Euroamerica Foundation, of which he was founder, entity dedicated to the development of business, political and cultural relationships between the European Union and the different Latin American Countries. Currently he is Director of Mediaset Comunicación España, S.A., Quantica Producciones, S.L. and Ideas4all, S.L., and member of the Advisory Board of FRIDE (Foundation for the international relations and the foreign development), Chairman of Arcadia Capital, S.L. and Información y Control de Publicaciones, S.A., Member of Foundation Germán Sánchez Ruipérez and Foundation Independiente and Vicepresident of Foundation Euroamérica.

Mrs. Paulina Beato Blanco: Phd Economics, University of Minnesota, Professor of Economic Analysis, Commercial Expert and Economist of the State. Former Executive Chairperson of Red Eléctrica de España, Director of CAMPSA and major financial institutions. Formerly Chief Economist in the Sustainable Development Department of Inter-American Development Bank and Consultant in the Banking Supervision and Regulation Division of the International Monetary Fund. Currently she is advisor to the Iberoamerican Secretary General (Secretaría General Iberoamericana), professor for Economic Analysis and member of the Board of Balia Foundation.

Mr. Javier Echenique Landiribar: Ba Economics and Actuarial Science. Former Director-General Manager of Allianz-Ercos and General Manager of BBVA Group. Currently ViceChairman of Banco de Sabadell, S.A. and Vicechairman of Calcinor, S.L., Director of Telefónica Móviles México, Actividades de Construcción y Servicios (ACS), S.A., Grupo Empresarial Ence, S.A. and Celistics, L.L.C., Delegate of the Board of Telefónica, S.A. in the Basque region, Member of the Advisory Board of Telefónica Europe, Member of Foundation Novia Salcedo and Foundation Altuna, and Member of the Círculo de Empresarios Vascos.

3

Regulation of the Audit and Control Committee

The internal regulation of the Audit and Control Committee is included in Article 39 (“Audit and Control Committee”) of the Articles of Association and in Article 32 (“The Audit and Control Committee”) of the Regulations of the Board of Directors.

The Articles of Association and the Regulations of the Board of Directors are registered in the Madrid Trade Registry and are accessible to the public on the Company’s website (www.repsol.com).

4

Operation

In accordance with the provisions of the Regulations of the Board of Directors, the Audit and Control Committee meets as many times as is necessary in order to fulfil the duties with which it has been entrusted and whenever its Chairman calls it or when so requested by two of its members. The calls to meeting are communicated, with a minimum advance notice of 48 hours, by letter, telex, telegram, fax or e-mail, and will include the agenda of the meeting. The minutes of the previous meeting will be included with the call to meeting, whether they have been approved or not, as will the information that is deemed necessary and that is available.

The meetings are normally held at the registered office of the Company, but they may also be held at any other address determined by the Chairman and stated in the call to meeting.

For the Committee to be validly constituted, it is required that more than half of its members attend the meeting, in person or represented, except in the event of a lack of call to meeting, which requires the attendance of all of them. Members of the Committee who do not attend the meeting in person may confer their representation on another member of the Committee.

Agreements must be adopted with the vote in favor of the majority of the members present in person or by representation. In the event of a tie, the Chairman or the person acting in their place at the meeting will have the casting vote.

The Secretary to the Committee draws up the minutes of the agreements adopted at each meeting, which will be available to the members of the Board.

The Chairman of the Committee regularly informs the Board of Directors of the progress of its actions.

The Committee drafts an annual calendar of meetings and an action plan for each Fiscal Year, including an Annual Report on its actions, informing the Board of this.

Similarly, at least once a year the Committee assesses its operation and the quality and efficiency of its work, informing the Board of the result of this evaluation.

5

Resources of the Committee

For the best fulfilment of its duties, the Committee may use the advice of Lawyers or other external professionals, in which case the Secretary of the Board of Directors, on requirement by the Chairman of the Committee, will make available everything necessary for their hiring and their work will be directly referred to the Committee.

The Committee may also use the collaboration of any member of the management team or the rest of the staff, and the attendance at its meetings of the Company's Accounts Auditors.

6

Main activities carried out in the 2012 Fiscal Year

In the 2012 Fiscal Year, the Audit and Control Committee met on nine occasions, one of them through the writing and without session procedure. All the members of the Committee attended in person to all the rest eight meetings.

In fulfilment of its essential duty of acting as support for the Board of Directors in its tasks of supervising, and among other activities, the Committee carried out the periodic review of the economic/financial information, the supervision of the effectiveness of internal control systems and the control of the independence of the External Accounts Auditor. This Report contains a summary grouped under the various basic duties of the Committee.

Attached, as an Appendix, is a calendar of the meetings held by the Audit and Control Committee during the 2012 Fiscal Year, with a description of the main issues discussed in them.

6.1

Economic/financial information

During the period covered by this Activity Report, the Audit and Control Committee has analysed, prior to its presentation to the Board, and with the support of the Economy/Finance and Corporate Development General Department and the External Accounts Auditor of the Company, the annual financial report for the 2011 Fiscal Year, the quarterly statements for the first and third quarters of 2012 and the six-monthly statements of 2012.

Similarly, the Committee verified that the Annual Financial Statements for the 2011 Fiscal Year, submitted to the Board of Directors for their approval, have been certified by the Chairman and the Group Managing Director of Finance and Corporate Development (CFO) on the terms required by the applicable internal and external rules.

Similarly, the Committee has checked the content of the Consolidated Financial Statements for the 2011 Fiscal Year which the Company, in its capacity as Company listed in Argentina, has submitted to the *Comisión Nacional de Valores* (CNV) of this country and the Bolsa de Comercio in Buenos Aires.

6.2

Internal control systems

In order to check the internal control and the effectiveness of risk management systems periodically so that the main risks are identified, managed and adequately understood, the Committee has monitored the progress of the Annual Corporate Audit Plan, aimed at covering the Group's critical and significant risks.

Throughout the Fiscal Year, the Committee has been informed by the Corporate Audit Director of the most relevant facts and recommendations made evident in the tasks performed by this unit in the year and the status of the recommendations issued previously.

Similarly, the Committee has been informed regarding the annual planning scheme of the Audit and Control Department for the 2012 Fiscal Year, whose objectives include, among others, to provide an independent and objective assessment, in accordance with the methodology provided under the COSO framework, of the adjustment and effectiveness of the System of Internal Control and Risk Management over the Financial Reporting Process (SIFCR) of the Company to ensure that the risks are reasonably identified, evaluated and managed, to consolidate the compliance and risk models of the Group, to continue with the improvement process on the monitoring and execution of the recommendations, to consolidate the agreements auditing function in the Group and to complete the developing of the formal and methodological framework risk model of the Group which includes among others the Fraud Prevention Model introduced in 2011 or the Normative Compliance Program.

In addition, Repsol is adhered to the Good Tax Practices Code and according to its provisions the Committee has been informed of the fiscal policies implemented by the Company during the year 2011, as well as Repsol's policies regarding the prevention of fiscal risk, fiscal transparency, collaboration against fraudulent practices and promoting the use of non-litigious mechanisms for resolving disputes.

Additionally, the Audit and Control Committee has supervised the effectiveness of the Internal Control System on Financial Reporting. To this effect, the Audit and Control Committee acts as the ultimate control and supervision body of the operation of the Internal Control over Financial Reporting of the Group Repsol.

Lastly, it should be noted that when YPF, S.A. belonged to the Repsol Group, the Audit and Control Committee was informed about the reports issued by the Internal Audit Unit of YPF as well as about all the audit and non-audit services rendered by YPF S.A.'s external auditors and approved by the Audit Committee of YPF, S.A.

6.3

Relations with the Internal Auditor

Besides what has been described in the above section, the Committee has, in accordance with the stipulations of the Regulations of the Board of Directors, ensured the independence and efficiency of the Internal Audit and that it has the adequate qualification and resources to fulfil its duties in the Group, both in terms of staff and material elements, systems, procedures and manuals of action.

Similarly, the Committee has been informed of the closing and evaluation of the Annual Plan of Corporate Audit 2011, and analysed, approved and monitored the Annual Corporate Audit Plan 2012.

6.4

Relations with the External Auditor

a. Selection of the external auditor for the 2012 Fiscal Year

Article 32.4 of the Regulations of the Board of Directors establishes that the term of the External Audit contracts should be for annual periods, unless otherwise provided for by applicable legal rules. These contracts may be renewed year on year if the quality of the service is satisfactory and an agreement is reached on its remuneration.

The Audit and Control Committee proposed to the Board of Directors, for its subsequent submission to the General Shareholders' Meeting, the re-election of "Deloitte S.L." as the Accounts Auditor of Repsol, S.A. and of its Consolidated Group, for the period of one year, for the review of the Annual Financial Statements and the Management Report of Repsol, S.A. and of its Consolidated Group for the 2012 Fiscal Year.

The Board of Directors, for its part, agreed to submit this proposal to the Ordinary General Shareholders' Meeting held on May 31, 2012, which approved it.

b. Pre-approval of the services provided by the external auditors

The Audit and Control Committee, in its task of ensuring the independence of the External Auditor and as a good governance measure, has established a procedure to approve previously all the services, be they auditing or not, provided by the External Auditor, whatever their extent, scope and nature. This procedure is regulated in an Internal Rule mandatory for the whole of the Repsol Group.

The Internal Rules establishes a delegation of powers to the Chairman of the Audit and Control Committee so that he may authorise the services provided by the External Auditor. Making use of this delegation, the Chairman has approved the provision of a series of services for which the ratification of the Committee has after been requested.

c. Information received from the external auditors

At the meeting of the Audit and Control Committee, held on 27 February 2012, and prior to the review of the annual financial statements, the external auditors of the Repsol Group, Deloitte S.L., after their confirmation of independency according to the Spanish and United States applicable rules, informed the Committee of the main aspects noted in the audit of the Annual Financial Statements of Repsol Group at 31 December 2011 and its review of the System of Internal Control over Financial Reporting (SICFR).

In this respect, the external auditors informed that the audit opinion on the Annual Financial Statements of Repsol YPF, S.A. and the Consolidated Annual Financial Statements of Repsol YPF Group was favorable and contained no exception whatsoever. They similarly reported that no "material weakness" had been detected in the SICFR to mention to the Committee.

Likewise, at the meeting of the Audit and Control Committee held on 24 July 2012, Deloitte informed of the limited review report of the six-monthly summary statements for the first quarter 2012.

At the meeting of the Audit and Control Committee held on 18 December 2012, Deloitte also informed the Committee on its preliminary review of the consolidated financial statements of Repsol, S.A. at 30 September 2012 in relation to the audit of the Annual Financial Statements for the 2012 Fiscal Year, and on the situation of their work checking the internal controls over the financial information of the Repsol Group.

d. Committee's report on the independence of the External Auditor

The Audit and Control Committee, at its meeting held on February 27, 2012, reviewed and approved a report on the external auditor independence, which refers to the main issues related to this independence, including the information received from the auditor, the amount of fees for services provided during 2011, the period in which the partners responsible for the audit team have been developing this role in the Group, and the external auditor services pre-approval system.

This report concluded that there are not objective reasons to question the independence of Deloitte as auditor of Repsol, S.A. and its Consolidated Group.

6.5

Oil and gas reserves

In fulfilment of the duties assigned to it, in the 2012 Fiscal Year the Committee supervised the sufficiency and the effective operation of the registry and internal control systems and procedures in the measurement, valuation, classification and accounting of the oil and gas reserves of the Repsol Group, such that their inclusion in the periodical information of the Group is in line at all times with sector standards and applicable regulations.

6.6

Environment and security

With the aim of knowing and guiding the policy, objectives and directives of the Repsol Group in the areas of environment and security, throughout the Fiscal Year the Committee has been informed by the Resources Department and by the Strategy and Control Executive Director of the evolution of the main security data and environmental parameters and of the actions taken and the objectives of the Repsol Group in these areas.

6.7

Assessment of the operation of the Audit and Control Committee

Based on the most important requisites and functions of the Audit and Control Committee contemplated in applicable legislation, in the Articles of Association and the internal regulations of the Board of Directors and the Committee, the Audit and Control Committee made an assessment in 2012 of its own operation and efficiency in line with the recommendations of the "Unified Code".

In view of the results of that assessment, at its meeting held on 18 December 2012, the Audit and Control Committee concluded that its operation was satisfactory and that it correctly performed the duties commissioned to it in the applicable laws and internal regulations.

6.8

Amendment of the Regulations of the Board of Directors

Article 2.2 of the Regulations of the Board of Directors establishes that the Audit and Control Committee shall beforehand inform the proposals for amendment these Regulations when the amendments proposed affect its composition, duties and powers.

The Board of Directors, at its meeting held on April 17, 2012, resolved within the framework of a global amendment of the Corporate Governance of the Company, to amend its Regulations for the purpose of reinforcing the independence and improving the functioning of the Board as well as to adjust the internal regulation of the Company to certain legal novelties. Among others Article 32 of the Regulations was modified concerning the Audit and Control Committee, and in particular, the issues modified concerned its composition and functions. This proposal was previously favorably informed by the Audit and Control Committee at its meeting held on April 16, 2012.

6.9

Amendment of the Repsol Group Internal Conduct Regulations regarding the Securities Market

In 2012, and due to changes in Company's organizational structure, Article 2.2 ("Affected Persons") of the Repsol Group Internal Conduct Regulations, about the people of the Company who due to their positions or duties it is presumed can access periodically price-sensitive information, was amended twice.

In addition, due to the change of name of the Company and the exit of YPF from Repsol's Group, the Group Internal Conduct Regulations were modified in order to adjust the references to the new corporate name and group structure.

The Audit and Control Committee, in the development of its duties to ensure that the codes of conduct and market conduct applicable to the group's employees comply with legal requisites and are adequate for the Company, was informed about these amendments of the Group Internal Conduct Regulations.

6.10

Amendment of the Ethics and Conduct Code of Repsol's employees

In accordance to Article 32.4 g) of the Board of Directors Regulations, the Audit and Control Committee is responsible for examining the projects of Ethics and Conduct Codes and their modifications that had been prepared by the corresponding area of the Group and for issuing its opinion prior to the submission of the proposals to the corporate bodies.

The Audit and Control Committee informed favorably in its meeting held on December 18, 2012 the amendments of the Ethics and Conduct Code of Repsol that had been previously reviewed by the Ethics Committee and that were subsequently approved by the Board of Directors in its meeting of December 19, 2012.

6.11

Disclosure Committee ("*Comité Interno de Transparencia*") of Repsol, S.A.

The Audit and Control Committee has been informed regularly throughout the year on the activities of the Disclosure Committee, receiving and considering the information remitted to it by that Committee.

6.12

"Communications to the Audit Committee" Application

In accordance with current regulations in the United States for all the companies that are listed on the Stock Exchanges in that country, applicable to the Company until the effectiveness of its deregistration with the U.S. Securities and Exchange Commission (SEC) in June 2011, and as a Corporate Best Governance measure, in the 2005 Fiscal Year the Audit and Control Committee set up a procedure for persons so wanting to be able to inform it of any incident or irregularity regarding matters related to accounting, internal accounting controls and auditing that affect the Repsol Group.

This application can be accessed by both employees of the Repsol Group, through the intranet, and other interested parties, through the Company website (www.repsol.com). In both cases, the complete confidentiality and anonymity of the persons sending the information is guaranteed.

The Audit and Control Committee has supervised the measures adopted with regard to the communications received over this system.

Appendix

Calendar of meetings held in the 2012 Fiscal Year

Meeting No. 132

24 January 2012

Agenda

- Report of the market risk management.
- Report of the Audit and Control Department: (I) assessment of compliance with 2011 planning scheme of the Audit and Control Department; (II) summary of reports issued by the Audit and Control department; (III) monitoring of recommendations included in audit reports.
- Approval of the retention of services of the External Auditors.
- Communications received on accounting, internal accounting controls and auditing matters.

Meeting No. 133

27 February 2012

Agenda

- Annual Financial Report 2011: (I) External Auditor's Report; (II) Report of the Commission on the independence of the external auditor; (III) Annual Financial Statements and Management Report for the Fiscal Year ended 31 December 2011.
- Annual Corporate Governance Report 2011.
- Information on the Company's fiscal policies (Good Tax Practices Code).
- Annual Report on oil and gas reserves corresponding to year 2011.
- Report of the Audit and Control Department: (I) internal control system on financial information; (II) proposal of annual planning scheme 2012 of the Audit and Control Department. Activity Report 2011 of the Audit and Control Committee.
- Approval of the retention of the services of the External Auditors.
- Communications received on accounting, internal accounting controls and auditing matters.
- Information on the meetings held by the Disclosure Committee of Repsol, S.A.

Meeting No. 134

27 March 2012

Agenda

- Report on environmental and security matters.
- Summary of reports issues by the Audit and Control Department: (I) summary of reports issued by the Audit and Control department; (II) monitoring of recommendations included in audit reports; (III) summary of reports issued by the Internal Audit Unit of YPF.
- Approval of the retention of the services of the External Auditors.
- Communications received on accounting, internal accounting controls and auditing matters.
- Report of Repsol International Finance, B.V. auditor.

Meeting No. 135

16 April 2012

Agenda

- Proposed appointment of external auditor of Repsol S.A. and its consolidated Group for year 2012.
- Report on the amendments of Article 32 of the Board of Directors Regulations.

Meeting No. 136

9 May 2012

Agenda

- Review of the preliminary results for the first quarter of 2012.
- Quarterly Report on oil and gas reserves corresponding to the first quarter of 2012.
- Summary of reports issues by the Audit and Control Department: (I) summary of reports issued by the Audit and Control department; (II) monitoring of recommendations included in audit reports; (III) review of the Financial Risks Rule.
- Approval of the retention of the services of the External Auditors.
- Communications received on accounting, internal accounting controls and auditing matters.
- Information on the meetings held by the Disclosure Committee of Repsol, S.A.

- Approval of the retention of the services of the External Auditors.
- Communications received on accounting, internal accounting controls and auditing matters. Information on the meetings held by the Disclosure Committee of Repsol, S.A.

Meeting No. 137

27 June 2012

Agenda

- Information on environmental and security matters.
- Expropriation of YPF: accounting treatment and impact on the consolidated and individual Financial Statements of Repsol S.A.
- Approval of the retention of the services of the External Auditors.
- Communications received on accounting, internal accounting controls and auditing matters.

Agenda

- External Auditor's report.
- Self-assessment of the functioning of the Audit and Control Committee.
- Amendment of the Ethics and Conduct Code.
- Amendment of the Disclosure Committee of Repsol, S.A.
- Proposal of 2013 Audit and Control Committee's annual calendar for meetings and action plan.
- Approval of the retention of the services of the External Auditors.
- Communications received on accounting, internal accounting controls and auditing matters.

Meeting No. 138

24 July 2012

Agenda

- Review of the six-monthly 2012 statements. External Auditor's Report.
- Quarterly Report on oil and gas reserves corresponding to the second quarter of 2012.
- Report of the Audit and Control Department: (I) information about the second call option of the 10% of YPF; (II) Fraud Prevention Model; (III) Summary of reports issues by the Audit and Control Department.
- Proposed fees of the External Auditor for 2012.
- Monitoring by the Audit and Control Committee of the obligations regarding the securities market.
- Distribution of the self-evaluation questionnaire regarding the functioning of the Audit and Control Committee.
- Report about the amendments of the Repsol Group Internal Conduct Regulations.
- Report about the Ethics and Conduct Code of Repsol employees.
- Approval of the retention of the services of the External Auditors.
- Communications received on accounting, internal accounting controls and auditing matters.
- Information on the meetings held by the Disclosure Committee of Repsol, S.A.

Meeting No. 139

7 November 2012

Agenda

- Review of the preliminary results for the third quarter of 2012.
- Information on environmental and security matters.
- Quarterly Report on oil and gas reserves corresponding to the third quarter of 2012.
- Report of the Audit and Control Department: (I) summary of reports issued by the Audit and Control department; (II) review of the Audit and Control Function rule draft; (III) review of the effectiveness of the internal audit area.
- Self-assessment of the functioning of the Audit and Control Committee: review of the questionnaire.

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