



2012

Consolidated Financial Statements

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.:

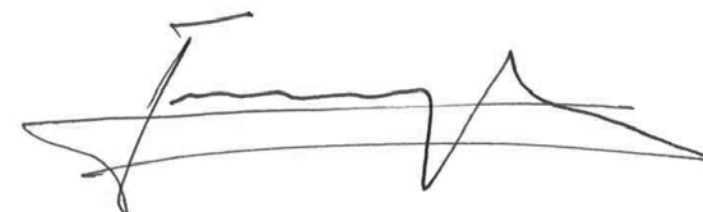
We have audited the consolidated financial statements of Repsol, S.A. and Subsidiaries (the Repsol Group), which comprise the consolidated balance sheet at December 31, 2012 and the related consolidated income statement, consolidated statement of recognised income and expenses, consolidated statement 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



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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)		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
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 for the years ended December 31, 2012 and 2011

premium

Millions of euros

	Equity attributable to equity holders of the parent							Minority interests	Total equity
	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			
	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
CONSOLIDATED CASH FLOW STATEMENT
 for the years ended December 31, 2012 and 2011

Millions of euros

	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:

a. 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.

b. 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".

c. 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.

d. 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.

e. 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			
Serie D	1,689,049	100.00%	(Madrid, Barcelona, Bilbao, Valencia)	22.50	22.96	euros

⁽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 ⁽¹⁾			
	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 obtaining 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
							MATURITY DATE
Millions of euros	2012	2013	2014	2015	2016	Subsequent year	TOTAL
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 Aprovisionamientos, 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	Spanish companies	Other companies	TOTAL
Millions of euros			
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⁾	Spanish companies	Other companies	TOTAL
Millions of euros			
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		
BALANCE SHEET	2012	2011 ⁽¹⁾
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	2012	2011 ⁽²⁾
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		
Geographic area	2012	2011 ⁽¹⁾
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 (Tafneftodacha), 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 (Tafneftodacha) 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 1b – 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 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 €553 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 file 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	Equity ⁽²⁾	Issued Share Social ⁽³⁾
				% of Direct Ownership	% of Control Investment ⁽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
BPRY 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	Equity ⁽²⁾	Issued Share Social ⁽³⁾
				% of Direct Ownership	% of Control Investment ⁽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. ⁽³⁾	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. ⁽³⁾	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. ⁽³⁾	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. ⁽¹⁾⁽³⁾	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. ⁽³⁾	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. ⁽³⁾	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 Anlares ⁽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
EPSA 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