Repsol, S.A. and Subsidiaries

Auditors' Report
Consolidated Financial Statements for the year ended 31 December 2013 and Consolidated Management Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

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Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. 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 31 December 2013 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 2.1 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 2013 present fairly, in all material respects, the consolidated equity and consolidated financial position of Repsol, S.A. and Subsidiaries at 31 December 2013, 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 Note 4.3 to the accompanying consolidated financial statements, which indicates that at 2013 year-end, the directors of Repsol, S.A. revalued the expropriated shares of YPF, S.A. and YPF Gas, S.A. in order to adjust their value to the amount that would be recoverable as a result of the potential settlement agreement with the Argentine Republic explained in Note 37, and estimated a value of EUR 3,625 million (USD 5,000 million) subject, in any case, to the uncertainty surrounding the final outcome of the negotiation in course.

The accompanying consolidated management report for 2013 contains the explanations which the directors of Repsol, S.A. consider appropriate about the Repsol Group's situation, 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 2013. 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

Javier Ares San Miguel
25 February 2014

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469.
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CONSOLIDATED FINANCIAL STATEMENTS
For the financial year 2013

Repsol, S.A. and Investees comprising the Repsol Group

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

REPSOL, S.A. AND INVESTEES COMPRISING THE REPSOL GROUP
Consolidated balance sheet at December 31, 2013 and 2012

		Millions of euros	
ASSETS	Note	**12/31/2013**	**12/31/2012**
Intangible Assets:		5,325	5,514
a) Goodwill	5	2,648	2,678
b) Other intangible assets	6	2,677	2,836
Property, plant and equipment	7	26,244	28,227
Investment property	8	24	25
Investment accounted for using the equity method	9	412	737
Non-current assets held for sale subject to expropriation	4	3,625	5,392
Non-current financial assets	11	1,802	1,313
Deferred tax assets	23	4,897	3,310
Other non-current assets	11	253	242
NON-CURRENT ASSETS		**42,582**	**44,760**
Non current assets held for sale	10	1,851	340
Inventories	12	5,256	5,501
Trade and other receivables		7,726	7,781
a) Trade receivables	13	5,621	6,081
b) Other receivables	13	1,634	1,284
c) Income tax assets	13	471	416
Other current assets		144	221
Other current financial assets	11	93	415
Cash and cash equivalents	11	7,434	5,903
CURRENT ASSETS		**22,504**	**20,161**
TOTAL ASSETS		**65,086**	**64,921**

Notes 1 to 38 are an integral part of these consolidated balance sheet.

REPSOL, S.A. AND INVESTEES COMPRISING THE REPSOL GROUP
Consolidated balance sheet at December 31, 2013 and 2012

LIABILITIES AND EQUITY	Note	Millions of euros 12/31/2013	12/31/2012
NET EQUITY			
Issued share capital		1,324	1,282
Share premium		6,428	6,428
Reserves		259	247
Treasury shares and own equity instruments		(26)	(1,245)
Retained earnings and other reserves		19,785	18,465
Profit attributable to the equity holders of the parent		195	2,060
Dividends and remunerations		(232)	(184)
EQUITY	**14**	**27,733**	**27,053**
Financial assets available for sale		488	42
Other financial instruments		-	15
Hedge transactions		(60)	(210)
Translation differences		(954)	(198)
ADJUSTMENTS FOR CHANGES IN VALUE	14	**(526)**	**(351)**
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**14**	**27,207**	**26,702**
MINORITY INTERESTS	**14**	**713**	**770**
TOTAL EQUITY		**27,920**	**27,472**
Grants	15	66	61
Non-current provisions	16	3,625	2,258
Non-current financial liabilities:	18	13,125	15,300
a) Bank borrowings, bonds and other securities		13,053	15,073
b) Other financial liabilities		72	227
Deferred tax liabilities	23	3,352	3,063
Other non-current liabilities	21	2,179	3,457
NON-CURRENT LIABILITIES		**22,347**	**24,139**
Liabilities related to non-current assets held for sale	10	1,533	27
Current provisions	16	303	291
Current financial liabilities:	18	4,519	3,790
a) Bank borrowings, bonds and other securities		4,464	3,721
b) Other financial liabilities		55	69
Trade payables and other payables:		8,464	9,202
a) Trade payables	22	4,115	4,376
b) Other payables	22	4,056	4,507
c) Current income tax liabilities	22	293	319
CURRENT LIABILITIES		**14,819**	**13,310**
TOTAL EQUITY AND LIABILITIES		**65,086**	**64,921**

Notes 1 to 38 are an integral part of these consolidated balance sheet.

REPSOL, S.A. AND INVESTEES COMPRISING THE REPSOL GROUP
Consolidated income statement for the years ended December 31, 2013 and 2012

		Millions of euros	
	Note	**12/31/2013**	**12/31/2012 (1)**
Sales		54,683	55,780
Services rendered and other income		1,063	1,442
Changes in inventories of finished goods and work in progress inventories		(228)	(379)
Income from reversals of impairment losses and gains on disposal of non-current assets		23	273
Allocation of grants on non-financial assets and other grants	15	13	13
Other operating income		744	723
OPERATING REVENUE	25	**56,298**	**57,852**
Supplies		(43,170)	(43,744)
Personnel expenses		(2,039)	(1,975)
Other operating expenses		(5,796)	(5,825)
Depreciation and amortization of non-current assets		(2,559)	(2,499)
Impairment losses recognised and losses on disposal of non-current assets		(163)	(143)
OPERATING EXPENSES	25	**(53,727)**	**(54,186)**
OPERATING INCOME		**2,571**	**3,666**
Finance income		162	151
Finance expenses		(963)	(976)
Changes in the fair value of financial instruments		(131)	20
Net exchange gains/ (losses)		98	23
Impairment and gains/ (losses) on disposal of financial instruments		79	(28)
FINANCIAL RESULT	26	**(755)**	**(810)**
Share of results of companies accounted for using the equity method after taxes	9	**48**	**47**
NET INCOME BEFORE TAX		**1,864**	**2,903**
Income tax	23	(947)	(1,406)
Net income for the period from continuing operations		**917**	**1,497**
Net income for the period from continuing operations attributable to minority interests		(38)	(75)
NET INCOME FOR THE PERIOD FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE PARENT		**879**	**1,422**
Net income for the period from discontinued operations after taxes		**(684)**	**747**
Net income for the period from discontinued operations attributable to minority interests		-	(109)
NET INCOME FOR THE PERIOD FROM DISCONTINUED OPERATIONS ATTRIBUTABLE TO THE PARENT	27	(684)	638
TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT		**195**	**2,060**
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**Euros/share**	**Euros/share (2)**
Basic	14	0.15	1.64
Diluted	14	0.15	1.64

(1) Includes the necessary modifications with respect to the consolidated financial statements for the year 2012 in conection with the sale of part of the LNG assets and business, in accordance with the contents of Note 31 "*Divestments*" and Note 2.1.2 "*Comparision of information*".

(2) Includes the necessary modifications with respect to the consolidated financial statements for the year 2012 in conection with the capital increase carried out as part as the compensation scheme known as the "Flexible Repsol Dividend" described in Note 14.1 "*Share capital*" and according with the contents of Note 2.1.2 "*Comparision of information*".

Notes 1 to 38 are an integral part of these consolidated income statements.

REPSOL, S.A. AND INVESTEES COMPRISING THE REPSOL GROUP
Consolidated statement of recognised income and expenses for the years ended December 31, 2013 and 2012

		Millons of euros	
		12/31/2013	**12/31/2012**
CONSOLIDATED NET INCOME FOR THE YEAR [(1)] **(from the Consolidated Income Statement)**	Note	**233**	**2.244**
INCOME AND EXPENSES RECOGNISED DIRECTLY IN EQUITY:			
From actuarial gains and losses and other adjustments		1	(28)
Tax effect		-	9
Total items not reclassified to the income statement		**1**	**(19)**
From measurement of financial assets available for sale		610	39
From measurement of other financial instruments		(240)	18
From cash flow hedges		34	(65)
Translation differences		(785)	(489)
Entities accounted for using the equity method		13	(5)
Tax effect	14	(126)	(10)
Total items reclassified to the income statement		**(494)**	**(512)**
TOTAL		**(493)**	**(531)**
AMOUNTS TRANSFERRED TO THE CONSOLIDATED INCOME STATEMENT:			
From measurement of financial assets available for sale		(2)	26
From measurement of other financial instruments		221	-
From cash flow hedges		117	40
Translation differences		(2)	542
Entities accounted for using the equity method		13	-
Tax effect	14	(66)	(14)
TOTAL		**281**	**594**
TOTAL RECOGNISED INCOME/ (EXPENSE)		**21**	**2.307**
a) Attributable to the parent company		15	2.222
b) Attributable to minority interests		6	85

[(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 38 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, 2013 and 2012

Millions of euros	Equity attributable to equity holders of the parent							
	Capital and reserves							
	Issued share capital	Share premiun and reserves	Treasury shares and own equity instruments	Net income for the year attributable to equity holders of the parent	Adjustments for changes in value	Total equity attributable to equity holders of the parent	Minority interests	Total Equity
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**
Adjustments	-	-	-	-	-	-	-	-
Initial adjusted balance	**1,282**	**24,956**	**(1,245)**	**2,060**	**(351)**	**26,702**	**770**	**27,472**
Total recognised income/ (expense)	**-**	**(1)**	**-**	**195**	**(179)**	**15**	**6**	**21**
Transactions with shareholders or owners								
Increase / (Decrease) of share capital	42	(42)	-	-	-	-	-	-
Dividend payments	-	(51)	-	-	-	(51)	(61)	(112)
Transactions with treasury shares or own equity instruments (net)	-	(206)	1,219	-	-	1,013	-	1,013
Changes in the scope of consolidation	-	-	-	-	-	-	-	-
Other transactions with partners and owners	-	(464)	-	-	-	(464)	-	(464)
Other changes in equity								
Transfers between equity accounts	-	2,060	-	(2,060)	-	-	-	-
Other changes	-	(12)	-	-	4	(8)	(2)	(10)
Closing balance at 12/31/2013	**1,324**	**26,240**	**(26)**	**195**	**(526)**	**27,207**	**713**	**27,920**

Notes 1 to 38 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, 2013 and 2012

	Notes	Millions of euros 12/31/2013	12/31/2012 (1)
Net income before tax		**1.864**	**2.903**
Adjustments to net income:		**3.639**	**3.337**
Depreciation and amortization of non-current assets	**6, 7 & 8**	2.559	2.499
Other adjustments to results (net)		1.080	838
Changes in working capital		**(502)**	**624**
Other cash flows from operating activities:		**(1.005)**	**(1.655)**
Dividends received	**9**	33	26
Income tax received / (paid)		(893)	(1.399)
Other proceeds from / (payments for) operating activities		(145)	(282)
Cash flows from operating activities (2)	**28**	**3.996**	**5.209**
Payments for investing activities:	**6-8 & 30**	**(3.971)**	**(3.892)**
Group companies, associates and business units		(183)	(255)
Property, plant and equipment, intangible assets and investment properties		(3.438)	(3.409)
Other financial assets		(350)	(228)
Proceeds from divestments:	**31**	**683**	**1.125**
Group companies, associates and business units		155	635
Property, plant and equipment, intangible assets and investment properties		102	55
Other financial assets		426	435
Other cash flows		-	(122)
Cash flows used in investing activities (2)		**(3.288)**	**(2.889)**
Proceeds from/ (payments for) equity instruments:	**14**	**1.014**	**1.388**
Acquisition		(106)	(61)
Disposal		1.120	1.449
Proceeds from / (payments for) financial liabilities:	**18**	**(1.325)**	**714**
Issues		8.876	7.943
Return and depreciation		(10.201)	(7.229)
Payments for dividends and payments on other equity instruments	**14**	**(528)**	**(947)**
Other cash flows from financing activities:		**(974)**	**(444)**
Interest payments		(827)	(830)
Other proceeds from/ (payments for) financing activities		(147)	386
Cash flows used in financing activities (2)		**(1.813)**	**711**
Effect of changes in exchange rates		(54)	(78)
Net increase / (decrease) in cash and cash equivalents		**(1.159)**	**2.953**
Cash Flows from operating activities from discontinued operations		129	1.569
Cash Flows from investment activities from discontinued operations		2.319	(868)
Cash Flows from financing activities from discontinued operations		246	(421)
Effect of changes in exchange rates from discontinued operations		(4)	(7)
Net increase / (decrease) in cash and discontinued operations		**2.690**	**273**
Cash and cash equivalents at the beginning of the year	**11**	**5.903**	**2.677**
Cash and cash equivalents at the end of the year	**11**	**7.434**	**5.903**

COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**12/31/2013**	**12/31/2012**
Cash and banks	4.650	4.036
Other financial assets	2.784	1.867
TOTAL CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**7.434**	**5.903**

(1) Includes the necessary modifications respect to the consolidated financial statements for the year 2012 in conection with the sale of part of the LNG assets and business, in accordance with the contents of Note 31 "*Divestments*" and Note 2.1.2 "*Comparison of information*".
(2) Includes cash flows from continued operations.

Notes 1 to 38 are an integral part of these consolidate cash flow.

NOTES TO THE 2013 CONSOLIDATED FINANCIAL STATEMENTS
REPSOL, S.A. AND INVESTEES COMPRISING THE REPSOL GROUP

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(1) GENERAL INFORMATION

Repsol 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 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, liquefied 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.

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.

Its registered office is located in Madrid, calle Méndez Álvaro, 44, where Shareholder Service Office is also located. The telephone 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). On March 9, 2011, the ADS program began to trade on the OTCQX market of the United States, inside OTC market (*over-the-counte*r) which distinguishes issuers with improved market information and solid business activities.

These consolidated financial statements for 2013, which have been approved by the Board of Directors of Repsol S.A. at a meeting held on February 25, 2014, 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 2012 were approved at the Annual Shareholders' Meeting of Repsol, S.A. held on May 31, 2013.

(2) BASIS OF PRESENTATION AND ACCOUNTING POLICIES

2.1) 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 (IFRSs) as issued by the International Accounting Standards Board (IASB) as well as the IFRSs adopted by the European Union (EU) as of December 31, 2013. The IFRSs adopted by and in effect in the EU differ in certain respects from the IFRSs issued by the IASB, with the exception to the future application of IFRS 11 *Joint Arrangements* (see Note 2.1.1), these differences do not have a material 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, 2013, 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 use accounting estimates and judgments when applying the Standards. The areas, in which most significant judgments, assumptions and estimates have to be made, are detailed in Note 3 *"Accounting Estimates and Judgments."*

2.1.1) New standards issued

A) Below is a list of the rules, interpretations, standards and modifications issued by the IASB and adopted by the European Union, that have been mandatorily applicable from January 1, 2013:

- IFRS -13 *Fair Value Measurement*.
- IFRIC 20 - *Stripping Costs in the Production Phase of a Surface Mine.*
- 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.*
- 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).
- Amendments to IFRS 1 - *Government Loans*.
- Improvements to IFRSs 2009-2011.
- Amendments to IAS 36 - *Recoverable Amount Disclosures for Non-Financial Assets* (2).

(1) These standards were issued by the IASB applicable prospectively to in annual periods starting on or after January 1, 2012. These standards were adopted by the European Union applicable prospectively to in annual periods starting on or after January 1, 2013, with the possibility of early adoption.

(2) These amendments were issued by the IASB applicable prospectively to annual periods starting on or after January 1, 2014. These amendments were adopted by the EU applicable prospectively to annual periods starting on or after January 1, 2014 and have been early adopted by the Group, as provided for in the corresponding adopting Regulation.

IFRS 13 *Fair Value Measurement* establishes a framework for all fair value measurements an requires specific additional disclosures of information. As a general rule, the Group applies this standard in measuring certain financial instruments (see Notes 11 and 18) as well as inventories of "commodities" held for "trading." The application of IFRS 13 has not had a material impact on the Group's consolidated financial statements – due to most of its financial instruments are either current or closed out in the clearinghouses of organized exchanges - except for the provision of certain additional disclosures in the corresponding explanatory notes (see Notes 11, 12 and 18).

The Amendments to IAS 36 *Impairment of Assets*, which modify the consequences of application of IFRS 13 in respect of the disclosures required under IAS 36, have not had a material impact on the Group's consolidated financial statements, except for certain additional disclosures in relation to the impairment of non-financial assets included in the corresponding explanatory notes (see Notes 6 and 7).

Amendments to IAS 1 *Presentation of Items of Other Comprehensive Income,* represented a change in the presentation of the items in the consolidated statement of recognized income of these consolidated financial statements with respect to the consolidated financial statements at December 31, 2012 and, specifically the distinction between reclassified and non-reclassified headings in the consolidated income statement.

Effectiveness of the other standards, interpretations and amended standards outlined in the current section A) has not have a material impact on the Group's consolidated financial statements.

B) Below is a list of the standards and amendments that have been issued by the IASB and adopted by the European Union and will be mandatorily applicable in 2014:

- IFRS 10 *Consolidated Financial Statements* [(1)].
- IFRS 11 *Joint Arrangements* [(1)].
- IFRS 12 *Disclosure of Interests in Other Entities* [(1)].
- IAS 27 *Separate Financial Statements* [(1)].
- IAS 28 *Investments in Associates and Joint Ventures* [(1)].
- Amendments to IFRS 10, IFRS 11 and IFRS 12. *Transition Guidance* [(1)].
- Amendments to IFRS 10, IFRS 12 and IAS 27. *Investment Entities.*
- Amendments to IAS 32 - *Offsetting Financial Assets and Financial Liabilities*
- Amendments to IAS 39 - *Novation of Derivatives and Continuation of Hedge Accounting.*

(1) These standards were issued by the IASB applicable prospectively 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, with the possibility of early adoption, an option the Repsol Group has not availed of.

The Group does not expect application from 2014 of IFRS 11 *Joint Arrangements* to have any significant impact on equity in its consolidated financial statements. However, application of this new standard is expected to result in significant changes in the Group's financial statements; since up until and as of the date of the accompanying consolidated financial statements, the Group has been using the proportionate method to consolidate its interests in joint control entities (not applicable prospectively as of January 1, 2014) using the criteria laid down in IAS 31 *Interests in Joint Ventures* (see Note 2.2.1). The Group has analyzed all of its joint ventures (see companies in Note 24) to classify them either as joint operations or joint arrangements and determine the necessary balance sheet and income statement line item reclassifications. Against this backdrop, below is a table outlining the estimated impact of the upcoming change in consolidation method with respect to the Balance sheet at December 31, 2013 and the 2013 Income statement:

	Millions of euros		
Balance sheet	**2013**	**2013 (IFRS 11**	**Change**
Non-current assets	42,582	37,832	(4,750)
Current assets	22,504	17,716	(4,788)
TOTAL ASSETS	**65,086**	**55,548**	**(9,538)**
Total equity	27,207	27,207	-
Minority Interest [(1)]	713	244	(469)
Non-current liabilities	22,347	14,720	(7,627)
Current liabilities	14,819	13,377	(1,442)
TOTAL EQUITY AND LIABILITIES	**65,086**	**55,548**	**(9,538)**

(1) Minority interests corresponding to Natural Fenosa group companies (see Note 14.8).

Income statement	Millions of euros		
	2013	2013 (IFRS 11)	Change
Operating revenue	56.298	47.331	(8.967)
Operating expenses	(53.727)	(46.371)	7.356
Financial result	(755)	(483)	272
Net income for the period from continuing operations	48	805	757
Income tax	(947)	(431)	516
Attributable to minority interests	(38)	28	66
Net income for the period from continuing operations attributable to equity holders of the parent	**879**	**879**	**-**

The Group considers that application of the other new and amended standards outlined in the current section B) will not have a significant impact on its consolidated financial statements, with the exception of certain additional disclosure requirements.

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

Mandatory application in 2014:

- IFRIC 21 *Levies*.
- Improvements to IFRSs 2010-2012 (1).

Mandatory application in 2015:

- Amendments to IAS 19 *Employee Contributions.*
- Improvements to IFRSs 2010-2012 (1).
- Improvements to IFRSs 2011-2013.

Mandatory application in 2016:

- IFRS 14 - Regulatory deferral accounts(2)

Application in subsequent years:

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

(1) The document "*Annual Improvements to IFRSs 2010-2012e*" introduces amendments to several IFRSs. Pending adoption by the European Union, some of these amendments have been issued with a first-time application date of July 1, 2014, while others have been issued for first-time application in annual periods beginning on or after July 1, 2014 which, in the case of the Group, implies a first-time application date of January 1, 2015.

(2) This standard only applies to entities that carry out regulated activities and are applying IFRSs for the first time.

(3) Corresponding to the "*Classification and Measurement*" and "*Hedge Accounting*" phases of IFRS 9, part of the project to replace the current IAS 39 "*Financial Instruments – Recognition and Measurements,"* and including the subsequent amendment issued by the IASB in November 2013 by virtue of which IFRS 9 shall apply from a future date still pending definition but later than January 1, 2015, as had been originally envisaged in IFRS 9 prior to this amendment.

With regard to the other standards, interpretations and amendments identified in the current section C), the Group is currently analyzing the impact their application may have on the consolidated financial statements.

2.1.2) Comparison of information

As a result of the sale of part of the LNG business assets and business as described in Note 29 *"Segment Reporting,"* in Note 31 *"Divestments"* and in Note 10 *"Non-current assets and liabilities held for sale."*, the income statement and the statement of cash flows for the year ended December 31, 2012 have been restated for comparative purposes with information related to the year 2013 with respect to the consolidated financial statements issued corresponding to the year ended 2012.

The profit per share at December 31, 2012 has changed with respect to that recognized in the 2012 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 14 *"Equity."*

2.2) Accounting policies

2.2.1) Basis of consolidation

Repsol's consolidated financial statements include 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, 50% or more of an entity's voting rights.

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 from continuing operations attributable to minority interests*" and " *Net income from discontinuing operations attributable to minority interests*" in the consolidated income statement.

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.

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, after taxes.*"

If the Group's share of an associate's losses reduces the carrying amount of its investment in that associate to zero, no further losses are recognized unless the Group has a present obligation to cover such losses.

Appendix I contains a list of the main consolidated subsidiaries, associates and most significant joint ventures in which Repsol, S.A. as of December 31, 2013, has direct and indirect ownership interests, which were included in the scope of consolidation, as well as the changes in the consolidation scope in 2013 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 basis.

The financial statements of the investees whose functional currency differs from the presentation currency (see Note 2.2.4) are translated as follows:

- The assets and liabilities in each of the balance sheets presented are translated applying the closing exchange rate on the balance sheet date.
- For practical reasons, the Group generally applies the average exchange rate for the period in which the transactions were performed. However, the transaction-date exchange rate is used to measure significant transactions and also when exchange rates have fluctuated significantly during the reporting period.
- 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 "Translation Differences" of equity relating to that subsidiary, are transfered 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 does not result in loss of control, the proportionate share of the cumulative amount of the exchange differences recognized as "Translation differences" in equity is reclassified to the minority interests in respect of that foreign operation.

The exchange rates against the euro of the main currencies used by the Group companies at December 31, 2013 and 2012 were as follows:

	December 31, 2013		December 31, 2012	
	Year-end rate	Cumulative Average Rate	Year-end rate	Cumulative Average Rate
American Dollar	1.38	1.33	1.32	1.28
Brazilian Real	3.23	2.87	2.69	2.51

2.2.2) Classification of assets and liabilities into current and non-current

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

2.2.3) 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 when offsetting is required or permitted by a given standard or interpretation and 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.

2.2.4) 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 functional currency of the Repsol Group's parent company and presentation currency of consolidated financial statements.

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 (see Note 2.2.25).

2.2.5) 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 a non-current asset in the corresponding intangible asset caption on the consolidated balance sheet on the date of acquisition.

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.

Because goodwill has an indefinite useful life, it is not depreciated. Subsequent to initial recognition, it is measured at cost less any accumulated impairment losses (see Note 2.2.10).

2.2.6) 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 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 closing 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 1 to 50 years.

b) Carbon emission allowances

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

Allowances received for no consideration under the emissions trading system for the period 2013-2020, 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 as deferred income. As the corresponding tons of CO_2 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. Emission allowances are subject to an impairment test (see Note 2.2.10). The fair value of the emission allowances is measured based on price of the benchmark contract in the futures market provided by the ECX-European Climate Exchange.

The Group records an expense under "Other operating expenses" in the income statement for the CO_2 emissions released during the year, recognizing a provision calculated based on the tons of CO_2 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 CO_2 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 (see Note 35), 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 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 to 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, costs are reclassified to "*Investments in areas with reserves*" (see Note 2.2.7 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. Research costs incurred by the Group are expensed in the income statement as costs of the year.

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.

2.2.7) 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 and all the costs to make them operational.

Additionally, if applicable, the costs "Property Plant and Equipment" elements 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 (see Note 2.2.22).

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	5-30

(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 polices 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* (mainly geological and geophysical expenditures 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 prospection 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 finding 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. This capitalization is recorded against the caption dismantling provision (see Note 16).

The investments capitalized as described above are depreciated as follows:

i. Investments in the acquisition of proved reserves and certain associated items of property, plant and equipment are depreciated over the estimated commercial life of the

field on the basis of the production for the period as a proportion of the developed 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.

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 closing balance sheet date or whenever there are indications that the assets might have become impaired, their recoverable amount 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 (see Note 2.2.10, Notes 6, 7 and 25).

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 asset items, as explained in sections 2.2.7.a) to 2.2.7.b) of this note.

2.2.8) Investment property

Investment property are those assets (buildings, land) held to earn rentals or for capital appreciation. 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 2.2.7.a) and 2.2.7.b) above).

2.2.9) 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, irrespective of the fact that they are presented under this heading.

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 after taxes.*"

The equity investment in shares of YPF S.A and YPF Gas S.A. subject to expropriation by Argentina's government is recognized under "*Non-current assets held for sale subject to expropriation*" (further information on the measurement bases is provided in Note 4).

2.2.10) Impairment of property, plant and equipment, intangible assets and goodwill, and methodology used to estimate recoverable amounts

In order to ascertain whether its assets have become impaired, the Group compares their carrying amount with their recoverable amount at least annually and whenever there are indications that the assets might have become impaired.

For that purpose, assets are grouped into cash-generating units (CGUs), 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 the various CGUs implies the use of professional judgments and the determination, among other criteria, of the business and geographic segments in which the Group operates. Against this backdrop, in the *Upstream* segment, each CGU corresponds to one of the various contractual exploration areas widely known as 'blocks'; exceptionally, if the cash flows generated by more than one block are mutually interdependent, these blocks will be grouped into a single CGU. In the *Downstream* segment, the CGUs are defined as a function of business activities (mainly Refining, Chemicals, Service Stations and LPG) and geographic areas. With respect to the LNG business, in the wake of the sale of some of this segment's assets and businesses, in 2013 the Group includes a single CGU in this reportable segment that essentially encompasses the North American assets. Elsewhere, for the purpose of assessing the recoverable amounts of Gas Natural Fenosa's assets, the Group follows the CGU classification used by that group in its financial statements.

To perform this test, goodwill acquired on a business combination is allocated among the CGUs 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. If the recoverable amount of an asset (or a CGU) is estimated to be less than its net book value, the carrying amount of the asset (or the CGU) 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.

After an impairment loss has been recognized, amortization charges are calculated prospectively on the basis of the reduced carrying amount of the impaired asset.

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 CGU) 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 CGU) 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.

The methodology used to estimate the recoverable amount of the assets is, in general, the value in use calculated by discounting to present value the future cash flows expected to derive from the operation of these assets.

The cash flow projections are based on the best available estimates of the CGUs' income and expenses using sector forecasts, prior results and the outlook for the business's performance and market's development. The Group's annual budget and the business plan set macroeconomic forecasts for each of the countries where it has business operations, which include variables such as inflation, GDP growth, exchange rates, etc. that are used to quantify the abovementioned income and expense estimates. The aforementioned macroeconomic forecasts are prepared on the basis of the content of internal reports that use in-house estimates, based on updated external information of relevance (forecasts prepared by consultants and specialized entities).

Valuations of Exploration & Production assets (*Upstream*) use 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, which are in turn the most sensitive variables in this business, and the general principles followed to generate them 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 countries where international list prices do not mirror local market circumstances, the prices modeled factor in 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 gleaned from internal reports on the global energy environment that not only factor in in-house forecasts but also consider so-called consensus estimates built from a mixture of consultancy opinions, investment banking estimates and futures prices. The resulting 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 expenditure.

b) Reserves and production schedules. Production schedules are estimated on the basis of output levels at existing wells and the development plans in place for each productive field. These schedules are then used to estimate proved and unproved resources. Proved oil and gas reserves are estimated 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-SPE criteria and guidelines and are weighted for the risk factors associated with each class of exploration and production assets.

c) Operating expenses and capital expenditure. These are calculated in year one on the basis of the Group's annual budget and thereafter in keeping with the asset development programs. These costs were extrapolated at a growth rate of 2.5% until 2016 and of 3% thereafter, for impairment testing purposes in 2013.

In the *Downstream* segment, the various businesses' cash flows are estimated on the basis of the outlook for sales, unit contribution margins, fixed costs and required maintenance capital expenditure, in keeping with the expectations reflected in the annual budget and the individual business-specific business plans. These are the key inputs used to estimate value in use. Cash inflows and outflows corresponding to future restructuring exercises or initiatives to enhance the assets' performance are not considered. The cash flow projection period considered to this end is generally five years; cash flows after year five are extrapolated without factoring in any further growth. Specifically in the Refining CGU, the projections span a period of 25 years because of the impact of the refinery expansion work and upgrades. For the purpose of calculating residual values, the only investment considered is maintenance capital expenditure and any investment needed for renovation purposes in order to maintain the CGUs' productive capacity.

The cash flows of the LNG businesses that were sold (see Note 31) were estimated on the basis of the following key assumptions:

a) Gas and LNG prices: the international benchmark prices used by the Group include Brent, HH (Henry Hub) and NBP (National Balancing Point), adjusted as required for local market considerations in the event that these international benchmarks do not fully reflect local market circumstances. As in the Exploration and Production segment, these prices are taken from the assumptions underpinning the annual budget in year one and, from year two on, using the price trends forecast in internal reports of the global energy environment.

b) Gas and LNG volumes and sales margins: the volumes used for cash flow forecasting purposes are estimated on the basis of the contracts in force at year-end and estimates for the trading activity, all of which in keeping with the business plan. Margins factor in historical data, the price forecasts detailed in a) above and the outlook for margins going forward.

These estimated future net cash flows are discounted to present value using CGU-specific discount rates determined as a function of the currency in which their respective cash flows are denominated and the risks associated with these cash flows, including country risk. Repsol discounts projected cash flows using individual post-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. Accordingly, the various discount rates used take into consideration country risk, the currency in which the cash flows are generated and business risk factors. To ensure that the calculations are consistent and avoid double counting, the cash flow projections do not factor in risks that have already been built into the discount rates used. The discount rates used factor in average sector leverage as a reasonable proxy for the optimal capital structure, to which end management monitors leverage rates at comparable oil and gas companies during the last five years.

The discount rates used in 2013 and 2012 by business segment and geographical area are shown below:

	2013	2012
UPSTREAM (*)		
America	8.1% -11.9%	7.7% - 11.8%
Europe, North Africa and Asia	8.1% - 10.4%	7.7% - 10%
DOWNSTREAM	4.6% - 10.2%	4.9% - 12.3%
LNG (*)	4.7% - 4.8%	4.3 % - 7.7%

(*) US dollar-denominated discount rates.

The assumptions and discount rates used to project the cash flows corresponding to Gas Natural Fenosa's CGUs are those defined by that group, as disclosed in its annual financial statements.

For CGUs carrying 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 within the defined threshold, the Group performs 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. Specifically, in performing the related sensitivity analysis, the following inputs were varied:

Sensitivity analysis	
Decrease in oil and gas prices (Brent, WTI and HH)	10%
Decrease in sales volumes	5%
Increase in operating expenses and capital investment	5%
Decrease in unit contribution margins	5%
Increase in WACC	50 b.p

Repsol considers, based on its current knowledge, that the 'reasonably possible changes' in the inputs to which estimated fair value is most sensitive, and on which the recoverable amount calculations are based, would not have a material impact on the Group's 2013 or 2012 financial statements.

2.2.11) Current and non-current financial assets

The Group classifies its investments in financial assets when they are initially recognized and reviews their classification at period end date. The assets are classified on the basis of the nature of the financial assets and 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 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 (see Note 2.2.25). 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 corresponding effective interest rate.

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 of 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.

2.2.12) 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 inventories at the end of each period and recognizes the appropriate impairment loss in profit or loss to the extent the carrying amount of inventories exceeds their net realizable value. 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 statement. These transactions do not represent a significant volume of the Group's inventories (see Note 12).

2.2.13) 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.

2.2.14) 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 (see Notes 2.1.2, 14.1 and 14.4).

2.2.15) Treasury shares

Treasury shares are measured at acquisition cost and are presented as a deduction from equity. Any related gains or losses are recognized directly in equity.

2.2.16) 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 18 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 the Note 2.2.25.

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.

2.2.17) Provisions and contingent liabilities

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 (see Note 34).

2.2.18) Loyalty programs aimed at beneficiaries of the pluri-annual incentive plan and share acquisition plans

Repsol has recognized defined contribution pension plans for certain groups of employees both directly and through its shareholding in Gas Natural Fenosa (see Note 17).

The estimated cost of the shares to be delivered under those loyalty plans is recognized under the captions "*Personnel expenses*" and "O*ther reserves*" to the extent that the plan beneficiaries' rights to receive the shares vest.

2.2.19) 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 (see Note 17).

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*."

2.2.20) 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 on the liability side of the balance sheet 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 have been met; they are measured at the amount granted.

These grants are recognized in profit or loss income statement 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 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.

2.2.21) Deferred income

Deferred income is presented within "*Other non-current liabilities*" on the consolidated balance sheet and 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 the income statement 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 CO_2 allowances received for no consideration (see Note 2.2.6 b)).

2.2.22) 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 to leaseholder 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 within "Other non-current liabilities" on the balance sheet 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 charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the 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.

2.2.23) 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 (see Note 23).

"*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, insofar as latter relate to income tax.

Current and deferred taxes are recognized outside profit or loss account if they are 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.

2.2.24) 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 an 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 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.

2.2.25) 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 commodity 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, a highly probable forecasted transaction or a firm commitment, if the risk hedged is foreign currency related; and (ii) could affect profit or loss for the year.

The portion of the changes in the fair value of the hedging instruments that is determined to be an effective hedge is recognized in equity and the ineffective portion of the gain or loss on the hedging instrument (corresponding to the excess, in absolute terms, between the cumulative change in the fair value of the hedging instrument with respect to the change in the fair value of the hedged item) is recognized in profit or loss. The gains or losses accumulated in equity are transferred to profit or loss in the periods in which the hedged items affect profit or loss or, when the transaction hedge results in the recognition of a non-financial asset or liability, are included in the cost of the related asset or liability.

c) Hedges of net investments

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 *Financial Instruments - Recognition and Measurement*.

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) 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 valuation of 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 testing and the calculation of the recoverable value of the Group's assets (see Notes 2.2.10, 6 and 7), (v) the value of derivative financial instruments (see Notes 2.2.25 and 20) and (vi) the financial instruments recognized as a result of the expropriation of YPF S.A. and YPF Gas S.A. (see Note 4.3).

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 (see Note 7). Any change in reserve volumes could have a significant impact on the Group's results.

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 (see Notes 34 and 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 (see Note 23).

(4) EXPROPIATION 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 an additional interest in YPF S.A.'s share capital of 10.1% that were exercised in 2008 and 2011 (see Note 4.2). During 2010 and 2011, Repsol transferred an additional interest in YPF S.A. At December 31, 2011, before the loss of control of YPF S.A. as a result of the seizure and expropriation of YPF S.A. and YPF Gas S.A., Repsol's interest in YPF, S.A. amounted to 57.43%.

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

On April 16, 2012, the Argentinean National Executive Branch 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 as well as its exploration, exploitation, industrialization, transportation, and marketing, as a priority. Likewise, 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 by Repsol and its controlling or controlled entities. 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), with immediate effect, which ordered the temporary seizure of YPF S.A. for a 30-day period, appointing a government minister as administrator 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 Stock Exchange Commission (CNMV) on April 16, 2012 its rejection of the abovementioned expropriation measures.

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.

After the rapid parliamentary adoption procedure of the abovementioned bill, on May 7, 2012, Law number 26,741 (YPF Expropriation Law or "La Ley de Expropiación de YPF") was published in Argentina's Official State Journal, taking immediate effect, and establishing the following:

- Fifty-one per cent of the equity of YPF S.A. represented by 51% of this company's "Class D" shares, belonging directly and indirectly to Repsol and its controlling and/or controlled entities, and 51% of the equity of YPF Gas, S.A., represented by 60% of this company's "Class A" shares, belonging to Repsol Butano, S.A. and its controlling and/or controlled entities, were declared of public utility and subject to expropriation.

- The National Executive Branch was empowered to exercise all the rights attaching to the shares to be expropriated, thereby taking "temporary title" to the said shares under the terms of Law number 21,499 (the National Expropriation Act).

- The expropriation processes will be governed by Law number 21,499, with the Argentinean National Executive Branch acting as the expropriating authority and the price of the assets subject to the expropriation will be determined in accordance with Article 10 and related provisions of the aforementioned Law, being the National Appraisal Tribunal responsible for the valuation.

On May 7, 2012, the Argentine Republic National Executive Branch appointed YPF S.A.'s new General Manager.

The intervention of YPF S.A. concluded with the celebration, on June 4, 2012, of the company's General Shareholders' Meeting, as called by the president of the National Securities Commission. At that meeting, the General Manager was appointed to the Board and, later, this governing body appointed him as Chairman. Likewise, the shareholders attending that Meeting proceeded, among other resolutions, to replace all of the regular and alternate directors, regular and alternate trustees and the regular and alternate members of the Audit Committee, and to appoint their substitutes. Of the 17 new regular members of the Board, the shareholders appointed one director at the proposal of Repsol. Repsol's representation on the Board of YPF, S.A. increased in 2013, with two additional directors appointed to the Board at the proposal of Repsol at a shareholder meeting taking place on April 30, 2013 and continued on May 30, 2013.

Repsol, S.A. and Repsol Butano, S.A., YPF S.A. have challenged the shareholder meetings of YPF S.A. of June 4, 2012, July 17, 2012, September 13, 2012 and April 30, 2013, the latter meeting continued on May 30, 2013, and the general meetings of YPF Gas S.A. of July 6, 2012, December 20, 2012 and May 16, 2013, respectively, on the grounds, among other reasons, that they were not validly constituted as they were brought about by an illegitimate and unconstitutional expropriation process.

There have been no significant developments affecting the legal framework used to confiscate the Repsol Group's shares in YPF S.A. and YPF Gas S.A.

Repsol has consistently maintained that the expropriation carried out was manifestly illicit and gravely discriminatory (as it only affected YPF S.A. and YPF Gas S.A. and not other oil and gas companies in Argentina; moreover, the Argentine government only confiscated the shares of one of the shareholders of YPF S.A. and YPF Gas S.A., namely Repsol). It further maintains that there is no justification whatsoever for the public utility argument put forward and that the seizure of its shares constitutes a blatant breach of the obligations assumed by the Argentine state when it privatized YPF that violates the most fundamental principles of legal certainty and confidence of the international investment community, reserving on these grounds 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.

As outlined in *Procedures initiated as a consequence of the expropriation of the Group's shares in YPF S.A.*in Note 34, Repsol is proceeding with the legal actions previously initiated, specifically: legal action in respect of (i) violation of the "Treaty between the Republic of Argentina and the Kingdom of Spain on the Reciprocal Promotion and Protection of Investments," which has been brought before the ICSID Arbitration Tribunal, which, in accordance with the Washington Convention, once proceedings have begun, shall assume the exclusive jurisdiction to rule on the legality of the expropriation and, to whom it has been requested the restitution of the seized shares or, alternatively, at the request of the plaintiffs, to sentence Argentina to pay an adequate compensation, including payment of any and all damages caused; (ii) unconstitutionality of the intervention in YPF S.A. and YPF Gas S.A. by the Argentine government and the temporary seizure of all rights of the expropriated shares of YPF S.A. and YPF Gas S.A. held by Repsol, S.A. and Repsol Butano, S.A., respectively, brought before the Argentine courts; (iii) breach by the Argentine state of its obligation to launch a tender offer for the shares of YPF, S.A. before taking control of this company, brought before the courts of the State of New York; and (iv) other legal proceedings filed in multiple jurisdictions (courts in Spain and the State of New York) with a view to preserving the assets of the seized companies and preventing competitor oil and gas companies (Chevron and Bridas to date) from taking advantage of the legal infractions incurred to obtain

unfair advantage over certain assets owned by YPF S.A. executing agreements the validity of which is under legal dispute as a result of these proceedings.

In November 2013, the Argentine government announced an initial agreement regarding the compensation for the expropriation of the Repsol Group's 51% share capital in YPF S.A. and YPF Gas, S.A. At a meeting held on November 27, 2013, the Board of Directors of Repsol analyzed and welcomed the agreement with respect to the compensation for the expropriation and, with a view to making further progress in this respect, agreed to initiate conversations with the said government with the aim of negotiating a rapid, fair and effective solution to the ongoing controversy, on the basis of certain and monetary compensation in the amount of USD 5,000 million, any such agreement needs to meet the demands implied by the complexity of the underlying issue and its terms must provide sufficient guarantees to ensure its effectiveness. At that same meeting, the Board of Directors agreed to engage an international prestigious Investment Bank to assist the Repsol's team with this process and to facilitate the professional conduct thereof.

4.2) Agreements between Repsol and the Petersen group and other related loan agreements with the Petersen group

In 2007 Repsol decided to work to further integrate the management of YPF S.A. in the Argentine economic and business landscape, bringing local shareholders into the company's management structure.

For these purposes, in 2008 Repsol sold 14.9% of YPF S.A. to Petersen Energía and granted the latter two purchase options over a total 10.1% of YPF S.A.; these options were exercised in 2008 and 2011. The transaction was financed by an international group of banks and by Repsol. In conjunction with this transaction, in accordance with the by-laws of YPF S.A., Petersen Energía launched a tender offer for the acquisition of 100% of the share capital of YPF, S.A., authorized by the Argentine government, as a result of which Petersen Energía acquired an additional 0.462% of YPF S.A.'s share capital. These transactions were financed by a loan granted by Banco Santander in June 2008 (the "1st Option Loan"), which was guaranteed by Repsol. On 31 December 2011 and before the Group had lost the control over YPF S.A. due to the mentioned expropriation, Peterson's Group held 25.46% of the Argentinean petroleum Company.

On April 23, 2012, the Argentine government's intervenor at YPF suspended the shareholders' meeting called by this company's board, which in turn caused the impossibility for the Petersen group to meet its obligations under the loan agreements arranged to finance the acquisition of its equity investment in YPF S.A. This in turn triggered: (a) the breach or default on the loan agreements with the lender banks and with Repsol; (b) the execution by Repsol of the pledge granted to it over the Peterson group's shares in YPF S.A.; and (c) insolvency filings by the Petersen group borrower companies.

Elsewhere, in connection with the 1st Option Loan, on May 18, 2012, Banco Santander claimed partial repayment of the loan by Repsol, in its capacity as guarantor, as a result of which Repsol paid Banco Santander USD4.6 million. Then, in April 2013, Repsol partially executed the pledge it held over 322,830 YPF S.A. ADSs (representing 0.08% of the latter's share capital). On November 15, 2013, Banco Santander notified Repsol, as guarantor, that the final repayment on the loan was due, to which end Repsol paid it USD92 million. It is expected that Repsol will be able to foreclose the remaining shares pledged to it in April 2014.

4.3) Accounting treatment in relation to the expropriation

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

As a result of the events outlined in Note 4.1, Repsol lost control of YPF S.A. and YPF Gas in

2012. Accordingly, the Group proceeded to deconsolidate its investments in these companies, a process that entailed the derecognition of their respective assets, liabilities, minority interests and the corresponding translation differences.

In keeping with prevailing accounting rules, since the loss of control event in 2012, the activities of YPF S.A. and YPF Gas S.A. have been considered discontinued activities, as a result of which the contributions of these companies to the Group's results have been classified in the related specific income statement headings. At December 31, 2012, the amounts contributed by YPF S.A. and YPF Gas S.A. between January 1, 2012 and the loss of control event amounted to €147 million and €2 million, respectively. These amounts are shown net of tax and minority interests and are presented within "*Net income for the period from discontinued operations attributable to the parent*" (see Note 27 Discontinued Operations).

The following table includes a breakdown of the assets, liabilities, and minority interests of YPF S.A. and YPF Gas S.A. that were derecognized from the consolidated balance sheet in 2012:

	Millions of euros [1]		
ASSETS	**YPF**	**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) Investment in areas with reserves	5,886	-	5,886
b) Other exploration costs	120	-	120
c) Machinery and plant	1,085	7	1,092
d) Transport equipment	51	1	52
e) Other items of PP&E	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 EQUITY HOLDERS OF THE PARENT [2]	**(589)**	**(16)**	**(605)**
MINORITY INTERESTS	**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 and other payables	2,157	39	2,196
CURRENT LIABILITIES	**3,579**	**39**	**3,618**
TOTAL EQUITY AND LIABILITIES	**9,228**	**35**	**9,263**
CARRYING AMOUNT	**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) Corresponds to the translation differences accumulated in equity in respect of the Group's investments in YPF S.A. and YPF Gas S.A.

Accumulated translation differences in net equity in the Group's ownership interest in YPF S.A. and YPF Gas, generated until loss of control were transferred to the headings related to the discontinued operations of the Group's income statement of 2012 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 of control and the expropriation process, such as loans and guarantees granted to the Petersen group's for the 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 in 2012, since they are closely linked to the expropriation process of the Group's shares in YPF S.A.

The Group had granted the Petersen group two loans which were guaranteed by several pledges over YPF S.A.'s Class D shares in the form of ADSs owned by the Petersen group. On May 30, 2012, Repsol notified the Petersen group 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 1st Option Loan, at March 31, 2012, the amount guaranteed by Repsol amounted to $96 million. On May 18, 2012, Repsol, in its capacity as guarantor of the loan, paid Banco Santander USD4.6 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 S.A. 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.

Without prejudice to the rights and claims to which Repsol is entitled in the opportune courts and forums in respect of the illegality of the expropriation and any valuation of the assets undertaken as part of these proceedings, these assets and liabilities have been measured for accounting recognition purposes in accordance with the provisions of IAS 39. The references in this accounting standard to fair value or realizable value obliges the Group to distinguish between the shares subject to expropriation and the rest of the 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.

Regarding YPF S.A. shares, recorded under "*Available-for-sale financial assets*" (included in the heading "*Non-current financial assets*" on the balance sheet attached), they were valuated 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 (see Note 27).

<u>*Subsequent valuation of assets and liabilities after loss of control*</u>

The value of the expropriated shares was written up at year-end 2013 in order to align their carrying amount with their recoverable value as a result of a potential settlement agreement that would put an end to the controversy over the expropriation. Based on the agreement in principle announced in November 2013 and the basis for the negotiation process established by Repsol, this recoverable value has been estimated at USD5,000 million, which is in any case subject to the uncertainty surrounding the final outcome of the negotiation in course (see Note 37 "Subsequent events"). Against this backdrop, the Group has recognized an impairment loss on the value of the shares classified as "*Non-current assets held for sale subject to expropriation*" in the net amount of €1,279 million under "*Net income for the period from discontinued operations attributable to the parent*". This balance includes €161 million in relation to the net cumulative exchange differences that had been deferred in "*Adjustments for changes in value*" within Group equity. 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 significant impact on the Group's financial statements.

The balance recognized in "*Non-current assets held for sale subject to expropriation*" in respect of the Repsol Group's shares in YPF S.A. and YPF Gas S.A. amounted to €3,625 million at December 31, 2013 (€5,392 million at year-end 2012).

In relation to the loans granted to Petersen, on November 8, 2012, Repsol executed the pledges associated to those loans amounting to 21,174,920 Class D YPF S.A.'s shares in the form of American Depositary Shares representing 5.38% of YPF S.A.'s share capital, recognizing these shares under "*Available-for-sale financial assets*." The amounts corresponding to these loans are totally provisioned at December 31, 2013 and 2012.

In relation to the 1st Option Loan, in April 2013 Repsol partially executed the mentioned pledge over 322,830 YPF S.A. ADSs representing 0.08% of the latter's share capital. These shares were recognized as "*Available-for-sale financial assets*" at their market value at the time of their acquisition in the amount of €4 million.

On November, 2013, the provision for liabilities and charges recognized to cover the Repsol's maximum liability under the 1st Option Loan was cancelled as a result of the payment by Repsol, in its capacity as guarantor, of the last instalment due under the loan together with the relevant

interests in the amount of USD92 million. Subsequent to cancellation of this provision, the Group recognized its entitlement to the shares (1,887,362 ADSs) within "*Available-for-sale financial assets*" at their realization value in the market at the time of execution of the pledge in the amount of €35 million (see Note 11.3).

On financial year 2013, the Group has recognized a before-tax gain of €607 million as a result of changes in the value of the shares classified as "*Available for sale financial assets*," including those acquired as a result of execution of the counter-guarantee extended to Repsol, S.A. in connection with the 1st Option Loan. These changes have been recognized directly in equity, specifically in "*Adjustments for changes in value*" and relate mainly to the stock market performance and exchange rate differences. The balance recognized at year-end 2013 in respect of shares not subject to expropriation is €1,177 million. The changes in the value of these shares between initial recognition and December 31, 2012 was €59 million for a year-end 2012 balance of €530 million.

(5) GOODWILL

The breakdown of goodwill, by company, at year end 2013 and 2012 is as follows:

	Millions of euros	
	2013	2012
Gas Natural Fenosa Group Companies	2,061	2,086
Repsol Portuguesa, S.A.	154	154
Repsol Gas Portugal, S.A.	118	118
Repsol Comercial de Productos Petroliferos, S.A.	95	96
Other companies	220	224
TOTAL	**2,648**	**2,678**

The changes in 2013 and 2012 in this line item in the accompanying consolidated balance sheet were as follows:

	Millions of euros	
	2013	2012
Balance at begining of the period……………………………..	**2.678**	**4.645**
Additions	-	5
Changes in the scope of consolidation	(2)	(95)
Disposals	(1)	(1)
Translation differences	(27)	(2)
Write-offs	-	(6)
Reclasifications and other changes	-	(2)
Discontinued operations movements (1)	-	(58)
YPF & YPF Gas expropiation (2)	-	(1,808)
Balance at end of the period	**2,648**	**2,678**

(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.
(2) 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 4.

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. (see Note 31 "Divestments").

The breakdown of the gross goodwill and accumulated impairment losses at December 31, 2013 and 2012 is as follows:

	Millions of euros	
	2013	2012
Gross goodwill	2,680	2.710
Accumulated impairment losses	(32)	(32)
NET GOODWILL	**2,648**	**2.678**

The breakdown of goodwill at December 31, 2013 and 2012 by operating segment and geographical area is as follows:

	Millions of euros	
	2013	**2012**
Upstream [(1)]	**95**	**100**
Latin America	79	84
Rest of the World	16	16
Downstream [(2)]	**492**	**492**
Europe	423	420
Rest of the World	69	72
Gas Natural Fenosa[(3)]	**2,061**	**2,086**
TOTAL	**2,648**	**2,678**

(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) At December 31, 2013 and 2012 includes €1,727 million and €1,752 million respectively, corresponding to the goodwill recognized by Gas Natural Fenosa relating to its own participation in its Group companies, the geographical distribution of which in Spain, Latin America, and the rest of the world amounts to €1,466, €199 and €62 million, respectively.

(6) OTHER INTANGIBLE ASSETS

The breakdown of the intangible assets and the related accumulated amortization at December 31, 2013 and 2012, and of the changes therein is as follows:

	Millions of euros					
	Service/Gas stations association rights and other rights	Carbon Emission Allowances	Software	Exploration permits	Other intangible assets	Total
COST						
Balance at January 1, 2012	**994**	**192**	**570**	**766**	**2.812**	**5,334**
Additions [1]	34	6	82	20	54	196
Disposals and derecognitions	(29)	-	(1)	-	(7)	(37)
Translation differences	(6)	-	-	(15)	(64)	(85)
Changes in the scope of the consolidation [2]	-	-	(1)	-	4	3
Reclassifications and other changes [3]	16	(76)	(10)	142	(92)	(20)
Discontinued operations movements [4]	(1)	(1)	-	3	(19)	(18)
YPF & YPF Gas expropriation [5]	(26)	-	(43)	(51)	(621)	(741)
Balance at December 31, 2012	**982**	**121**	**597**	**865**	**2,067**	**4,632**
Additions [1]	16	15	89	54	44	218
Disposals and derecognitions	(54)	(1)	(2)	(45)	(6)	(108)
Translation differences	(14)	-	(4)	(37)	(96)	(151)
Changes in the scope of the consolidation [2]	-	(1)	(1)	-	-	(2)
Reclassifications and other changes [3]	15	(47)	(3)	15	-	(20)
Discontinued operations movements	-	1	-	-	-	1
Balance at December 31, 2013	**945**	**88**	**676**	**852**	**2,009**	**4,570**
ACCUMULATED AMORTIZATION AND IMPAIRMENT LOSSES						
Balance at January 1, 2012	**(583)**	**(76)**	**(394)**	**(160)**	**(983)**	**(2,196)**
Depreciation charge for the year	(56)	-	(62)	(29)	(84)	(231)
Disposals and derecognitions	23	-	1	-	2	26
Impairment losses (recognised) / reversed	1	(8)	-	-	1	(6)
Translation differences	4	-	-	3	21	28
Changes in the scope of the consolidation	-	-	1	-	1	2
Reclassifications and other changes [3]	(1)	76	8	(1)	(15)	67
Discontinued operations movements [4]	-	-	(2)	-	11	9
YPF & YPF Gas expropriation [5]	23	-	25	1	456	505
Balance at December 31, 2012	**(589)**	**(8)**	**(423)**	**(186)**	**(590)**	**(1,796)**
Depreciation charge for the year	(55)	-	(46)	(11)	(90)	(202)
Disposals and derecognitions	53	-	2	-	4	59
Impairment losses (recognised) / reversed	1	(16)	-	-	(22)	(37)
Translation differences	9	-	3	6	34	52
Changes in the scope of the consolidation	-	-	1	-	1	2
Reclassifications and other changes [3]	(3)	7	(3)	39	-	40
Discontinued operations movements[6]	-	-	-	-	(11)	(11)
Balance at December 31, 2013	**(584)**	**(17)**	**(466)**	**(152)**	**(674)**	**(1,893)**
Carrying amount at December 31, 2012	**393**	**113**	**174**	**679**	**1,477**	**2,836**
Carrying amount at December 31, 2013	**361**	**71**	**210**	**700**	**1,335**	**2,677**

Note: The movement in 2012 has been restated with respect to the ones that appears in the consolidated financial statements for the year 2012 in order to disclose in a separate line movements related to the sale process of part of the LNG assets and businesses (see Note 31 *"Divestments"* and Note 10 *"Non-current assets held for sale"*) as well as the movements generated in 2012 by YPF and YPF Gas between January 1 and the loss of control event (see Note 4).

(1) Additions in 2013 and 2012 relate to direct acquisition of assets. Additions to exploration permits correspond mainly to exploration rights acquired in Bulgaria and the Middle East in 2013 and in the Gulf of Mexico and Namibia in 2012.

(2) See Note 30 *"Business Combinations"* and Note 31 *"Divestments."*

(3) In 2013, the column headed *"Carbon Emission Allowances"* includes mainly €60 million corresponding to CO2 allowances allocated for no consideration in 2013 under Spain's National Allocation Plan and the derecognition corresponded to allowances consumed as a result of emissions made during 2012 in the amount of €110 million. In 2012, the same column *"Carbon Emission Allowances"* included mainly €132 million corresponding to CO2 allowances allocated for no consideration for 2012 under Spain's National Allocation Plan and the derecognition of allowances used, associated with the emissions incurred in 2011, in the amount of €95 million.

(4) 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, as well as the movements generated by the LNG assets and business related to the period of sale.

(5) 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 4.

(6) Includes the impairment charge recognized on the North American LNG assets as detailed in *"Impairment of Other intangible assets"* further on in this Note.

Service/gas station association rights and other rights, service concession arrangements and the cost of investments in exploration permits are legal rights title to which is conditional upon the terms of the underlying contracts, as outlined in Note 2.2.6).

"*Other intangible assets*" primarily includes:

a) Intangible assets of Gas Natural Unión Fenosa, in the amount of €469 and €540 million in 2013 and 2012 respectively, which includes basically gas supply contracts and other acquired contractual rights.

b) Assets in the amount of €422 and €465 million at year end 2013 and 2012 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 2.2.6).

   Assets comprise primarily the concession arrangements under which Gas Natural Fenosa provides gas transmission and distribution services in Argentina, Brazil and Italy.

   In 2013 and 2012 the income from the construction services or the improvement of infrastructures amounted to €33 and €35 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 at year end 2013 and 2012.

d) The concession for the Magreb-Europe gas pipeline in the amount of €73 million (€85 million at year-end 2012) held through the Group's shareholding in Gas Natural Fenosa.

Intangible assets include €207 million of assets with indefinite useful lives at December 31, 2013 and €206 million in 2012. 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 (see Note 2.2.6).

In 2013 and 2012, intangible assets included €117 million and €112 million, respectively, of asset acquired under finance leases corresponding to service station association rights.

Impairment of "*Other intangible assets*"

In 2013, Gas Natural Fenosa recognized an impairment loss of €21 million (stated at the Repsol Group's percentage interest in the former). This loss is recognized within "*Other intangible assets*" and corresponds to the impairment of the value allocated as part of the Unión Fenosa business combination to the gas processing rights held by Gas Natural Fenosa via its investee Unión Fenosa Gas in the Damietta liquefaction plant (Egypt), whose recoverable value amounts to zero according to its value in use, as a result of the temporary stoppage of operation at this facility operations due to the suspension of deliveries by its natural gas supplier. Unión Fenosa Gas initiated legal proceedings in defense of its contractual rights during 2013.

The impairment loss recognized on carbon emission allowances in the amount of €16 million and €8 million in 2013 and 2012 as a result of the decline in their value (see Note 35) was almost entirely offset by the gain recognized as a result of the transfer to profit of deferred income associated with the emission allowances received for no consideration under Spain's National Allocation Plan.

In addition, in 2013 the Group recognized an impairment loss of €11 million on the assets associated with the North American LNG business under "*Discontinued operations movements*" (see Note 31).

(7) PROPERTY, PLANT AND EQUIPMENT

The breakdown of "*Property, plant and equipment*" and of the related accumulated depreciation and accumulated impairment losses at December 31, 2013 and 2012, and of the changes therein is as follows:

	Millions of euros							
	Land, buildings and other structures	Machinery and plant	Investments in areas with reserves	Other exploration costs	Transport equipment	Other items of PP&E	Assets under construction	Total
COST								
Balance at January 1, 2012	**3,029**	**29,380**	**37,913**	**2,162**	**2,045**	**1,994**	**3,285**	**79,808**
Additions	41	207	1,438	514	2	100	845	3,147
Disposals and derecognitions	(8)	(154)	(16)	(134)	(8)	(131)	(24)	(475)
Translation differences	(6)	(22)	(252)	(36)	-	3	(3)	(316)
Change in the scope of the consolidation (1)	(16)	(59)	(196)	(2)	(6)	(97)	(2)	(378)
Reclassifications and other changes (2)	252	1,426	377	104	6	65	(1,766)	464
Discontinued operations movements (6)	(17)	(104)	(596)	20	(36)	(5)	(4)	(742)
YPF & YPF Gas expropiation (3)	(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**
Additions	9	205	1.488	558	1	100	834	3,195
Disposals and derecognitions	(23)	(341)	(15)	(18)	(3)	(40)	(20)	(460)
Translation differences	(25)	(218)	(617)	(108)	(2)	(24)	(18)	(1,012)
Change in the scope of the consolidation (1)	(22)	(378)	-	(19)	(1)	(22)	(11)	(453)
Reclassifications and other changes (2)	41	499	286	34	(1,485)	24	(670)	(1,271)
Discontinued operations movements (5)	1	-	-	-	(67)	(1)	-	(67)
Balance at December 31, 2013	**2.638**	**26,285**	**14,095**	**2.780**	**275**	**1,560**	**1,300**	**48,933**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES								
Balance at January 1, 2012	**(889)**	**(13,971)**	**(25,215)**	**(1,152)**	**(488)**	**(1,334)**	**-**	**(43,049)**
Depreciation charge for the year	(62)	(992)	(831)	(295)	(13)	(76)	-	(2,269)
Disposals and derecognitions	4	136	14	134	8	125	-	421
Impairment losses (recognised) / reversed	-	(21)	1	(19)	-	(42)	-	(81)
Translation differences	1	4	112	17	-	(4)	-	130
Change in the scope of the consolidation (1)	5	27	311	2	4	58	-	407
Reclassifications and other changes (2)	4	(20)	(204)	(122)	1	2	-	(339)
Discontinued operations movements (5)	4	38	322	5	(60)	4		313
YPF & YPF Gas expropiation (3)	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)**
Depreciation charge for the year	(64)	(998)	(862)	(346)	(14)	(74)	-	(2,358)
Disposals and derecognitions	20	346	-	3	3	36	-	408
Impairment losses (recognised) / reversed	(1)	(19)	(7)	-	-	(71)	-	(98)
Translation differences	6	58	258	53	1	10	-	386
Change in the scope of the consolidation (1)	6	145	-	19	-	4	-	174
Reclassifications and other changes (2)	(3)	4	(4)	(31)	379	(2)	-	343
Discontinued operations movements (5)	(251)	(437)	-	-	(52)	(30)		(770)
Balance at December 31, 2013	**(969)**	**(12,636)**	**(6,277)**	**(1,557)**	**(112)**	**(1,138)**	**-**	**(22,689)**
Carrying amount at December 31, 2012	**1,975**	**14,783**	**7,291**	**1,078**	**1,403**	**512**	**1,185**	**28,227**
Carrying amount at December 31, 2013 (4)	**1,669**	**13,649**	**7,818**	**1,223**	**163**	**422**	**1.300**	**26,244**

Note: The movement in 2012 has been restated with respect to the ones that appears in the consolidated financial statements for the year 2012 in order to disclose in a separate line movement related to the sale process of part of the LNG assets and businesses (see Note 31 *"Divestments"* and Note 10 *"Non-current assets held for sale"*) as well as movements generated in 2012 by YPF and YPF Gas between January 1, 2012 and the loss of control (see Note 4).

(1) See Note 30 "*Business Combinations"* and Note 31 "*Divestments."* In 2013 this heading includes the derecognition of the LNG businesses in the amount of €221 million.

(2) In 2013 this heading includes transfers from "*Assets under construction*", primarily to "*Machinery and plant"* in the amount of €159 million due to several projects carried out during the year. It also reflects transfers in the amount of €1,111 millon to "*Non-current assets held for sale*" related the portion of LNG assets in the process of being sold (see Note 31) that at year-end was pending sale. In 2012 this caption discloses 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.

(3) 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 4.

(4) At December 31, 2013 accumulated impairment charges totaled €1,010 million (€224 million at year-end 2012).

(5) In 2013 this item includes €837 million corresponding to movements in respect of the LNG business operations being sold, mainly the recognition of an impairment loss on the LNG assets in North America (see "*Impairment of Property, plant and equipment*" below).

(6) Includes the changes corresponding to YPF and YPF Gas between January 1, 2012 and the Group's loss of control over these companies and the movements generated by the LNG assets and businesses in connection with the sale process.

Investments in 2013 were earmarked to Spain €875 million, the US €708 million, Brazil €395 million, the rest of Central and South America €833million, Rusia €65 million and Portugal €40 million. 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 investments made by YPF and YPF Gas and their investees in 2012 before the loss of control amounted to €328 million.

At year-end 2013, "*Property, plant and equipment*" includes €1,471 million of assets acquired under finance leases and €2,844 million at year-end 2012. Among the assets acquired under finance leases, the gas pipelines and other assets for the transportation of gas in the US and Canada, in the amount of €1,269 million at year-end 2013 (€1,329 million at year-end 2012), stand out (see Note 21). At December 31, 2013, the methane tankers acquired to transport LNG, in the amount of €1,111 million, were transferred to *"Non-current assets held for sale"* (see Note 10) as a result of the LNG disposal process (see Note 31).

This heading also includes investments made by the Group in service concession arrangements in the amount of €976 million at year-end 2013 (€767 million at year-end 2012). These concessions revert to the state over a period of time ranging from 2014 to 2054.

As detailed in Note 2.2.7, the Repsol Group capitalizes qualifying borrowing costs. In 2013 it capitalized €113 million of borrowing costs at an average capitalization rate of 3.83% (€103 million and 4.19% average capitalized rate in 2012). Capitalized borrowing costs are part of "*Finance expense*" in the accompanying income statement.

The hydroelectric generation assets operated under concession in Spain and held by the Group through its investment in Gas Natural Fenosa do not fall under the scope of IFRIC 12 either because the price of the electricity they generate is set in the market. The other international concessions similarly held through Gan Natural Fenosa, fall outside the scope of IFRIC 12 because the grantor does not control any significant residual interest in the infrastructure at the end of the service arrangement and simultaneously regulates the price of the service, among other considerations. These assets are measured at €1,014 million at year-end 2013 (€1,138 million at year-end 2012).

The figures corresponding to non-depreciable assets, that is, land and assets under construction, amount, respectively to €635 million and €1,300 million at December 31, 2013 and €638 million and €1,185 million at December 31, 2012, respectively.

"*Property, plant and equipment*" includes fully depreciated items with an original carrying amount of €8,649 million and €8,609 million at December 31, 2013 and 2012, respectively.

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.

Impairment of "*Property, plant and equipment*"

As a result of the transfer of some of the LNG assets and businesses (see Note 31) has had the effect of breaking up the Cash-Generating Unit that included the North American assets as well as several assets that form part of the transaction scope (mainly the Trinidad and Tobago assets and the associated LNG contracts). Against this backdrop, Repsol proceeded to adjust the value of the assets corresponding to the North American LNG businesses within the LNG segment (principally the Canaport regasification plant and the gas pipelines) to reflect their new value in use, recognizing an impairment provision to this end of €708 million between "*Land, buildings and other structures*," "*Machinery and plant*" and "*Other items of PP&E*". The Group has also recognized a €691 million impairment provision on the onerous "*process-or-pay*" contract associated with the Canaport facility (see Note 16). The recoverable amount of the North American assets amounts to €900 million, which corresponds to their value in use calculated using the new cash flow projections for this CGU, discounted at an average rate of 4.75% (4.3% in 2012). These accounting impacts have been recognized in "*Net income from discontinued operations*" on the understanding that they form part of the cost of selling the LNG assets to Shell.

In addition, in 2013 the Group recognized impairment losses on certain assets in the chemicals business, mainly certain production lines, as a result of the new 'Competitiveness plan' designed to rationalize the Group's productive capacity in Spain and Portugal. Specifically, the Group recognized €17 million under "*Machinery and plant*" and €64 million under "*Assets under construction*", respectively (€18 and €36 million in 2012). These assets are part of the Downstream segment and its recoverable value has been estimated at €0.

In 2012 the Group recognized a €14 million impairment loss on exploration assets in Sierra Leona due to uncertainty regarding the conditions for exploring the associated assets.

(8) INVESTMENT PROPERTY

The changes in "*Investment property*" in 2013 and 2012 were as follows:

	Millions of euros		
	Cost	Accumulated Depreciation and Impairment Losses	Total
Balance at January 1, 2012	**44**	**(20)**	**24**
Reclassifications and other changes	2	-	2
Depreciation charge for the year and other changes	-	(1)	(1)
Balance at December 31, 2012	**46**	**(21)**	**25**
Reclassifications and other changes	2	-	2
Depreciation charge for the year and other changes	-	(3)	(3)
Balance at December 31, 2013	**48**	**(24)**	**24**

The fair value of the assets included in this heading at year-end, valued using amounts to €76 million (year-end 2012: €88 million). This fair value, calculated on the basis of independent expert reports, uses primarily the valuation techniques proposed in Ministerial Order ECO/805/2003, of March 27, regarding property valuation rules, notable among the dynamic residual method which consists of discounting actual or forecast future cash flows based on the principles of greater and

better use.

The income recognized in 2013 from investment properties amounted to €2.3 million, being less than €1 million in 2012.

(9) 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, 2013 and 2012, is as follows:

	Millions of euros	
	2013	2012
Petrocarabobo	115	102
Guará, B.V.	86	61
Oleoducto de Crudos Pesados (OCP), Ltd.	54	44
Sociedades de Grupo Gas Natural Fenosa	29	30
Transierra, S.A.	28	29
Compañía Logística de Hidrocarburos CLH, S.A.	20	18
Dynasol Gestión	19	6
Other entities accounted for using the equity method	17	17
Perú LNG Company Llc (1)	-	238
Transportadora de Gas del Perú, S.A. (TGP) (2)	-	65
Atlantic 4 Company of Trinidad & Tobago(1)	-	44
Atlantic LNG Company of Trinidad & Tobago(1)	-	40
Dynasol Elastómeros, S.A. de C.V.	44	43
	412	**737**

(1) Companies that formed part of the scope of the sale of the LNG businesses to Shell (see Note 31 *"Divestments"*).
(2) Companies classified within "*Non-current assets held for sale*" at December 31, 2013 (see Note 10).

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

The changes in 2013 and 2012 in this heading in the accompanying consolidated balance sheet were as follows:

	Millions of euros	
	2013	2012
Balance at beginning of year	737	699
Additions	71	86
Disposals	(16)	(41)
Changes in the scope of consolidation (1)	(330)	-
Result of companies accounted for using the equity method	48	47
Dividends distributed	(33)	(26)
Translation differences	(21)	(6)
Reclassifications and other changes (4)	(53)	(3)
Discontinued operations movements (3)	9	15
YPF&YPF Gas expropiation (2)	-	(34)
Balance at end of year	**412**	**737**

Note: The movement in 2012 has been restated with respect to the ones that appears in the consolidated financial statements for the year 2012 in order to disclose in a separate line movement related to the sale process of part of the LNG assets and businesses (see Note 31 *"Divestments"* and Note 10 *"Non-current assets held for sale"*) as well as

movements generated in 2012 by YPF and YPF Gas between January 1, 2012 and the loss of control (see Note 4).

(1) In 2013 this heading includes the derecognition of the LNG businesses in the amount of €330 million.
(2) This caption discloses the derecognition from the consolidated balance sheet of YPF and YPF Gas by the Group upon loss of control, according to the facts described in Note 4.
(3) The most significant (net) movements in respect of the LNG businesses sold are: i) Results in 2013 for Atlantic LNG Company of Trinidad & Tobago, Atlantic 4 Company of Trinidad & Tobago and Perú LNG Company in the amounts of €36, €22 and €16 million, respectively, and in 2012, of €25, €19 and €25 million, respectively; and ii) "Dividends" in 2013 from Atlantic LNG Company of Trinidad & Tobago and Atlantic 4 Company of Trinidad & Tobago in the amounts of €36 and €20 million, respectively, and in 2012, of €27 and €22 million, respectively.
(4) In 2013 includes, primarily, the reclassification to heading *"Non-current assets held for sale"* of the investment on Transportadora de Gas del Perú, S.A., (see Note 10).

The main additions in 2013 relate to Guará B.V., Petrocarabobo and Dynasol Gestión in the amounts of €37, €18 and €14 million, respectively. In 2012, €60 million was invested in Guará, B.V.

The disposals in both 2013 and 2012 relate to the return of capital to the shareholders of Guara B.V. following the sale of an offshore exploration platform.

The breakdown in 2013 and 2012 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	
	2013	2012 [(1)]
Compañía Logística de Hidrocarburos CLH, S.A.	17	15
Oleoducto de crudos pesados (OCP), Ltd.	14	10
Transportadora de Gas de Perú, S.A. (TGP)	3	8
Guara, B.V.	5	4
Other entities accounted for using the equity method	9	10
	48	**47**

(1) Includes the necessary modifications with respect to the consolidated financial statements at December 31, 2012 (see Note 2.1.2 "*"Comparison of information")* related to the sale process of part of the LNG assets and business *(*see Note 31"*Divestments*").

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, S.A.[(1)]	18.00%
Oleoducto Transandino de Chile, S.A.	18.00%
Regasificadora del Noroeste, S.A. [(1)]	11.60%
Compañía Logística de Hidrocarburos CLH, S.A.	10.00%
Transportadora de Gas del Perú, S.A.	10.00%
Qalhat LNG S.A.O.C. [(1)]	3.68%
Tocardo International B.V.	18.00%

(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, 2013 and 2012 (see Appendix I):

	Millions of euros	
	2013	2012 [(1)]
Balance Sheet		
Total Assets	581	1.765
Total Equity	412	737

	Millions of euros	
	2013	2012 [(2)]
Income Statement		
Revenues	388	450
Net income for the period from continuing operations	48	47

(1) At December 31, 2012, this heading included the following balances with companies that were part of the scope of the LNG sale transaction (see Note 31): (i) "*Total assets*" in the amount of €858 million; and (ii) "*Total equity*" in the amount of €323 million.
(2) Includes the necessary modifications with respect to the consolidated financial statements at December 31,2012 (see Note 2.1.2 *"Comparison of information"*) related to the sale process of part of the LNG assets and businesses (see Note 31 *"Divestments"*).

(10) 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, 2013 and 2012 were as follows:

	Millions of euros	
	2013	2012
Property, plant and equipment and other intangible assets	1,269	310
Other non-current assets	82	22
Current assets	500	8
	1,851	**340**
Non-current liabilities	1,174	7
Current liabilities	359	20
	1,533	**27**
	318	**313**

Non-current assets and liabilities classified as held for sale at December 31, 2013

In December 2013, under the framework of the agreement to sell Shell some of the LNG assets and businesses (see Note 31), the Group reclassified €1,558 million of assets to *"Non-current assets held for sale"* and €1,456 million of liabilities to "*Liabilities related to non-current assets held for sale"*; these assets and liabilities were associated with the LNG assets and businesses that were part of the sale agreement with Shell but had not yet been sold at December 31, 2013. Having obtained all the pertinent permits and met all the closing conditions, the sale closed on January 1, 2014 (see Note 37). These assets and businesses mainly comprised the methane tankers acquired under finance lease arrangements (see Notes 7 and 21.1) to support the LNG marketing, transport and trading activities.

In 2013 the Group has also reclassified to "Non-current assets held for sale" €53 million corresponding to its 10% interest in Transportadora de Gas del Perú, S.A. (see Notes 9 and 37).

It also includes the 17.5% percentage interest held by Group company Repsol Venezuela Gas, S.A. in the area known as Cardón IV in the Gulf of Venezuela, following official notification that Corporación Venezolana de Petróleos (CVP) would acquire the investment. At year end 2013 the

assets and liabilities associated with this shareholding amounted to €220 and €76 million respectively.

Non-current 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 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 (see Note 30, "*Business combinations*"), 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 for 315 million US dollars (see Note 31). Eurotek had, since its acquisition, been classified under non-current assets held for sale in the balance sheet. This sale is the last milestone under the agreement signed in December 2011 by Repsol and Alliance Oil to govern the incorporation of AROG, by virtue of which the Group acquired 49% of AROG in 2012 (see Note 30).

For information on the assets and liabilities classified as held for sale that were sold during 2013 and 2012, see Note 31.

(11) 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	
	2013	**2012**
Non-current financial assets	1,802	1,313
Other current financial assets	93	415
Currents derivatives on trading transactions [(1)]	25	45
Cash and cash equivalents [(2)]	7,434	5,903
	9,354	**7,676**

Note: In December 2013, as consequence of the sale process of part of the LNG assets and businesses (see Note 31 *"Divesments"*), amounts of €414 and €275 million were derecognized or reclassified to "*Non-current assets held for sale*" from *"Non-current financial assets,"* and *"Cash and cash equivalents*"; these balances amounted at €427 and €44 million, respectively at December 31, 2012. In 2012, as a consequence of the loss of control and the expropriation process of YPF and YPF Gas (see Note 4) *"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.

[(1)] Recognized under the heading "*Other receivables.*"

[(2)] Includes €1,350 million corresponding to Spanish government bonds repos due January 2, 2014.

The detail, by type of assets, of the Group's financial assets at December 31, 2013 and 2012, is as follows:

NATURE/CATEGORY	December 31, 2013 Carrying amount						
	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	Total
Equity instruments	-	-	1,268	-	-	-	1,268
Derivatives	-	-	-	-	-	1	1
Other financial assets	-	87	-	424	22	-	533
Long term/Non-current	**-**	**87**	**1,268**	**424**	**22**	**1**	**1,802**
Derivatives	42	-	-	-	-	4	46
Other financial assets	-	11	-	72	7,423	-	7,506
Short term/Current	**42**	**11**	**-**	**72**	**7,423**	**4**	**7,552**
TOTAL [1]	**42**	**98**	**1,268**	**496**	**7,445**	**5**	**9,354**

NATURE/CATEGORY	December 31, 2012 Carrying amount						
	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	Total
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**

[1] In the headings "*Other non-current assets*," and in the headings "*Trade receivables*" and "*Other receivables*" of the balance sheet include an amount , in 2013, of €253 million classified under long term and €7,220 million classified under short-term and in 2012 an amount of €242 million classified under long term and €7,320 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 4.3; 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:

	Level 1		Level 2		Level 3		Total	
Financial assets at fair value [1]	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Financial assets held for trading	11	8	31	43	-	-	42	51
Other financial assets at fair value through profit and loss	98	95	-	-	-	-	98	95
Financial assets available for sale [2]	1,177	567	-	-	-	-	1,177	567
Hedging derivatives	-	-	5	7	-	-	5	7
Total	**1,286**	**670**	**36**	**50**	**-**	**-**	**1,322**	**720**

Level 1: Valuations based on a quoted price in an active market for an identical instrument which basically refer to YPF 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 4, "*Accounting treatment of the expropriation*".
(2) Does not include €91 million and €74 million in 2013 and 2012, respectively, corresponding to equity investments in companies that are measured at acquisition cost under IAS 39 or the shares of YPF Gas S.A. that were not expropriated (see "*Accounting treatment of the expropriation*" in Note 4).

The valuation techniques used for the instruments classified under level 2, which mainly correspond to derivative financial instruments, are based on the income approach, in accordance with accounting regulations, which entail the discounting to present value of future cash flows associated with said instruments, estimated using forward curves offered in the market, including adjustments for credit risk based on the duration of the instruments. In the case of options, price-setting models based on the Black & Scholes formula are used.

The most significant variables for valuing financial instruments vary depending on the type of instrument, but fundamentally include: exchange rates (spot and forward), interest rate curves, counterparty risk curves, prices of equity securities, and the volatilities of all the aforementioned factors. In all cases, market data is obtained from reputed information agencies or correspond to quotes issued by official bodies.

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

11.1) Financial assets held for trading

Derivatives not designated as hedging instruments are included within this category (see Note 20).

11.2) Other financial assets at fair value through profit or loss

Financial assets measure at fair value through profit or loss in the years 2013 and 2012 mainly correspond to collective mutual funds.

11.3) Financial assets available for sale

At year-end 2013 and 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., these shares have not been expropriated by the Argentine government. It also includes the 5.95% ownership interest in YPF S.A. acquired by means of foreclosure when the Group called in the pledge on the loans granted by the Group and other financial institutions to the Petersen group (including the partial execution of the counter-guarantee in April 2013 and its right to exercise the remaining counter-guarantee in the wake of cancellation in full of its obligation to Banco Santander in November 2013) in the amount of €1,177 million at year-end 2013 (€530 million at year-end 2012).

Additionally, this heading includes minority equity interests in companies over which the Group does not have management influence.

The main addition in 2013 corresponds to the acquisition by Gas Natural Fenosa of an equity interest in Medgaz, S.A. In July 2013 a 10% interest in Medgaz, S.A. was acquired from Sonatrach for €16 million and in July 2013 an additional 4.9% interest was acquired from Gaz de France International, S.A.S for €11 million (amounts stated at Repsol's percentage interest in Gas Natural Fenosa).

The movement in financial assets available for sale during the years ended December 31, 2013 and 2012 is the following:

	Millions of euros	
	2013	**2012**
Balance at beginning of year	**641**	**128**
Additions	28	6
Disposals [(1)]	(42)	-
Adjustments to fair value [(2)]	610	38
Changes in the scope of consolidation	(5)	-
Reclassifications and other changes [(3)]	36	-
YPF & YPF Gas expropriation [(4)]	-	469
Balance at end of year	**1,268**	**641**

[(1)] Includes the derecognition of the Group's 3.47% interest in Alliance Oil Company in the amount of €39 million
[(2)] In 2013, this heading corresponds to the change in the market value of the shares not subject to expropriation in YPF (including those foreclosed following execution of the pledge securing the loans granted by the Group to the Petersen group) and YPF Gas, which gave rise to recognition of a gain of €607 million (gain of €59 million in 2012), and the change in the fair value of the investment in Alliance Oil Company, which gave rise to recognition of a loss of €3 million in 2013 (loss of €21 million in 2012).
[(3)] In 2013 this heading mainly includes the execution of the BSAN counter-guarantee in April and the right deriving from the cancellation in November of obligation to Banco Santander, as detailed in Note 4.3.
[(4)] 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.

11.4) 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	
	2013	2012	2013	2012
Non-current	424	578	424	793
Current	72	401	72	401
Total loans and receivables	**496**	**979**	**496**	**1,194**

Note: In December 2013, as consequence of the sale process of part of the LNG assets and businesses (see Note 31 "*Divestments*") an amount of €414 million were derecognized or reclassified to *Non-current assets held for sale*" from *"Loans and receivables"*; this balance amounted to €427 million at December 31, 2013.

The current and non-current loans include 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. At year-end these loans were fully provisioned (see Note 4.3). In addition, current and non-current loans include the loans granted to consolidated companies in the amount not eliminated in the consolidation process of €94 million and €223 million in 2013 and 2012, respectively; these amounts reflect impairment charges of €19 and €21 million, respectively.

This heading includes the funding for the tariff deficit in the regulated electricity segment via the Group's interest in the Gas Natural Fenosa group. At December 31, 2013, Gas Natural Fenosa has recognized the right to collect €146 million of the tariff deficit funded by it, all of which funded in 2013. As a result of the regulatory changes introduced in 2013 with respect to the process for addressing the structural tariff deficit, the current portion of "Loans and receivables" includes the amount that is expected to be collected within 12 months of the reporting date, and the remainder, which is due collection within 15 years at the latest, is included in the non-current portion of this same heading. The figures stated correspond to the Repsol Group's proportionate interest in Gas Natural Fenosa

This heading also includes financing extended by Gas Natural Fenosa to Contour Global La Rioja, S.L. in the amount of €71 million at December 31, 2013 (€76 million at December 31, 2012) in connection with the sale of the Arrúbal CCGT (La Rioja) which was closed on July 28, 2011. This loan is secured by the shares in this company and other assets and accrues interest at market rates; it falls due in 2021. 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 6.92%% in 2013 and of 6.78% in 2012, respectively.

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

	Millions of euros	
Due date	2013	2012
2014	-	19
2015	24	5
2016	16	6
2017	16	20
2018	16	6
Subsequent years	352	522
	424	**578**

11.5) Held to maturity investments

The breakdown of the face value of the held to maturity investments at December 31, 2013 and 2012 is as follows:

	Millions of euros	
	2013	2012
Non-current financial assets	22	10
Current financial assets	-	-
Cash equivalents	2,773	1,857
Cash on hand and at banks	4,650	4,036
	7,445	**5,903**

The fair value of the financial held to maturity investments is the same as their face value, except for the non-current financial assets, whose fair value does not differ significantly from face value.

Financial investments are mainly from placements in banks and collateral deposits. These financial investments have accrued an average interest of 1.17% and 1.52% in 2013 and 2012, respectively.

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

Due date	Millions of euros 2013	2012
2014	-	-
2015	-	-
2016	-	-
2017	-	-
2018	-	-
Subsequent years	**22**	10
	22	**10**

(12) INVENTORIES

The "Inventories" composition at December 31, 2013 and 2012 is as follows:

	Millions of euros	
	2013	**2012**
Crude oil and natural gas	2,281	2,139
Finished and semi-finished goods	2,595	2,932
Supplies and other inventories	380	430
Total	**5,256**	**5,501**

Note: In 2013, as consequence of the sale process of part of the LNG businesses (see Note 31 "*Divestments*"), amounts of €53 and €19 million were derecognized or reclassified to *"Non-current assets held for sale"* from *"Crude oil and natural gas"* and *"Supplies and other inventories,"* respectively; these balances amounted to €120 and €17 million, respectively, at December 31, 2012. In 2012, as a consequence of the loss of control and the expropriation process of YPF and YPF Gas (see Note 4), the "*Inventories*" corresponding to YPF and YPF Gas and its group companies have been derecognized.

At December 31, 2013 and 2012, the balance of "commodity" inventories, related to trading activity, at fair value less costs to sell amounted to €1,212 million and €888 million (see Note 2.2.1.12), respectively, and the effect of their measurement at market value represented an income of €3 million in 2013 and €9 million in 2012. Recoverable value is calculated using market information and price. To estimate the related cash flows, the Group uses forward price/benchmark price curves provided by the market as well as a benchmark time horizon for pricing purposes. The main inputs used to value these transactions are mainly prices taken from official publications (Platt's, Argus, OPIS, the brokerage community) and historic premiums.

The Repsol Group complies, both at December 31, 2013 and December 31, 2012, with the legal requirements regarding minimum safety stocks established under prevailing legislation (see Appendix III) through its Spanish Group companies.

(13) TRADE AND OTHER RECEIVABLES

The breakdown of this heading at December 31, 2013 and 2012 was the following:

	Millions of euros	
	2013	2012
Trade receivables for sales and services (gross amount)	6,035	6,479
Doubtful accounts provision	(414)	(398)
Trade receivables	**5,621**	**6,081**
Other trade creditors and other receivables	1,255	879
Debtors from personnel transactions	49	39
Receivables from public bodies	305	321
Derivatives held for traiding [(1)]	25	45
Other receivables	**1,634**	**1,284**
Income tax assets	**471**	**416**
Trade and other receivables	**7,726**	**7,781**

Note: In 2013, as consequence of the sale process of part of the LNG assets and businesses (see Note 31 "*Divestments*"), an amount of €181 million was derecognized or reclassified to "*Non-current assets held for sale*" from *"Trade and other receivables"*; this balance amounted to €192 million at December 31, 2012. In 2012, as a consequence of the loss of control and the expropiation process of YPF and YPF Gas (see Note 4), the "*Trade and other receivables*" corresponding to YPF and YPF Gas and its group companies have been derecognized.

(1) This heading includes the items outlined in Note 11.

The changes in the provision for doubtful accounts in 2013 and 2012 were as follows:

	Millions of euros	
	2013	2012
Balance at beginning of the year	398	404
Impairment losses recognized/ (reversed)	86	92
Change in the scope of consolidation	(18)	(2)
Translation differences	(17)	2
Reclassifications and other movements	(36)	(2)
Discontinued operations movements	1	(2)
YPF & YPF Gas expropiation[(1)]	-	(94)
Balance at end of the year	**414**	**398**

(1) This heading discloses the derecognition of provisions upon loss of the Group's control of YPF and YPF Gas according to the facts described in Note 4.

(14) EQUITY

14.1) Share capital

The share capital at December 31, 2013 and 2012, registered within the Companies Register, consisted of 1,302,471,907 and 1,256,178,727 fully subscribed and paid up shares of €1 par value each, in book entry form, and all listed on the Spanish stock exchanges and Buenos Aires Stock Exchange. The Company still has an ADS program. Since March 9, 2011 its ADSs are traded on the OTCQX market.

Following the most recent bonus share issue, closed in January 2014, outlined below, the share capital of Repsol, S.A. is currently represented by 1,324,516,020 shares, each with a par value of €1. Under accounting regulations, because the abovementioned capital increase had been registered

within the Companies Register before the Board of Directors authorized the consolidated financial statements for issue, this bonus share issue has been recognized in the Group's financial statements as of December 31, 2013.

In 2012 Repsol starts for the first time the program named "*Repsol Dividendo Flexible*", approved at the Annual Shareholders' Meeting on May 31, 2013. This program materializes in capital increases charged to the voluntary reserves derived from retained earnings with the irrevocable commitment on the part of Repsol to purchase the bonus share rights allocated free of charge 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 bonus share rights either in the market at their list price or to the Company at the guaranteed sale price.

The Company's shareholders agreed to renew the scheme at the Annual Shareholders' Meeting of May 31, 2013, replacing what would have been the traditional final dividend against 2012 profits and the interim dividend drawn from 2013 profits with two approved capital increases in the form of bonus share issues.

On May 31, 2013, in the wake of the Annual Shareholders' Meeting, the Company's Board of Directors resolved to delegate in the Executive Committee the powers that the shareholders had vested in the Board of Directors in relation to the two capital increases and, specifically, the related execution powers.

Exercising this power, Repsol's Executive Committee authorized the execution of the first of these capital increases on June 17, 2013, the main terms of which were:

- The bonus share rights traded on the Spanish stock exchanges between June 20 and July 4, 2013. Shareholders had until June 28 to sell their rights to Repsol at the agreed fixed price.

- Holders of 59.33% of the bonus share rights (a total of 760,892,202 rights) elected to receive new-issue shares of Repsol in the proportion of 1 new share for every 38 rights held, giving rise to the issuance of 20,023,479 new shares with a unit par value of €1, increasing share capital by 1.56% with respect to capital prior to the bonus share issue.

- Within the term stipulated to this end, the holders of 40.67% of the bonus share rights (521,556,172 rights) accepted the irrevocable commitment assumed by Repsol to purchase the rights at a guaranteed pre-tax price of €0.445 per right. As a result, Repsol acquired the above-mentioned rights for a pre-tax sum of €232 million, renouncing the shares corresponding to the rights acquired by virtue of its purchase commitment. In the end, the amount of the acquisition of bonus share rights under the purchase commitment was higher than the amount earmarked to these acquisitions (€208 million) as part of the appropriation of 2012 profit motion ratified at the Annual Shareholders' Meeting of May 31, 2013 under Agenda item five. Accordingly, as envisaged under the terms of the said appropriation of profit motion, the difference (a €24 million shortfall) ultimately reduced the amount allocated to increasing the parent company's reserves.

- This capital increase was registered with the Madrid Companies Registry on July 8, and the new shares were listed on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges through the Spanish Automated Quotation System (*Mercado continuo* in Spanish) on July 12, 2013. The new shares are also listed on the Buenos Aires Stock Exchange.

On December 18, 2013, Repsol' Executive Committee authorized execution of the second capital increase approved at the Annual Shareholders' Meeting, the main characteristics of which were:

- The bonus share rights traded on the Spanish stock exchanges between December 21, 2013 and January 9, 2014. Shareholders had until December 31 to sell their rights to Repsol at the agreed fixed price.

- The holders of 62.62% of the bonus share rights (a total of 815,632,181 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 37 rights giving rise to the issuance of 22,044,113 new shares with a unit par value of €1, increasing share capital by 1.69% with respect to capital prior to the bonus share issue.

- The holders of the remaining 37,38% of the bonus share rights (486,839,688 rights) accepted the irrevocable commitment assumed by Repsol to purchase the rights at a guaranteed pre-tax price of €0.477 per right, and the respective payment was made to Repsol shareholders on January 14, 2014, giving rise to a pre-tax outlay of €232 million. Repsol renounced the shares corresponding to the bonus share rights acquired by virtue of this purchase commitment. As a result of the foregoing, the Group has recognized a reduction in equity under "*Retained earnings and other reserves*" along with the obligation to pay the shareholders that had accepted the above irrevocable commitment at the said amount.

- The capital increase was registered with the Madrid Companies Register on January 10, 2014 and the new shares began to trade on the continuous market of the Madrid, Barcelona, Bilbao and Valencia stock exchanges on January 17, 2014 through the Spanish Automated Quotation System (by its name in Spanish). Application has also been made to list the new shares on the Buenos Aires stock exchange.

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

Major Shareholders	% total over share capital Lastest available information
CaixaBank, S.A	11.82%
Sacyr, S.A. (1)	9.23%
Petróleos Mexicanos (2)	9.30%
Temasek Holdings (Private) Limited (3)	6.26%

(1) Sacyr, S.A. holds its stake through Sacyr 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 rigths.

(3) Temasek holds its investment through its subsidiary, Chembra Investment PTE, Ltd.

At December 31, 2013, the following Group companies' shares were publicly listed:

Company	Number of listed shares	% of share capital listed	Stock exchanges [1]	Year-end market price	Average last quarter	Currency
Repsol, S.A.	1,302,471,907	100%	Spanish stock exchanges (Madrid, Barcelona, Bilbao, Valencia)	18.32	18.74	euros
			Buenos Aires	211.00	226.01	pesos
			OTCQX [2]	25.29	25.44	dollars
Gas Natural SDG, S.A.	1,000,689,341	100%	Spanish stock exchanges (Madrid, Barcelona, Bilbao, Valencia)	18.70	17.58	euros
Refinería La Pampilla, S.A.	1,244,679,999	100%	Lima Stock Exchange	0.30	0.34	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)	27.85	26.23	euros

(1) Exchanges or markets for which the Group has specifically applied for admission to trading. Other exchanges, markets or multilateral trading platforms on which the shares may be traded without having been specifically requested by the Group are not included.

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

14.2) Share premium

The share premium at December 31, 2013 and 2012 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.

14.3) 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*" under the 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

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.

14.4) 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 left 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.

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 per share for a total amount of €1,364 million.

On March 4, 2013, investment group Singapur Temasek acquired 64,700,00 million Repsol shares held as treasury stock representing 5.045% of its share capital at the time of the transaction for €16.01 per share, implying a payment of €1,036 million to Repsol and a negative impact on equity in the first half of 2013 of €208 million.

Under the framework of the Share Acquisition Plan 2013-2015, approved at the Annual Shareholders' Meeting on May 31, 2012, the Group acquired a total of 406,430 shares, representing 0.03% of share capital (hereinafter, share capital as of December 31, 2013 after the bonus share issues described in Note 14.1 above) at a cost of €7.1 million in 2013. These shares have been delivered to the employees of the Repsol Group signed up to the scheme. In 2012, under the umbrella of the Share Acquisition Plan 2011-2012, the Company acquired a total of 585,441 shares, representing 0.046% of share capital, at a cost of €9.1 million, which were delivered to the Repsol Group employees signed up to the scheme.

In addition, the Group acquired 5,619,592 own shares, representing 0.42% of share capital, at a cost of €98.4 million in 2013. During the year, the Group sold 3,423,536 shares representing 0.26% of share capital for a pre-tax sum of €60 million. In 2012, the Group acquired a total of 3,619,332 own shares representing 0.28% of share capital, for €52 million. In 2012, 4,736,702 shares, representing 0.37% of share capital, were sold for a pre-tax sum of €76 million.

Lastly, in 2013 the Group sold 982,500 own shares, representing 0.07% of share capital, and bought 100,000 own shares, representing 0.01% of share capital, in the course of trading in options over its owns shares, in the amounts of €18 and €1.9 million, respectively.

As a result of the capital increases of July 2013 and January 2014, outlined in Note 14.1 *"Share capital,"* the Group received 19,358 and 35,762 new shares, respectively, corresponding to the shares it held at the time as treasury stock. In 2012, as a result of the July 2012 and January 2013 capital increases, the Group received 2,936,789 and 1,904,926 new shares, respectively, corresponding to the shares held at the time as treasury stock.

At December 31, 2013 and 2012, the treasury shares held by Repsol and/or other companies within the Group, represented 0.108% and 5.05% of its share capital respectively.

14.5) Adjustments for changes in value

The 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 (see Note 4.3).

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 (see Note 2.4.25 and Note 20).

Translation differences

This item corresponds to exchange differences recognized in equity as a result of the consolidation process described in Note 2.2.1, and the measurement at fair value of the financial instruments assigned as net investment hedges in foreign transactions (see Note 20) in accordance to the method described under Note 2.2.25.

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 2013 and 2012 statements of recognized income and expense are broken out in the following table:

	Millions of euros					
	Recognised in equity		Transfer to the income statement		Total	
	2013	2012	2013	2012	2013	2012
Measurement of financial assets available for sale	(162)	(11)	1	(8)	(161)	(19)
Other financial instruments	65	(4)	(61)	-	4	(4)
Cash flow hedges	(21)	6	(7)	(6)	(28)	-
Translation differences	(8)	(1)	1	-	(7)	(1)
Actuarial gains and losses and othe adjustments	-	9	-	-	-	9
	(126)	(1)	(66)	(14)	(192)	(15)

14.6) Shareholder remuneration

The following table details the dividends and other forms of remuneration paid by Repsol, S.A. to its shareholders in 2013 and 2012:

	12/31/2013			12/31/2012		
	% Nominal	**Euros per Share**	**Amount**	**% Nominal**	**Euros per Share**	**Amount**
Ordinary Shares	4.00%	0.04	51	57.75%	0.5775	635
Remaining Shares (without vote, recovery, etc.)	-	-	-	-	-	-
Total Dividends paid	**4.00%**	**0.04**	**51**	**57.75%**	**0.5775**	**635**
a) Dividends charged to profits	4.00%	0.04	51	57.75%	0.5775	635
b) Dividends charged to reserves or share Premium issues	-	-	-	-	-	-
c) Dividends in kind	-	-	-	-	-	-

The remuneration received by shareholders in 2013 includes a cash dividend drawn from 2013 profit in the amount of €51 million (€0.04 per share before tax) paid on June 20, 2013 in respect of each of the parent company's outstanding shares carrying dividend rights.

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 addition, during 2013 and 2012 shareholders were remunerated under a scrip dividend scheme called the "*Repsol Flexible Dividend*" as detailed in section 14.1 above, "*Share capital*," the amounts of which are shown in the table below:

	No. of bonus share rights sold to Repsol	Committed purchase price (€/right)	Cash outlay (millions of euros)	New shares issued	Remuneration in shares (millions of euros)
June/July 2012	443,927,625	0.545	242	35,315,264	339
December 2012/ January 2013	389,278,581	0.473	184	26,269,701	410
June/July 2013	521,556,172	0.445	232	20,023,479	423
December 2013/ January 2014	486,839,688	0.477	232	22,044,113	389

"Lastly, at the date these financial statements were prepared, within the framework of the "*Repsol Flexible Dividend*" program and in place of the traditional yearly complementary dividend, the Board of Directors will propose to the Ordinary General Shareholders Meeting that a capital increase be carried out with a charge to voluntary reserves from non-distributable profit, equivalent to shareholder remuneration of 0.50 euros per share."

14.7) Earnings per share

Earning per Share at December 31, 2013 and 2012 are detailed below:

	2013	2012
Net income attributable to the parent company (millions of euros)	195	2,060
Net income attributable to the parent company for discontinued operations (millions of euros)	(684)	638
Weighted average number of shares outstanding (millions of shares)	1,313	1,255

EARNINGS PER SHARE (EPS) ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT (EUROS)	**2013**	**2012**
Basic		
EPS basic atributed to parent	0.15	1.64
EPS basic atributed to parent for discontinued operations	-	0.51
Diluted		
EPS basic atributed to parent	0.15	1.64
EPS basic atributed to parent for discontinued operations	-	0.51

The number of shares outstanding at December 31, 2012 was 1,256,178,727; however, the weighted average number of shares outstanding at year end 2012 has been modified with respect to the number used to calculate earnings per share in the 2012 financial statements in order to reflect the impact of these bonus share issues carried out under the scope of the scrip dividend scheme known as "2013 Repsol Flexible Dividend", in keeping with applicable accounting regulations (see Note 2.1.2 "*Comparison of information*").

14.8) Minority interests

The equity attributable to minority interests at year end 2013 and 2012 relates basically to the following companies:

	Millions of Euros	
	2013	2012
Gas Natural Fenosa group companies [(1)]	469	485
Refinería La Pampilla, S.A.	110	134
Petronor, S.A.	91	103
Other companies	43	48
Total	**713**	**770**

Note: In 2012, as a result of the loss of control and the expropriation process (see Note 4), "*Minority interests*" corresponding to YPF and YPF Gas and its Group companies 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, 2013 and 2012 respectively (proportionate to Repsol Group's interest in Gas Natural Fenosa).

(15) GRANTS

The grants recognized in the consolidated balance sheet in the amounts of €66 million at year end 2013 and €61 million at year end 2012 correspond mainly to subsidies for the construction of gas or electrical infrastructure (€56 million at year end 2013 and €51 million at year end 2012).

Revenues at December 31, 2013 and 2012 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 €13 million respectively. Meanwhile, grants related to income are recognized in the income statement under the heading "*Other operating income*" and amounted to €28 million in 2013 and €21 million in 2012.

(16) CURRENT AND NON CURRENT PROVISIONS

The Breakdown of provisions at year end and the changes in this heading in 2013 and 2012 are as follows:

	Millions of euros						
	Current and non-current provisions for contingencies and expenses						
	Provisions for pensions [(8)]	Provision for field dismantling costs	Provisions for contracts	Environment[(9)]	CO_2 Emissions [(10)]	Other provisions	Total
Balance at January 1,2012	**255**	**1,844**	**302**	**255**	**95**	**1,527**	**4,278**
Allowances of provisions charged to results [(2)]	14	30	60	13	110	229	456
Reversals of provisions with a credited to results [(3)]	-	(13)	-	(2)	-	(80)	(95)
Provisions released due to payment[(1)]	(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 [(4)]	26	156	-	-	(93)	(4)	85
Discontinued operations movements[(5)]	(1)	(32)	1	(16)	-	(9)	(57)
YPF & YPF Gas expropiation [(6)]	(29)	(1,150)	(99)	(191)	-	(331)	(1,800)
Balance at December 31, 2012	**248**	**818**	**210**	**51**	**112**	**1,110**	**2,549**
Allowances of provisions charged to results [(2)]	13	28	55	9	70	1,019	1,194
Reversals of provisions with a credited to results [(3)]	-	(5)	(27)	(2)	-	(100)	(134)
Provisions released due to payment	(25)	(3)	(50)	(5)	-	(83)	(166)
Changes in the scope of consolidation [(1)]	-	(16)	-	-	(1)	(10)	(27)
Translation differences	(16)	(26)	(8)	-	-	(14)	(64)
Reclassifications and other changes [(4)]	21	(24)	-	(49)	(111)	(3)	(166)
Discontinued operations movements[(7)]	-	-	691	50	1	-	742
YPF & YPF Gas expropiation [(6)]	-	-	-	-	-	-	-
Balance at December 31, 2013	**241**	**772**	**871**	**54**	**71**	**1,919**	**3,928**

Note: The movement in 2012 has been restated with respect to the one that appears in the consolidated financial statements for the year 2012 in order to disclose in a separate line movements related to the sales process of part of LNG assets and businesses (see Note 31 *"Divestmentss"* and Note 10 *"Non-current assets held for sale"*) as well as movements generated in 2012 by YPF and YPF Gas between January 1 and the loss of control event (see Note 4).

(1) See Note 30 *"Business Combinations"* and Note 31 *"Divestments."* In 2013 this heading discloses the derecognition of the LNG businesses in the amount of €21 million.
(2) Includes €134 and €131 million in relation with discounting provisions to present value in 2013 and 2012 respectively. In 2013 "*Other provisions*" mainly comprises provisions for legal and tax obligations (see Notes 23 and 34.1).
(3) 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.
(4) In 2012 includes €159 million corresponding to additions to property, plant and equipment and the provision made for field dismantling charges.
(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 heading discloses the derecognition of YPF and YPF Gas by the Group upon loss of control, according to the facts described in Note 4 *"Expropriation of the Repsol Group's shares in YPF S.A. and YPF Gas S.A."*
(7) In 2013, the "*Provisions for contracts*" column includes an allowance charged against "*Net profit from discontinued operations*" for "*Process or pay*" contract related to the Canaport regasification plant in North America (see Note 31 "*Divestments*") amounting to €691 million.
(8) See Note 17
(9) See Note 35.2
(10) See Note 6 and 35.5

"*Other provisions*" includes the provisions recognized to cover liabilities deriving principally from tax claims and legal and arbitration proceedings, personnel incentives, insurances, provisions

corresponding to the Group's proportionate interest in Gas Natural Fenosa and others. Additional information is disclosed in Note 23 "*Tax Situation*" and Note 34 "*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 year. 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	From 1 to 5 years	More than 5 years and/or undetermined	Total
Provisions for pensions	1	32	208	241
Provisions for field dismantling costs	7	57	708	772
Provision for contracts	51	181	639	871
Environment	-	54	-	54
CO_2 Emissions	71	-	-	71
Other provisions	173	430	1,316	1,919
TOTAL	**303**	**754**	**2,871**	**3,928**

(17) 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 €57 million in 2013 and €51 million in 2012.

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% 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 2013 and 2012 consolidated income statement was €14 million and €13 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	
	2013	2012
Spain (see b.1)	109	114
Colombia (see b.2)	86	105
Brazil (see b.3)	13	20
United States (b.4)	9	8
Other	24	1
Total	**241**	**248**

Note: In 2012, as a consequence of the loss of control and the expropriation process of YPF and YPF Gas (see Note 4), intercompany balances with YPF and YPF Gas and its Group companies were derecognized.

b.1) At December 31, 2013 and 2012, 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.
- 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, 2013 and 2012 the Group had the following commitments to certain groups of employees in Colombia:

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

b.3) At December 31, 2013 and 2012, 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.

b.4) At both year-ends, there are commitments to certain employees in the US under defined benefit plans covering the provision of post-employment pensions and health assistance.

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:

Present value of plan commitments	2013				2012			
	Spain	Colombia	Brazil	U.S.	Spain	Colombia	Brazil	U.S.
At January 1	**366**	**105**	**61**	**8**	**340**	**85**	**56**	**33**
Annual service cost	1	-	-	(2)	1	-	-	1
Interest expense	13	4	5	-	15	7	5	-
Actuarial gains and losses	1	(1)	(10)	-	41	11	8	1
Benefits paid	(27)	(10)	(3)	3	(26)	(11)	(3)	-
Transfers and cancellations	(2)	-	-	-	(5)	6	1	-
Currency translation differences	-	(12)	(11)	-	-	7	(6)	-
YPF &YPF Gas expropriation	-	-	-	-	-	-	-	(27)
At December 31	**352**	**86**	**42**	**9**	**366**	**105**	**61**	**8**
Fair value of plan assets								
At January 1	**252**	**-**	**41**	**-**	**233**	**-**	**37**	**-**
Expected return	8	-	3	-	10	-	5	-
Contributions	7	-	2	-	2	-	2	-
Actuarial gains and losses	(2)	-	(6)	-	30	-	4	-
Benefits paid	(21)	-	(3)	-	(20)	-	(3)	-
Transfers	-	-	-	-	(3)	-	-	-
Currency translation differences	-	-	(7)	-	-	-	(4)	-
At December 31	**243**	**-**	**29**	**-**	**252**	**-**	**41**	**-**
Provision for pensions and similar commitments	**109**	**86**	**13**	**9**	**114**	**105**	**20**	**8**

Millions of euros

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

	2013				2012			
	Spain	Colombia	Brazil	U.S.	Spain	Colombia	Brazil	U.S.
Annual service cost	1	-	-	2	1	-	-	1
Interest expense	13	4	5	-	15	7	5	-
Expected return on plan assets	(8)	-	(3)	-	(10)	-	(5)	-
Income statement charge	**6**	**4**	**2**	**2**	**6**	**7**	**-**	**1**

Millions of euros

The accumulated balance of actuarial gains and losses, net of tax, recognized directly in equity amounted to a net gain of €1 million in 2013 and a net loss of €19 million in 2013 and 2012 respectively.

The actuarial assumptions used were the following:

	2013				2012			
	Spain	Colombia	Brasil	U.S.	Spain	Colombia	Brasil	U.S.
Discount rate [1][2]	0.7% - 3.6%	4.8% a 8.0%	11.40%	4.92%	1.0% - 4.7%	4.8 -6.5%	9.80%	4.09%
Expected return on plan assets [1]	0.7% - 3.6%	N/A	11.40%	N/A	1.0% - 4.7%	N/A	9.80%	N/A
Assumed salary growth [1]	2.50%	2.50%	7.70%	N/A	3.00%	2.5% - 3.3%	7.70%	N/A
Assumed pension growth [1]	2.50%	2.50%	5.50%	N/A	2.50%	2.5% - 3.3%	5.50%	N/A
Inflation rate [1]	2.50%	2.50%	5.50%	N/A	2.50%	2.50%	5.50%	N/A
Mortality table	PERMF 2000	RV08	AT-83	RP 2000	PERMF 2000	RV08	AT-83	N/A

[1] Annual
[2] As a general rule, the interest rates used to discount post-employment obligations reflect the timing of each commitment and the benchmark rate curve is calculated as the average of the rate curve for corporate bonds with high ratings (AA) issued in the eurozone.

The following table details the potential impact in 2013 of a 1% variation in the inflation rate, a 1% variation in the discount rate and a 1% variation on the cost of health assistance on provisions and actuarial costs:

	Spain, Colombia y Brasil (1)			United States		
	Inflation +1%	Discount rate +1%	Health assistance +1%	Inflation+1%	Discount rate +1%	Health assistance +1%
Present value of obligations	33	(42)	5	-	(7)	11
Fair value of plan assets	-	(21)	-	-	-	-
Provision for pensions	33	(22)	5	-	-	-
Service cost of the period	-	-	-	-	1	2
Interest expense	2	2	-	-	-	-
Expected return on plan assets	-	2	-	-	-	-

[1] Corresponds to the Group's current commitments through Gas Natural in Spain, Colombia and Brazil.

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

	(%)							
	2013				2012			
	Spain	Colombia	Brazil	US	Spain	Colombia	Brazil	US
Securities	-	-	15%	-	-	-	16%	-
Bonds	100%	-	75%	-	100%	-	79%	-
Real estate and other assets	-	-	10%	-	-	-	5%	-

The actual return on plan assets held through the Gas Natural Fenosa group, corresponding principally to Spanish and Brazilian plans, was €12 million in 2013 (2012: €15 million).

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 2010-2013, 2011-2014, 2012-2015 and 2013-2016 incentive programs were in force, although it is important to point out that the plan (2010-2013) was closed, as originally stipulated, on December 31, 2013 and its beneficiaries will perceive their bonuses, if any, during the first semester of 2014.

The three plans of this type in force (2011-2014, 2012-2015, and 2013-2016 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.

None of these plans involves 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 17.d) point i).

To reflect the commitments assumed under these incentive plans, the Group recognized a charge of €17 and €11 million in the 2013 and 2012 consolidated income statement, respectively. In 2013 and 2012 the Group had recognized provisions totaling €44 and €45 million to meet its obligations under all the aforementioned plans respectively.

d) Share-based payment plans

i.) “Loyalty share program”

This Plan, approved at the General Shareholders’ Meeting of April 15, 2011 and divided into five cycles (2011-2014, 2012-2015, 2013-2016, 2014-2017 and 2015-2018) is designed to align the long-term interests of the Company and its shareholders. It takes the form of a multi-cycle share purchase plan under which beneficiaries are entitled to invest up to a maximum amount in shares of Repsol, S.A., receiving at the end of a three-year period, assuming they still hold their shares, remain in the employment of the Group and the rest of the Plan terms and conditions are met, one additional share for every three initially acquired.

In order to simplify execution of the Loyalty Program in terms of determining its beneficiaries and the maximum amounts they can invest, it has been benchmarked to the Group’s other pluri-annual incentive schemes; accordingly, only beneficiaries of the pluri-annual inventive schemes can be beneficiaries of the loyalty programs and the maximum amount they can invest upfront under the Loyalty Program has been set at 50% of the pre-tax bonus received by each beneficiary under the corresponding pluri-annual incentive scheme. Beneficiaries must purchase their shares by May 31 of each calendar year at the latest, following receipt of the corresponding pluri-annual bonus payment.

At the date of authorizing the accompanying financial statements for issue, the first three Plan cycles have been initiated (2011-2014, 2012-2015 y 2013-2016); key data for these cycles are provided below:

	No. of participants	Total upfront investment (no. of shares)	Average price (€/share)	Maximum share delivery commitment
First cycle (2011-2014)	350	227,498	23.54	75,710
Second cycle (2012-2015)	187	294,689	12.26	98,161
Third cycle (2013-2016)(1)	200	172,302	18.22	57,366

(1) Thirteen beneficiaries, whose applications were submitted correctly and promptly, were admitted to the Program after the subscription period closed, as their applications had not been processed initially. Those beneficiaries acquired a total of 3,514 shares on the same terms and conditions as if their applications had been properly processed.

In the Third Cycle of the Plan, the current members of the Executive Committee acquired a total of 77,155 shares. Adding in the number of shares acquired under the First Cycle (a total of 79,611), and under Second Cycle (a total of 131,395) Repsol has committed to deliver 26,534, 43,795 and 25,716 shares, respectively, at the end of the vesting period.of each cycle in all instances subject to delivery of the vesting terms.

As a result of this Plan, at December 31, 2013 and 2012, the Group had recognized an expense of €1.21 and €0.66 million, respectively, under "Personnel expenses" with a counterbalancing entry under "Other reserves" in equity, respectively.

ii.) "Share Acquisition Plan."

The Share Acquisition Plans (SAP) were approved at the General Shareholders' Meeting of April 15, 2011 for 2011-2012 and at the General Shareholders' Meeting of May 31, 2012 for 2013-2015.

This plan is targeted at Repsol Group executives and staff in Spain and is designed to enable interested beneficiaries to receive part of their remuneration in Repsol, S.A. shares up to an annual limit equivalent to the maximum monetary equivalent that, under prevailing tax legislation in each year and jurisdiction, is not considered income subject to personal income tax. The shares will be valued at the closing price of Repsol, S.A. 's shares on the continuous market on the Spanish stock exchanges on the date of delivery to the beneficiaries (established monthly).

In 2013 the Group purchased 406,430 shares of Repsol, S.A. for €7.1 million for delivery to participants in the 2013 SAP. Under the scope of the 2012 SAP, the Group acquired 585,441 shares from Repsol, S.A. for a total of €9.1 million (see Note 14.4).

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

(18) FINANCIAL LIABILITIES

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

	Millions of euros	
	2013	2012
Non-current financial liabilities	13,125	15,300
Current financial liabilities	4,519	3,790
Current derivatives on trading transactions [(1)]	89	41
TOTAL	**17,733**	**19,131**

Note: In 2012, as a consequence of the loss of control and the expropriation process of YPF and YPF Gas (see Note 4) "*Non-current financial liabilities*" and "*Current financial liabilities*" corresponding to YPF, YPF Gas and its group companies have been derecognized.

[(1)] Recognized under the headings "*Other non-current liabilities*" and "*Other Payables*" on the balance sheet.

Following is a breakdown of the financial liabilities acquired, most of which are secured with a personal guarantee, at December 31, 2013 and 2012:

	December 31, 2013				
Millions of euros	**Financial liabilities held for trading**	**Financial liabilities at amortized cost**	**Hedging derivatives**	**Total**	**Fair value**
Bank borrowings	-	2,815	-	2,815	2,825
Bonds and other securities [(1)]	-	10,238	-	10,238	10,885
Derivatives	-	-	72	72	72
Long-term debts/ non-current fianancial liabilities	-	**13,053**	**72**	**13,125**	**13,782**
Bank borrowings	-	879	-	879	879
Bonds and other securities	-	3,585	-	3,585	3,625
Derivatives	136	-	8	144	136
Short-term debts/current financial liabilities	**136**	**4,464**	**8**	**4,608**	**4,640**
TOTAL [(2)]	**136**	**17,517**	**80**	**17,733**	**18,422**

	December 31, 2012				
Millions of euros	**Financial liabilities held for trading**	**Financial liabilities at amortized cost**	**Hedging drivatives**	**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)]	-	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**

[(1)] Includes preference shares amounting to 104 and €3,182 million at December 31, 2013 and 2012, respectively. See section 18.2 of this Note on *Preference shares*.

[(2)] At year end 2013 and 2012, the balance sheet includes €1,427 and €2,745 million, respectively recognized under "*Other non-current liabilities*" and €170 and €224 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	
	2013	2012	2013	2012	2013	2012	2013	2012
Financial liabilities held for trading	89	15	47	118	-	-	136	133
Hedging derivatives	-	-	80	205	-	-	80	205
Total	**89**	**15**	**127**	**323**	**-**	**-**	**216**	**338**

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.

The techniques used to value the financial liabilities classified as level 2 for fair value hierarchy purposes are based, in keeping with prevailing accounting rules, on an income approach and consist of discounting known or estimated future cash flows (estimated using implied forward curves provided by the market in the case of derivatives) to present value using discount curves built from benchmark market interest rates adjusted for credit risk as a function of the terms of the various instruments. Options are valued using pricing models based on the Black & Scholes formula.

The main inputs used to value financial liabilities vary by instrument but are mainly exchange rates (spot and forward), interest rate curves, counterparty risk curves, equity prices and volatility metrics for all of the listed inputs. In all instances the market data are obtained from reputed information providers or correspond to the prices published by official bodies.

In relation with liquidity risk, disclosure of maturities relevant to Repsol funding at December 31, 2013 and 2012 is provided in Note 19.1.2.

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

	2013		2012	
	Average volume	Average cost	Average volume	Average Cost
Bank borrowings	4,967	2.79%	5,535	2.85%
Preference shares	1,620	4.47%	3,182	4.78%
Obligations	11,729	4.55%	9,550	4.69%
	18,046	**4.08%**	**18,267**	**4.15%**

18.1) Bank borrowings

In May 2013, the Group signed a 200 million euro financing agreement with the European Investment Bank (EIB) for Repsol's 2013-2016 research and development program (R&D). The duration of said loan is fixed at ten years, the first three of which constitute a grace period. The loan bears an interest at 3-month Euribor plus a 1.402% spread.

Elsewhere, the European Investment Bank (EIB) has extended Gas Natural Fenosa €411 million in financing, of which €68 million has not yet been drawn down. Also through Gas Natural a total of €92 million is owed to Instituto de Crédito Oficial (ICO) under loans falling due in 2018 at the latest (year-end 2012: €114 million). The amounts in millions of euros are stated at the Group's proportionate interest in Gas Natural Fenosa.

In 2013 the Gas Natural Fenosa group carried out a debt restructuring exercise that entailed the early repayment of its *Club Deal* loan, initially due in 2015, in the amount of €900 million and the arrangement of a new €225 million loan along with a new €450 million credit line, which had not been drawn down at December 31, 2013, both of which five-year paper and also arranged as a *Club Deal*. The amounts in millions of euros are stated at the Group's proportionate interest in Gas Natural Fenosa.

In June 2012 the Group closed two separate 12-month financing transactions by writing certain derivative instruments for a total of €750 million. In addition, it arranged a further 12-month €250 million financing transaction using derivatives in July 2012. These transactions were recognized in "*Bank borrowings bonds and other securities*" on the Group's balance sheet. At December 31, 2013, these transactions and the related guarantees extended had all been fully cancelled.

18.2) 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 2013 and 2012:

Millions of euros	Balance at 12/31/2012	(+) Issuances	(-) Repurchases or reimbursement	(+/-) Exchange rate and other adjustments	(-) Buyback of preference shares	Balance at 12/31/2013
Bonds and other debt securities issued in the European Union with prospectus [(1)]	12,856	6,503	(2,780)	(60)	(2,916)	13,603
Bonds and other debt securities issued outside European Union	316	100	(186)	(10)	-	220
TOTAL	**13,172**	**6,603**	**(2,966)**	**(70)**	**(2,916)**	**13,823**

[(1)] The carrying amount of the Preference Shares issued by the Group through Repsol International Capital Ltd., whose holders accepted the Offers for Repurchase and Subscription, was written down (under the column "*Exchange rate and other adjustments*" in the table above) in keeping with the terms of the Offers. The Preference Shares bought back were derecognized on July 1, 2013 (under the column "*Repurchases or reimbursement*") and the Series I/2013 straight bonds issued by Repsol, S.A. were recognized simultaneously (under the column "*Issuances*" in the table above) (see the detailed section on Preference Shares below).

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**

Preference shares

On December 31, 2012, non-current "*Bonds and other securities*" included preference shares amounting to €3,182 million corresponding to those issued by Repsol International Capital Ltd. and by Gas Natural Fenosa through Union Fenosa Financial Services USA, LLC.

On May 31, 2013, the respective boards of Repsol International Capital Ltd. and Repsol, S.A agreed to launch the following offer consisting of: (i) a voluntary Repurchase Offer in cash of the Series B and C preference shares issued by Repsol International Capital Ltd., in May and December 2001, respectively, and simultaneously, and linked to the Repurchase Offer (ii) a public Subscription Offer of Repsol, S.A. Series I/2013 Bonds addressed to the holders accepting the Repurchase Offer.

The holders of the Series B and C preference shares, the nominal value of which is €1,000, would receive a cash payment of €975 per each preference share, with their commitment to apply €500 to the subscription of Repsol bonds with €500 nominal value a 3.5% yearly nominal interest rate to be paid on a quarterly basis, and maturing in 10 years.

The acceptance period for the Repurchase Offer began on June 5 and ended June 25, 2013. The transactions concluded with the repurchase of the preference shares and the disbursement of the bonds on July 1, 2013.

The acceptance of the Repurchase Offer of the preference shares, for both series reached 97.21% of their nominal amount (Series B 97.02% and Series C 97.31%) and remaining outstanding the remainder preference shares. The total amount paid by Repsol International Capital Ltd. to the holders accepting the Repurchase Offer was €2,843 million in cash; €1,458 million was applied to subscribe for Repsol bonds, which were admitted to trading on the AIAF fixed-income market, for trading on the Electronic System for Debt Trading (SEND for its acronym in Spanish) on July 2, 2013.

On July 1, 2013, with the cash disbursement of the repurchase price made by the acceptants, the repurchased preference shares were derecognized from the balance sheet. Simultaneously, the bonds subscribed by the acceptants of the repurchase offer were recognized under non current "*Bonds and other securities*." This transaction resulted in the recognition of an after-tax gain of €53 million in the consolidated income statement (which gain includes the impact of the related hedging transactions).

Elsewhere, on April 16, 2013, the Gas Natural Board of Directors approved a Purchase Offer of preference shares issued by Unión Fenosa Financial Services USA, LLC on May 20, 2003 for a nominal amount of €609 million (€183 million considering Repsol's stake in the group). A cash purchase was offered for said shares at 93% of their nominal value and on May 16, 2013, once the acceptance deadline had expired; the aggregate nominal amount of the corresponding acceptances was €539 million (€162 million stated at the Group's proportionate interest in Gas Natural Fenosa), representing 88.56% of the total nominal amount of the issue, with the remainder still outstanding.

On December 31, 2013, non-current *"Bonds and other securities"* includes €104 million in respect of preference shares issued by Repsol International Capital Ltd and by the Gas Natural Fenosa group through Unión Fenosa Financial Services, USA, LLC.

Main issuances in 2013

As explained in the section above, regarding the Offer for the Subscription of Series I/2013 bonds issued by Repsol, S.A. at those accepting the preference share Repurchase Offer. Repsol, S.A. issued €1,458 million of 10-year Series I/2013 straight bonds carrying a nominal annual interest rate of 3.5%, payable quarterly, as referred to in *"Preference shares"* above.

The Group, through Repsol International Finance B.V., holds a medium term bond program "*Euro 10,000,000,000 Guaranteed Euro Medium Term Note Programme" (*EMTNs), renewed on October 17, 2013 for up to a maximum amount of €10 billion and registered with the Luxembourg *Commission de Surveillance du Secteur Financier*. On May 28, 2013 Repsol International Finance, B.V., issued €1,200 million under this program at a coupon of 2.625% and an issue price of 99.414%; the bonds mature seven years after the issue date. This issue was increased on October 7, 2013 with the placement of a further €1,000 million of 8-year bonds at 99.734% of par carrying a coupon of 3.625%. Both issues, secured by Repsol, S.A.

In addition, the Group, through its subsidiary Repsol International Finance, B.V. (RIF), 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 2013, RIF issued nominal amounts of €1,382 million , $430 million and CHF20 under this Program. The nominal balance outstanding of the issuances under this program stood at €588 million at December 31, 2013.

Gas Natural Fenosa also has a *European Medium Term Notes* (EMTN) program with a limit at year end of €4,200 million. Under this program, Gas Natural Fenosa issued €180 million of 10-year eurobonds on January 9, 2013. The bonds carry an annual coupon of 3.875%. On January 14, 2013, it carried out a second CFH75 million issue of 2.125% bonds due February 2019. In April 2013, it placed a further two issues under this program, raising €225 million and €90 million due April 2022 and April 2017, respectively, and carrying annual coupons of 3.875% and 2.310%, respectively. Gas Natural Fenosa issued NOK240 million of 3.974% bonds due 2023 on July, 2013. Then on October, 2013, Gas Natural Fenosa issued another €150 million of bonds due April 2021; these bonds carry an annual coupon of 3.5%.

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 2013, a total amount of €481 million of commercial paper under this program was issued. The balance outstanding under this program stood at €44 million at December 31, 2013, leaving an undrawn balance of €256 million. Gas Natural Fenosa has not renewed its €300 million corporate promissory note program (last renewed in July 2011). No sum was outstanding under this program at December 31, 2013. The amounts in millions of euros are stated at the Group's proportionate interest in Gas Natural Fenosa.

In May 2010, Empresa de Distribución Electrica Metro-Oeste, S.A., a Gas Natural group company located in Panama, arranged a marketable securities issuance program for up to $15 million (€12 million). At year-end 2013, €9 million of this facility had been used (issued in 2013); this balance falls due in 2014. The amounts in millions of euros are stated at the Group's proportionate interest in Gas Natural Fenosa.

Main issuances in 2012

On January 19, 2012 Repsol International Finance B.V., issued €750 million of 4.875% bonds in the eurobond market under the EMTN program registered on October 27, 2011; 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 is €1,000 million and they are listed on the Luxembourg stock exchange. In addition, on September 20, 2012, the Group issued €750 million of 4.375% eurobonds; these bonds mature five years and five months after the issue date and are traded on the Luxembourg Stock Exchange.

In addition, Repsol International Finance, B.V., the Group completed two issues under the Euro Commercial Paper (ECP) program arranged on March 26, 2010, one for €2,192 million and the other for $57 nominal million. The balance outstanding under this program at year end 2012 was €189 million.

In February, September and October 2012, Gas Natural Fenosa issued €225 million, €240 million and €150 million, respectively, of bonds in the euromarket under its EMTN program witch mature date are 2018, 2020 and 2017. At December 31, 2012, the amount issued under this program totaled €2,881 million. The amounts in millions of euros are stated at the Group's proportionate interest in Gas Natural Fenosa.

In addition, in 2012 Gas Natural Fenosa issued a total of €588 million of commercial paper under the ECP program arranged on March 23, 2010. The drawn balance under this program stood at €47 million on December 31, 2012, leaving an undrawn balance of €253 million. The amounts in millions of euros are stated at the Group's proportionate interest in Gas Natural Fenosa.

In 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 COP150,050 million (€65 million) in the local capital markets. In October, it placed two issues under this program, one raising COP30,010 million (€13 million), maturing in five years, and the other raising COP60,020 million (€26 million), maturing in seven years. The balance pending drawdown under this program stood at COP60,020 million (€26 million) at December 31, 2012. The amounts in millions of euros are stated at the Group's proportionate interest in Gas Natural Fenosa.

Secured debt securities issued

The table below discloses the amounts guaranteed by the Group in 2013 and 2012 for issues, buybacks and redemptions undertaken by associates, joint ventures (at the percentage not consolidated) and non-Group companies:

Millions of euros	Balance at 12/31/2012	(+) Granted	(-) Cancelled [1]	(+/-) Exchange rate and other adjustments	Balance at 12/31/2013
Issues of securities representing debt guaranteed by the group (guaranteed amount)	29	-	(29)	-	-

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

[1] Corresponds to the amounts issued by Peru LNG Company, Llc, a company sold to Shell on December 31, 2013 (see Note 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 €7,686 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, 2011,2012 and 2013 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 2013 and 2012, Gas Natural Fenosa group keeps €335 and €384 million, respectively, of bank debt that is subject to compliance with certain covenants. On the other hand, certain investment projects had been specifically finance through loans which include the pledge of such projects shares. The outstanding balance on this project financing at year end 2013 and 2012 amounted to 168 and €212 million. The amounts in millions of euros are stated at the Group's

proportionate interest in Gas Natural Fenosa.

At the date of preparation 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.

(19) FINANCIAL RISK AND CAPITAL MANAGEMENT

19.1) Financial risk management

The Group's businesses expose it to a series of financial risks: market risk, liquidity risk and credit risk. Repsol has a risk management structure and systems that enable it to identify, measure and control the risks to which the Group is exposed.

19.1.1) 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 varies the inputs for the significant risk factors based on 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 20).

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 apreciation(+)/ depreciation (-)	2013	2012
Impact on profit after tax	5%	(46)	3
	(5%)	51	(4)
Impact on equity	5%	(122)	(287)
	(5%)	136	318

In addition, a 5% appreciation of the euro against the Brazilian real, considering instruments held at December 31, 2013 and 2012 have resulted in an approximate variation in profit after tax, for a decrease of €6million in 2013.

Meanwhile, a 5% appreciation of the euro against the Brazilian real would have resulted in a decrease in equity of €0.2 million in 2013 and also a decrease of €0.1 million in 2012.

Elsewhere, euro appreciation of 5% against the Russian rupee in 2013 would have decreased equity by €2 million but would not have any impact on profit after tax. In 2012 this same appreciation would have eroded equity by €1 million but would not have had any impact on profit after tax.

In 2013 and 2012, euro appreciation of 5% against the Argentine peso would not have had any impact on profit after tax, considering the instruments held at December 31, and would have decreased equity by €2 million.

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 market value of its debt. Generally, these derivatives are designated as hedging instruments for accounting purposes (see Note 20).

At year end 2013, the net debt balance including preference shares, at fixed rates was €14,052 million (2012: €11,943million), equivalent to 144% and 97% respectively of total net debt including preference shares and also including interest rate derivatives. The increase in this percentage in 2013 is due to the increase in fixed-rate debt issued during the year (see Note 18), whereas the increase in financial assets, mainly as a result of the cash proceeds received on the sale of the LNG assets, is accounted for by variable-rate assets.

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:

	Increase (+)/ decrease (-) in interest rate (basis points)	Millions of euros	
		2013	2012
Impact on profit after tax	+50	11	(7)
	-50	(11)	7
Impact on equity	+50	21	48
	-50	(22)	(48)

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 20).

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 2013 and 2012, is illustrated in the following table:

	Crude & oil products prices increase(+)/ decrease (-)	Millions of euros	
		2013	2012
Impact on profit after tax	+10%	(4)	(23)
	-10%	4	23

19.1.2) 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 73% of total gross debt and 72% if preference shares are included. The Group had €5,234 and €5,899 million in undrawn credit lines at year end 2013 and 2012, respectively.

The tables below present an analysis on the maturities of the financial liabilities existing at December 31, 2013 and 2012:

	Maturity dates (Millions of euros)						
December 31, 2013	2014	2015	2016	2017	2018	Subsequent years	Total
Trade payables	4,115	-	-	-	-	-	4,115
Other payables	4,056	-	-	-	-	-	4,056
Loan and other financial debts [(1)]	4,866	1,241	2,145	2,041	2,073	7,979	20,345
Preference shares [(1) (2)]	4	4	4	4	4	105	125
Derivatives [(3)]	66	13	10	7	4	9	109

	Maturity date (Millions of euros)						
December 31, 2012	2013	2014	2015	2016	2017	Subsequent years	Total
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

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 table showing the maturity schedule as of December 31, 2013 includes the preference shares issued by the Group according to the redemption terms described in the section of Note 18 dealing with Preference Shares; these preference shares are

expected to be cancelled beyond 2017. The column "Subsequent years" includes only the face value of the instruments.

(3) The contractual maturities of the derivatives included under this heading are outlined in Note 20.

19.1.3) Credit risk

Credit risk is defined as the possibility of a third party not complying with his 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 (see Note 13) for an amount of €7,128 and €7,202 million, respectively at December 31, 2013 and 2012.

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 13 "*Trade and other receivables*" includes the registered impairment losses on December 31, 2013 and 2012. 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 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 11 "*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, 2013 and 2012:

		Millions of euros	
Maximum exposure [(1)]	Note	**2013**	**2012**
- Comercial Debts	13	7,542	7,602
- Derivatives	11	47	58
- Cash and cash equivalents	11	7,434	5,903
- Other non-current financial assets [(2)]	11	1,946	2,147
- Other current financial assets [(3)]	11	62	82

(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 4 and 34.

(2) At December 31, 2013 and 2012 the heading "*Non-current loans and receivables*" included loans granted to the Petersen Group to acquire its stake in YPF SA, being fully impaired for as described in Note 4, and in Note 11. In 2013, this heading excludes €136 million of funding for the tariff deficit in the regulated electricity segment, to which the Group is exposed via its shareholding in Gas Natural Fenosa.

(3) This balance excludes €10 million and €320 million at December 31, 2013 and 2012 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 7%, 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 €3,467 million at December 31, 2013 and €3,899 million at December 31, 2012. Of this amount, commercial debts at December 31, 2013 and 2012 covered by guarantees amounted to €856 million and €925 million, respectively.

During 2013, the Group executed guarantees received for an amount of €22 million. During 2012 this figure was €26 million.

The following table discloses the aging of the non-provisioned due debt:

	Millions of euros	
Due date	**2013**	**2012**
- Not due debt	5,740	5,890
- Due debt 0-30 days	323	304
- Due debt 31-180 days	383	341
- Due debt for more than 180 days [1]	682	667
Total	**7,128**	**7,202**

[1] Mainly corresponds to guaranteed debt or debt with official bodies and public entities.

19.2) 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 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:

$$\textit{Leverage ratio} = \frac{\textbf{\textit{Net debt including preference shares}}}{\textbf{\textit{Net Capital Employed}}}$$

Calculation of this leverage ratio takes into account the following considerations:

- The leverage ratios use the 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 73% of total gross debt and 72% 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.

- Preference shares are included in overall financing although the fact that they are perpetual equates them to equity instruments in terms of solvency analysis and creditor claims. As detailed in Note 18, the Group bought back the majority of its preference shares in 2013.

The breakdown of the calculations of these ratios, based on the following consolidated balance sheet headings at year end 2013 and 2012, is as follows:

	Millions of euros	
	2013	2012
Non-current financial liabilities	13,125	15,300
Preference shares	104	3,182
Other non-current financial liabilities	13,021	12,118
Current financial liabilities	4,519	3,790
Preference shares	-	-
Other current financial liabilities	4,519	3,790
Non-current financial assets	(1,665)	(1,313)
Less Financial assets available for sale (Note 11)	1,268	641
Other current financial assets [(1)]	(83)	(95)
Cash and cash equivalent	(7,434)	(5,903)
Interest rate hedges (Note 20)	(75)	(300)
Net debt incluying preference shares [(2)]	9,655	12,120
Equity	27,920	27,472
Capital employed [(3)]	37,575	39,592
Net debt incluying preference shares / Capital employed	**25.7%**	**30.6%**

(1) In 2013, this heading does not include €136 million of funding for the tariff deficit in the regulated electricity segment, to which the Group is exposed via its shareholding in Gas Natural Fenosa.

(2) This heading does not include €10 million and €320 million at year-end 2013 and 2012, respectively, of funding of the tariff deficit in the regulated electricity segment, to which the Group is exposed via its shareholding in Gas Natural Fenosa.

(3) Excludes €1,597 and €2,969 million of current and non-current finance leases (see Note 21.1).

(4) Net Capital employed includes that corresponding to discontinued operations.

The trend and analysis in this ratio is monitored systematically. Similarly, leverage projections are a key, and restrictive, input into Group investment decision-making and dividend policy.

At December 31, 2013 and 2012, this ratio, excluding discontinued operations from capital, was 29.7% and 35.9% respectively.

(20) DERIVATIVE TRANSACTIONS

During 2013 the Repsol Group carried out the following types of hedging transactions:

1. Fair value hedges of assets or liabilities
2. Cash flow hedges

3. Hedges of net investments

In addition, the Repsol Group performed other transactions with derivative instruments in 2013 and 2012 that do not qualify as accounting hedges.

The table below reflects the impact on the balance sheet of derivative instruments at December 31, 2013 and 2012 as a result of changes in their fair value since their origination:

Millions of euros

Clasification December 31, 2013	Non-current Assets	Current Assets	Non-current Liabilities	Current Liabilities	Fair Value
Hedge derivative instruments:	**1**	**3**	**(72)**	**(8)**	**(76)**
Fair value	**-**	**3**	**-**	**-**	**3**
- Exchange rate	-	3	-	-	3
Cash Flow:	**1**	**-**	**(72)**	**(8)**	**(79)**
- Interest rate	1	-	(72)	(4)	(75)
- Exchange rate	-	-	-	(2)	(2)
- Commodities prices	-	-	-	(2)	(2)
Other derivatives instruments	**-**	**43**	**-**	**(136)**	**(93)**
TOTAL [1]	**1**	**46**	**(72)**	**(144)**	**(169)**

Millions of euros

Clasification December 31, 2012	Non-current Assets	Current Assets	Non-current Liabilities	Current Liabilities	Fair Value
Hedge derivative instruments	**-**	**7**	**(199)**	**(6)**	**(198)**
Fair value	**-**	**4**	**-**	**-**	**4**
- 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)**

[1] In 2013 and 2012, this heading includes derivatives with a negative measurement in respect of interest rates of €75 and €200 million, 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:

Millions of euros	2013 Operating income	2013 Financial result	2013 Adjustment for changes in value	2012 [(2)] Operating income	2012 [(2)] Financial result	2012 [(2)] Adjustment for changes in value
Fair value hedges	1	(3)	-	3	(2)	-
Cash Flow hedges	(4)	(112)	151	9	(49)	(25)
Hedge of a net investment	-	-	13	-	-	-
Other transactions	(12)	(131)	-	(43)	27	-
Total [(1)]	**(15)**	**(246)**	**164**	**(31)**	**(24)**	**(25)**

(1) 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

(2) 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 (see Note 4), have generated in 2013 a negative result of €3 million (€32 million in 2012), recorded under "*Net Income attributable to discontinued operations after taxes*."

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 4.

There follows a detailed disclosure of the Group's derivatives at year end 2013 and 2012, including their fair values, maturity schedules and the related notional amounts.

20.1) 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 outstanding transactions at December 31, 2013 and 2012 are as follows:

Millions of euros

December 31, 2013	Maturity 2014	2015	2016	2017	2018	Subsequent years	Total	Fair Value
Exchange rate:								
USD	34	-	-	-	-	-	34	3
BRL	32	2	2	-	-	-	36	-
DHN	3	-	-	-	-	-	3	-
MAD	-	-	-	-	-	-	-	-
								3

Millions of euros

December 31, 2012	Maturity 2013	2014	2015	2016	2017	Subsequent years	Total	Fair Value
Exchange rate:								
USD	171	-	-	-	-	-	171	4
BRL	5	-	-	-	-	-	5	-
DHN	2	-	-	-	-	-	2	-
MAD	2	-	-	-	-	-	2	-
								4

The other outstanding instruments, whose net fair value at December 31, 2013 and 2012 stood at €3 million and €4 million respectively, correspond mainly to hedges arranged by the Group through its

investment in Gas Natural Fenosa.

20.2) 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 period's profit or loss account.

The breakdown of the most significant transactions is as follows:

Millions of euros

	Maturity							Fair
December 31, 2013	**2014**	**2015**	**2016**	**2017**	**2018**	**Subsequent years**	**Total**	**Value**
Interest rate:								
Swaps (EUR)	32	37	29	104	-	-	202	(4)
Swaps (USD)	222	75	-	75	-	294	666	(66)
Swaps (MXN)	114	13	5	17	-	4	153	-
Collar (EUR)	-	75	60	-	-	-	135	-
Exchange rate:								
USD	18	-	-	-	-	-	18	(2)
NOK	-	-	-	-	-	-	-	(3)
CHF	-	7	-	-	-	-	7	(2)
Commodity Price: [1]								
EUR	135	-	-	-	-	-	135	(1)
USD	10	-	-	-	-	-	10	(1)
ZAR	49	-	-	-	-	-	49	-
								(79)

[1] These correspond to natural gas and electricity price swaps arranged by Gas Natural Fenosa.

Millions of euros

	Maturity							Fair
December 31, 2012	**2013**	**2014**	**2015**	**2016**	**2017**	**Subsequent years**	**Total**	**Value**
Exchange 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	-
Exchage 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.

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 2013 the notional amount hedged was €294 million while the fair value of the instrument implied a loss of €58 million. At year end 2012 the notional amount hedged was a negative €315 million while the fair value was negative €109 million.

The other outstanding instruments at both balance sheet dates correspond primarily to hedges arranged by the Group through its shareholding in Gas Natural Fenosa.

With respect to the preference shares issued in 2001 by Group subsidiary Repsol International Capital, Ltd, which were the object of a buyback offer in 2013 (see Note 18), the Group had arranged a series of associated interest rate swaps with a notional amount of €1,000 million. Under these instruments, the Group paid a weighted average interest rate of 2.26% and received 3-month EURIBOR; the fair value of these instruments at December 2012 was equivalent to a loss of €66 million. At June 30, 2013, as a consequence of the buyback of the underlying preference shares, the swaps were discontinued and the cumulative loss recognized in "*Adjustments for changes in value*" was recycled to profit or loss, along with the losses accumulated and deferred on another two interest-rate swaps discontinued in 2007 and associated with these same preference shares, for a total loss of €74 million (see Note 26).

20.3) Hedges of a net investment

These instruments hedge the foreign currency risk arising from net investments in foreign operations.

Ocasionally, 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.

In 2012, as a consequence of the loss of control and the YPF expropriation process (see Note 4), the hedge instruments of the Group share holdings in this company were discontinued, see note 20.4.a).

20.4) 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) Exchange rate and interest rate contracts

Millions of euros

	Maturity							Fair
December 31, 2013	**2014**	**2015**	**2016**	**2017**	**2018**	**Subsequent years**	**Total**	**Value**
Cross currency IRS								
Fixed to fixed contract/notional amount (EUR)	158	-	-	-	-	-	158	(21)
								(21)

Millions of euros

	Maturity							Fair
December 31, 2012	**2013**	**2014**	**2015**	**2016**	**2017**	**Subsequent years**	**Total**	**Value**
Fix to fixed IRSs Contract/notional amount (EUR)	-	158	-	-	-		158	(28)
Fix to fixed IRSs Contract/notional amount (JPY)	-	-	-	-	-	67	67	(1)

(b) Exchange rate

Repsol has arranged other forward contracts as part of its global strategy of managing exposure to foreign currency risk.

	Maturity							Fair
December 31, 2013	2014	2015	2016	2017	2018	Subsequent years	Total	Value
USD/Euro	3,598	-	-	-	-	-	3,598	(21)
Euro/USD	1,637	-	-	-	-	-	1,637	7
USD/NOK	41	-	-	-	-	-	41	(1)
USD/RUB	30	-	-	-	-	-	30	-
USD/CAD	20	-	-	-	-	-	20	-
Euro/RUB	15	-	-	-	-	-	15	-
CLP/USD	12	-	-	-	-	-	12	-
USD/PEN	6	-	-	-	-	-	6	-
GBP/EUR	4	-	-	-	-	-	4	-
CHF/EUR	4	-	-	-	-	-	4	-
MYR/USD	3	-	-	-	-	-	3	-
EUR/NOK	1	-	-	-	-		1	-

	Maturity							Fair
December 31, 2012	2013	2014	2015	2016	2017	Subsequent years	Total	Value
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	-

(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, 2013 and 2012 are as follows:

December 31, 2013	Maturity 2014	2015	2016	2017	2018	Subsequent years	Total	Fair Value
								Millions of euros
Purchase contracts								
BRENT (000 barrels)	5,694	-	-	-	-	-	5,694	12
WTI (000 barrels)	5,483	-	-	-	-	-	5,483	-
NYMEX HHO (000 gallons)	82,362	-	-	-	-	-	82,362	4
IPE GO (000 tons)	331	-	-	-	-	-	331	6
RBOB (000 gallons)	99,330	-	-	-	-	-	99,330	4
PALM OIL (000 tons)	8	-	-	-	-	-	8	-
SOY (000 Pounds)	34,920	-	-	-	-	-	34,920	-
NYMEX (000 gallons)	219,514	-	-	-	-	-	219,514	-
Sale contracts								
BRENT (000 barrels)	9,107	-	-	-	-	-	9,107	(17)
WTI (000 barrels)	6,663	-	-	-	-	-	6,663	(1)
NYMEX HHO (000 gallons)	109,158	-	-	-	-	-	109,158	(5)
IPE GO (000 tons)	416	-	-	-	-	-	416	(8)
RBOB (000 gallons)	125,790	-	-	-	-	-	125,790	(2)
PALM OIL (000 tons)	3	-	-	-	-	-	3	-
SOY (000 pounds)	22,140	-	-	-	-	-	22,140	-
NAT GAS FUTS (000 gallons)	141,000	-	-	-	-	-	141,000	(4)
Algonquin CityGate (000 gallons)	28,641	-	-	-	-	-	28,641	2
NYMEX (000 gallons)	58,502	-	-	-	-	-	58,502	(11)
Options								
Call (000 barrels)	1,058	-	-	-	-	-	1,058	(43)
Swaps								
Crude (000 tons)	839	-	-	-	-	-	839	(3)
Propane (000 tons)	1,152	-	-	-	-	-	1,152	(1)
Nafta (000 tons)	324	-	-	-	-	-	324	2
JET (000 tons)	371	-	-	-	-	-	371	1
Gas Oil (000 tons)	1,270	-	-	-	-	-	1,270	-
Gasoline (000 tons)	9	-	-	-	-	-	9	-
Ethanol (000 tons)	17	-	-	-	-	-	17	-
Fuel Oil (000 tons)	2,333	-	-	-	-	-	2,333	(2)
Freight (000 tons)	249	-	-	-	-	-	249	-
ColGulf Mainline Basis-ICE (000 gallons)	18,259	-	-	-	-	-	18,259	-
Dom NG Basis-ICE (000 gallons)	5,275	-	-	-	-	-	5,275	-
AGC NG Basis-ICE (000 gallons)	52,393	-	-	-	-	-	52,393	(11)
Mich Con Basis ICE (000 gallons)	9,130	-	-	-	-	-	9,130	-

December 31, 2012	Maturity 2013	2014	2015	2016	2017	Subsequent years	Total	Fair Value
								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

At year end 2013 and 2012, "*Other receivables*" includes €20 million respectively corresponding to the fair value of commodity purchase agreements measured in accordance with IAS 39, as detailed in Note 2.2.25.

(21) OTHER NON-CURRENT LIABILITIES

"*Other non-current liabilities*" includes the following items:

	Millions of euros 2013	2012
Obligations under finance leases	1,427	2,745
Deferred income	241	235
Guarantees and deposits	201	199
Derivatives from comercials operations (Note 20)	-	-
Others	310	278
Total	**2,179**	**3,457**

Note: In December 2013, as consequence of the sale process of part of the LNG assets and businesses (see Note 31 *"Divestments"*), an amount of €1,226 million was derecognized or reclassified to "*Liabilities related to non-current asset held for sale*" from *"Obligations under finance leases"*; this balance amounted to €1,289 million at December 31, 2012. In 2012, as a consequence of the loss of control and expropriation of the YPF and YPF Gas shares (see Note 4), these investees' "*Other non-current liabilities*" were derecognized.

21.1) Obligations under finance leases

The breakdown of the amounts payable under finance leases at December 31, 2013 and 2012 is as follows:

	Millions of euros		Millions of euros	
	Lease payments		Present value of minimum lease payments	
	2013	2012	2013	2012
Within one year	179	301	170	224
Between two and five years, both included	714	1,195	450	704
After six years	2,533	4,102	977	2,041
	3,426	5,598	1,597	2,969
Less:				
Future finance expenses	(1.829)	(2.629)		
	1.597	2,969		
Recognised as:				
Non-current obligations under finance leases			1,427	2,745
Current obligations under finance leases			170	224
			1.597	2,969

The effective average interest rate on obligations under finance leases at December 31, 2013 was 8.67% (2012: 7.22 %).

The main liabilities related to finance leases 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. 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, 2013 and 2012, the amount recognized in this heading was $518 million (€376 million) and $499 million (€378 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 2013 and 2012 amounted to $1,233 million (€894 million) and $1,252 million (€949 million), respectively.

- It also includes the finance leases corresponding to four methane tankers acquired from Gas Natural Fenosa prior to 2006 for the transportation of LNG, which mature between 2022 and 2029.

As a result of the agreement to sell part of the LNG assets and businesses (see Note 31), €1,226 million corresponding to the fleet of tankers used to transport LNG that was managed by the Repsol Group was reclassified to "*Liabilities related to non-current assets held for sale* "; this fleet was sold on January 1, 2014 (see Note 37) once the agreed-upon closing conditions had all been met.

21.2) Deferred income

"Deferred income" includes, among other items, the income generated by the sale of gas pipeline transport rights, callout charges for natural gas infrastructure operated by third parties and the

amounts received each year as consideration for the provision of access points for the construction of gas and power network connections. It also includes the amounts associated with carbon emission allowances received free of charge (see Note 6).

21.3) 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.

(22) TRADE PAYABLES AND OTHER PAYABLES

In 2013 and 2012 Repsol had the following accounts payable classified under "*Trade payables and other payables*":

	Millions of euros	
	2013	2012
Trade payables	**4,115**	**4,376**
Obligations under finance leases (Note 21.1)	170	224
Tax Payables	873	935
Derivative financial instruments (Note 20)	89	41
Others	2,924	3,307
Other payables	**4,056**	**4,507**
Income tax liabilities	**293**	**319**
Total	**8,464**	**9,202**

Note**:** In December 2013, as consequence of the sale process of part of the LNG businesses (see Note 31 "*Divestments*"), an amount of €226 million was derecognized or reclassified to "*Liabilities related to non-current assets held for sale*" from *"Trade payables" and "Other payables"*; this balance amounted to €765 million at December 31, 2012. In 2012, as a consequence of the loss of control and expropriation of YPF and YPF Gas (see Note 4), the "*Trade payables,*" "*Other payables,*" and "*Income tax liabilities*" balances corresponding to YPF and YPF Gas and its group companies have been derecognized.

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 2013 and 2012 in accordance with additional provision three, "Disclosure requirements," of the aforementioned legislation is as follows:

	Millions of euros			
	2013		2012	
	Amount	%	Amount	%
Within the maximum legal term	14,010	99%	13,442	99%
Other	115	1%	79	1%
Total payments during the year	14,125		13,521	
Weighted average term by which payments were deferred over the legal period estipulated (days)	53		37	
Payments which at the year-end were outstanding by more than maximum legal term	7		17	

According to the transitional provision of the law 15/2010 the maximum legal payment deadline is 60 days in 2013 (75 days in 2012).

(23) TAX SITUATION

Corporate income tax

Due to the broad geographic mix and the markedly international nature of the business activities carried on by the companies comprising the Repsol Group, the latter is subject to several tax jurisdictions as far as its tax regulations and rates are concerned. As a result, the Repsol Group's effective tax rate is shaped by the breakdown of taxable profit obtained among the various countries in which it operates.

a) In Spain

Most of the entities resident in Spain for tax purposes pay income tax under Spain's special consolidated tax regime. Under this regime, the companies comprising the tax group jointly determine the Group's taxable profit and tax liability, which is then allocated to these companies following the criteria established by the ICAC (acronym in Spanish for the Audit and Accounting Institute) in relation to the recognition and determination of individual corporate tax liabilities.

Repsol, S.A. is the parent of Consolidated Tax Group 6/80, which comprises all of the companies resident in Spain that are at least 75%-owned, directly or indirectly, by the parent and that meet certain prerequisites. In 2013 the Tax Group was made up of 50 companies, the most significant of which are: Repsol, S.A. itself, 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.

Elsewhere, Petróleos del Norte, S.A. (Petronor) is the parent of Consolidated Tax Group 02/01/B, which includes Asfalnor, S.A. and applies the special regional tax regulations of Vizcaya for corporate income tax purposes.

In addition, the consolidated financial statements consolidate under the proportionate method all of the income tax related charges and income of the companies comprising the Gas Natural Fenosa group. Most of the Spanish companies comprising the latter group likewise apply the special consolidated tax regime, Gas Natural SDG, S.A. being the parent of Tax Group 59/93. The most significant companies in the latter Tax Group are: Gas Natural SDG, S.A. itself, Gas Natural Distribución SDG, S.A., Gas Natural Comercializadora, S.A., Gas Natural Servicios SDG, S.A, Gas Natural Aprovisionamientos SDG, S.A, Unión Fenosa Distribución, S.A. and Gas Natural S.U.R. SDG, S.A.

The rest of the companies resident in Spain for tax purposes that are not included in either of the above tax groups determine their income tax individually.

The Spanish companies are taxed at the generale rate of 30%, regardless of whether they pay tax as part of a tax group or individually. Exceptionally, Repsol Investigaciones Petrolíferas, S.A., which files its taxes on an individual basis under the Special Hydrocarbon Regime, is taxed at 35%, and the Petronor group, which applies the special regional regime of Vizcaya, is taxed at 28%.

b) Other countries

The rest of the Group companies pay tax in each of the countries in which they do business, applying the prevailing income tax rate under applicable local tax regulations. Group companies in some countries are also subject to a levy on minimum presumptive income in addition to income tax.

In turn, the Group companies resident in Spain that conduct some of their business in other countries are also subject to prevailing income tax in those countries in respect of the profits generated outside Spain. This is the case, for example, of the permanent establishments of the Spanish companies that carry on oil and gas exploration and production activities in other countries (including Libya, Algeria, Peru and Ecuador).

Below is a list of the statutory income tax rates applicable in the Group's main tax jurisdictions:

- Algeria: 30-38% plus tax on exceptional profits (TPE) by its acronym in Spanish
- Bolivia: 25%
- Brazil: 34%
- Ecuador: 22%
- US: 35% (Federal rate)
- Libya: 65%
- Netherlands: 25%
- Peru: 30%
- Portugal: 25 – 31.5%
- Trinidad and Tobago: 35% (gas); 55% and 57.25% (oil)
- Venezuela: 34% (gas) and 50% (oil)

Accrued income tax expense

The table below shows how the income tax expense accrued for accounting purposes in 2013 and 2012 was calculated, in keeping with the criteria outlined in paragraph 2.2.23 of *Accounting Policies of Note 2*:

(millions of euros)	**2013**	**2012**
Current income tax		
Current income tax charge	1,077	1,004
Other adjustments in respect of income tax	(205)	369
Current income tax	**872**	**1,373**
Deferred income tax		
Relating to movements during the year	(244)	26
Other adjustments in respect of deferred tax expense	319	7
Deferred income tax	**75**	**33**
Accrued Income tax expense	**947**	**1,406**

The following table provides a reconcilation of the Spain statutary corporation tax rate to the effective tax rate of the Grup on profit or loss before taxation:

(millions of euros)	**2013**	**2012**
Accounting profit before tax and before the Group's share of results of companies accounted for using the equity method	**1,816**	**2,856**
Spain's statutory income tax rate	30%	30%
Income tax expense at the statutory rate	**545**	**857**
Tax calculated at rates other than the statutory Spanish rate	364	582
Restatement of Balance Sheet in Spain	(129)	-
Tax effect of devaluation of functional currency / tax inflation	26	(59)
Tax credits	(38)	(47)
Tax losses for which no deferred tax asset was recognized	90	14
Expenses not deductible for tax purposes	79	67
Other items	10	(8)
Income tax expense	**947**	**1,406**

The tax expense related to the accounting profit of discontinued operations included in "*Net income for the period from discontinued operations after taxes*" (see Note 27) amounted to tax income of €339 million in 2013 (tax income of €271 million in 2012).

Law 16/2012 was passed in Spain on December 27, 2012, enacting several fiscal measures designed to further the consolidation of the public finances and to shore up economic activity. One of the measures passed provides the Group's Spanish companies with the choice of restating their balance sheets. The ICAC, in a ruling issued on January 31, 2013, ruled that any restatements made must be recognized in the Group's Spanish companies' 2013 financial statements. The tax impact would also be recognized in 2013. Repsol accordingly revalued the amounts of items of property, plant and equipment recognized by the Group's Spanish companies that were not fully depreciated for accounting or tax purposes. In order to accredit the right to deduct the future depreciation charges on the higher asset values in the wake of the revaluation exercise, the Group settled the one-off 5% tax charge amounting to €27 million in conjunction with its 2012 income tax return.

This revaluation was eliminated in preparing the consolidated financial statements under IFRS, giving rise to the recognition of a deferred tax asset of €156 million. The deferred tax asset generated by the increase in the tax base of the affected assets and the one-off 5% tax have been accounted for with a balancing entry of €129 million under "*Income tax*."

The breakdown by nature of the deferred tax assets and deferred tax liabilities recognized in the accompanying balance sheet is shown below:

	Millions of euros		
	2013[1]	2012	Change
Deferred tax assets:			
Provisions for doubtful accounts	59	65	(6)
Provisions for employees	132	122	10
Provisions for contingencies	49	67	(18)
Other provisions	393	361	32
Depreciation schedule differences	525	382	143
Tax credits	3,085	2,110	975
Other deferred tax assets	654	203	451
	4,897	**3,310**	**1,587**
Deferred tax liabilities			
Tax incentives	(17)	(13)	(4)
Deferred gains	(114)	(127)	13
Depreciation schedule differences	(1,589)	(1,581)	(8)
Functional currency	(62)	(32)	(30)
Fair value gains arising on business combinations allocated to the value of the assets acquired	(737)	(817)	80
Other deferred tax liabilities	(833)	(493)	(340)
	(3,352)	**(3,063)**	**(289)**

Note: In December 2013, as consequence of the sale process of part of the LNG assets and businesses (see Note 31 "*Divestments*"), amounts of €4 million and €35 million, were derecognized or reclassified to "*Non-current asets held for sale*" and "*Liabilities related to non-current assets held for sale*" from "*Deferred tax assets*" and "*Deferred tax liabilities*"; these balances amounted to €0 and €37 million, respectively at December 31, 2012. In 2012, as a consequence of the loss of control and the expropiation process of YPF and YPF Gas (see Note 4), "*Deferred tax assets*" and "*Deferred tax liabilities*" corresponding to YPF and YPF Gas and its group companies have been derecognized.

[1] €975 million was added to "*Deferred tax assets*" at December 31, 2013 in respect of unused tax credits deriving from the capitalisation of unused deductions and tax losses and €156 million in connection with the asset revaluation exercise.

A total of €127 million was charged directly to equity in 2013 in respect of deferred taxes (€3 million in 2012).

The Group did not recognize deferred tax assets in the amount of €309 million in 2013 (€306 million in 2012) as they do not meet IFRS recognition criteria. These unrecognized tax assets correspond mainly to unused tax losses and unused tax credits. More specifically, in 2013 these unrecognized amounts correspond mostly 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 20 years.

The Group did not recognize deferred tax liabilities of €122 million in 2013 as they relate to taxable temporary differences associated with investments in subsidiaries, associates and permanent establishments that qualify for the exemption provided for under IFRS (€126 million in 2012).

Administrative and legal proceedings with tax implications

Repsol does business in more than 40 countries, operating as a vertically-integrated oil and gas company, which is translating into growing complexity with respect to tax management in the current international context.

In accordance with prevailing tax legislation, tax returns cannot be considered final until they have been inspected by the tax authorities or until the inspection period in each tax jurisdiction has prescribed.

Generally speaking, the Group companies have their tax returns open to inspection in respect of all major applicable taxes for 2010-2013.

Whenever discrepancies arise between Repsol and the tax authorities with respect to the tax treatment applicable to certain operations, the Group takes proactive steps to resolve the resulting controversy, using the legal avenues at its disposition with a view to reaching a solution.

However, in 2013, as in prior years, there are government and legal proceedings with tax implications that go against the Group's aims and could result in contingent tax liabilities that cannot be reliably quantified at present. However, the directors believe that any tax liabilities that could materialize in this respect would not have a material impact on the accompanying financial statements. Repsol believes that it has acted lawfully in handling the foregoing matters and that its defense arguments are underpinned by reasonable interpretations of prevailing legislation, to which end it has lodged appeals as necessary to defend the interests of the Group and its shareholders.

It is hard to predict when these lawsuits will be resolved due to the extensive appeals process. Based on the counsel received from in-house and external tax experts, the Company believes that the tax liabilities that may ultimately derive from these proceedings will not have a significant impact on the accompanying financial statements. In the Group's experience, the result of lawsuits claiming sizeable amounts have either tended to result in immaterial settlements or the courts have found in favour of the Group.

The Group's criterion is to recognize provisions for tax-related lawsuits that it deems it will probably lose. It does not recognize provisions when the risk of losing the case is considered possible or remote. The amounts to be provisioned are calculated on the basis of the best estimate of the amount needed to settle the lawsuit in question, underpinned by case-by-case analysis of the facts, the legal opinions of its in-house and external advisors and prior experience in these matters.

The main tax-related lawsuits at December 31, 2013 are as follows:

Brazil

Petrobras, as operator of block BMS-9, in which Repsol has a 25% ownership interest, has been notified by the Sao Paolo tax authorities of an assessment that it breached certain formal requirements (the issuance of supporting tax documentation) related to the onshore-offshore movement of materials and equipment to the offshore drilling platform (including the movement of the platform itself to the drilling site). The criterion adopted by Petrobras is aligned with that of the Brazilian National Oil Agency (ANP for its acronym in Portuguese). This case is being heard at a court of second instance.

Elsewhere, Petrobras, as operator of the Albacora Leste, BM-S-7 and BMS-9 consortia (and other consortia in which Repsol Sinopec Brasil has no interests) has received notices of infraction with respect to personal income tax (*Imposto de Renda Retido na Fonte or IFFF)* and economic activities tax *(Contribuição de Intervenção no Domínio Econômico or CIDE)* withholdings made in 2008 and 2009 in relation to payments to foreign companies for the chartering of exploration platforms and related services used at the above-listed blocks. The Company is evaluating its liability in the matter from both a tax and contractual perspective.

In addition, Repsol Sinopec Brasil received notices of infraction with respect to personal income tax and economic activities tax withholdings made in 2009 in relation to payments to foreign companies for the chartering of exploration platforms and related services used at blocks BM S-48 and BM-C33, which Repsol Sinopec Brasil operates. The Company, in keeping with the reports provided by its internal and external tax consultants, believes that its approach is both legal and in line with widespread sector practice. It will accordingly lodge the

corresponding appeals, as necessary, in order to uphold and defend the Group's legitimate interests.

Bolivia

Repsol E&P Bolivia, S.A. and YPFB Andina, S.A., in which the Repsol Group owns 48.92%, have been handed down rulings by Bolivia's Supreme Court denying the possibility of deducting royalties and hydrocarbon interests for corporate income tax calculation purposes. This issue dates to before the oil sector was nationalized. The Company believes that there is jurisprudence in constitutional law, specifically and expressly Law 4115, of September 26 2009, in support of its position.

Canada

The Canadian tax authorities have questioned the criteria used by Repsol Energy Canada Ltd. and Repsol Canada, Ltd. in classifying certain industrial assets as *Class 43 Assets* liable for accelerated tax depreciation between 2005 and 2008. The lawsuit is pending sentence by the Tax Court of Canada and there is still scope for an out-of-court settlement that would address this dispute.

Ecuador

The Ecuador internal revenue service has questioned the deduction from income tax of payments for the transportation of crude oil to Ecuador company (SRI) Oleoducto de Crudos Pesados, S.A. under a ship-or-pay arrangement by several consortia in which Repsol Ecuador, S.A. has ownership interests. The matter has been appealed before Ecuador's National Court of Justice.

The internal revenue service has also queried the criteria used to set the benchmark price applicable to sales of its crude to the Bloque 16 consortium in which Repsol Ecuador, S.A. holds a 35% interest. This matter is pending sentencing by the Tax Court.

Oleoducto de Crudos Pesados, S.A., a 29.66% investee of Repsol Ecuador, S.A., is disputing the tax treatment of subordinated debt issued to finance its operations with the government of Ecuador. The National Court handed down a favorable ruling for this company, which the government appealed before the Constitutional Court. The Constitutional Court has rendered the National Court ruling null and ordered a new ruling.

Spain

The main litigations deriving from the inspections of income tax returns from 1998 to 2001 and from 2002 to 2005 concluded in 2013. The corresponding sentences and rulings had the effect of cancelling 90% of the tax liability initially assessed by the tax authorities and that had been appealed by the Company. With regard to the penalties linked to those inspections, the justice Courts have cancelled all the penalties that at this date, have already pronounced.

In addition, in 2013 the tax authorities concluded their inspection in respect of 2006- 2009 period that affected income tax, VAT, hydrocarbon and other special duties and withholdings. The corresponding assessments are still open to further appeal. The matters under dispute are very varied and, for the most part, relate to income tax and imply a change in the tax authority's criteria with respect to earlier inspections. Repsol, in keeping with the reports provided by its internal and external tax advisors, believes that it has acted lawfully in these matters and, accordingly, does not expect them to result in liabilities that could have a significant impact on the Group's results. The Group will appeal the assessments handed down by the tax authorities

as necessary in order to uphold and defend the Group's legitimate interests.
Trinidad and Tobago

BP Trinidad&Tobago LLC, in which Repsol has a 30% interest along with the BP Group, is regularly inspected by the *Board of Inland Revenue.* At present, inspections are ongoing in respect of multiple taxes, including the *petroleum profit tax*, the *supplemental petroleum tax*, VAT and withholdings, and tax years. These matters are for the most part at the pre-litigation stage.

In view of the uncertainty concerning the materialization of the existing tax contingencies associated with lawsuits and other tax matters, at year-end the Group had recognized provisions under "*Other provisions*" (see Note 16) that are deemed adequate to cover those tax contingencies. The amount recognized in the balance sheet in this respect at December 31, 2013 is €1,471 million The tax-related lawsuits in progress and other tax contingencies that have been provisioned correspond to a large number of cases.

(24) JOINT VENTURES

The most significant jointly controlled entities in which the Group participates at December 31, 2013 are:

Companies	% of ownership
Quiriquire Gas, S.A. [(1)]	60.00%
Repsol Sinopec Brasil, S.A. [(1)]	60.00%
AR Oil & Gas BV	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%
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 a financial and operating nature require the unanimous consent of all the venturers sharing control.

The breakdown of the consolidated balance sheet 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, 2013 and 2012, is as follows:

	Millions of euros	
Balance Sheet	2013	2012
Current assets	7,738	8,241
Non-current assest	15,352	14,402
Current liabilities	(4,149)	(3,767)
Non-current liabilities	(8,372)	(8,504)

Note: In 2013, as consequence of the sale process of part of the LNG businesses (see Note 31 "*Divestments*"), amounts of €265 and 168 million were derecognized or reclassified to "*Non-current assets held for sale*" and "*Liabilities related to non-current assets held for sale*" from assets and liabilities amounting to; these balances amounted to €281 and €184

million, respectively, at December 31, 2012.

The breakdown of the consolidated income statement 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, 2013 and 2012, is as follows:

	Millions of euros	
Income statements	2013	2012[(1)]
Operating income	9,783	10,125
Operating expenses	(8,166)	(8,432)
Other incomes	343	154
Other expenses	(1,152)	(968)
Net income for the period from continuing operations attributable to the parent	**808**	**878**

(1) Includes the necessary modifications with respect to the consolidated financial statements at December 31, 2012 (see Note 2.1.2 *"Comparison of information"*) related to the sale process of part of the LNG assets and businesses (see Note 31 "*Divestments*").

Additionally, at December 31, 2013, 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.

From January 1, 2014, under IFRS 11 *Joint Agreements*, the Group will cease to use the proportionate method of consolidation to account for its interests in jointly controlled entities that qualify as joint ventures under the new standard. The impact in this change in accounting treatment is detailed under *New standards issued* in Note 2.

(25) OPERATING REVENUES AND EXPENSES

Sales and services rendered and other income

The distribution by geographic area corresponding 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	2013	2012 [(1)]
Spain	29,370	29,652
European Union	5,676	8,990
O.E.C.D. Countries	8,782	6,152
Other countries	11,918	12,428
Total	**55,746**	**57,222**

(1) Includes the necessary modifications with respect to the consolidated financial statements at December 31, 2012 (see Note 2.1.2 *"Comparison of information"*) related to the sale process of part of the LNG assets and businesses (see Note 31 "*Divestments*").

This heading "*Sale*s" includes excise tax and similar taxes levied on the production and/or sale of oil and gas products amounting to €6,099 million in 2013 and €5,244 million in 2012.

Income and expenses from impairment losses and gains and losses on disposal of non-current assets

Income includes the following items:

	Millions of euros	
	2013	2012
Income from release of impairment provisions	5	10
Gains on disposal of non-current assets (Note 31)	18	263
Total	**23**	**273**

The gains on the disposal of non-current assets in 2012 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) (see Note 31).

"*Impairment losses recognized and losses on disposal of non-current assets*" include the following items:

	Millions of euros	
	2013	2012 (1)
Impairment losses recognized (Notes 6 and 7)	143	104
Losses on disposal of non-current assets	20	39
Total	**163**	**143**

(1) Includes the necessary modifications with respect to the consolidated financial statements at December 31, 2012 (see Note 2.1.2 *"Comparison of information"*) related to the sale process of part of the LNG assets and businesses (see Note 31 "*Divestments*").

Supplies

This heading includes the following items:

	Millions of euros	
	2013	2012 (1)
Purchases	43,358	43,676
Changes of inventory	(188)	68
Total	**43,170**	**43,744**

(1) Includes the necessary modifications with respect to the consolidated financial statements at December 31, 2012 (see Note 2.1.2 *"Comparison of information"*) related to the sale process of part of the LNG assets and businesses (see Note 31 "*Divestments*").

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	
	2013	2012 [(1)]
Salaries and others	1,518	1,500
Social security expenses	521	475
Total personnel expenses	**2,039**	**1,975**

[(1)] Includes the necessary modifications with respect to the consolidated financial statements at December 31, 2012 (see Note 2.1.2 *"Comparison of information"*) related to the sale process of part of the LNG assets and businesses (see Note 31 "*Divestments*").

Repsol Group employed a total of 30,296 people at December 31, 2013, geographically distributed as follows: Spain (20,131 employees), Latin America (6,291 employees) and rest of the world (3,874 employees). Average headcount in 2013 was 30,330 employees and in 2012 was 29,997 employees.

At December 31, 2013, Upstream and Downstream business Repsol and its corporate areas has a total of 705 handicapped employees in Spain, 532 of which were hired directly, while the remaining 173 persons were employed through alternative hiring arrangements (3.67% 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 2013 and 2012:

	Number of employees			
	2013		2012	
	Men	Women	Men	Women
Managers	574	151	545	134
Seniors line personnel	2,295	659	2,138	639
Other line personnel	8,811	4,577	8,833	4,448
Operating staff (manual workers, administrative)	9,008	4,221	8,992	4,256
Total	**20,688**	**9,608**	**20,508**	**9,477**

Other operating expenses

"*Other operating expenses*" includes the following items:

	Millions of euros	
	2013	2012 [(1)]
Taxes other than income tax	812	724
External services	3,788	3,855
Transport and freight costs	815	861
Other expenses	381	385
Total	**5,796**	**5,825**

[(1)] Includes the necessary modifications with respect to the consolidated financial statements at December 31, 2012 (see Note 2.1.2. "Comparison of Information")related to the sale process of part of the LNG assets and businesses, (see Note 31 "*Divestments*").

Exploration costs amounted to €668 and €551 million in 2013 and 2012, of which €356 and €315 million, respectively, are recognized in the heading "Amortization."

Research and development expenses

The expense recognized in the income statement in connection with research and development activities amounted to €89 million in 2013 (€83 million in 2012).

(26) FINANCE INCOME AND EXPENSES

The breakdown of finance income and expenses in 2013 and 2012 is as follows:

	Millions of euros	
	2013	2012[1]
Interest Income	91	91
Borrowing Costs	(765)	(795)
Net interest expense (including preference shares)	**(674)**	**(704)**
Due to interest rate	(5)	5
Change in fair value of financial instruments	(5)	5
Due to exchange rate	(28)	40
Change in fair value of financial instruments	(126)	17
Exchange differences	98	23
Other positions	-	(2)
Change in fair value of financial instruments	-	(2)
Net gains / (losses) from financial instruments exposure [3]	**(33)**	**43**
Impact of discounting provisions to present value	**(114)**	**(83)**
Capitalised interest [4]	**142**	**135**
Leases	(140)	(145)
Impairment and gains (losses) on disposal of financial instruments	79	(28)
Other income [2]	71	6
Other expenses	(86)	(34)
Other financial income and expenses	**(76)**	**(201)**
FINANCIAL RESULT	**(755)**	**(810)**

(1) Includes the necessary modifications with respect to the consolidated financial statements at December 31, 2012 (see Note 2.1.2. "*Comparison of Information*")related to the sale process of part of the LNG assets and businesses, (see Note 31 "*Divestments*").
(2) This heading includes the surplus value generated as a result of the redemption of preference shares, as described in Note 18.
(3) This heading includes exchange gains and losses generated by the measurement and settlement of foreign-currency monetary items (see Note 2.2.4.) as well as the gains and losses recognized as a result of the measurement and settlement of derivatives
(4) Capitalized interest is recognized in the consolidated income statement under "Finance expenses."

(27) NET INCOME FROM DISCONTINUED OPERATIONS

In 2013, "*Net income for the period from discontinued operations after taxes*" mainly includes the results generated by the LNG assets and businesses sold and/or classified as non-current assets held for sale at December 31, 2013 (see Notes 10 and 31) as well as the gain generated by the sale and the impairment charges recognized on the retained LNG assets and onerous contract in North America (see Notes 6, 7 and 16).

Results obtained in 2012 have been restated to include the results generated that year by these assets and operations. Additionaly, includes the results generated until the loss of control event from the consolidation of the operations of YPF, YPF Gas and their group companies, on the other. It also included the income statement impact of the loss of control as a result of the expropriation (see Note 4.3).

The table below provides a breakdown by nature of the income and expenses corresponding to the discontinued operations:

	Millions of euros	
	2013	**2012**
Operating revenues	1,888	4,559
Operating expenses	(1,320)	(3,522)
Operating profit	**568**	**1,037**
Financial result	(47)	(72)
Results of companies accounted for using the equity method-net of tax	74	73
Net income from discontinued operations before tax	**595**	**1,038**
Tax expense in respect of net income from discontinued operations	(159)	(253)
Net income from discontinued operations	**436**	**785**
After-tax gain on the sale of the LNG assets	**159**	**-**
After-tax [gain/loss] on the change in value of the non-current assets held for sale subject to expropriation	**(1,279)**	**(38)**
NET INCOME FOR THE PERIOD FROM DISCONTINUED OPERATIONS - NET OF TAXES	**(684)**	**747**
Net income from discontinued operations attributable to minority interests	-	(109)
NET INCOME FROM DISCONTINUED OPERATIONS ATTRIBUTABLE TO THE PARENT	**(684)**	**638**

(28) CASH FLOW 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 2013 and 2012 is as follows:

		Millions of euros	
	Notes	2013	2012 [(1)]
Net income before tax		**1,864**	**2,903**
Adjustments to net income		**3,639**	**3,337**
Depreciation and amortization of assets	6 & 7	2,559	2,499
Net changes in operating provisions	16	447	411
Gains (losses) on sale of non-commercial assets	31	2	(225)
Financial results	26	755	811
After-tax share of results of companies accounted for using the equity method	9	(48)	(47)
Other adjustments (net)		(76)	(112)
Change in working capital		**(502)**	**624**
Other cash flows from/(used in) operating activities:		**(1,005)**	**(1,655)**
Dividend received		33	26
Income tax recieved / (paid)		(893)	(1,399)
Other procceeds from/ (payment for) from operating activities		(145)	(282)
Cash Flow from operating activities		**3,996**	**5,209**
Cash Flow from discontinued operating activities		**129**	**1,569**

[(1)] Includes the necessary modifications with respect to the consolidated financial statements at December 31, 2012 (see Note 2.1.2. "*Comparison of Information"*)related to the sale process of part of the LNG assets and businesses, (see Note 31 "*Divestments*").

(29) 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, 2013, the operating segments of the Group are:

- *Upstream*, corresponding to oil and gas exploration and production operations.
- *Downstream*, corresponding to refining, sales activities for oil products, chemicals and LPG.
- *LNG*, corresponding to midstream (liquefaction, transport and regasification) natural gas operations and the sale and marketing of natural gas and liquid natural gas, except for the LNG operations of Gas Natural Fenosa.
- *Gas Natural Fenosa*, (through its shareholding in Gas Natural SDG, S.A.) corresponding to the sales activities for natural gas and power generation, distribution and sale of electricity.

Some of the assets and business comprising the LNG segment were sold on December 31, 2013 (see Notes 31, 10 and 37). As a result, the profits generated by these assets and businesses during the year, the gain generated by the sale and the impairment charges recognized on the retained LNG assets and onerous contract in North America (see Notes 6, 7 and 16) were classified as discontinued operations (see Note 27). The cash flows generated by the assets and businesses forming part of the sale transaction were also reclassified to cash flows from discontinued operations in the consolidated cash flow statement.

The "*adjusted*" information presented in this note on the Group's reportable segments, which coincides with that presented to the Group's chief decision maker in respect of segment resources and performance in 2013. This "*adjusted*" information, has been prepared assuming that the amounts related to the LNG assets and businesses sold are part of results from continuing operations, unless expressly stated to the contrary. The corresponding references are provided for each of the "*adjusted*" income statement and cash flow statement figures to facilitate reconciliation with the corresponding consolidated income statement and cash flow statement headings and amounts.

The table below details the Repsol Group's main income statement headings broken down into the operating segments defined above:

Adjusted operating revenue for the reportable segments	Millions of euros					
	Operating revenue from clients		Operating revenue inter-segment		Total operating revenue	
Segments	12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Upstream	3,153	3,843	1,865	1,859	5,018	5,702
GNL [1]	4,508	2,611	330	379	4,838	2,990
Downstream	44,863	45,888	64	98	44,927	45,986
Gas Natural Fenosa	7,193	7,223	379	364	7,572	7,587
Corporation	11	28	480	1,455	491	1,483
(-) Inter-segment adjustments and eliminations of operating income[2]	-	-	(3,118)	(4,155)	(3,118)	(4,155)
TOTAL	**59,728**	**59,593**	**-**	**-**	**59,728**	**59,593**

(1) The LNG segment's "*Operating revenue*" in 2013 and 2012 includes the revenue generated during the year by the assets and businesses sold (see above) and in 2013 the gain generated on the sale in the amounts of €3,430 and €1,741 million, respectively. These amounts need to be taken into consideration in order to reconcile "*Operating revenue*" with that shown in the consolidated income statement.

(2) These correspond primarily to the elimination of commercial transactions between segments.

	Millions of euros	
Segments	12/31/2013	12/31/2012
Upstream	1,757	2,208
GNL	959	535
Downstream	42	1,013
Gas Natural Fenosa	889	920
Corporation	(304)	(390)
Total adjusted operating income retaining of reportable segments [1]	**3,343**	**4,286**
Net income of operations classified as discontinued under LNG sale agreement	(772)	(620)
Operating income	**2,571**	**3,666**

(1) In 2013 "*Total adjusted operating income of reportable segments*" includes the operating income generated during the year by the assets and businesses sold (see above) in the amount of €642 million, the resulting gain of €1,540 million and the impairment charges recognized on the LNG assets in North America and the related onerous contract, in the amount of €1,410 million. In 2012 this heading includes the operating income generated by these assets and businesses.

Other segment metrics for the years ended December 31, 2013 and 2012:

	Millions of euros					
	Upstream	GNL	Downstream	Gas Natural Fenosa	Corporation and other adjustments	Total
2013						
Investments accounted for using the equity method participation	289	-	94	29	-	412
Share of results of companies accounted for using the equity method [5]	26	74	20	2	-	122
Depreciation and amortization [4]	(1,231)	(171)	(638)	(551)	(52)	(2,643)
Profit (loss) from impairment of assets [3]	(14)	(1,410)	(102)	(21)	-	(1,547)
Operating investments [1] [2]	2,317	30	656	444	53	3,500

	Millions of euros					
	Upstream	LNG	Downstream	Gas Natural Fenosa	Corporation and other 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 [5]	27	70	17	3	-	117
Depreciation and amortization [4]	(1,169)	(177)	(638)	(540)	(63)	(2,587)
Profit (loss) from impairment of assets [3]	(24)	(1)	(72)	-	-	(97)
Operating investments [1] [2]	2,423	35	666	432	165	3,721

(1) Includes the capital expenditure accrued during the period. Does not include investments in *"Other financial assets."*
(2) In 2013 and 2012 this heading includes €14 and €15 million, respectively, of operating investments made in the LNG assets and businesses that are recognized under *"Cash flows from operating activities from discontinued operations"* in the consolidated cash flow statement.
(3) In 2013 this heading includes the charges related to the provisions for impairment of assets and onerous contract in respect of the North American LNG business that are recognized within *"Net income from discontinued operations"* in the consolidated income statement.
(4) In 2013 and 2012 this heading includes depreciation and amortization charges of €84 and €88 million, respectively, in respect of the LNG assets and businesses sold that are recognized within *"Net income from discontinued operations"* in the consolidated income statement.
(5) In 2013 and 2012 this heading includes income of €74 and €70 million, respectively, generated by LNG asset and business forming part of the sale transaction described above and are classified within *"Net income from discontinued operations"* in the consolidated income statement.

The breakdown of the main key figures by geographical area is as follows:

	Millions of euros							
	Operating revenue [1]		Operating income [1]		Operating investments [1]		Total assets [1][2]	
	2013	2012	2013	2012	2013	2012	2013	2012
Upstream	**5,018**	**5,702**	**1,757**	**2,208**	**2,317**	**2,423**	**13,280**	**12,638**
North American and Brazil	1,095	1,423	205	380	1,191	1,144	5,092	4,346
North Africa	970	1,581	752	1,298	78	44	843	918
Rest of the world	3,065	2,801	800	530	1,048	1,235	7,345	7,374
Adjustments	(112)	(103)	-	-	-	-	-	-
GNL	**4,838**	**2,990**	**959**	**535**	**30**	**35**	**2,902**	**4,176**
Downstream	**44,927**	**45,986**	**42**	**1,013**	**656**	**666**	**18,289**	**18,993**
Europe	43,318	44,651	65	723	585	612	17,142	17,706
Rest of the world	4,526	4,641	(23)	290	71	54	1,147	1,287
Adjustments	(2,917)	(3,306)	-	-	-	-	-	-
Gas Natural Fenosa	**7,572**	**7,587**	**889**	**920**	**444**	**432**	**12,086**	**12,658**
Corporation and other adjustments	**(2,627)**	**(2,672)**	**(304)**	**(390)**	**53**	**165**	**13,438**	**10,534**
Assets of discontinued operations							5,091	5,922
TOTAL	**59,728**	**59,593**	**3,343**	**4,286**	**3,500**	**3,721**	**65,086**	**64,921**

(1) Adjusted operating revenue, Operating income and Total assets"*Adjusted*" operating investments as detailed earlier in this note.
(2) The total asset figures per segment include in each segment the capital expenditure recognized under the equity method corresponding to that segment. In respect of the following assets:

- *LNG*. In 2013 this heading mainly includes the LNG assets in North America.
- *Corporation and other adjustments*. This heading includes financial assets in the amount of €7,915 million and €6,670 million, respectively, in 2013 and 2012.
- *Assets of discontinued operations*. In 2013 this heading does not includes assets that formed part of the scope of the LNG transaction and that were classified as non-current assets held for sale (see Note 10) at year-end as the sale did not close until January 1, 2014 (see Note 37). In addition, in both years it includes the assets affected by the expropriation of YPF and YPF Gas (see Note 4.3).

(30) 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 2013 and 2012.

2013 Acquisitions

There were no material business combinations in 2013.

2012 Acquisitions

In August 2012, in keeping with the milestones laid down in an agreement signed on December 22, 2011 by Repsol and Alliance Oil, Repsol Exploración, S.A. acquired a 49% interest in AR Oil and Gaz, B.V ("AROG") from Alliance to serve as a growth platform in the Russian Federation for both companies. Prior to this acquisition, and under the scope of the abovementioned agreement, Alliance had contributed 100% of its subsidiary Saneco, which encompasses its exploration and production activities in the Samara region (in the Volga-Urals basin), to AROG. In December 2012, Alliance Oil contributed 99.54% of its subsidiary TNO (Tafnefteotdacha), with assets in the Russian region of Tatarstan (in the Volga-Urals basin) to AROG in consideration for which Repsol Exploración S.A. acquired additional shares of AROG from Alliance Oil so as not to dilute its 49% stake.

The above-mentioned two transactions entailed a total outlay of $301 million (€233 million), of which $143 million (€109 million) was deferred until January 2013 following the sale of Eurotek to AROG, which was the last milestone in the December 22 agreement covering the sale by Repsol of the former to the latter (see Note 31). The breakdown of the net assets acquired in this business combination, stated on the basis of the Group's 49% interest in AROG and AROG's interests in Saneco and TNO (Tafnefteotdacha) is shown below:

	Millions of euros	
	Fair value	Carrying amount at the acquiree
Current assets	55	55
Non-current assets	203	130
TOTAL ASSETS	**258**	**185**
Current liabilities	16	16
Non-current liabilities	9	9
TOTAL LIABILITIES	**25**	**25**
NET ASSET	**233**	**160**

The impact of the transaction on net income for the year ended December, 31 2012 was not significant. Had the acquisition taken place on January 1, 2012, the additional contribution to

consolidated revenue and net income for the year would not have been significant either. The purchase price allocation resulted in a revaluation to fair value of the property, plant and equipment corresponding to the exploration and production assets acquired.

(31) DIVESTMENTS AND DISPOSALS OF OWNERSHIP INTERESTS

Divestments

The following table provides the proceeds from the sale of equity ownerships recorded in 2013 and 2012:

	Millions of euros	
Divestments	**2013**	**2012**
Group companies, associated companies and business units	155	635
Property, plant and equipment, intangible assets and investment properties	102	55
Other financial assets	426	435
Proceeds from the sale of discontinued operations [1]	2.610	21
Total proceeds from divestments	**3.293**	**1.146**

[1] This heading mainly includes the proceeds from the sale of the LNG assets and businesses to Shell (€2,446 million) and the sale of 25% of Bahia Bizkaia Electricidad (BBE) to BP (€135 million).

Group companies, associates and business units

The main divestments of ownership interests in Group companies and associates in 2013 and 2012 are listed in Appendix Ib – "*Main changes in the consolidation scope*." The most significant transactions are detailed below.

Sale of part of the LNG businesses and assets

The main disposal closed in 2013 was the sale of some of the liquefied natural gas (LNG) businesses, a process initiated on February 26, 2013 and concluded with three different transactions closed in October and December 2013 and January 2014.

Prior to this sale-purchase agreement, Repsol's LNG business comprised: (i) minority shareholdings in the liquefaction plants in Trinidad and Tobago and Peru; (ii) a minority investment in a combined cycle plant in Spain; (iii) the marketing, transport and trading activities; (iv) the regasification, marketing and trading activities in the US; and (v) the integrated LNG project in Angola.

The scope of the transaction with Shell included the businesses enumerated under items (i), (ii) and (iii) above, corresponding to the following Group companies: Repsol LNG Port of Spain B.V, Atlantic LNG Company of Trinidad & Tobago, Atlantic LNG 2/3 Company of Trinidad & Tobago, Atlantic 4 LNG Company of Trinidad & Tobago and Repsol LNG Trinidad y Tobago, Ltd. (hereinafter jointly referred to as "*Atlantic LNG*"), Peru LNG Company, Llc. ("*Peru LNG*") and Bahía Bizkaia Electricidad, S.L ("*BBE*"). Repsol Comercializadora de Gas, S.A. ("Repsol Comercializadora") also falls under the scope of the sale and at December 31, 2013 was classified under "*Non-current assets held for sale*" and "*Liabilities related to non-current assets held for sale*."

On October 11, 2013, Repsol sold its 25% interest in the BBE combined cycle power plant to BP for €135 million. This asset, initially included in the scope of the sale of LNG assets to Shell, was sold in the end to BP, upon exercise by the latter of its right of first refusal. This transaction generated a pre-tax gain of €89 million, which is recognized within "*Net income from discontinued*

operations" (see Note 27).

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	15
Other current assets	4
Non-current assets	48
TOTAL ASSETS	**67**
Current liabilities	12
Non-current liabilities	9
TOTAL LIABILITIES	**21**
NET ASSETS	**46**

The sale to Shell of the main long-term LNG supply agreements and the LNG assets and businesses in Trinidad and Tobago and Peru, corresponding to the Group's interests in Atlantic LNG and Peru LNG, closed on December 31, 2013 for €2,446 million, generating a pre-tax gain of €1,451 million, which is recognized in "*Net income from discontinued operations"* (see Note 27).

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	24
Other current assets	211
Non-current assets	919
TOTAL ASSETS	**1,154**
Current liabilities	103
Non-current liabilities	56
TOTAL LIABILITIES	**159**
NET ASSETS	**995**

The sale transaction had the effect of disarticulating the integrated management of the LNG business. As a result, the Group recognized an impairment provision on its LNG assets in North America, which make up a single CGU (mainly the Canaport regasification plant and the gas transportation pipelines owned by Repsol Energy Canada, Group subsidiaries) (see Notes 6 and 7) and a provision for the onerous process-or-pay contract associated with the Canaport plant (see Note 16) for a total of €1,410 million pre-tax, a sum that is recognized within "*Net income from discontinued operations*."

Under the framework of the agreement entered into, Repsol continues to act as guarantor vis-à-vis third parties in contracts entered into by the companies sold and companies that, as a result of the sale, lost their status as Group companies. Pending execution of new guarantees in which Shell will replace Repsol as guarantor, Shell has provided Repsol with the opportune counter-guarantees equivalent to the Group's exposure under the contracts so guaranteed.

At December 31, 2013, the marketing, transport and trading activities carried out by Repsol Comercializadora and the assets associated with these activities were classified as non-current assets held for sale (see Note 10). This sale closed on January 1, 2014 once all the pertinent permits had been obtained and the agreed-upon closing conditions met (see Note 37).

Other disposals in 2013

On January 24, 2013, upon delivery of the last milestone established in the agreement signed on December 22, 2011 by Repsol and Alliance Oil (see note 30), Repsol Exploración Karabashky B.V. contributed 100% of Eurotek to AR Oil&Gas B.V. ("AROG", a company in which the Group has a 49% interest), by means of the acquisition of Eurotek by AROG from Repsol Exploración Karabashky B.V. for $315 million

Eurotek was classified for accounting purposes since its acquisition in December 2011 as a non-current asset held for sale, as it was purchased in order to feed it to AROG. The sale of 100% of Eutotek marked down the balance sheet of the 51% of assets and liabilities classified as held for sale (see Note 10), and the reclassification of the remaining 49% from these headings to the corresponding balance sheet according to their nature in accordance with the following:

	Millions of euros	
	Derecognition of 51%	Reclassification of 49%
Non-current held for sale	(134)	(130)
Current assets	-	8
Non-current assets	-	122
TOTAL ASSETS	**(134)**	**-**
Liabilities related to non-current assets held for sale	(13)	(12)
Current liabilities	-	8
Non-current liabilities	-	4
TOTAL LIABILITIES	**(13)**	**-**
NET ASSETS	**(121)**	**-**

This contribution and its subsequent reclassification did not have any impact on the consolidated income statement as the derecognition of 51% of the assets in the amount of €121 million is fully offset by the cash received by Repsol in this transaction, namely the sale proceeds less cash at hand at AROG B.V (at the Group's % shareholding in this company) and the shares bought by Repsol Exploración in order to retain a 49% shareholding in AROG.

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 to a consortium of Chilean investors. These assets were classified as non-current assets held for sale from the sale agreement date. Once all the customary closing conditions were met, the sale closed in July 2012 for US$540 million. This disposal generated a gain of €195 million (an amount which included the exchange differences deferred under "*Adjustments for changes in value*" in equity in the amount of €62 million) and was recognized in "*Income from reversals 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 interests	4
Current liabilities	37
Non-current liabilties	48
TOTAL LIABILITIES AND MINORITY INTERETS	**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 have 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	**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.

Other financial assets

In 2013 and 2012, the Group collected €324 and €208 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 (FADE).

Disposals of ownership interests in subsidiaries

In 2012, as a result of the expropriation process of the Repsol shares in YPF SA and YPF Gas SA's (described in Note 4), the Group loss the control over YPF and YPF Gas with accounting effects and impacts described on the previously mentioned Note.

(32) 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: according to the latest information available, the major shareholders of the company, deemed related parties of Repsol are:

Major shareholders	% total over share capital December 31, 2013
CaixaBank, S.A.	12.02%
Sacyr, S.A. (1)	9.38%
Petróleos Mexicanos (2)	9.34%
Temasek Holdings (Private) Limited (3)	6.37%

(1) Sacyr, S.A. which holds its stake through Sacyr 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.

(3) Temasek holds its stake through its subsidiary, Chembra Investment PTE, Ltd.

The figures provided above reflect the latest information avalaible to of Repsol, S.A. at December 31, 2013 on the basis of the latest reports provided by Spain's central counterparty 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 Spainish securities market regulator (the CNMV for its acronym in Spanish).

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 (see Note 4) they ceased to be considered Group companies.

Income, expenses and other transactions recorded in 2013 with related parties were as follows:

EXPENSE AND INCOME:	Major shareholders	Executive and Directors	People, Group companies or entities [(1)]	Total
	Millions of euros			
Financial expenses	30	-	-	30
Management or cooperation agreements	-	-	-	-
Operating leases	2	-	35	37
Receipts from services	6	-	430	436
Purchase of goods (finished or in progress) [(3)]	3,802	-	6,885	10,687
Other expenses	27	-	15	42
TOTAL EXPENSES	3,867	-	7,365	11,232
Financial income	13	-	11	24
Management or cooperation agreements	-	-	1	1
Leases	1	-	-	1
Transfer of R&D and license agreements	-	-	-	-
Dividends received	-	-	1	1
Provision of services	27	-	32	59
Sale of goods (finished or in progress)	46	-	1,062	1,108
Gains from derecognition or disposal of assets	-	-	-	-
Other income	5	-	93	98
TOTAL INCOME	92	-	1,200	1,292

OTHER TRANSACTIONS	Major shareholders	Executive and Directors [(2)]	People, Group companies or entities [(1)]	Total
	Millions of euros			
Purchase of property, plant and equipment, intangible and other assets	3	-	-	3
Finance agreements: credits and capital contributions (lender)	1	-	96	97
Finance lease agreements (lessor)	-	-	6	6
Amortisation or cancellation of loans and leases (lessor)	-	-	-	-
Disposal of property, plant and equipment, intangible or other assets	212	-	-	212
Finance agreements: credits and capital contributions (lessor) [(4)]	519	-	4	523
Guarantees given [(5)]	128	-	1,477	1,605
Guarantees received	54	-	-	54
Commitments acquired [(6)]	1,020	-	1,925	2,945
Cancelled commitments/guarantees	10	-	2,357	2,367
Dividends and other profit distributed [(7)]	431	-	1	432
Other transactions [(8)]	2,123	-	-	2,123

[(1)] The table above showing the income and expenses generated by transactions between related parties includes the transactions concluded between the Group companies until the date of the sale of the LNG businesses to Shell described in Note 31.
The most significant amounts corresponding to transactions performed by Group companies with the companies forming part of the scope of the sale of the LNG assets and businesses (see Note 31) included under “People, group companies or entities” are: (i) Expenses for services received of €104 million; (ii) Goods purchased for €1,352 million; (iii) Income from services rendered of €28 million; (iv) Income from the sale of goods of €251 million; (v) Other income of €29 million.

[2] See Note 33 *"Information on the Members of the Board of Directors and Executive"* 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 include those made under the provisions of a crude oil purchase contract signed for an indeterminate period with the Pemex Group, which in 2013 were fixed at 139,000 barrels per day.
[4] Includes credit lines of €439 million contracted with La Caixa.
[5] Includes €1,394 million corresponding to 3 guarantees provided by Repsol S.A. in relation to the lease agreements on three floating platforms entered into by its subsidiary Guará B.V. (see Note 34).
[6] Corresponds to purchase commitments outstanding at the reporting date, net of sales commitments (see Note 34.2).
In 2013 this heading does not include the commitments corresponding to companies forming part of the scope of the sale of the LNG assets and businesses or the commitments that the Group companies may have with the such companies once they lose their status of related party in an aggregate amount of €13,767 million (see Note 34.2).
[7] The amounts recorded under Dividends and other profit distributions include the amounts corresponding to the sale to Repsol, at the guaranteed fixed price, of bonus share rights as part of the bonus share issue undertaken in January and July 2013 under the framework of the "Repsol Flexible Dividend" scrip dividend scheme. In contrast, it does not include the amounts corresponding to the sale to Repsol, at the guaranteed fixed price, of bonus share rights as part of the bonus share issue undertaken in January 2014, which in the case of the major shareholders amounted to €191 million. Nor does it include the Repsol shares acquired as a result of the aforementioned bonus share issues.
[8] Includes remunerated accounts and deposits in the amount of €500 million, exchange rate hedges in the amount of €685 million and interest rate hedges in the amount of €133 million arranged with La Caixa group.

Income, expenses and other transactions recorded in 2012 with related parties were as follows:

	Millions of euros			
EXPENSE AND INCOME:	**Major shareholders**	**Executive and Directors**	**People, Group companies or entities [1]**	**Total**
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

OTHER TRANSACTIONS	Major shareholders	Executive and Directors [2]	People, Group companies or entities [1]	Total
	Millions of euros			
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 most significant amounts corresponding to transactions carried out by Group companies with companies forming part of the scope of the sale of the LNG assets and businesses (see Note 31) and shown in the column headed *Group companies or entities* are: (i) Expense for services rendered to the Group amounting to €65 million; (ii) Purchase of goods amounting to €1,275 million; (iii) Revenue from the provision of services amounting to €34 million; (iv) Revenue from sales of goods amounting to €598 million.
[2] See Note 33 "*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 Guará B.V. in Brazil (see Note 34). 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 (see Note 34.2).
[7] Amounts recognized as dividends and other profits distributed include 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, do 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 major shareholders amounted to €132 million. Repsol shares subscribed in such capital increases are not either included.
[8] Included 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.

On february 28, 2012 Repsol, S.A. and Pemex Internacional España, S.A. reached an strategic agreement for an initial term of 10 years, that comprises Upstream, LNG Northamerica and Downstream in America, Spain and Portugal business areas, as well as the colaboration in join training programs.

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.

(33) INFORMATION ON THE MEMBERS OF THE BOARD OF DIRECTORS AND EXECUTIVES

33.1) 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 €7.55 million, representing 3.9% of the net income attributed to the parent company. In 2012 this amount was €8.059 million [1]

a) Due to membership of the Board

In accordance with Article 45 of the Articles of Association, the Directors, in their capacity as members of the Board and in exchange for discharging the supervisory and decision-making duties intrinsic to Board membership, are entitled to receive a fixed annual payment that may not exceed the ceiling established to this end at the General Meeting; it is up to the Board of Directors to determine the precise amount payable within that limit and its distribution among the various Directors, factoring in the positions and duties performed by each within the Board and its committees

At the General Shareholders' Meeting of 31 May 2013, specifically under Agenda item thirteen, Repsol's shareholders agreed to set the above limit at an amount equivalent to €6 million.

Under the system established and approved by the Nomination and Compensation Committee, the amounts of the annual remuneration earned in 2013 and 2012 by virtue of membership of each of the Group's managing bodies are as follows:

	Euros	
Governing Body	2013	2012 [(1)]
Board of Directors	176,594	176,594
Delegate Commitee	176,594	176,594
Audit and Control Committee	88,297	88,297
Strategy, Investment and Corporate Social Responsability Commitee	44,149	44,149
Nomination and Compensation Commitee	44,149	44,149

[(1)] Paragraph one of Article 45 of the Articles of Association was amended at the General Shareholders' Meeting of 31 May 2013. Prior to the amendment, the said paragraph provided for a director remuneration regime based on profit-sharing (article 218 of the Corporate Enterprises Act) under which the Company was entitled to earmark a sum equivalent to 1.5% of net profit each year for remunerating the members of the Board of Directors for discharging the supervisory and decision-making duties intrinsic to membership of this body; such net profit was calculated after making all appropriations to the legal and other mandatory reserves and once a shareholder dividend of at least 4% had been declared.

The amount of remuneration earned in 2013 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 €5.040 million, the detail being as follows:

[1] The 2012 figure has been restated for comparison with the 2013 figure.

Board of Directors	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 (1)	29,432	29,432	-	-	7,358	**66,223**
José Manuel Loureda Mantiñán	176,594	-	-	44,149	44,149	**264,891**
Luis Carlos Croissier Batista	176,594	-	58,865	-	44,149	**279,608**
Isidro Fainé	176,594	176,594	-	-	-	**353,188**
Juan María Nin	176,594	-	-	44,149	44,149	**264,891**
Ángel Durández Adeva	176,594	-	88,297	-	-	**264,891**
Mª Isabel Gabarró Miquel	176,594	-	-	44,149	44,149	**264,891**
Mario Fernández Pelaz	176,594	-	-	44,149	-	**220,743**
Manuel Manrique Cecilia (2)	132,446	132,446	-	-	-	**264,891**
Rene Dahan (3)	117,729	117,729	-	-	-	**235,459**

(1) Mr.Juan Abelló Gallo notified the Company of his decision to step down as Director on March 6, 2013

(2) Mr.Manuel Manrique Cecilia was appointed Director on April 25, 2013

(3) Mr.René Dahan was appointed Director on May 31, 2013

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.

- Non 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 2013 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 (life and disability insurance, health insurance, withholdings, and other benefits as well as advanced payments/withholdings linked to remuneration in-kind) annual variable, and pluri-annual variable compensation, the latter 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 2010-2013 period, accrued by Mr. Antonio Brufau amounted to €1.918 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 €1.172 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 2013 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 €0.405 million, according to following detail:

	Euros
	Gas Natural
Antonio Brufau Niubo	265,650
Luis Suárez de Lezo Mantilla	139,150

d) Due to civil liability insurance premiums

The members of the Board of Directors are covered by the same civil liability insurance policy that insures all the directors and officers of the Repsol Group.

e) Due to life and retirement insurance policies, contributions to pension plans and long-service bonuses

The cost of insurance policies covering retirement and the contributions made to pension plans and long-service bonuses, including, the corresponding withholdings, as necessary, incurred by the parent company in respect of the members of the Board of Directors discharging executive duties, amounted to €0.697 million in 2013. Of this figure, €0.494 million corresponds to Mr. Antonio Brufau and €0.203 million to Luis Suárez de Lezo.

By virtue of a Board resolution taken on February 27, 2013 at the request of its Chairman, Mr. Antonio Brufau, Repsol discontinued contributions to the latter's pension scheme on March 12, 2013, thereby extinguishing Repsol S.A.'s commitment to making further contributions to a pension plan.

f) Incentives

Directors not holding executive positions at the Company have not been paid multi-annual variable compensation.

33.2) Indemnity payments to executives

No executive received any indemnity payment from Repsol in 2013.

33.3) Transactions with directors

Aside from the remuneration received as a result of the dividends paid on the shares of the parent company that they own and other remuneration received in their capacity as shareholders and, in the case of the external proprietary directors, as a result of the transactions detailed in Note 32 (Information on related party transactions – b) Directors and executives), the Directors of the parent company did not conclude any material transactions with the parent or any of the Group companies outside the ordinary course of business or on terms other than on an arm's length basis.

Notwithstanding the foregoing, the Executive Directors have signed up for the 2011-2014, 2012-2015 and 2013-2016 cycles of the Plan for Delivery of Shares to Beneficiaries of the Pluri-annual Remuneration Programs, as detailed in Note 17.d) i).

Except as detailed in Appendix IV, 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 IV, 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 2013 the motions adopted by the Board of Directors and the Nomination and Compensation Committee in relation to: (i) the re-election of Directors; (ii) the appointment or re-election of members of the Board committees; and (iii) the awarding of specific positions on the Board of Directors were all voted on in the absence of the Director affected by the corresponding resolutions.

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.

33.4) 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 seven people who have been members of the Executive Committee of the Group in 2013, 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 2013 by executives who form or formed part of the Executive Committee, is as follows:

	Millions of euros
Salary	5.702
Attendance fees	0.268
Variable remuneration	4.404
Remuneration in kind	0.690

In accordance with the foregoing, total compensation amounted to €11.064 million.

c) Executive welfare plan

In 2013, the contributions made by the Group to its executives amounted to €1,644 million.

d) Pension fund and insurance premiums

The contributions made by the Group in 2013 to the hybrid defined contribution pension plans for executives adapted to the Pension Plans and Funds Law (see Note 2.2.19 and Note 17) plus the life

and accident insurance premiums paid totaled €0.580 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, 2013, the Company had granted loans to its executives amounting to €0.033 million, which earned average interest of 2.8%. All these loans were granted before 2003.

33.5) Indemnity payments to executives

The executives to which this note is referred (see Note 33.4.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.

Those 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 (see Note 33.4.a)), including the General Counsel Director.

No executive received any indemnity payment from Repsol in 2013.

33.6) 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 condition.

Notwithstanding the foregoing, the executives (including Executive Directors) have signed up for the 2011-2014, 2012-2015 and 2013-2016 cycles of the Loyalty Program, as detailed in Note 17.d.i), subscribing for 288,161 shares in total.

(34) CONTINGENCIES, COMMITMENTS, AND GUARANTEES

34.1) Legal and arbitration proceedings

34.1.1) Procedures initiated as a consequence of the expropriation of the Group's YPF S.A. and YPF Gas S.A. shares. (see Note 4)

On April 16, 2012, Argentina's President announced to the country the expropriation of 51% Class D shares of YPF S.A. the main Argentinean oil company, which were held by the 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% of the share capital of YPF Gas S.A.'s share capital. In addition, on 16 April 2012, the Argentinean government ordered the intervention of the company, forcedly expelling the officers and members of the management committee and the company management was seized (Decrees 530 and 557). Meanwhile, within 21 days, an exceptional law (Law N° 26,741) was passed regarding the

expropriation of YPF and YPF Gas shares held by the Repsol Group. Law 26,741, apart from declaring public interest of such shares and, therefore making them, subject to expropriation, it 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 a court decision was previously rendered, nor was a prior compensation or consignation for the value of the affected shares 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 Argentine oil companies are affected. Also, the Repsol Group is the only negatively-affected shareholder of YPF S.A. and YPF Gas S.A.

Under the Agreement for the Reciprocal Promotion and Protection of Investments signed in 1991 between the Kingdom of Spain and the Republic of Argentina, the Argentinian government committed to protect investments made by investors from Spain (article III- Section 1) not to disrupt the management, maintenance or use of such investments through unjustified or discriminatory measures, and to grant fair and equitable treatment of investments made by Spanish investors (article IV.- Section 1). Additionally, Argentina committed to 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). Argentina also undertook the obligation to grant Spanish investors the most favorable treatment it granted to any other foreign investors (article IV. Sections 1 and 2).

On the other hand, article 17 of the Argentine Constitution establishes that *"property is inviolable, and no inhabitant of the State can be deprived of it except by virtue of a sentence based 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 and 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 in 1993, and for the purpose of attracting foreign investors, the Argentine government amended YPF S.A.'s by-laws. The aim of this amendment was to grant 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's 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 YPF's 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 the Argentinean government's interest in YPF cannot be taken into account 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.

The Repsol Group considers that the above-mentioned expropriation processes are illegal and has therefore initiated and will continue to 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 jurisdiction of the Agreement for the Reciprocal Promotion and Protection of Investments.

On May 10, 2012, Repsol, S.A. and Repsol Butano, S.A. formally notified the Argentinian

president of a dispute and the start of a negotiation period for reaching an out-of-court settlement regarding ARPI. Since then, Repsol, S.A. and Repsol Butano, S.A. insisted in their petition for having amicable conversations. However, the Argentine government declined to meet with Repsol Group representatives on several occasions, alleging different formal excuses.

On December 3, 2012, once the six-month period had elapsed since the controversy regarding the expropriation of the shares of YPF S.A. and YPF Gas S.A.'s shares was notified to the Argentine government, Repsol, S.A. and Repsol Butano, S.A. filed with the International Centre for Settlement of Investment Disputes (ICSID) an arbitration request against the Argentinean Republic based on the violation of the ARPI.

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. On July 11, 2013 the Arbitration Tribunal was constituted. Argentina applied to have two of the three members of the Arbitration Tribunal disqualified on July 17, 2013, prompting the suspension of proceedings on July 18, 2013 until such time as the recusal challenges were ruled on. On December 13, 2013, the President of the ICSID overturned both challenges, ordering the renewal of proceedings. Once the schedule for the proceedings is established, the parties will have to submit their detailed pleadings in writing, outlining the merits of their cases. These pleadings must specify the compensation and damages that Repsol, S.A. and Repsol Butano, S.A. are claiming from the Argentine government. Notwithstanding the above, the parties may cease this proceeding at any time if they reach a settlement. In addition, the Arbitration Tribunal will have to decide on the provisional measures submitted by Repsol S.A. and Repsol Butano on July 24, 2013 related to the agreement signed with YPF and Chevron on July 16, 2013 to exploit oil and gas assets in the Vaca Muerta shale oil formation.

Repsol considers that it has solid legal arguments to claim restitution of the expropriated shares, as well as a right to receive adequate compensation for the damages caused by the Argentine government as a result of the expropriation of the shares in YPF S.A. and YPF Gas S.A.

2. Lawsuit claiming unconstitutionality of the intervention in YPF by the Argentinean government and the "temporary occupation" of rights over 51% of Class D YPF S.A. shares held by Repsol.

On June 1, 2012, Repsol filed two lawsuits before the Argentinian courts, one involving YPF S.A. and the other involving YPF Gas S.A., requesting the declaration of unconstitutionality: (i) of articles 13 and 14 of Law No. 26,741 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 Argentinian constitution; (ii) of NEP Decree No. 530/2012, NEP Decree No. 532/2012, and NEP Decree No. 732/2012 (taken together, the Decrees), and any other regulation, resolution, act, investigation and/or action issued and/or performed under the Decrees as being in violation of articles 1, 14, 16, 17, 18, 28, 75, 99 and 109 of the Argentinian constitution. Certain precautionary measures that were also requested were dismissed. This matter has to be ruled on by the Federal Contentious Administrative jurisdiction.

The Argentine government responded to the lawsuit regarding YPF S.A. on April 4, 2013 and that concerning YPF Gas S.A. on August 21, 2013 and it was agreed on September 20, 2013 to bring both cases before the court investigating the Repsol, S.A. case. This process is still at the evidence-gathering phase.

Repsol considers it has solid arguments for the Buenos Aires courts to rule the intervention and temporary occupation of YPF S.A. and YPF Gas S.A. unconstitutional.

3. "Class Action Complaint" filed before the New York Southern District Court regarding the

Argentinian state's failure to comply with its obligation to launch a tender offer for YPF shares before taking control of YPF S.A.

On May 15, 2012, Repsol and Texas Yale Capital Corp. filed a class action complaint in the New York Southern District Court (in defense of interests of holders of Class D YPF S.A. shares, excluding those shares subject to expropriation by the Argentinian state). The purpose of the lawsuit is: (i) to establish the obligation of the Argentinian state to launch a tender offer for Class D shares on the terms defined in YPF S.A.'s by-laws, (ii) to declare that the shares subject to expropriation without a tender offer are void of voting and economic rights; (iii) to order the Argentinian state to refrain from exercising voting or economic rights over the shares subject to expropriation until it launches a tender offer; and (iv) that the Argentinian state indemnify for 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 was served on the Argentine Government. Currently, it is being discussed whether the case has enough legal grounds and if U.S. courts have jurisdiction to rule over it ("Motion to Dismiss").

Repsol considers that it has solid arguments for the recognition of its corresponding rights to the YPF S.A. shares that have not been expropriated.

4. Lawsuit filed with the New York Southern District Court for the failure of YPF S.A. to present form 13D as obliged by the Securities and Exchange Commission (SEC) due to intervention by the Argentinian State.

On May 12, 2012, Repsol filed a lawsuit with the New York Southern District Court requesting that the Argentinian state be ordered 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 on the Argentine Government. On September 6, 2013 the Court denied the Motion to Dismiss filed by the Republic of Argentina. The Republic of Argentina has appealed the Court's decision to the Second Circuit of Appeals.

Repsol considers that it has solid legal arguments for its claim to be recognized by the courts.

34.1.2) Other legal and arbitration proceedings

At December 31, 2013, Repsol's consolidated balance sheet included litigation provisions for a total amount of €88 million (excluding tax risk provisions described in Note 23 "*Tax Situation*" under "*Other tax related disclosures*"). This amount is recognized in section "*Other provisions*" in Note 16 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 described below in the United States of America and Argentina no longer include the legal proceedings in which only YPF S.A. or YPF

subsidiaries were named as defendants.

Argentina

Claims brought by former YPF S.A. employees (Share Ownership Plan) -"Karcz, Miguel Ángel and another against Repsol S.A., YPF S.A.- Argentinean State/Declaratory judgement action"

A former employee of YPF S.A. before its privatization (1992) who was excluded from the national YPF S.A. employee share ownership plan (PPP) set up by the Argentinian government has filed a claim in Bell Ville (Province of Cordoba, Argentina) against YPF S.A., Repsol and the Argentinean State to seek recognition of his status as a shareholder of YPF S.A.. In addition, the "Federation of Former Employees of YPF" has joined the proceedings 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.

Going on the basis of Argentine Supreme Court jurisprudence (confirming numerous rulings by the appeal courts), neither of the defendant companies can be held liable for suits of this nature relating to the PPP. By virtue of Law No. 25,471, the Argentine government assumed exclusive liability for the matter, bearing the cost of any damages paid to former employees of YPF S.A. excluded from the PPP in accordance with the procedure stipulated therein.

Pursuant to the plaintiff's request, the Bell Ville Federal Court of First Instance initially granted a preliminary injunction (the Preliminary Injunction), ordering that any sale of shares of YPF S.A. or any other transaction involving the sale, assignment or transfer of shares of YPF S.A. carried out either by Repsol or by YPF S.A., be suspended, unless the plaintiff and other beneficiaries of the PPP (organized in the Federation of Former Employees of YPF) are involved or participate in such transactions. YPF S.A. and Repsol filed an appeal against this decision in the Cordoba Federal Court, requesting that the Preliminary Injunction be revoked. The Federal Court of First Instance allowed the appeal and suspended the effects of the Preliminary Injunction. In addition, in March 2011, the Federal Judge responsible for the Buenos Aires Administrative Disputes Court reduced the Preliminary Injunction to only 10% of the ownership interest held by Repsol in the capital of YPF S.A. Accordingly, Repsol may freely dispose of its shares in YPF S.A. provided that Repsol continues directly or indirectly to own at least 10% of the share capital of YPF S.A. On July 21, 2011, the judge of the First Instance upheld the claim of lack of jurisdiction made by YPF S.A. and Repsol, S.A. and ordered to transfer the case to the Federal Courts in the autonomous city of Buenos Aires. This decision was confirmed by the Appeals Chamber on December 15, 2011. The aforementioned Chamber 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 controlled by Repsol, S.A. claimed by the plaintiffs. The ruling is final.

In the wake of several procedural incidents affecting the establishment of jurisdiction, Federal Civil and Commercial Court No. 9 ruled in this respect, ordering that the case be sent to the Court so determined in July 2013. The case was submitted to the Federal Civil and Commercial Chamber on October 8, 2013, where it has been under study since then. 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 Lopez, Osvaldo Federico et al. against Repsol, S.A. in respect of the terms of the preliminary injunction defined below (Dossier No. 4444). The National Court for Federal Contentious Administrative matters decided not to resolve these matters until the jurisdiction matters were finalized.

Preliminary injunction filed by López, Osvaldo Federico and others against Repsol, S.A. (Dossier # 4444)

Through a relevant event notification published by YPF S.A. on April 26, 2012, Repsol became aware of the existence of a preliminary injunction of "no innovation" ("medida cautelar de no

innovar" in Argentinian legal terminology) issued on April 20, 2012 and notified to YPF S.A., as filed before the Employment Court of First Instance of Rio Grande, Tierra de Fuego Province; such injunction ordering a suspension of the exercise of the voting and economic rights envisaged in YPF S.A.'s by-laws 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, this until such time as the nullity being sought in the relevant legal proceedings is decided upon. On May 30, 2012, Repsol appeared before the court to file a motion to reverse the injunction with supplementary appeal included.

Subsequently, through a relevant event notification published by YPF S.A. on June 1, 2012, Repsol became aware of a ruling handed down on May 14, 2012, which modified such injunction and replaced it with another, according to which Repsol may not dispose of any funds it may receive as payment for the expropriation of its shares in YPF S.A., which payment will be determined for these purposes by the National Appraisal Tribunal. The 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.

Repsol has appealed the amendment of the injunction and, although the appeal to have the ruling overturned was initially ruled out, on November 6, 2013 the Río Grande Chamber of Appeals ruled to admit the extraordinary unconstitutionality appeal filed. Now the Provincial Supreme Court, insofar as it does not rule against the admission of the appeal, must address the matters presented in the appeal lodged by Repsol on June 14, 2013 outlining the grounds for overturning the injunction granted on May 20, 2012 with the effect of restricting access to any proceeds that Repsol may receive as compensation for the expropriation of its shares in YPF.

Also, Repsol received notification of the lawsuit filed in relation to Lopez, 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, a ruling that was since upheld by the Chamber of Appeals on October 30, 2013.

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. With respect to the period from 1993 to 1997, the claim is based on the fine imposed on YPF S.A. 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. In addition, YPF S.A. has alleged that charges are barred by the applicable statute of limitations. Hearings have commenced and are in process. The claim amounts to Argentinian Ps.91 million (€17 million) for the 1993-1997 period, amount which updated at August 18, 2012 by an expert appraiser, this amount would total Argentinean Ps.387 million (€43 million) plus interest and expenses.

United States of America

The Passaic River and Newark Bay clean-up lawsuit

This lawsuit addresses certain environmental contingencies as well as the sale by a predecessor of Maxus Energy Corporation (Maxus) of its former chemicals subsidiary, Diamond Shamrock Chemical Company (Chemicals) to a subsidiary of Occidental Petroleum Corporation (Occidental). The predecessor of Maxus agreed to indemnify Chemicals and Occidental for certain liabilities relating to the business and activities of Chemicals prior to 4 September 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. ("YPF") acquired Maxus and in 1999, Repsol S.A. acquired YPF.

In December 2005, the Department of Environmental Protection ("DEP") and the New Jersey Spill Compensation Fund (together, the "State of New Jersey") sued Repsol YPF S.A. (now denominated Repsol, S.A. hereinafter, "Repsol"), YPF, YPF Holdings Inc.("YPFH"), CLH Holdings ("CLHH"), Tierra Solutions Inc. ("Tierra"), Maxus, as well as Occidental Chemical Corporation. In August 2010, the lawsuit was extended to YPF International S.A. ("YPFI"), and Maxus International Energy Company ("MIEC") (all of which together, "Original Defendants"). This is a claim for damages in connection with the contamination allegedly emanating from the former chemicals facility located on Lister Avenue, which allegedly contaminated 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 are potentially liable.

In May 2011, the court issued "*Case Management Order XVII*" (CMO XVII), which set forth the trial plan (the Trial Plan), dividing them in different trial tracks.

In accordance with the expected Trial Plan, the State of New Jersey and Occidental filed the corresponding motions. The Court ruled as follows on these motions: (i) Occidental is the legal successor of the liabilities incurred by the corporation formerly previously known as Diamond Alkali Corporation, Diamond Shamrock Corporation, and Chemicals; (ii) the Court denied the State's motion, without prejudice insofar as the State of New Jersey sought a declaration that the facts in the "Aetna" litigation should apply to the Occidental and Maxus case based on the doctrine of "*collateral estoppel*"; (iii) the Court ruled that Tierra is responsible to the State of New Jersey pursuant to the New Jersey "*Spill Act*" simply based on its ownership of the land where the Lister Avenue plant was located; (iv) the Court ruled that Maxus has an obligation under the "*1986 Stock Purchase Agreement*" to indemnify Occidental harmless for any liability of the "*Spill Act*" arising from pollutants discharged from Lister Avenue plant.

Subsequently, and in accordance with the Trial Plan, the State of New Jersey and Occidental presented new motions against Maxus. On May 23, 2012, the Court ruled on those motions that: (i) Maxus was not, as a matter of law, a successor to "Diamond Shamrock." However, the court left open the possibility of finding Maxus a "successor" for purposes of punitive damages, if punitive damages were available; (ii) the State of New Jersey was not an intended third-party beneficiary of the "*Stock Purchase Agreement*" of 1986; and (iii) Tierra is the alter ego of Maxus as a matter of law and, therefore, Maxus is "in any way responsible under the *Spill Act*" for discharges at the Lister Avenue plant. The court determined Maxus as "strictly, jointly and severally liable under" the Spill Act.

On June 6, 2013, the Original Defendants (with the exception of Occidental Chemical Corporation) signed, without admitting responsibility, a Settlement Agreement with the State of New Jersey to obtain a dismissal of the State of New Jersey's claims against Repsol, YPF, YPFI, YPFH, CLHH, MIEC, Maxus, and Tierra in exchange for the payment of $130 million ($65 million payable by Repsol and the other $65 million payable by YPF/Maxus). Based on the terms of this Settlement Agreement, the State of New Jersey reserves the right to continue its actions against Occidental Chemical Corporation, which is not a party to the Settlement Agreement. Additionally, Occidental Chemical Corporation, not being part of the agreement, maintains its right to continue its claims against Repsol and the rest of the Original Defendants ("Cross Claims"), who maintain their defenses against Occidental Chemical Corporation. The Settlement Agreement provides that the claims will not go to trial until December 2015. Also, by virtue of the Settlement Agreement, the Original Defendants (except Occidental) obtained certain additional protections against future potential litigation. The Settlement Agreement has been approved by the New Jersey Courts. Occidental lodged an appeal against the court ruling approving the Settlement Agreement in January 2014.

Based on the available information at the date of these 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.

Ecuador

Lawsuit regarding payments in respect of LPG surpluses to the State of Ecuador by Duragas, S.A.

Ecuador's hydrocarbon regulator (La Agencia de Regulación y Control Hidrocarburífero) (ARCH) is authorized to audit the revenue, costs, and expenses of LPG operators. The regulator's audit of Duragas, S.A. from 2002 to 2012 revealed a difference between the amount of LPG acquired from EP PETROECUADOR, formerly Petrocomercial, (a public company and Ecuador's sole authorized supplier of LPG) for domestic consumption and the amount actually sold to said sector by Duragas, S.A. The ARCH determined that the difference between the LPG tariffs established for domestic and industrial consumption must be recalculated to benefit EP PETROECUADOR. According to EP PETROECUADOR, the results of this reassessment for the aforementioned years would total $60 million, plus the interest and costs pending its appraisal.

Duragas, S.A. has appealed in due time and form all of the ARCH's reports and subsequent settlement, demands and payment notices and requests received from EP PETROECUADOR, submitting both formal and material arguments (the absence of the ARCH's express legal authority for identifying surplus charges in its annual report) and material arguments (the existence of technically unavoidable shortages in containers, failure to make the distinction between the remaining LPG in containers and the amounts sold to the industrial market, etc). To date, the courts have not rendered any judgment on the merits of the case.

However, while those appeals are being substantiated, EP PETROECUADOR has taken coercive action to collect the amounts it is claiming for the years 2004-2011, totaling $50 million. Although these coercive procedures were unorthodox and have overlooked the established legal channels, which could be recognized in one of the appeals filed by Duragas, S.A., all of them tend to adopt what is known as the "solve et repete" rule, i.e. the requirement to pay or set aside the amount dispute if a party wants to challenge the claim arising from coercive action. This means that, while the validity of the ARCH's report is being determined for each year, Duragas, S.A. is anticipating and bearing the economic damages derived from these coercive measures, becoming more the actual claimant (in terms of returning the amount claimed) rather than respondent (for the amount assessed in the ARCH's reports).

34.2) Contractual commitments

At December 31, 2013, the Repsol Group has contractually committed to the following purchases and capital and other expenditures:

Millions of euros

Purchase, investment and expenditure commitments	2014	2015	2016	2017	2018	Subs. years	Total
Purchase commitments	**8,823**	**4,992**	**4,761**	**4,935**	**4,631**	**26,446**	**54,588**
Crude oils and others [(1)]	3,820	330	281	283	288	140	5,142
Natural Gas [(2)(3)]	5,003	4,662	4,480	4,652	4,343	26,306	49,446
Investment commitments [(4)]	**1,849**	**1,343**	**935**	**445**	**220**	**1,218**	**6,010**
Service commitments	**292**	**119**	**87**	**69**	**50**	**180**	**797**
Transport commitments [(8)]	**134**	**136**	**133**	**136**	**129**	**846**	**1,514**
Operating leases [(5)]	**254**	**192**	**174**	**172**	**149**	**1,228**	**2,169**
Transport - Time Charter [(6)]	88	87	88	93	85	873	1,314
Operating leases [(7)]	166	105	86	79	64	355	855
TOTAL [(9)]	**11,352**	**6,782**	**6,090**	**5,757**	**5,179**	**29,918**	**65,078**

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. In the wake of the sale in October and December of the LNG businesses described in Note 31, the contractual commitments corresponding to said companies and those classified as non-current assets held for sale at year-end, ceased to be considered Group commitments. They do include the commitments in respect of assets and businesses that at December 31, 2013 were classified as held-for-sale (see Note 10) and were sold on January 1, 2014 (see Note 37).

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(1) These commitments include those corresponding to the crude oil purchase commitments signed with the Pemex Group; these agreements have no fixed duration and at December 31, 2013 amounted to 100,000 barrels per day (bpd). They also include the agreement with Saudi Arabian Oil Company which is rolled over annually and encompassed a volume commitment at year-end 2013 of 75,000 bpd. Lastly, they include a new agreement entered into with Repsol Sinopec Brasil (a Group company 60%-owned by Repsol) that at year-end amounted to 17,000 bpd (the share of the commitment corresponding to the Repsol Group).

(2) This heading mainly includes the portion corresponding to the Repsol Group of the natural gas purchase commitments held by the Gas Natural Group in the amount of €30,835 million, gas purchases committed to by the Repsol Group in Spain in the amount of 2,824 million euros and in Canada in the amount of €5,479 million. The Spanish portion includes the commitment contractually assumed in 2013 with Gas Natural Fenosa for the supply of 2 billion cubic meters (bcm) of natural gas to Repsol's refineries per annum. The Canadian portion includes the commitment assumed with Shell as part of the LNG asset and business sale agreement (see Note 31) under which Shell will supply LNG to Repsol's regasification plant in Canaport (Canada) for the next 10 years, encompassing a total volume of approximately 1 million tonnes.

(3) Includes 10,241 million euros of natural gas purchases committed to in Peru and Trinidad and Tobago by Repsol Comercializadora de Gas, S.A., a company classified as held-for-sale at year-end 2013 and sold on January 1, 2014.

(4) Includes primarily capital commitments in Venezuela and Brazil amounting to €1,761 and €767 million, respectively.

(5) Operating lease expenses recognized at December 31, 2013 amount to €467 million (€523 million at year-end 2012).

(6) At year-end 2013, Repsol operates 33 tankers under time charter arrangements, five of which through Gas Natural Fenosa, for the transportation of crude, oil products and natural gas; these fleet arrangements terminate on a staggered basis between 2014 and 2019. The amount payable under these arrangements in 2014 is €88 million (see Note 21).

(7) Corresponds mainly to commitments under service stations leases amounting to €54 million in 2014. This heading also includes lease commitments assumed by Guará, B.V. that are guaranteed by Repsol, S.A. (see Note 34.3).

(8) This heading mainly includes the portion corresponding to the Repsol Group of the natural gas purchase commitments held by the Gas Natural Group in the amount of €951 million and crude and natural gas transportation commitments assumed by the Repsol Group in Peru, Brazil and Ecuador in the amount of €561 million.

(9) Includes commitments of companies consolidated using the proportionate consolidation method amounting to €3,257 million.

The Repsol Group is contractually committed to the following sales and to the provision of the following revenue-generating activities at December 31, 2013:

Millions of euros

Committed sales and other income contracted for	2014	2015	2016	2017	2018	Subsequent years	Total
Commited sales	**10,337**	**3,242**	**2,249**	**2,195**	**2,234**	**21,335**	**41,592**
Crude oil and others	7,688	949	449	276	207	523	10,092
Natural Gas[1] [2]	2,649	2,293	1,800	1,919	2,027	20,812	31,500
Transport commitments	**2**	**2**	**2**	**1**	**-**	**2**	**9**
Service commitments	**624**	**577**	**537**	**493**	**468**	**2,035**	**4,734**
Leases	**166**	**120**	**140**	**134**	**130**	**977**	**1,667**
TOTAL [3]	**11,129**	**3,941**	**2,928**	**2,823**	**2,832**	**24,349**	**48,002**

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. In the wake of the sale of the LNG businesses in October and December 2013 (see Note 31), the commitments corresponding to the assets and businesses forming part of the transaction scope are not presented as Group commitments in the table above. The amounts shown in the table do, however, include the commitments in respect of assets and businesses that at December 31, 2013 were classified as held-for-sale (see Note 10) and were sold on January 1, 2014 (see Note 37).

(1) Primarily 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 2,509,454 Mscf, maturing in 2036 and for an amount of €9,288 million and the portion corresponding to the Repsol Group of the natural gas sales committed to by the Gas Natural Fenosa group in the amount of €6,365 million.

(2) Includes €9,895 million of natural gas sales committed to in Mexico and Spain by Repsol Comercializadora de Gas, S.A., a company classified as held-for-sale at year-end 2013 and sold on January 1, 2014. It also includes sale commitments of companies accounted for using the proportionate method of consolidation in an amount of €1,394 million.

34.3) Guarantees

At December 31, 2013, the Repsol Group's companies has extended guarantees to third parties or Group companies whose assets, liabilities and earnings are not presented in the consolidated financial statements (companies consolidated using the proportionate consolidation method at the percentage not held by the Group and equity-accounted investees). This section details the material guarantees outstanding at year-end:

- As a result of the development of Field BMS-9 by Repsol Sinopec Brasil (RSB), a company 60%-owned by Repsol, S.A., RSB assumed its share of the contractual obligations arising from its interest in the lease of three floating production platforms through Guara B.V, a company 25%-owned by RSB. These obligations were secured by Repsol S.A. by means of the three guarantees described below.

  A first guarantee, provided by Repsol S.A., in the amount of $790 million, covering one of the platforms, specifically covering up to 25% of the commitments assumed by Guara B.V., which in turn corresponds to RSB's ownership interest in this company. In turn, China Petrochemical, the Sinopec group company that has co-invested in RBS alongside Repsol, S.A., owning a 40% interest, granted Repsol S.A. a counter-guarantee amounting to $316 million that covers 40% of these commitments, so that both group's exposures match their respective ownership interests in RSB. Two additional guarantees, one granted by Repsol S.A. and the other by Repsol Sinopec Brasil, in the amounts of $576 and $545 million, respectively. These guarantees are contingent upon delivery by the supplier of its contractual obligations and the attendant accrual of payment obligations by Guara B.V. in relation to the lease of the two floating platforms, slated to begin in July 2014 and the fourth quarter of 2016, respectively. These amounts cover 60% and 25% of the commitments assumed by Guara B.V., the latter percentage corresponding to the Repsol Group's ownership interest in Guara, B.V.

  The amounts corresponding to the three platforms lease payment obligations, are already included in the table showing lease commitments in Note 34.2 above. The guarantees extended

by Repsol cover maximum sums that diminish annually over the platform lease terms (20 years).

- The Group has extended guarantees in respect of its ownership interest in Oleoducto de Crudos Pesados de Ecuador, S.A. (OCP) covering the pipeline's construction, non-construction and related environmental risks in an amount of approximately $15 million (€11 million) and the corresponding operating risks, also in the amount of approximately $15 million (€11 million). The Group has pledged all of its shares in OCP.

In addition, the Repsol Group, mainly through its parent company, Repsol, S.A., extends other classes of guarantees and indemnities related to the sale of assets and guarantees in respect of potential liabilities that may arise in any of the Group's activities and operations, including potential environmental liabilities, all of which in the ordinary course of the Repsol Group's business operations and in keeping with widespread industry practice.

For further information on the guarantees provided in connection with the assets and businesses falling under the scope of the sale agreement with Shell (see Note 31).

(35) ENVIRONMENTAL INFORMATION

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.

35.1) Environmental Assets

The breakdown of the cost of the environmental assets identified and the related accumulated depreciation at December 31, 2013 and 2012 is as follows:

	Millons of euros					
	2013			2012 [(1)]		
	Cost	Accumulated Depreciation	Net	Cost	Accumulated Depreciation	Net
Atmosphere protection	420	242	178	403	231	172
Water managment	480	312	168	476	304	172
Product quality	1,488	777	711	1,452	724	728
Soil	154	76	78	96	37	59
Energy saving and efficiency	636	229	407	589	204	385
Waste managment	31	14	17	30	14	16
Contingencies and spills	31	2	29	19	1	18
Other	195	109	86	179	101	78
	3,435	**1,761**	**1,674**	**3,244**	**1,616**	**1,628**

[(1)] NOTE: In 2012, as a consequence of the loss of control and the expropriation process of YPF and YPF Gas (see Note 4) "Net cost of environmental assets" corresponding to YPF and YPF Gas, and its group companies have been derecognized.

The cost includes €246 million of assets under construction at December 31, 2013 and €202 million at December 31, 2012.

Among the most significant environmental investments made in 2013, 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.

It is also worth highlighting the continued progress on two important projects: the comprehensive coastal protection plan in Tarragona (environmental investment in 2013: €11 million) and the fuel quality upgrade project at the La Pampilla refinery in Peru (investment of nearly €36 million).

The efforts to increase energy efficiency at the refineries in Tarragona and La Coruña, entailing investment of over €16 and €3 million, respectively, also stand out

In 2013 and 2012, environmental expenses include €11 million of environmental investments made through Gas Natural Fenosa (€14 million in 2012) (stated at the Repsol Group's percentage interest in the latter).

35.2) 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*” (see Note 16).

The changes in the environmental provisions in 2013 and 2012 were as follows:

	Millons of euros	
	2013	2012
Opening balance	**51**	**255**
Period provisions charged to income	9	13
Provisions released with a credit to income	(2)	(2)
Payment	(5)	(8)
Reclassifications and other movements [(1)]	(49)	-
Discontinued operations movements [(1)(2)]	50	(16)
YPF and YPF Gas expropiation [(3)]	-	(191)
Closing balance	**54**	**51**

[(1)] The agreement signed in June 2013 with the state of New Jersey regarding the environmental contingencies of a subsidiary of YPF S.A., a company in the process of being expropriated from the Group and whose operations were classified as discontinued operations in 2012 (see Note 4), in the Passaic River and Newark Bay (see Note 34.1) gave rise to the recognition of a €50 million provision that in December 2013 was reclassified to *Other payables,* prior to its effective payment on February 7, 2014

[(2)] Includes movements which correspond to YPF, YPF GAS and his affiliates from January 1, 2012 upon the loss of control of the group.

[(3)] This heading discloses the provisions derecognized upon loss of control of YPF and YPF Gas by the Group, according to the facts described in Note 4 *“Expropriation of the Repsol Group’s shares in YPF S.A. and YPF Gas S.A.*

Additionally, *Repsol’s Environmental Cost Guide* classifies as environmental provisions 75% of the amounts recognized under the caption “*Provision for Field Dismantling Costs*,” totaling €579 million and €614 million at December 31, 2013 and 2012, respectively (see Note 16).

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

35.3) Environmental Expenses

In 2013 and 2012 environmental expenses amounted to €164 million and €202 million respectively, classified as "*Supplies*" and "*Other operating expenses*." These expenses include €71 million and €112 million of expenses for the rights necessary to cover CO_2 emissions during 2013 and 2012, respectivel. Environmental expenses in 2013 and 2012 also include: other measures for atmospheric protection amounting to €25 and €26 million, respectively; waste management amounting to €17 million and €14 million, respectively; and water management amounting to €17 million and €15 million, respectively; soil remediation and field dismantling costs amounting to 8 million and €6 million, respectively.

35.4) Applicable Framework

The environmental legislation applicable to the Group includes:

- Directive 2013/30/EU on safety of offshore oil and gas operations
- Directive 2010/75/EU on industrial emissions
- Directive 2009/29/EC on the greenhouse gas emission allowance trading scheme
- Directive 2009/30/EC as regards the specification of petrol, diesel and gas-oil.

35.5) CO_2 emissions

During 2013 and 2012 the companies comprising the consolidation scope recognized emission allowances allocated free of charge under the Spanish national allocation plan equivalent to 9 and 19 million tons of CO_2 respectively, measured at €60 and €132 million. In 2014, the second year of Phase III, the estimate of free of charge emission allowances allocated, not including that corresponding to Gas Natural Fenosa, amounts to 9 million tonnes of CO_2.

In 2013, the value of the Group's emission allowances were depreciated, giving rise to an impairment charge of €16 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 depreciated its value in 2012 in an amount of €8 million.

The gain on the management of CO_2 allowances amounted to €56 million in 2013. In 2012 incomes were registered amounting to €6 million. In 2013 and 2012, 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.

From 2013 on, Repsol's installations will be allocated new emissions allowances under the start of Phase III (2013-2020), following completion in 2012 of Phase II (2008-2012); these are expected to be lower than the annual allocations awarded during Phase II and to diminish over time. Repsol has been preparing for the lower free allocation levels under Phase III for many years now, taking measures to mitigate the related costs.

On the other hand, in prior years as in 2013 the Company has acquired Clean Development Mechanism (CDM) and Joint Implementation (JI) credits. 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. The Group did not acquire any new long-term commitments in 2013.

(36) FEES PAID TO THE AUDITORS

In 2013, the fees earned by Deloitte for the audit services provided to Repsol, S.A. and its companies controlled have amounted to €4.9 million. Additionally, the fees earned by the auditors and their organization for audit-related services and for other services have amounted to €1.3 and €1.0 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.

(37) SUBSEQUENT EVENTS

- The last of the three transactions comprising the sale of the LNG assets and businesses closed on January 1, 2014 (see Note 31) with the sale of Repsol Comercializadora de Gas, S.A. the Group company devoted to the marketing, transport and trading of LNG and amounted to $730 million. At year-end 2013, the assets and liabilities related to this Company, were classified as "*Non-current assets held for sale*" and "*Liabilities related to non-current assets held for sale*" at December 31, 2013 (see Note 10). This transaction has generated a pre-tax gain of €432 million (this amount includes historic translation difference recognized under the caption "*Adjustments for changes in value*" of "Equity" heading which amounts to €3 million) that will be recognized in the 2014 consolidated financial statements

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	236
Other current assets	210
Non-current assets	1,111
TOTAL ASSETS	**1,557**
Minority interests	
Current liabilities	1,172
Non-current liabilities	284
TOTAL LIABILITIES AND MINORITY INTERESTS	**1,456**
NET ASSETS	**101**

Repsol has agreed with Enagás the sale of its 10% interest in the Transportadora de Gas del Perú (TGP) gas pipeline that at year-end 2013 was recognized as held-for-sale (see Note 10) for approximately $219 million. The transaction will generated an estimated after-tax gain of approximately USD75 million.

Agreement with Argentina

On February 25, 2014, the Board of Directors of Repsol, S.A. approved execution of an agreement with the Republic of Argentina, which has been called Agreement for the Amicable Settlement and Compromise of Expropriation (hereinafter, the "Agreement"), designed to put an end to the controversy originated by the expropriation of 51% of the equity of YPF S.A. and YPF Gas S.A. This document will be executed by Repsol S.A. Repsol Capital S.L. and Repsol Butano S.A. on the one hand, and by the Republic of Argentina, on the other.

Under the terms of the Agreement, the Republic of Argentina commits irrevocably to pay Repsol the sum of FIVE BILLION US DOLLARS (USD5,000,000,000.00) as compensation for the expropriation of 200,589,525 Class D YPF S.A. shares and 89,755,383 Class A YPF Gas S.A. shares (the "Expropriated Shares") and any and all other items contemplated under the Agreement (the "Compensation"), which implies the withdrawal of all the legal and arbitration proceedings initiated and a reciprocal undertaking not to file new claims and includes the pertinent indemnity clauses and other legal guarantees to ensure the effective settlement of the Compensation. To settle the Compensation, the Republic of Argentina will give Repsol US dollar-denominated sovereign bonds issued by it (the "Government Bonds"). The Government Bonds will be given to Repsol "*pro solvendo"*, which means that the Republic of Argentina's payment obligation will not be extinguished by the mere delivery of the Government Bonds to Repsol but rather when the latter collects the amount of Compensation in full, either by disposing of the Government Bonds or via repayment of the bond principal at the respective maturity dates. Repsol is entitled to receive the interest accruing on the Government Bonds for as long as it holds them.

The Agreement also includes and regulates the withdrawal by both parties of the legal and arbitration proceedings initiated by them and their subsidiaries in connection with the expropriation and preservation of the seized assets. Both parties similarly renounce their right to file new claims or seek damages in the future in respect of the expropriation or Repsol's management of YPF S.A. and YPF Gas S.A.

Effectiveness of the Agreement is subject to the following conditions precedent: (i) ratification of the Agreement by the General Shareholders' Meeting of Repsol, S.A.; (ii) full and unconditional approval of the Agreement by means of a special-purpose law sanctioned by the Argentine Congress; (iii) the lifting of certain injunctions over the Compensation and Repsol's remaining shares in YPF and YPF Gas (the shareholding it will retain once the Agreement closes); (iv) the non-occurrence of any disruptive events (embargos or other measures that prevent or limit Repsol's ability to collect the Compensation and/or Government Bonds, as defined in the Agreement) before the close; (v) the non-occurrence of any material adverse change (unilateral decision by the Republic of Argentina implying an amendment or default of Argentine sovereign debt issued after 12/13/2001), and (vi) no legal impediment on the Republic of Argentina's ability to close and/or perform the Agreement.

The Government Bonds to be given to Repsol by the Republic of Argentina are:

1) A fixed portfolio with a face value of USD5 billion, made up of:

- BONAR X: USD500 million
- Discount 33: USD1,250 million (this bond also includes USD500 million of accrued capitalized interest)
- BONAR 2024: USD3,250 million

2) A complementary portfolio of a maximum face value of USD1 billion, made up of:

- BODEN 2015: USD400 million
- BONAR X: USD300 million
- BONAR 2024: USD300 million

This complementary bond portfolio will be delivered using an adjustment formula such that the market value of all the Argentine sovereign bonds given to Repsol amounts to at least USD4,670 million and up USD6,000 million in face value. Market value will be calculated on the basis of quoted prices provided by the international financial institutions listed in the Agreement. Repsol would receive the complementary bonds in the order in which they are listed above so that it would receive shorter-dated bonds first, up to the limit set for each category.

In addition, the Republic of Argentina will grant Repsol an additional specific guarantee collateralizing payment of the first three six-monthly interest payments on the BONAR 2024 bonds. This guarantee will be extended by the Argentine Central Bank (BNA); it will cover a sum of USD150,000,000.00 and will have a term of 18 months.

The Agreement will close when the Government Bonds being awarded to Repsol are deposited with an international securities clearinghouse. Repsol will be free to dispose of the bonds. Repsol may not under any circumstances receive, either through repayment of the Government Bonds and/or disposal of the bonds (net of expenses and interest), more than USD5,000,000,000. The interest that Repsol may earn from holding the Government Bonds is excluded from this cap.

Among other matters, the Agreement regulates in detail the legal protection afforded to Repsol in the event of breach by the Republic of Argentina of its commitments to pay the Compensation and/or the Government Bonds on the terms stipulated ("Restructuring") or in the event of other forms of non-performance and/or disruptions in the payment(s) scheduled.

The legal protection afforded to Repsol in the event of breach by the Republic of Argentina of its payment obligations include: (i) accelerated payment (early maturity of the payment, enforceable in cash) of the outstanding Compensation due to Repsol; (ii) the accrual of late payment interest (after a 30 days cure period and until effective payment, the sum in arrears will accrue interest at an annual rate of 8.75%, plus default interest of 1.75%); and (iii) Repsol's right to retain the Government Bonds and to avail of them until the debt is settled.

The Republic of Argentina declares and warrants to Repsol that: (i) the Compensation, insofar as intended as compensation for an expropriation, and the Government Bonds, may not be restructured or amended in any way that implies the discontinuation of payments, the consolidation, translation or payment in a currency other than the US dollar or the modification of the payment terms; otherwise the Republic of Argentina undertakes to hold Repsol harmless in the event of any such changes; and (ii) Repsol's rights under the Agreement will be protected under the bilateral investment treaty between Spain and Argentine (the "APPRI"), specifically representing that the rights accruing to Repsol as a result of the Compensation and/or Public Bonds constitute an "investment" for APPRI purposes.

Any discrepancies that could arise in relation to the Agreement shall be subject, exclusively, to international arbitration, in accordance with the United Nations Commission on International Trade Law ("UNCITRAL") Arbitration Rules, one of the options contemplated in the APPRI for the settlement of disputes between the contracting parties.

Concurrent with the execution of the agreement, it is expected that an agreement will be signed by Repsol, on the one hand, and YPF and YPF Gas, on the other, whereby, primarily, the parties agree to withdraw lawsuits filed, as well as to a series of waivers and mutual indemnities between Repsol and YPF.

(38) EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

These consolidated financial statements are prepared on the basis of IFRS, as issued by the IASB and as endorsed by European Union (see Note 2). Consequently, certain accounting practices applied by the Group may not conform with other generally accepted accounting principles in other countries.

APPENDIX I: Main companies comprising the Repsol Group at December 31, 2013

Name	Country	Activity	Consolitation method (1)	December 2013 % of Total Ownership % equity interest	December 2013 % of Total Ownership % of control investment (2)	December 2012 Millions of Euros Equity (3)	December 2012 Millions of Euros Share capital (3)
Abastecimentos e Serviços de Aviaçao, Lda.	Portugal	Marketing of oil products	EM	50,00	50,00	-	-
AESA - Construcciones y Servicios Bolivia , S.A.	Bolivia	Transportation of hydrocarbons	FC	99,00	99,00	-	-
Agri Development, B.V.	Netherlands	Portfolio company	PC	6,00	10,00	322	-
Air Miles España, S.A. (4)	Spain	Establishment, introduction and operation in Spain and Andorra of the Travel Club program. Loyalty service	EM	25,78	26,67	7	-
Akakus Oil Operations, B.V.	Netherlands	Exploration and production of hydrocarbons	EM	49,00	49,00	-	-
Albatros, S.à.r.L. (5)	Luxembourg	Portfolio company	FC	100,00	100,00	-	-
Algaenergy, S.A.	Spain	Experimental research and development in biotechnology	PC	20,02	20,02	2	-
AR Oil & Gaz, B.V.	Netherlands	Portfolio company	PC	49,01	49,01	453	-
Arteche y García, S.L.	Spain	Installation and operation of fuel service stations	FC	96,67	100,00	-	-
Asfalnor, S.A.	Spain	Distribution and marketing of asphalt products	FC	85,98	100,00	-	-
Asfaltos Españoles, S.A.	Spain	Asphalts	PC	49,99	50,00	24	9
Beatrice Offshore Windfarm, Ltd. (6)	UK	Development of offshore wind energy	EM	25,00	25,00	-	-
Benzirep-Vall, S.L.	Spain	Installation and operation of fuel service stations	FC	96,67	100,00	-	-
BP Trinidad & Tobago, Llc.	USA	Exploration and production of hydrocarbons	PC	30,00	100,00	780	128
BPRY Caribbean Ventures, Llc.	USA	Portfolio company	PC	30,00	30,00	128	928
C.L.H. Aviación, S.A.	Spain	Transportation and storage of oil products	EM	10,00	100,00	70	21
Caiageste - Gestao de Areas de Serviço, Lda.	Portugal	Operation and management of service stations	EM	50,00	50,00	-	-
Calio Holdings, Llc.	USA	Exploration and production of hydrocarbons	FC	100,00	100,00	22	16
Campsa Estaciones de Servicio, S.A.	Spain	Operation and management of service stations	FC	96,67	100,00	41	8
Canaport LNG Limited Partnership (4)	Canada	Regasification of LNG	PC	75,00	75,00	77	134
Carabobo Ingeniería y Construcciones, S.A.	Venezuela	Other activities	EM	27,50	27,50	-	-
Carbón Black Española, S.A.	Spain	Dormant	FC	100,00	100,00	20	-
Carburants i Derivats, S.A.	Andorra	Distribution of oil derivative products	EM	32,14	33,25	1	-
Cardón IV, S.A.	Venezuela	Exploration and production of hydrocarbons	PC	50,00	50,00	238	1
Caveant, S.A.	Argentine	Investment company	FC	100,00	100,00	56	-
Cogeneración Gequisa, S.A.	Spain	Production of electric energy and vapor	EM	39,00	39,00	7	2
Compañía Anónima de Revisiones y Servicios, S.A.	Spain	Installation and operation of fuel service stations	FC	91,84	95,00	3	1
Compañía Auxiliar de Remolcadores y Buques Especiales, S.A.	Spain	Tugboats	FC	99,19	100,00	6	-
Compañía Logística de Hidrocarburos CLH, S.A.	Spain	Transportation and storage of oil products	EM	10,00	10,00	166	84
CSJC Eurotek - Yugra	Russia	Other activities	FC	100,00	100,00	(1)	-
Distribuidora Andalucía Oriental, S.A.	Spain	Marketing of fuels	PC	48,34	50,00	2	1
Distribuidora de Petróleos, S.A.	Spain	Marketing of fuels	FC	82,17	85,00	-	-
Dubai Marine Areas, Ltd.	UK	Exploration and production of hydrocarbons	PC	50,00	50,00	1	-
Duragas, S.A.	Ecuador	Marketing of LPG	FC	100,00	100,00	20	11
Dynasol Elastómeros, S.A.	Spain	Production and marketing of chemical products	PC	50,01	50,01	31	17
Dynasol Elastómeros, S.A. de C.V.	Mexico	Production and marketing of chemical products	EM	49,99	49,99	90	38
Dynasol Gestión, S.A.	Spain	Manufacture of chemical products	EM	50,00	50,00	12	4
Dynasol, Llc.	USA	Marketing of petrochemical products	EM	50,00	50,00	9	-
Empresa Petrolera Maxus Bolivia, S.A. (6)	Bolivia	Exploration and production of hydrocarbons	FC	100,00	100,00	447	60
Enirepsa Gas Limited	Saudi Arabia	Gas supply and/or logistics	EM	30,00	30,00	(3)	2
Estación de Servicio Barajas, S.A.	Spain	Operation of fuel sale and vehicle repair service stations	FC	92,80	96,00	3	1
Estaciones de Servicio El Robledo, S.L.	Spain	Sale to the public of fuels, lubricants and any oil-related products	FC	96,67	100,00	-	-
Euro 24, S.L.	Spain	Automotive-related services	FC	96,67	100,00	1	-
Gas Natural SDG, S.A. (7)	Spain	Holding, wind energy and electricity generation, gas purchases and sales	PC	30,00	30,00	12.112	1.001
Gas Natural West África S.L.	Spain	Exploration and production of hydrocarbons	PC	72,00	100,00	(3)	7
Gastream México, S.A. de C.V.	Mexico	Other activities	FC	100,00	100,00	(1)	22
Gaviota RE, S.A.	Luxembourg	Reinsurance	FC	100,00	100,00	23	14
General Química, S.A.	Spain	Manufacture and sale of petrochemical products	FC	100,00	100,00	8	3
Gestão e Administraçao de Postos de Abastemento, Unipessoal, Lda.	Portugal	Marketing of oil products	FC	100,00	100,00	1	-
Gestión de Puntos de Venta GESPEVESA, S.A.	Spain	Management of service stations	PC	48,34	50,00	49	39
Greenstone Assurance, Ltd.	Bermuda Islands	Reinsurance	FC	100,00	100,00	18	-
Grupo Repsol del Perú, S.A.C.	Peru	Portfolio company	FC	100,00	100,00	1	-
Guará, B.V.	Netherlands	Construction for offshore crude oil and natural gas production	EM	15,00	25,00	401	-
Ibil, Gestor de Carga de Vehículo Eléctrico, S.A.	Spain	Construction and operation of electric vehicle charging points	PC	50,00	50,00	10	12
Ibilek Car-Sharing Vehículo Eléctrico, S.A.	Spain	Implementation and operation of an electric car-sharing system, diffusion activities	PC	50,00	100,00	-	-
Inch Cape Offshore, Ltd.	UK	Development of offshore wind energy	PC	51,00	51,00	1	2
Kuosol Agrícola S.A.P.I. de C.V.	Mexico	Portfolio company	PC	50,00	100,00	(5)	6
Kuosol S.A.P.I. de C.V.	Mexico	Portfolio company	PC	50,00	50,00	2	11
MC Alrep, Llc. (5)	Russia	Provision of joint venture management services	PC	49,01	100,00	-	-
Moray Offshore Renewables, Ltd.	UK	Development of offshore wind energy	PC	33,36	33,36	10	11
Neol Biosolutions, S.A.	Spain	Research and development of new bioactive compounds	PC	50,00	50,00	7	4
Noroil, S.A.	Spain	Distribution and marketing of oil products	FC	96,67	100,00	2	2
Occidental de Colombia LLC (4)	USA	Ownership of exploratory and productive assets in Colombia	PC	25,00	25,00	134	80
OJSC Eurotek	Russia	Other activities	PC	49,01	100,00	14	6
Oleoducto de Crudos Pesados Ecuador, S.A. (4)	Ecuador	Other activities	EM	29,66	100,00	95	42
Oleoducto de Crudos Pesados, Ltd.	Cayman Islands	Other activities	EM	29,66	29,66	149	76
Oleoducto Transandino Chile, S.A.	Chile	Construction and operation of an oil pipeline	EM	17,79	17,79	8	7
Orisol Corporación Energética, S.A.	Spain	Development, construction, and operation of renewable energy plants	PC	46,81	46,81	3	2
Perú Hunt Pipeline Development Company LLc (4) (10)	USA	Portfolio company	EM	44,70	44,70	110	55
Petrocarabobo, S.A.	Venezuela	Exploration and production of hydrocarbons	EM	11,00	11,00	171	-
Petróleos del Norte, S.A.	Spain	Refining	FC	85,98	85,98	753	121

Petroquiriquire, S.A. Emp. Mixta [8]	Venezuela	Exploration and production of hydrocarbons	PC	40,00	40,00	1.552	4
Polidux, S.A.	Spain	Manufacture and sale of petrochemical products	FC	100,00	100,00	1	17
Principle Power (Europe), Ltd. [5]	UK	Production of electricity	PC	33,61	100,00	-	-
Principle Power Portugal Unipessoal, Lda. (5)	Portugal	Production of electricity	PC	33,61	100,00	-	-
Principle Power, Inc. [5]	USA	Holding company. Development of offshore (medium and deep water) wind energy technology	PC	33,61	33,61	5	-
Quiriquire Gas, S.A.	Venezuela	Exploration and production of hydrocarbons	PC	60,00	60,00	248	-
Refinería La Pampilla, S.A.A.	Peru	Refining	FC	51,03	51,03	366	227
Repsol - Produçao de Electricidade e Calor, ACE	Portugal	Production of electricity	FC	100,00	100,00	-	-
Repsol Angola 22, B.V.	Netherlands	Exploration and production of hydrocarbons	FC	100,00	100,00	4	19
Repsol Angola 35, B.V.	Netherlands	Exploration and production of hydrocarbons	FC	100,00	100,00	31	43
Repsol Angola 37, B.V.	Netherlands	Exploration and production of hydrocarbons	FC	100,00	100,00	50	54
Repsol Aruba, B.V.	Netherlands	Exploration and production of hydrocarbons	FC	100,00	100,00	-	-
Repsol Beatrice, Ltd.	UK	Development of offshore wind energy	FC	100,00	100,00	(1)	-
Repsol Bolivia, S.A.	Bolivia	Portfolio company	FC	100,00	100,00	1.168	206
Repsol Bulgaria, B.V.	Netherlands	Exploration and production of hydrocarbons	FC	100,00	100,00	-	-
Repsol Butano, S.A.	Spain	Marketing of LPG	FC	100,00	100,00	202	59
Repsol Canada, Ltd. General Partner	Canadá	Regasification of LNG	FC	100,00	100,00	3	4
Repsol Capital, S.L.	Spain	Portfolio company	FC	100,00	100,00	735	464
Repsol Chemie Deutschland, GmbH	Germany	Marketing of petrochemical products	FC	100,00	100,00	2	-
Repsol Chile, S.A.	Chile	Dormant	FC	99,99	99,99	15	11
Repsol Comercial de Productos Petrolíferos, S.A.	Spain	Marketing of oil products	FC	96,67	99,78	958	335
Repsol Comercial, S.A.C.	Peru	Marketing of fuels	FC	51,03	100,00	80	59
Repsol Comercializadora de Gas, S.A.	Spain	Marketing of natural gas	FC	100,00	100,00	41	-
Repsol Cuba, S.A.	Spain	Exploration and production of hydrocarbons	FC	100,00	100,00	(20)	2
Repsol Directo, Lda.	Portugal	Distribution and marketing of oil products	FC	100,00	100,00	-	-
Repsol Directo, S.A.	Spain	Distribution and marketing of oil products	FC	96,67	100,00	(10)	-
Repsol E & P Bolivia, S.A. [6]	Bolivia	Exploration and production of hydrocarbons	FC	100,00	100,00	443	132
Repsol E & P Canada ,Ltd.	Canada	Exploration and production of hydrocarbons	FC	100,00	100,00	10	49
Repsol E & P Eurasia, LLc.	Russia	Exploration and production of hydrocarbons	FC	99,99	99,99	(1)	-
Repsol E & P T & T Limited	Trinidad & Tobago	Exploration and production of hydrocarbons	FC	100,00	100,00	127	26
Repsol E & P USA, Inc.	USA	Exploration and production of hydrocarbons	FC	100,00	100,00	3.024	2.491
Repsol Ecuador, S.A.	Spain	Exploration and production of hydrocarbons	FC	100,00	100,00	130	5
Repsol Eléctrica de Distribución, S.L.	Spain	Distribution and supply of electric energy	FC	100,00	100,00	4	-
Repsol Energy Canada, Ltd.	Canada	Marketing of LPG	FC	100,00	100,00	(413)	579
Repsol Energy North America Corporation	USA	Marketing of LPG	FC	100,00	100,00	60	217
Repsol Exploración Argelia, S.A.	Spain	Exploration and production of hydrocarbons	FC	100,00	100,00	13	4
Repsol Exploración Atlas, S.A.	Spain	Exploration and production of hydrocarbons	FC	100,00	100,00	(2)	2
Repsol Exploración Cendrawasih I, B.V. [5]	Netherlands	Exploration and production of hydrocarbons	FC	100,00	100,00	-	-
Repsol Exploración Cendrawasih II, B.V.	Netherlands	Exploration and production of hydrocarbons	FC	100,00	100,00	1	7
Repsol Exploración Cendrawasih III, B.V.	Netherlands	Exploration and production of hydrocarbons	FC	100,00	100,00	(1)	1
Repsol Exploración Cendrawasih IV, B.V.	Netherlands	Exploration and production of hydrocarbons	FC	100,00	100,00	(1)	1
Repsol Exploración Colombia, S.A.	Spain	Exploration and production of hydrocarbons	FC	100,00	100,00	(9)	2
Repsol Exploración East Bula, B.V.	Netherlands	Exploration and production of hydrocarbons	FC	100,00	100,00	-	2
Repsol Exploración Gharb, S.A. [5]	Spain	Exploration and production of hydrocarbons	FC	100,00	100,00	-	-
Repsol Exploración Gorontalo, B.V. (5)	Netherlands	Exploration and production of hydrocarbons	FC	100,00	100,00	-	-
Repsol Exploración Guinea, S.A.	Spain	Exploration and production of hydrocarbons	FC	100,00	100,00	(4)	-
Repsol Exploración Guyana, S.A. [5]	Spain	Exploration and production of hydrocarbons	FC	100,00	100,00	-	-
Repsol Exploración Irlanda, S.A.	Spain	Exploration and production of hydrocarbons	FC	100,00	100,00	(1)	-
Repsol Exploración Karabashsky, B.V.	Netherlands	Exploration and production of hydrocarbons	FC	100,00	100,00	252	258
Repsol Exploración Kazakhstan, S.A.	Spain	Exploration and production of hydrocarbons	FC	100,00	100,00	(2)	-
Repsol Exploración Liberia, B.V. [8]	Netherlands	Exploration and production of hydrocarbons	FC	100,00	100,00	(43)	1
Repsol Exploración México, S.A. de C.V.	Mexico	Exploration and production of hydrocarbons	FC	100,00	100,00	33	17
Repsol Exploración Murzuq, S.A.	Spain	Exploration and production of hydrocarbons	FC	100,00	100,00	400	8
Repsol Exploración Numfor, B.V. [5]	Netherlands	Exploration and production of hydrocarbons	FC	100,00	100,00	-	-
Repsol Exploración Perú, S.A.	Spain	Exploration and production of hydrocarbons	FC	100,00	100,00	243	16
Repsol Exploración Seram, B.V.	Netherlands	Exploration and production of hydrocarbons	FC	100,00	100,00	(1)	2
Repsol Exploración Sierra Leona, S.L.	Spain	Exploration and production of hydrocarbons	FC	100,00	100,00	(24)	3
Repsol Exploración Suriname, S.L.	Spain	Exploration and production of hydrocarbons	FC	100,00	100,00	(2)	-
Repsol Exploración Tobago, S.A.	Spain	Exploration and production of hydrocarbons	FC	100,00	100,00	-	-
Repsol Exploración Venezuela, B.V.	Netherlands	Portfolio company	FC	100,00	100,00	152	334
Repsol Exploración, S.A. [9]	Spain	Exploration and production of hydrocarbons	FC	100,00	100,00	2.117	25
Repsol Exploration Advanced Services, AG	Switzerland	Other activities	FC	100,00	100,00	1	-
Repsol Exploration Australia, Pty, Ltd.	Australia	Exploration and production of hydrocarbons	FC	100,00	100,00	-	-
Repsol Exploration Namibia Pty, Ltd.	Namibia	Exploration and production of hydrocarbons	FC	100,00	100,00	50	-
Repsol Exploration Norge, AS	Norway	Exploration and production of hydrocarbons	FC	100,00	100,00	41	-
Repsol Gas de la Amazonia, S.A.C.	Peru	Distribution of LPG	FC	99,85	100,00	-	-
Repsol Gas del Perú, S.A.	Peru	Marketing of LPG	FC	99,86	99,86	60	36
Repsol Gas Portugal, S.A.	Portugal	Marketing of LPG	FC	100,00	100,00	25	1
Repsol GLP de Bolivia, S.A.	Bolivia	Marketing of LPG	FC	100,00	100,00	-	1
Repsol International Capital, Ltd	Cayman Islands	Finance	FC	100,00	100,00	(48)	347
Repsol International Finance, B.V.	Netherlands	Finance and securities holding	FC	100,00	100,00	1.879	301
Repsol Investeringen, BV	Netherlands	Finance	FC	100,00	100,00	-	-
Repsol Investigaciones Petrolíferas, S.A.	Spain	Exploration and production of hydrocarbons	FC	100,00	100,00	500	226
Repsol Italia, SpA	Italy	Marketing of oil products	FC	100,00	100,00	63	2
Repsol LNG Holdings, S.A.	Spain	Exploration and production of hydrocarbons	FC	100,00	100,00	(7)	2
Repsol LNG Offshore, B.V.	Netherlands	Other activities	FC	100,00	100,00	15	14
Repsol LNG, S.L.	Spain	Marketing of gas	FC	100,00	100,00	(1)	-
Repsol Louisiana Corporation	USA	Exploration and production of hydrocarbons	FC	100,00	100,00	39	75

Repsol Lubricantes y Especialidades, S.A.	Spain	Production and marketing of oil derivatives	FC	99,97	100,00	14	5
Repsol Lusitania, S.L.	Spain	Portfolio company	FC	100,00	100,00	(28)	-
Repsol Marketing, S.A.C.	Peru	Marketing of fuels and fuel specialty products	FC	100,00	100,00	12	3
Repsol Maroc, S.A.	Morrocco	Marketing of natural gas	EM	99,96	99,96	-	1
Repsol Mediación, Agente de Seguros Vinculado, S.L.U.	Spain	Insurance brokerage	FC	96,67	100,00	2	-
Repsol Moray Firth, Ltd.	UK	Development of offshore wind energy	FC	100,00	100,00	7	8
Repsol Netherlands Finance, BV	Netherlands	Finance	FC	100,00	100,00	(32)	-
Repsol New Energy Ventures, S.A.	Spain	Development of new energy projects in-company or with third parties	FC	100,00	100,00	2	2
Repsol Nuevas Energías U.K., Ltd.	UK	Development and construction of offshore wind farms	FC	100,00	100,00	17	13
Repsol Nuevas Energías, S.A.	Spain	Manufacture, distribution, and sale of all types of biofuels and other related activities	FC	100,00	100,00	(16)	1
Repsol OCP de Ecuador, S.A.	Spain	Portfolio company	FC	100,00	100,00	32	-
Repsol Offshore E & P USA, Inc.	USA	Exploration and production of hydrocarbons	FC	100,00	100,00	10	25
Repsol Oriente Medio, S.A.	Spain	Exploration and production of hydrocarbons	FC	100,00	100,00	(22)	-
Repsol Overzee Financien, B.V.	Netherlands	Portfolio company	FC	100,00	100,00	645	129
Repsol Perú, B.V.	Netherlands	Portfolio company	FC	100,00	100,00	172	152
Repsol Petróleo, S.A.	Spain	Refining	FC	99,97	99,97	1.768	218
Repsol Polímeros, S.A.	Portugal	Manufacture and sale of petrochemical products	FC	100,00	100,00	65	222
Repsol Portuguesa, S.A.	Portugal	Distribution and marketing of oil products	FC	100,00	100,00	491	59
Repsol Química, S.A.	Spain	Manufacture and sale of petrochemical products	FC	100,00	100,00	29	60
Repsol Services Company	USA	Exploration and production of hydrocarbons	FC	100,00	100,00	27	33
Repsol Sinopec Brasil, B.V.	Netherlands	Portfolio company	PC	60,01	100,00	4.397	4.066
Repsol Sinopec Brasil, S.A.	Brazil	Exploitation and marketing of hydrocarbons	PC	60,01	60,01	6.391	5.764
Repsol Tesorería y Gestión Financiera, S.A.	Spain	Treasury services to group companies	FC	100,00	100,00	303	-
Repsol Trading USA Corporation	USA	Trading y transporte	FC	100,00	100,00	(1)	-
Repsol Trading, S.A.	Spain	Marketing of oil products	FC	100,00	100,00	123	-
Repsol U.K. Round 3, Ltd.	UK	Development of offshore wind energy	FC	100,00	100,00	8	8
Repsol USA Holdings Corporation [4]	USA	Exploration and production of hydrocarbons	FC	100,00	100,00	2.967	2.652
Repsol Venezuela Gas, S.A. (4)	Venezuela	Exploration and production of hydrocarbons	FC	100,00	100,00	172	-
Repsol Venezuela, S.A.	Venezuela	Exploration and production of hydrocarbons	FC	100,00	100,00	(67)	2
Repsol YPF Trading y Transportes Singapur, Ltd.	Cayman Islands	Dormant	FC	100,00	100,00	-	-
San Andrés Park, S.L. [5]	Spain	Service stations for the supply and sale of fuels and lubricants.	FC	96,67	100,00	-	-
Saneco	Russia	Exploration and production of crude oil	PC	49,01	100,00	141	-
SC Repsol Baicoi, S.R.L. [5]	Romania	Exploration and production of hydrocarbons	FC	100,00	100,00	-	-
SC Repsol Pitesti, S.R.L. [5]	Romania	Exploration and production of hydrocarbons	FC	100,00	100,00	-	-
SC Repsol Targoviste, S.R.L. [5]	Romania	Exploration and production of hydrocarbons	FC	100,00	100,00	-	-
SC Repsol Targu Jiu, S.R.L. [5]	Romania	Exploration and production of hydrocarbons	FC	100,00	100,00	-	-
Servicios Administrativos Cuenca de Burgos S.A. de C.V.	Mexico	Exploration and production of hydrocarbons	FC	100,00	100,00	-	-
Servicios de Mantenimiento y Personal, S.A.	Ecuador	Maintenance and Human Resource services	FC	100,00	100,00	-	-
Servicios de Seguridad Mancomunados, S.A.	Spain	Security	FC	99,98	100,00	1	-
Servicios Logisticos Combustibles de Aviacion, S.L.	Spain	Transportation and commercial airline into-plane services of oil products	PC	49,29	50,00	12	4
Servicios y Operaciones de Perú S.A.C	Peru	Other activities	FC	100,00	100,00	1	-
SKSOL Lube Base Oils, S.A.	Spain	Development and production of base lubricants	PC	29,99	30,00	31	31
Sociedade Abastecedora de Aeronaves, Lda.	Portugal	Marketing of oil products	EM	25,00	25,00	-	-
Sociedade Açoreana de Armazenagen de Gas, S.A.	Portugal	Marketing of LPG	EM	25,07	25,07	5	1
Societat Catalana de Petrolis, S.A.	Spain	Distribution and marketing of oil products	EM	43,69	45,00	6	15
Solgas Distribuidora de Gas, S.L.	Spain	Marketing of LPG	FC	100,00	100,00	(1)	1
Solred, S.A.	Spain	Management of payment systems in service stations	FC	96,67	100,00	38	7
Spelta Produtos Petrolíferos Unipessoal, Lda.	Portugal	Marketing of LPG	FC	100,00	100,00	1	-
Tecnicontrol y Gestión Integral, S.L.	Spain	Real State development	FC	100,00	100,00	32	4
Terminales Canarios, S.L.	Spain	Gas supply and transportation	PC	48,34	50,00	25	20
The Repsol Company of Portugal, Ltd.	UK	Marketing of oil products	FC	100,00	100,00	1	1
TNO (Tafnefteotdacha)	Russia	Exploration and production of hydrocarbons	PC	34,30	99,54	110	-
Tocardo International, B.V. [5]	Netherlands	Other activities	EM	20,34	20,34	1	-
Transierra, S.A.	Bolivia	Transportation of oil and gas including the construction and operation of gas and oil pipelines.	EM	21,77	44,50	292	67
Transportadora de Gas de Perú, S.A.	Peru	Gas supply and/or logistics	EM	10,00	22,38	178	80
Transportadora Sulbrasileira de Gas, S.A.	Brazil	Construction and operation of gas pipeline	PC	25,00	25,00	10	10
Tucunaré Empreendimentos e Participaçoes, Ltda.	Brazil	Support services and administrative infrastructure	FC	100,00	100,00	6	6
Vía Red Hostelería y Distribución, S.L.	Spain	Gas supply and transportation	FC	100,00	100,00	1	1
Windplus, S.A.	Portugal	Development of windfloat technology for generation of floating offshore wind energy	PC	23,73	70,62	11	-
YPFB Andina, S.A. [6]	Bolivia	Exploration and production of hydrocarbons	PC	48,92	48,92	1.023	146
Zhambai Limited Liability Partnership	Kazakhstan	Exploration and production of hydrocarbons	EM	25,00	25,00	(12)	-

(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, 2012), 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 incorporated in the Repsol Group in the year 2013.
(6) Data corresponding to the financial statements closed at March 31, 2013.
(7) 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).
(8) This company has a branch office domiciled in Liberia.
(9) This company owns 100% of Repsol Exploration Services, LTD, a company under liquidation domiciled in the Cayman Islands.
(10) This company is the parent of Hunt Pipeline Development Perú, LP, which in turn owns 100% of Hunt Pipeline Company of Peru, LTD., a company domiciled in the Cayman Islands

APPENDIX Ib: MAIN CHANGES IN THE CONSOLIDATION SCOPE FOR THE YEAR ENDED DECEMBER 31, 2013

					31.12.13			31.12.12		
						% of Total Ownership			% of Total Ownership	
Name	**Country**	**Parent Company**	**Concept**	**Date**	**Consolidation method** [3]	**% of Direct Ownership**	**% of control** [4]	**Consolidation method** [3]	**% equity interest**	**% of control** [4]
Eurotek	Russia	AR Oil & Gas BV	Change in consolidation method	ene-13	PC	49,01%	100%	FC	100%	100%
Pacific LNG Bolivia, S.A.	Bolivia	Repsol Bolivia, S.A.	Deconsolidated due to settlement	ene-13	-	-	-	EM	37,50%	37,50%
Tocardo International B.V.	Netherlands	Repsol New Energy Ventures, S.A.	Consolidated due to acquisition	ene-13	EM	20,34%	20,34%	-	-	-
Kuosol Servicios, S.A. de C.V.	Mexico	Kuosol S.A.P.I. de C.V.	Deconsolidated due to absorption	feb-13	-	-	-	PC	49,99%	99,98%
MC ALREP, Llc.	Russia	AR Oil & Gas BV	Consolidated due to acquisition	feb-13	PC	49,01%	100%	-	-	-
Principle Power (Europe), Ltd.	United Kingdom	Principle Power Inc.	Consolidated due to acquisition	mar-13	PC	100%	33,61%	-	-	-
Principle Power Inc.	U.S.	Repsol New Energy Ventures, S.A.	Consolidated due to acquisition	mar-13	PC	33,61%	33,61%	-	-	-
Principle Power Portugal Unipessoal, Lda.	Portugal	Principle Power Inc.	Consolidated due to acquisition	mar-13	PC	100%	33,61%	-	-	-
Repsol Exploración Gharb, S.A.	Spain	Repsol Exploración, S.A.	Consolidated due to constitution	mar-13	FC	100%	100%	-	-	-
Windplus, S.A.	Portugal	Principle Power Inc.	Transfer and modificación of ownership percentage	abr-13	PC	23,73%	70,62%	PC	30,95%	30,95%
Air Miles España, S.A.	Spain	Repsol Comercial de Productos Petrolíferos, S.A.	Modificación of ownership percentage	jun-13	EM	25,78%	26,67%	EM	21,75%	22,50%
Repsol Exploración Guyana, S.A.	Spain	Repsol Exploración, S.A.	Consolidated due to constitution	jun-13	FC	100%	100%	-	-	-
Algaenergy	Spain	Repsol Nuevas Energías, S.A.	Modificación of ownership percentage	jul-13	PC	20,02%	20,02%	PC	20,01%	20,01%
Repsol Exploración Cendrawasih I, B.V	Netherlands	Repsol Exploración, S.A.	Consolidated due to constitution	jul-13	FC	100%	100%	-	-	-
Repsol Exploración Gorontalo, B.V.	Netherlands	Repsol Exploración, S.A.	Consolidated due to constitution	jul-13	FC	100%	100%	-	-	-
Repsol Exploración Numfor, B.V.	Netherlands	Repsol Exploración, S.A.	Consolidated due to constitution	jul-13	FC	100%	100%	-	-	-
SC Repsol Baicoi SRL	Romania	Repsol Exploración, S.A.	Consolidated due to constitution	jul-13	FC	100%	100%	-	-	-
SC Repsol Pitesti SRL	Romania	Repsol Exploración, S.A.	Consolidated due to constitution	jul-13	FC	100%	100%	-	-	-
SC Repsol Targoviste SRL	Romania	Repsol Exploración, S.A.	Consolidated due to constitution	jul-13	FC	100%	100%	-	-	-
SC Repsol Targu Jiu SRL	Romania	Repsol Exploración, S.A.	Consolidated due to constitution	jul-13	FC	100%	100%	-	-	-
San Andrés Park S.L	Spain	Repsol Comercial de Productos Petrolíferos, S.A.	Consolidated due to acquisition	sep-13	FC	96,67%	100%	-	-	-
Bahía Bizkaia Electricidad, S.L. [1]	Spain	Repsol, S.A.	Deconsolidated due to disposal	oct-13	-	-	-	PC	25,00%	25,00%
Albatros S.a.R.L.	Luxembourg	Repsol, S.A.	Consolidated due to constitution	nov-13	FC	100%	100%	-	-	-
Atlantic 1 Holdings, Llc. [1]	U.S.	Repsol LNG Port Spain, B.V.	Deconsolidated due to disposal	dic-13	-	-	-	EM	20,00%	20,00%
Atlantic 2/3 Holdings Llc. [1]	U.S.	Repsol LNG Port Spain, B.V.	Deconsolidated due to disposal	dic-13	-	-	-	PC	25,00%	25,00%
Atlantic 4 Holdings Llc. [1]	U.S.	Repsol LNG Port of Spain, B.V.	Deconsolidated due to disposal	dic-13	-	-	-	EM	22.22%	22.22%
Atlantic LNG 2/3 Company of Trinidad&Tobago, Unlimited [1]	Trinidad & Tobago	Atlantic 2/3 Holdings Llc.	Deconsolidated due to disposal	dic-13	-	-	-	PC	25,00%	100%
Atlantic LNG 4 Company of Trinidad&Tobago, Unlimited [1]	Trinidad & Tobago	Atlantic 4 Holdings Llc.	Deconsolidated due to disposal	dic-13	-	-	-	EM	22.22%	100%
Atlantic LNG Co. of Trinidad&Tobago [1]	Trinidad & Tobago	Atlantic 1 Holdings, Llc.	Deconsolidated due to disposal	dic-13	-	-	-	EM	20,00%	100%
LNG Shipping operation services netherlands B.V. [1]	Netherlands	Repsol Exploración, S.A.	Deconsolidated due to disposal	dic-13	-	-	-	FC	100%	100%
Netherlands ALNG Holding Company B.V. [1]	Netherlands	Repsol International Finance, B.V.	Deconsolidated due to disposal	dic-13	-	-	-	FC	100%	100%
Perú LNG Company Llc. [1]	U.S.	LNG Shipping Operation Services Netherland, B.V.	Deconsolidated due to disposal	dic-13	-	-	-	EM	20,00%	20,00%
Perú LNG, S.R.L. [1]	Peru	Perú LNG Company, Llc.	Deconsolidated due to disposal	dic-13	-	-	-	EM	20,00%	20,00%
Repsol - Gas Natural LNG, S.L.	Spain	Gas Natural SDG, S.A.	Deconsolidated due to disposal	dic-13	-	-	-	PC	65,00%	100%
Repsol LNG Port of Spain, B.V. [1]	Netherlands	Netherlands ALNG Holding Company, B.V.	Deconsolidated due to disposal	dic-13	-	-	-	FC	100%	100%
Repsol LNG T&T, Ltd. [1]	Trinidad & Tobago	Repsol LNG Port Spain, B.V.	Deconsolidated due to disposal	dic-13	-	-	-	FC	100%	100%
Sociedades del Grupo Gas Natural (varias) [2]		**Gas Natural SDG, S.A.**								

(1) Companies forming part of the scope of the sale to Shell of the Group's LNG assets and businesses. Bahía Bizkaia Electricidad, S.L. was ultimately sold to BP (Note 31)
(2) The consolidation scope of the Gas Natural Fenosa group changed in 2013, with new companies consolidated, others deconsolidated and increases and decreases in existing shareholdings; none of these changes has a significant impact on the Group’s financial statements.
(3) Consolidation Method:
F.C. Full consolidation
P.C. Proportionate Consolidation
E.M. Equity Method
(4) Percentage corresponding to the Parent Company's ownership in the subsidiairy.

APPENDIX ib: MAIN CHANGES IN THE CONSOLIDATION SCOPE FOR THE YEAR ENDED DECEMBER 31, 2012

					12.31.12			12.31.11		
						% of Total Ownership			% of Total Ownership	
Name	Country	Parent Company	Concept	Date	Consolidation Method (4)	% of Direct Ownership	% of Control (5)	Consolidation Method (4)	% of Direct Ownership	% of Control (5)
YPF S.A. (1)	Argentine	Repsol, S.A.	Deconsolidated due to expropriation	apr-12	(1)	(1)	(1)	F.C.	57,43	57,43
A&C Pipeline Holding	Argentine	YPF S.A.	Deconsolidated due to expropriation	apr-12				E.M.	20,67	36,00
A-Evangelista Construçoes e Servicios, Ltda.	Brazil	A-Evangelista, S.A.	Deconsolidated due to expropriation	apr-12				F.C.	57,43	100,00
A-Evangelista, S.A.	Argentine	YPF S.A.	Deconsolidated due to expropriation	apr-12				F.C.	57,43	100,00
Central Dock Sud, S.A.	Argentine	Inversora Dock Sud, S.A.	Deconsolidated due to expropriation	apr-12				E.M.	24,86	86,15
CLH Holdings Inc	Argentine	YPF Holdings Inc.	Deconsolidated due to expropriation	apr-12				F.C.	57,43	100,00
Compañía Mega, S.A.	Argentine	YPF S.A.	Deconsolidated due to expropriation	apr-12				P.C.	21,82	38,00
Gas Argentino, S.A.	Argentine	YPF Inversora Energética, S.A.	Deconsolidated due to expropriation	apr-12				E.M.	26,03	45,33
Gasoducto del Pacífico (Argentina), S.A.	Argentine	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.	Argentine	A-Evangelista, S.A.	Deconsolidated due to expropriation	apr-12				E.M.	9,57	16,66
Gateway Coal Company	Argentine	Maxus Energy Corporation	Deconsolidated due to expropriation	apr-12				F.C.	57,43	100,00
Inversora Dock Sud, S.A.	Argentine	YPF S.A.	Deconsolidated due to expropriation	apr-12				E.M.	24,61	42,86
Maxus (US) Exploration Company	Argentine	Maxus Energy Corporation	Deconsolidated due to expropriation	apr-12				F.C.	57,43	100,00
Maxus Energy Corporation	Argentine	YPF Holdings Inc.	Deconsolidated due to expropriation	apr-12				F.C.	57,43	100,00
YPF Guyana	Argentine	YPF International, S.A.	Deconsolidated due to expropriation	apr-12				F.C.	57,43	100,00
Maxus International Energy Co	Argentine	Maxus Energy Corporation	Deconsolidated due to expropriation	apr-12				F.C.	57,43	100,00
Metrogás, S.A.	Argentine	Gas Argentino, S.A.	Deconsolidated due to expropriation	apr-12				E.M.	18,22	70,00
Oiltanking Ebytem, S.A	Argentine	YPF S.A.	Deconsolidated due to expropriation	apr-12				E.M.	17,23	30,00
Oleoducto Trasandino Argentina, S.A.	Argentine	A & C Pipeline Holding	Deconsolidated due to expropriation	apr-12				E.M.	20,98	100,00
Oleoductos del Valle, S.A.	Argentine	YPF S.A.	Deconsolidated due to expropriation	apr-12				E.M.	21,25	37,00
Operadora de Estaciones de Servicio S.A.	Argentine	YPF S.A.	Deconsolidated due to expropriation	apr-12				F.C.	57,43	99,85
Pluspetrol Energy, S.A.	Argentine	YPF S.A.	Deconsolidated due to expropriation	apr-12				P.C.	25,84	45,00
Poligás Luján, S.A.	Argentine	YPF S.A.	Deconsolidated due to expropriation	apr-12				F.C.	29,00	50,49
Profertil, S.A.	Argentine	YPF S.A.	Deconsolidated due to expropriation	apr-12				P.C.	28,72	50,00
Refinerias del Norte, S.A.	Argentine	YPF S.A.	Deconsolidated due to expropriation	apr-12				P.C.	28,72	50,00
Terminales Marítimas Patagónicas, S.A.	Argentine	YPF S.A.	Deconsolidated due to expropriation	apr-12				E.M.	19,04	33,15
Tierra Solutions Inc.	Argentine	CLH Holdings Inc.	Deconsolidated due to expropriation	apr-12				F.C.	57,43	100,00
YPF Ecuador Inc. (Sucursal Ecuador)	Argentine	YPF International, S.A.	Deconsolidated due to expropriation	apr-12				F.C.	57,43	100,00
YPF Holdings Inc.	Argentine	YPF S.A.	Deconsolidated due to expropriation	apr-12				F.C.	57,43	100,00
YPF International, S.A.	Argentine	YPF S.A.	Deconsolidated due to expropriation	apr-12				F.C.	57,43	100,00
YPF Inversora Energética, S.A.	Argentine	YPF S.A.	Deconsolidated due to expropriation	apr-12				F.C.	57,43	100,00
AESA Perú, S.A.C	Argentine	A-Evangelista, S.A.	Deconsolidated due to expropriation	apr-12				F.C.	57,43	100,00
YPF Services USA Corporation	Argentine	YPF S.A.	Deconsolidated due to expropriation	apr-12				F.C.	57,43	100,00
YPF Servicios Petroleros, S.A	Argentine	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	Argentine	YPF S.A.	Deconsolidated due to expropriation	apr-12				F.C.	57,43	100,00
Civeny, S.A.	Argentine	YPF S.A.	Deconsolidated due to expropriation	apr-12				P.C.	22,97	40,00
Bizoy, S.A.	Argentine	YPF S.A.	Deconsolidated due to expropriation	apr-12				P.C.	22,97	40,00
Eleran Inversiones 2011. S.A	Argentine	YPF S.A.	Deconsolidated due to expropriation	apr-12				F.C.	57,43	100,00
YPF Chile, S.A.	Argentine	Eleran Inversiones 2011. S.A	Deconsolidated due to expropriation	apr-12				F.C.	100,00	100,00
A-Evangelista ingenieria y construcciones Bolivia S.A	Argentine	A-Evangelista, S.A.	Deconsolidated due to expropriation	apr-12				F.C.	99,99	99,99
YPF Gas, S.A. (2)	Argentine	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.	Argentine	YPF Gas S.A.	Deconsolidated due to expropriation	apr-12				F.C.	52,70	62,00
Gas Austral, S.A.	Argentine	YPF Gas S.A.	Deconsolidated due to expropriation	apr-12				E.M.	42,50	50,00
Mejorgas, S.A.	Argentine	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 BV	Holland	Repsol Exploración, S.A.	Consolidated due to acquisition	aug-12	P.C.	49,01	49,01			
Amodaimi Oil Company Ltd	Ecuador	Repsol 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			
Sksol 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 BV	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 expropiation 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 expropiation 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 subsidiairy.

APPENDIX II: Assets and Jointly Controlled Operations for the year ended December 31, 2013

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
Reggane	26,25%	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
Planta de Compresión de Gas Rio Grande [2]	50,00%	YPFB Andina S.A.	Exploration, development and production
Block Charagua	30,00%	Repsol E&P Bolivia S.A.	Exploration
Block Caipipendi	37,50%	Repsol E&P Bolivia S.A.	Exploration, development and production
Block Monteagudo	30,00%	Repsol 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-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
Bulgaria			
Han Asparuh	30,00%	OMV Offshore	Exploration
Canadá			
Canaport LNG Limited Partnership	75,00%	Repsol Canadá Ltd	LNG Regasification
Colombia			
Cravo Norte [4]	22,50%	OXYCOL	Production
Cosecha [4]	70,00%	OXYCOL	Production
Chipirón [4]	35,00%	OXYCOL	Production
Rondon [4]	35,00%	OXYCOL	Production
Capachos	50,00%	Repsol Exploración Colombia Sucursal	Abandoned
El Queso	50,00%	Repsol Exploración Colombia Sucursal	Abandoned
Guajira OFF-1	50,00%	Repsol Exploración Colombia Sucursal	Exploration
Cebucan	20,00%	PETROBRAS	Exploration
Catleya	50,00%	ECOPETROL	Exploration
Tayrona	30,00%	PETROBRAS	Exploration
RC11	50,00%	Repsol Exploración Colombia Sucursal	Exploration
RC12	50,00%	Repsol Exploración Colombia Sucursal	Exploration
Guadual	20,00%	PETROBRAS	Abandoned
Orquidea	40,00%	HOCOL	Abandoned
Cuba			
Block 25-29 y 35*36	40,00%	Repsol YPF Cuba S.A	Exploration
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.	Producción
Bezana Bigüenzo [6]	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 [6]	100,00%	Repsol Investigaciones Petrolíferas S.A.	Production
Comunidad de bienes Central Nuclear de Almaraz, Grupo I y II [5]	11,30%	Iberdrola, Endesa, Hidrocantábrico	Generation of electricity
Comunidad de bienes Central Nuclear de Trillo, Grupo I [5]	34,50%	Iberdrola, Endesa, Hidrocantábrico	Generation of electricity
Comunidad de bienes Central Térmica de Aceca [5]	50,00%	Iberdrola	Generation of electricity
Comunidad de bienes Central Térmica de Anllares [5]	66,70%	Endesa Generación S.A.	Generation of electricity
Fulmar	84,23%	Repsol Investigaciones Petrolíferas S.A.	Exploration
Gaviota I y II	82,00%	Repsol Investigaciones Petrolíferas S.A.	Exploration
Montanazo [6]	92,10%	Repsol Investigaciones Petrolíferas	Production
Morcín – 1 [5]	20,00%	Petroleum Oil & Gas España S.A.	Exploration
Rodaballo [6]	73,42%	Repsol Investigaciones Petrolíferas S.A.	Exploration and production
Rodaballo Concesión	65,42%	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
Indonesia			
Seram PSC	45,00%	Black Gold Indonesia LLC	Exploration and production
East Bula PSC	45,00%	Black Gold East Bula LLC	Exploration and production
Cendrawasih Bay II	50,00%	Repsol Exploracion 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
Cendrawasih I bay block	30,00%	Black Gold Cendrawasih L.L.C.	Exploration
Iraq			
Piramagrun and Qala Dze Blocks	50,00%	Repsol Exploración S.A. (sucursal Portugal)	Exploration and production
Ireland			
Dunquin	25,00%	Exxon	Exploration
Newgrange	40,00%	Repsol Exploración Irlanda SA	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
Libya			
Epsa IV NC115	25,20%	Akakus Oil Operations	Exploración y Producción
Epsa IV NC186	19,84%	Akakus Oil Operations	Exploración y Producción
Epsa IV NC115 Exploración	40,00%	Repsol Exploracion Murzuq. S.A.	Exploración y Producción
Epsa IV NC186 Exploración	32,00%	Repsol Exploracion Murzuq. S.A.	Exploración y Producción
Pack 1	60,00%	Repsol Exploracion Murzuq. S.A.	Exploración y Producción
Pack 3	35,00%	GDF	Exploración y Producción
Area 137	50,00%	Sancor	Exploración y Producción
Morocco			
Tánger Larrache (6)	88,00%	Repsol Exploración Marruecos S.A.	Exploration
Mauritania			
TA09	70,00%	Repsol Exploración S.A.	Exploration
TA10	70,00%	Repsol Exploración S.A.	Exploration
Namibia			
Block 10	44,00%	Repsol Exploration Namibia PTY Ltd.	Exploration
Norway			
Licence PL512	25,00%	Det Norske	Exploration
Licence PL541	35,00%	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 Rurhgas	Exploration
Licence PL658	50,00%	Dong	Exploration
Licence PL692	40,00%	Repsol Exploration Norge	Exploration
Licence PL705	40,00%	Repsol Exploration Norge	Exploration
Licence PL711	40,00%	Repsol Exploration Norge	Exploration
Licence PL704	30,00%	E.ON Rurhgas	Exploration
Licence PL721	20,00%	RWE Dea Norge	Exploration
Omán			
Zad-2	50,00%	RAK Petroleum	Exploration
Perú			
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 109	70,00%	Repsol Exploración Perú Sucursal del Perú	Exploration of Hydrocarbons
Batch 101	30,00%	Talisman Petrolera del Perú LLC Sucursal del Perú	Exploration of Hydrocarbons (abandoned)
Portugal			
Lagosta	90,00%	Repsol Exploración S.A. (sucursal Portugal)	Exploration
Lagostim	90,00%	Repsol Exploración S.A. (sucursal Portugal)	Exploration
Ostra	65,00%	Repsol Exploración S.A. (sucursal Portugal)	Exploration
Mexilhão	65,00%	Repsol Exploración S.A. (sucursal Portugal)	Exploration
Ameijoa	65,00%	Repsol Exploración S.A. (sucursal Portugal)	Exploration
Camarão	65,00%	Repsol Exploración S.A. (sucursal Portugal)	Exploration
Licence	70,00%	Repsol Exploración S.A. (sucursal Portugal)	Exploration
Romania			
Block 13 Targu Jiu	49,00%	OMV Petrom	Exploration
Block 5 Baicoi	49,00%	OMV Petrom	Exploration
Block 6 Targoviste	49,00%	OMV Petrom	Exploration
Block 12 Pitesti	49,00%	OMV Petrom	Exploration
Sierra Leone			
SL6	25,00%	Anadarko S.L.	Exploration
SL7	25,00%	Anadarko S.L.	Exploration
Trinidad			
Block 5B	30,00%	BP	Exploration
Venezuela			
Yucal Placer	15,00%	Ypergas	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 the 48.92%.
(3) Activities or assets operated through Repsol Sinopec Brasil, S.A., joint control company with a participation of the 60%.
(4) Activities or assets operated through Occidente de Colombia L.L.C., joint control company with a participation of the 25%.
(5) Activities or assets operated through Gas Natural SDG S.A., joint control company with a participation of the 30.001%.
(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 the 30.001%.

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
Argelia			
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 L.L.C	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 L.L.C	Production
Chipirón	35,00%	Occidental de Colombia L.L.C	Production
Rondon	25,00%	Occidental de Colombia L.L.C	Production
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 (6)	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 (6)	100,00%	Repsol Investigaciones Petrolíferas, S.A.	Production
Comunidad de bienes Central Nuclear de Almaraz, Grupo I y II (5)	11,30%	Iberdrola, Endesa, Hidrocantábrico	Generation of electricity
Comunidad de bienes Central Nuclear de Trillo, Grupo I (5)	34,50%	Iberdrola, Endesa, Hidrocantábrico	Generation of electricity
Comunidad de bienes Central Térmica de Aceca (5)	50,00%	Iberdrola	Generation of electricity
Comunidad de bienes Central Térmica de Anllares (5)	66,70%	Endesa Generación, S.A.	Generation of electricity
Fulmar	84,23%	Repsol Investigaciones Petrolíferas, S.A.	Exploration
Gaviota I y II	82,00%	Repsol Investigaciones Petrolíferas, S.A.	Exploration
Montanazo (6)	92,10%	Repsol Investigaciones Petrolíferas, S.A.	Production
Morcín – 1 (5)	20,00%	Petroleum Oil & Gas España, S.A.	Exploration
Rodaballo (6)	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 SA	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 BV	Exploration

Block 17	52,38%	Repsol Exploración Liberia BV	Exploration
Libya			
Epsa IV NC115	25,20%	Akakus Oil Operations	Exploration and production
EPSA IV NC186	19,84%	Akakus 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
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 Rurhgas	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
Bacth 39	55,00%	Repsol Exploración Perú Sucursal del Perú	Exploration of Hydrocarbons
Bacth 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 the 48.92%.
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(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 the 30.01%.

APPENDIX III: REGULATORY FRAMEWORK

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

Spain

Spain currently has a legislation which implements a liberalization of the Oil Industry, an example of which is the Hydrocarbons Sector Law 34/1998 of October 7, which has been amended by several legislative acts, including the Law 12/2007 of July 2, and implemented through numerous royal decrees and ministerial orders. This Law establishes the criteria for allocating competencies among the Spanish Government and Regional Administrations.

Law 2/2011, of March 4, on Sustainable Economy, modified the Hydrocarbons Sector Law, establishing 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.

On June 5, 2013 the Official State Gazette (BOE – "Boletin Oficial del Estado," in Spanish) published Law 3/2013 of June 4, regarding the creation of the National Markets and Competition Commission (CNMC – "Comisión Nacional de los Mercados y la Competencia," in Spanish) as an overseeing body, charged with the specific duties and tasks relating to supervision and control of regulated markets, which were previously supervised by various National Commissions, amongst them the National Energy Commission and the National Competition Commission.

The aforementioned Law 3/2013, which created the CNMC, substantially modifies the regime controlling corporate transactions in the energy sector. The control function had formerly been part of what was known as the CNE's public duty no. 14 ("Duty 14"). Law/2013 repeals this duty and assigns it to the Ministry of Industry Energy and Tourism (hereinafter, "Minetur"). The new law devises a new ex post regime with respect to certain transactions by either requiring the buyer to notify Minetur of the execution of certain transactions or by means of the ministry's power to impose conditions on the business operations of the companies acquired, in so far as energy supply in Spain is deemed threatened.

A novelty of this new control regime is the assimilation of the liquid hydrocarbons sector with the sectors that previously already fell under a control regime (electricity and gas). Where the liquid hydrocarbons sector is concerned, its scope encompasses companies that pursue refining activities, pipeline transportation, and storage of petroleum products (related activities), or companies that hold title to said assets. Such assets acquire the condition of strategic assets.

This control regime shall extend to both: (i) active transactions, in which the active subject of the transaction (the acquirer) is an entity from the above-listed energy sectors that is regulated directly or by assimilation, insofar as the transaction has a relevant impact or significant influence on the development of the business activities of the company notifying the transaction; and (ii) passive transactions, transactions in which the object or acquiree is an energy company that is regulated directly or by assimilation insofar as the transaction in question delivers "significant influence" over the acquiree's management.

Within the sector's regulation, the figures of 'principal operators' and 'dominant operators' are significant. Under Royal Decree-Law 5/2005, of March 11, the CNE is obliged to publish not only the list of principal operators but also the dominant operators in each market or sector. This duty has since been vested in the newly-created CNMC.

Dominant operators are defined as those commanding a share of more than 10% of the corresponding benchmark market. A principal operator, on the other hand, is the operator ranked among the top five players by market share in the following markets or sectors. Designation as a dominant operator, as far as prevailing legislation is concerned, implies certain regulatory restrictions in the Electricity Sector.

As for the principal operators, Article 34 of Royal Decree-Law 6/2000, of June 23, establishes a series of limitations related to the acquisition of voting rights in the equity of companies qualifying as principal operators and serving on their boards of directors. Specifically, it stipulates that any natural or legal person holding an equity interest of 3% or more in two or more companies that qualify as principal operators in a given market may not exercise the voting rights corresponding to their equity interests in excess of this threshold at more than one company. Nor may such persons appoint, directly or indirectly, members of the board of directors of another principal operator.

Liquid hydrocarbons, oil, and petroleum derivatives

Hydrocarbon deposits and underground storage existing on Spanish territory and in the territorial marine subsoil and ocean bottoms which are under Spanish sovereignty are considered public properties.

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.

A concession for exploiting hydrocarbon reserves grants the owners exclusive exploration rights 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 authorizations, permits, and/or concessions. Law 25/2009, of December 22, 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 a notification prior to commencing 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.

No physical or legal person may hold, directly or indirectly, ownership of more than 25% of the capital stock of CLH. The aggregate ownership interest in CLH of entities with refining capacity in Spain may not exceed 45% of CLH’s capital.

Law 11/2013 of July 26, regarding measures to support entrepreneurs and to stimulate growth and job creation, introduces a number of measures in the wholesale and retail markets for petroleum products intended to increase effective competition in the sector.

In the retail side of the business, Law 11/2013 introduces certain changes to exclusive supply

agreements for the distribution of vehicle fuel. Specifically, the term of these agreements is now limited to one year (from five years previously); they can be automatically rolled over for additional one-year periods, for a maximum of three years, if and only if the distributor so desires. The new legislation similarly bans clauses that set, recommend or influence, directly or indirectly, the price at which fuel is sold to the public.

The new law grants a one-year period in which to adapt prevailing contracts to the foregoing. Under a carve-out, these modifications do not apply, however, to operator-owned service stations or to service stations with lease and limited rights in-rem agreements in favour of the supplier insofar as the duration of the exclusive supply agreements is not longer than the duration of the former.

Lastly, Law 11/2013 limits the growth in the number of fuel supply facilities of wholesalers with provincial markets shares, measured by number of points of sale, of over 30%.

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.

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. 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 Minetur. 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. 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%.

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, introduces the concept of separation of

ownership of assets, which is 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 implements 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 stock for security

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 obligation to maintain minimum stocks of oil and gas products for security reasons, excluding LPG, currently requires storing at all times an amount equivalent to 92 days of sales based on the sales during the previous 12 months. Repsol was obliged to 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.

Royal Decree-Law 15/2013, of December 13, introduces an amendment to the Hydrocarbon Sector Act, Law 34/1998, of October 7, bringing Spanish legislation into line with Council Directive 2009/119/EC of September 14, 2009. It also provides that, via regulation, administrative procedures and obligations needed to ensure, on an ongoing basis, a minimum safety buffer equivalent, at least, to the higher of the volume corresponding to 90 days of average net daily imports and sixty-one days of average internal daily consumption corresponding to the year of reference and measured in oil equivalent.

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.

Electricity sector regulation in Spain

Deregulation of the Spanish electricity sector began in 1997 with the passage of Law 54/1997, of November 27, the Electricity Sector Act, which is implemented in Spanish Law Directive 96/92/EC concerning common rules for the internal market in electricity, as fleshed out by enacting regulations. The Electricity Sector Act was amended by Law 17/2007, of July 4, and more recently overhauled by the new Electricity Sector Act, Law 24/2013, of December 26 (the "New Electricity Sector Act"). The New Electricity Sector Act took effect on December 28, 2013.

Although the new sector Act contains many new provisions, the electricity system it regulates is broadly similar, insofar as generation and supply activities continue to be deregulated, competitive businesses, while transmission, distribution and the system's technical and financial management remain regulated activities. Power supply, for its part, is classified as a service of general economic interest.

More specifically, the commercialization business is based on the principles of the freedom of contract and choice of supplier by the end customer. As a deregulated activity, the commercialization of electricity is remunerated at amounts freely agreed among the parties. Power transmission and distribution and technical and economic system management continue to qualify as regulated activities insofar as pursuit thereof is subject to specific obligations and requires authorization from the authorities, while remuneration is regulated.

As regards power generation, the new Act eliminates the distinction between 'ordinary' and

‘special’ (*aka* renewable-CHP) regime generation. All electricity production facilities are now regulated as a whole, with certain idiosyncratic provisions for renewable facilities.

The electricity system has not been self-sufficient for several years; this phenomenon has given rise to an annual tariff deficit that has had to be financed by the sector players. Against this backdrop, Royal Decree-Law 6/2009, of April 30, established a series of measures designed to address the tariff deficit by creating a state-guaranteed securitization fund and introducing price reductions for household consumers meeting certain requirements in respect of consumption and purchasing power to be financed by the generators. However, these measures, intended to reduce and even eliminate the tariff deficit, failed, so that the deficit has increased in the meantime. The New Electricity Sector Act attempts to address this situation and provide the regulatory stability the sector needs, articulated around the principle of the economic and financial sustainability of the electricity system.

The System Operator in Spain is Red Eléctrica de España, S.A. (REE). REE’s key function is to guarantee electricity supply continuity and safety as well as the correct coordination of the generation and transmission system. Spanish Law 17/2007 generally caps interests in REE at 3% of share capital or voting; this limit falls to 1% in the case of parties engaged in electricity sector business activities. Moreover, the aggregate interests held by shareholders engaged in electricity sector business activities may not exceed 40%.

In recent years, the Spanish government has passed a series of laws with the aim of modifying and reducing the premium remuneration awarded to certain classes of power generation assets.

Spanish Royal Decree Law 1/2012, of January 27, 2012, eliminates the financial incentives for new generation plants under the special regime and for ordinary regime plants using technology akin to the technologies governed by the special regime.

By virtue of the New Electricity Sector Act, the Spanish government, at the recommendation of the Ministry for Industry, Energy, and Tourism, is set to pass legislation to regulate the legal and financial regime governing facilities that generate electricity using renewable energy sources, co-generation and waste that are entitled to a premium payment at the time this new piece of legislation comes into effect. This new regime will affect the Repsol Group’s co-generation facilities, part of the now defunct ‘special’ regime and those that were entitled to premiums under the ordinary regime by virtue of using analogous special regime technology. The new regime will be based on the necessary participation of these facilities in the grid, topping up market-driven revenue with a specific regulated payment designed to enable them to compete on an even footing with the rest of the technologies in the marketplace, compensating owners for the costs that, unlike conventional generation technologies, cannot be recouped in the market, all with a view to enabling them to earn an adequate return on their investment by means of metrics tailored for the various standard facilities.

Bolivia

Bolivia’s New Constitution took effect on February 7, 2009. It affected several aspects of the oil and gas sector, notably among which the designation of hydrocarbons as the inalienable and imprescriptible property of the Bolivian people, so that title to Bolivia's natural resources cannot be listed on securities markets or used to secure or securitize financial transactions. In addition, the New Constitution makes state-owned Bolivian company Yacimientos Petrolíferos Fiscales Bolivianos (YPFB) solely responsible for controlling and managing the hydrocarbon production chain and the sale of these products, stipulating that it may not transfer its rights or obligations in any way but empowering it to enter into service agreements with public, mixed-ownership or private companies, whether Bolivian or foreign, engaging such companies to perform certain production chain activities on its behalf in exchange for remuneration or payment for their services.

YPFB may also form associations or mixed-ownership enterprises to carry out oil and gas related business activities, but must retain at least 51% of these companies' share capital.

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.

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.

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; 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 to 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 by 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 and (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 and (2) Export Market.

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 and 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: (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 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; the exploration stage may last between three to eight years, and the production phase may last twenty-seven years ,commencing on the date commercial viability is declared (and can be extended by obtaining ANP authorization).

The main rights of the concessionaries 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.

The production allocation regime for pre-salt areas for which concessions have not yet been awarded and areas of strategic potential, to be defined by the executive branch, was introduced in 2010 under Brazilian Law 12,351/10. The aforementioned piece of legislation further establishes that:

- The exploration and production in areas contemplated in the above regimes (production allocation) 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, Empresa Brasileira de Administração de Petróleo e Gás Natural S.A. – Pré-Sal Petróleo S.A. (PPSA), created by virtue of Law 12,304 in 2010 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, evaluation, 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-mentioned stages (known as oil cost), and will also be entitled to the final production minus the cost of crude, royalties, and the participation of the Federal Government in the production (known as crude oil surplus);
- 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 compensation, the distribution regime of the production foresees the payment by the successful bidders in the form of: (i) royalties, and (ii) signature bonuses.

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.

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.

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 under which the contractor is obliged to perform, using its own financial resources, oil and gas exploration and exploitation services in the indicated areas, investing the capital and using the equipment and technology needed 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.

Repsol Ecuador, S.A. (Ecuador Branch), as the contractor and operator of Block 16, entered 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.

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.

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.

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 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), 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 created PERUPETRO 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.

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 specifically established 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. Law No. 29552 made this Fund a permanent mechanism.

Law No. 28694 also regulated the sulphur content of diesel fuel, stipulating that from January 1, 2010 it is forbidden to sell diesel for domestic use with a sulphur content of over 50ppm, further banning the import of Diesel No. 1 and Diesel No. 2 fuel with a sulphur content of over 2500 ppm. This Law empowered the Ministry for Energy and Mining to establish, exceptionally, geographic regions in the interior of the country in which the sale of diesel with a higher sulphur content is permitted.

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 liquid hydrocarbons, as well as on the supply of such products. The FISE sets up a Social Compensation and Universal Service scheme focused on the more vulnerable members of society. This fund is to be remunerated by a series of surcharges levied on: i) deregulated users of interconnected electricity systems; ii) the supply of liquid products deriving from hydrocarbons and liquid natural gas, by levying every primary sale made by Producers and Importers, to be passed on to liquid hydrocarbons end prices; and iii) the monthly invoicing of tariff charges levied on users of the system for transporting natural gas by pipeline or 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 OEFA (acronym in Spanish for the Environmental Assessment and Taxation Body) is the technical institution devoted to ensuring compliance with the standards, obligations and incentives laid down in prevailing environmental regulations.

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).

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.

Exploration and Production

The performance of the activities relating to exploration for hydrocarbon fields, the extraction of hydrocarbons in their natural form, and their collection, transportation and initial storage 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 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 commercialization activities 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.

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 gases.

Activities to be carried out by private national or foreign bodies, with or without state ownership, does 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.
Other provisions

Another regulatory milestone worth mentioning was the passage on November 19, 2013 of a Law authorizing the President of the Republic to issue Presidential Decrees in Parliament in the areas of anti-corruption and defense of the economy. This delegation of powers will take effect 12 months from when the Law is published in the Official Journal.

Argentina

The Repsol Group's activities that were carried out in Argentina 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 (see Note 4, section 4.1, "*YPF and YPF Gas Intervention Decree and Expropriation Law*").

For this reason, the description of the Argentine regulatory regime is limited to that provided in Note 4.1 in the context of the legal framework used to carry out the expropriation. In this section a fuller description of the regulatory environment affecting the activities carried out by YPF and its investees in Argentina not provided since, although the Repsol Group continues to hold title to its interest in the shares of YPF and YPF Gas that are subject to expropriation, for all intents and purposes the expropriation process has had the practical effect of depriving Repsol of effective management of these companies.

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 among others, 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.

APPENDIX IV. 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.

Shares: 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

Shares: Gas Natural SDG, S.A.: 113,655 shares

Mr. Manuel Manrique Cecilia

Positions: Director of Valoriza Gestión, Inc.

Mr. José Manuel Loureda Mantiñán

Positions: President of Valoriza Gestión, Inc.

Mr. Juan María Nin Génova

Positions: Director of Gas Natural SDG, S.A.

Shares held by related parties: 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.

Shares: Gas Natural SDG, S.A.: 18,156 shares

Shares held by related parties: Gas Natural SDG, S.A.: 998 shares

Iberdrola, S.A.: 383 shares

CONSOLIDATED MANAGEMENT REPORT
For the financial year 2013

Repsol, S.A. and Investees comprising the Repsol Group

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

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

REPSOL, S.A. AND INVESTEES COMPRISING THE REPSOL GROUP

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1. MAIN EVENTS OF THE YEAR

In 2013, the recurring adjusted [(1)] CCS net income, i.e. the net income for the financial year, not including atypical results and taking into account replacement costs of crude oil and products, was €1,823 million, 6.7% less than in 2012. The new production from the key *Upstream* projects and the higher margins and volumes from the LNG business helped compensate for lower profits due to production interruptions in Libya and lower refining and petrochemical margins, all in a complex macro-economic environment marked by the slowdown in the pace of global growth, associated with the deceleration of emerging economies.

In the *Upstream* business, net production in 2013 was 346 kboe/d, 4% higher than 2012. Three new projects included in the company's growth strategy began producing: Sapinhoá, Brazil, in block BM-S-9, which started commercial production in January and reached total output of 30,000 barrels of oil a day throughout the year; Syskonsininskoye (SK), in Russia, where gas production began in February and had reached 1.7 million cubic metres per day at the end of the year, and; Phase II of the Margarita-Huacaya field in Bolivia, which increased its gas production to 15 million cubic metres per day. These projects add to those which began producing in 2012 in Spain (Lubina and Montanazo), the USA (Mississippian Lime), Russia (AROG) and Bolivia (Phase I of Margarita). Development continued in the remaining strategic projects, where the Declaration of Commerciality (DoC) for the Carioca field in block BM-S-9 in Brazil was especially significant. The production added by new projects, together with an improved performance from the Trinidad and Tobago fields, allowed for an increase in output in 2013, despite the interruption of operations in Libya for more than three months due to conflicts and security problems in the country.

The proven reserves replacement ratio (RRR) in 2013 was 275%, which was a new organic record high for Repsol and the highest in the industry worldwide. By the end of the year, proven reserves totalled 1,515 million barrels of oil equivalent.

Investment in exploration has also been maintained, thus consolidating the successful trend started in 2005. Eight of the exploratory wells drilled have produced positive results, especially those in Brazil (BM-S-50), Alaska (North Slope), Algeria (SE Illizi) and Russia (Karabahsky-2). To ensure long-term exploration activity, Repsol acquired 65 new exploration blocks that cover a total area of 64,183 km2 (Repsol net 37,194 km2), mainly in the United States (44 blocks) and Norway (6 blocks).

Regarding *Downstream*, Repsol has once again demonstrated the quality of its assets, even more so after the completion of the major refining projects at Cartagena and Petronor, achieving an EBITDA of €863 million and leading its European competitors in integrated Marketing and Refining margins. All this in an environment marked by the continued fall in demand in Europe, particularly in Spain, which has weakened refining and petrochemical margins as well as retail sales.

Contribution of Gas Natural Fenosa's results was in line with the previous year. Lower earnings of the electricity business in Spain due to higher taxes and the new regulations, were offset by higher wholesale gas margins and improved results in Latin America.

The recurring CCS net income translated to a net income of €195 million, since it was impacted by the overall negative effect of certain singular and extraordinary operations, the provisions made and the effect of the valuation at mean cost (MIFO) of crude oil and products, instead of at replacement cost (CCS).

In overall terms, the reduction of €1,628 million between recurring net income (€1,823 million) and net income (€195 million) is explained by the following:

- Negative valuation adjustment of €1,279 million, due to the compensation agreement for the expropriation of 51% of YPF

[(1)] The results and other measures, variables or indicators identified as "adjusted" have been prepared considering that the quantities related to the LNG assets and businesses subject-matter of the sale (see section 5.3) form part of the results of continuing operations. APPENDIX I of this document includes an EU-IFRS compliant breakdown of the adjusted income reconciliation statement explained in this section.

- Negative effect totaling €187 million, associated with the valuation at mean cost (MIFO) of crude oil and products, instead of at replacement cost (CCS).
- Negative adjustment of €162 million, due to other provisions and atypical events, which include the positive net effect of the sale of the major part of the Liquefied Natural Gas (LNG) business and the negative net effect of other provisions and write-offs, the most significant of which were in the chemicals business.

With regards to the expropriated holding in YPF, finally, after the negotiations held since November with the Argentine Government, at the date of the approval of the consolidated financial statements, the Republic of Argentina and Repsol have reached an agreement that recognises a value of $5,000 million as compensation; this will have to be ratified by Repsol's General Shareholders Meeting and the Argentine Congress. At the close of financial year 2013, in view of the ongoing negotiation process, the expropriated shares in YPF, S.A. and YPF Gas, S.A. have been revalued to adjust their value to the expected recoverable value, and this implies recognising a net loss of €1,279 million.

The effect of crude oil and product valuation is the result of the difference between the valuation criterion commonly used for management in industry (CCS: replacement cost) and the accounting criterion accepted under the accounting European framework (MIFO: mean cost). The changes to prices of crude oil and products in 2013 have had a negative impact of €187 million on the net income for the financial year.

With regards to the LNG assets, in February 2013 an agreement was signed to sell LNG assets to Shell that included holdings in liquefaction plants (Atlantic LNG and Peru LNG) and marketing and transportation assets. On 31 December, 2013 the first phase of this was completed, transferring the stake of the liquefaction plants, and on January 1, 2014 the transaction was completed with the transfer of the remaining sold assets (marketing and transportation). Also, in October Repsol's Bahia Bizkaia Electricidad (BBE) stake was sold to BP. These operations have resulted in revenues of around $4,300 million and net capital gains of €1,263 million in 2013 and €328 million in January 2014. As a result of these sales, and by applying maximum financial prudence, Repsol has adjusted in its financial statements the value of the remaining LNG assets, recording a total post-tax provision of €1,105 million.

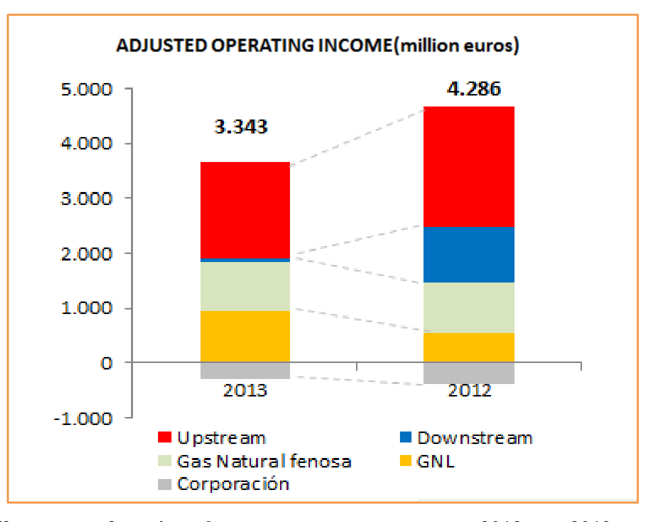
By the end of the year, net debt was €9,655 million, 20.3% lower than the same period of the previous year. Repsol also has a high level of resources available, and these cover 73% of its gross debt.

In the corporate field, underline the sale of treasury shares (5%), as it made it possible to include Temasek, one of the most prestigious investment companies worldwide, into Respol's group of major shareholders, and the voluntary buy back of preference shares in the Group. The company has also been widely recognised for its policy of corporate responsibility and commitment to the wider society, and has held leadership positions in the institutions and bodies of which it is a member.

During the year Repsol's shares gained 19.5%, more than its European peers (10.4%). This increase in the share value allowed Repsol to regain part of the ground lost in 2012, when 51% of YPF was expropriated. Shareholder remuneration continued to be competitive in 2013 with a dividend yield of 6%. Through the "Repsol Flexible Dividend" program, which has been a great success, the company continues to offer its shareholders the choice of receiving payment in new shares or in cash. At the approval of the annual accounts, the Board of Directors will propose another bonus share issue to be charged to the voluntary reserves derived from retained earnings for the approval of the Ordinary General Shareholders Meeting, as part of the "Repsol Flexible Dividend" program, which will be equivalent to shareholder remuneration of around €0.5 per share.

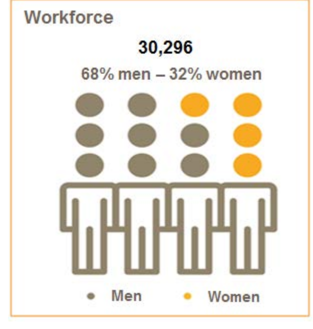
Regarding its commitment to society and its employees, Repsol has invested over €20 million in training, which represents an average 40 hours per employee, reducing the accident frequency rate (0.59 in 2013) and avoiding the emission into the atmosphere of 353,000 tons of CO_2 equivalent.

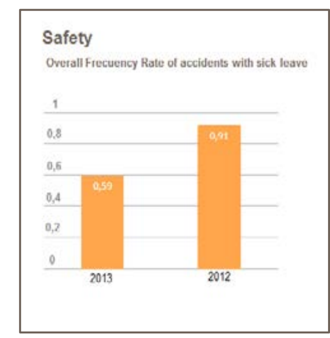
Results, financial overview and shareholder remuneration [1]	2013	2012
Results		
EBITDA* [2]	6,230	6,956
Operating income*	3,343	4,286
Recurring CCS net income	1,823	1,954
Net income	195	2,060
ROACE (%) [2]	6.5	7.8
Financial overview		
Net financial debt	9,655	12,120
EBITDA/ Net financial debt (%)	64.5	57.4
Shareholder remuneration		
Total shareholder remuneration (€)	0.96	1.12



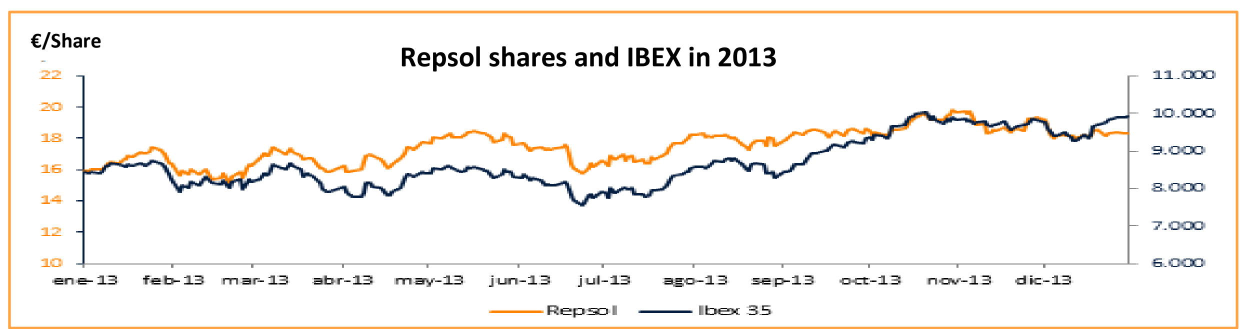
Our business performance [1]	2013	2012
Upstream		
Proven reserves (Mboe)	1,515	1,294
Proven reserves replacement ratio (%)	275	204
Net production of hydrocarbons day (kboe/d)	346	332
Operating income	1,757	2,208
Investments	2,317	2,423
Downstream		
Refining capacity (kbbl/d)	998	998
Conversion index in Spain (%)	63	63
Refining margin indicator in Spain ($/bbl)	3.3	5.3
No. of service stations (controlled + branded)	4,604	4,549
Oil product sales (kt)	43,177	42,744
LPG Sales (kt)	2,464	2,537
Petrochemical product sales (kt)	2,337	2,308
EBITDA	863	1,533
CCS operating income	326	1,012
Operating income	42	1,013
Investments	656	666
LNG		
LNG sold in North America (TBtu)	184	219
Operating income*	959	535
Gas Natural Fenosa		
Operating income [3]	889	920
Investments [3]	444	432

Different ways of creating value	2013	2012
People		
Total employees at 31 December	30,296	29,985
New employees	1,062	1,222
Staff turnover rate (%)	5	7
Hours of training per employee	40	42
Safety and environmental management		
Overall Frequency Rate (IF) of acid. with sick leave	0.59	0.91
Direct CO_2 emissions (million t)	13.41	13.24
Annual emissions reduction (million t)	0.353	0.433
Number of spills	14	29





*Adjusted figures according to chapter *4. Results, financial overview and own shareholder remuneration*.
(1) Where appropriate, figures shown in million euros.
(2) See a definition of these ratios in the section "*Results*", in chapter 4 of the document.
(3) Figures corresponding to Repsol´s interest of 30% in Gas Natural Fenosa.



2. OUR COMPANY

2.1) VISION AND VALUES

We aspire to be a global company that seeks individual welfare and believes in the construction of a better future through the development of intelligent energy. In Repsol, with effort, talent and enthusiasm, we move forward to offer the best energy solutions for society and for the planet. This vision is embodied in five core values for our company:

- *Integrity*

  We look after people's well-being, the company and the environment in which we operate, and we act in accordance with the commitments that we make.

- *Responsibility*

  We achieve our goals taking into account the global impact of our decisions and actions, people, our environment and the planet.

- *Flexibility*

  Actively listening allows us to achieve our goals in a balanced and sustained way.

- *Transparency*

  We work on the basis that all of our actions can be verified and are presented clearly and truthfully. We view information as a company asset that we share to create value.

- *Innovation*

  We believe that the key to our competitiveness and evolution lies in our ability to generate ideas and implement them in an environment of continuous collective collaboration and learning.

2.2) BUSINESS MODEL

Repsol is an integrated energy company with extensive experience in the sector, which carries out activities in more than 40 countries worldwide. Repsol Group´s activities are divided into four business areas:

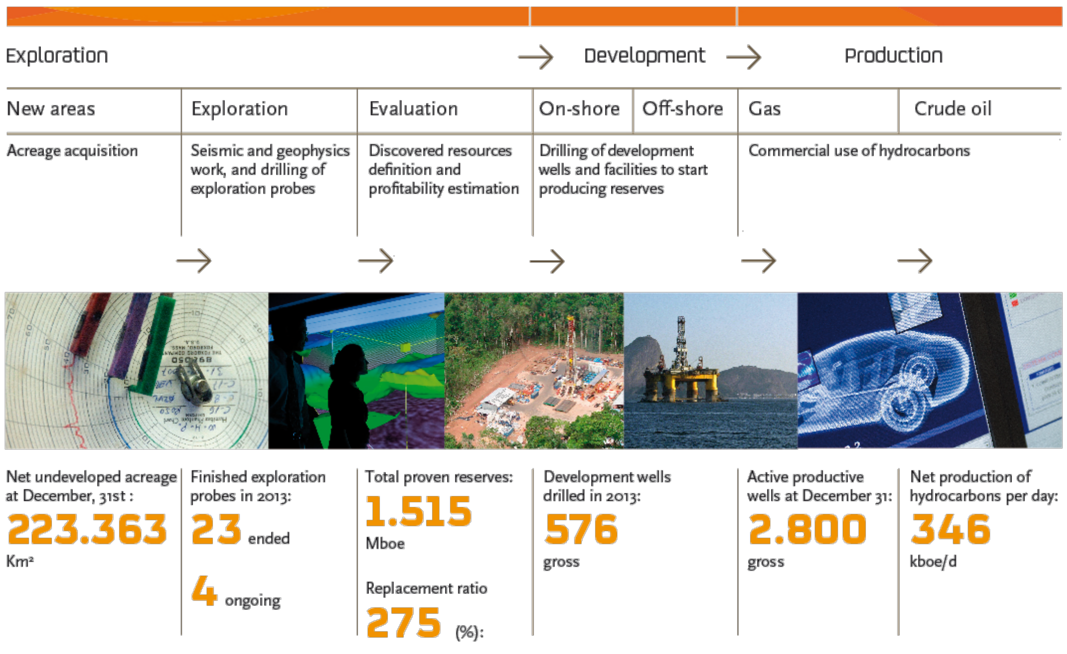
- *Upstream*, relating to the exploration and production of oil and natural gas.

- *LNG*, relating to midstream operations (liquefaction, transport and regasification) of natural gas and to marketing operations for natural gas and liquefied natural gas.

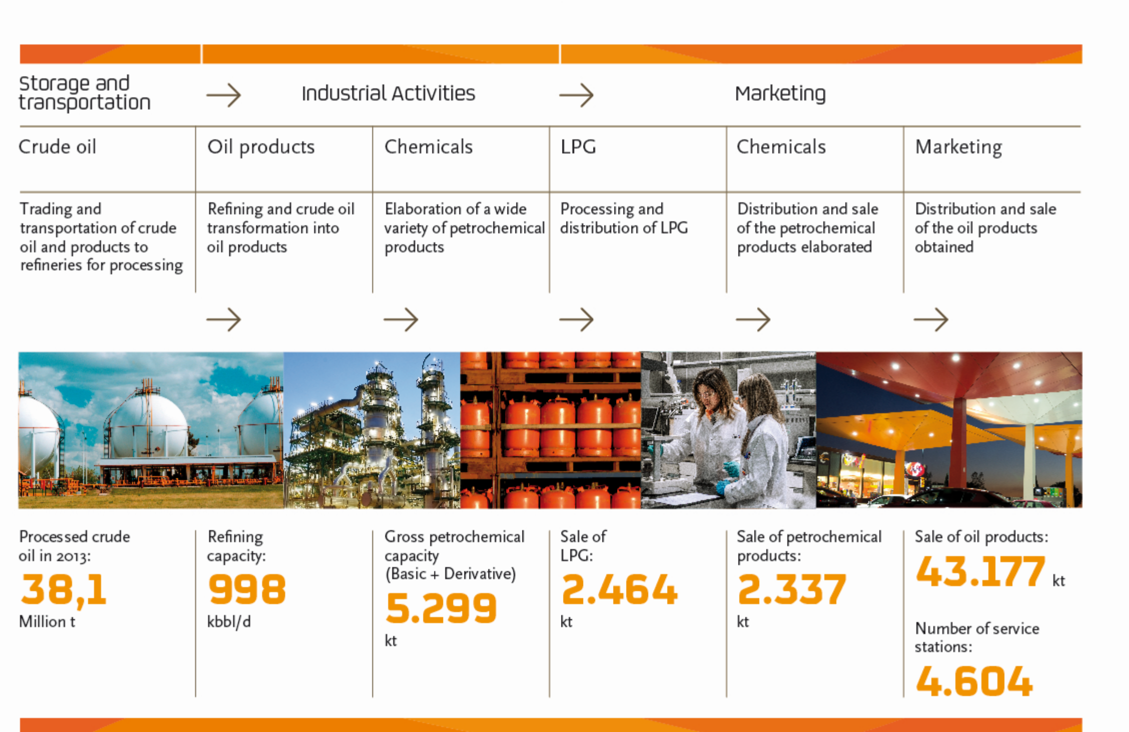
- *Downstream*, corresponding to refining and marketing activities involving oil products, chemicals, and liquefied petroleum gas.

- Finally, Gas Natural Fenosa represents Repsol's stake in the Gas Natural Fenosa group, which mainly engages in natural gas marketing and the generation, distribution, and marketing of electricity.

Upstream



Downstream



(1) Figures generated by the Gas Natural Fenosa Group (100%).
(2) Includes figures of the Latin America segment.
(3) In December 2013 and January 2014, the Group completed the sale of part of the assets and business of the LNG segment. For further information on this matter, see Note 5.3 in this document and Notes 31 *Divestments*, 37 *Subsequent events* and 29 *Segment Reporting* in the Group´s Consolidated Financial Statements 2013.

2.3) OUR OPERATING MARKETS

UPSTREAM

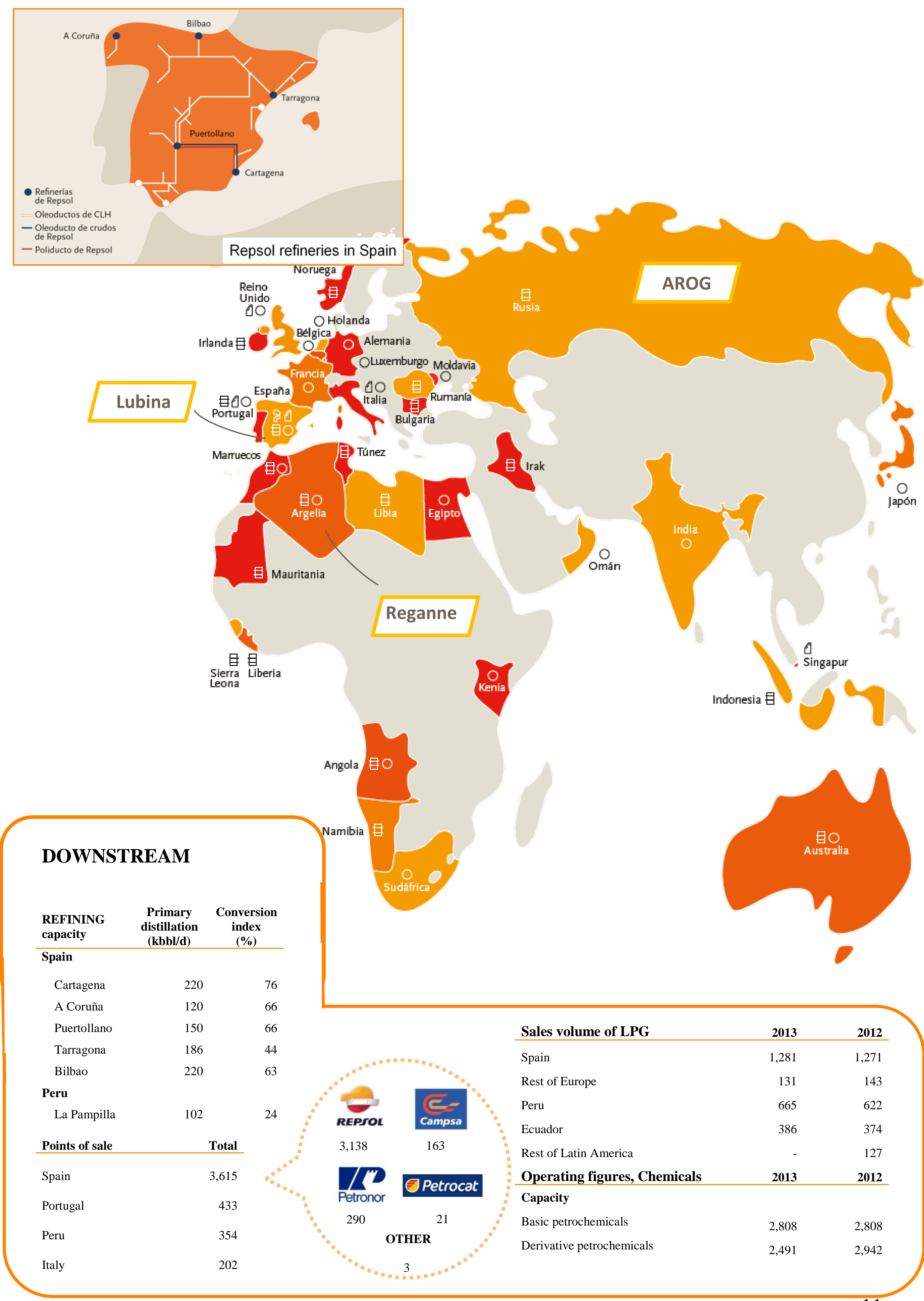
We participate in 730 oil and gas Exploration and Production blocks[1] in 31 countries, directly or through our affiliated companies.

There have been more than 30 discoveries in the past 6 years, including six of the major findings worldwide according to IHS.

Repsol's hydrocarbon production in 2013 was estimated at 346 kboe per day, representing an increase of 4.2% on the figures for 2012.

At year-end 2013 Repsol's proven reserves amounted 1,515 Mboe, of which 422 Mboe (27.8%) corresponded to crude oil, condensate and liquefied gases, and the rest, 1,093 Mboe to natural gas.

[1] These figure does not include assets corresponding to unconventional resources projects the Group has an interest at.



DOWNSTREAM

REFINING capacity	Primary distillation (kbbl/d)	Conversion index (%)
Spain		
Cartagena	220	76
A Coruña	120	66
Puertollano	150	66
Tarragona	186	44
Bilbao	220	63
Peru		
La Pampilla	102	24

Points of sale	Total
Spain	3,615
Portugal	433
Peru	354
Italy	202

REPSOL	3,138
Campsa	163
Petronor	290
Petrocat	21
OTHER	3

Sales volume of LPG	2013	2012
Spain	1,281	1,271
Rest of Europe	131	143
Peru	665	622
Ecuador	386	374
Rest of Latin America	-	127

Operating figures, Chemicals	2013	2012
Capacity		
Basic petrochemicals	2,808	2,808
Derivative petrochemicals	2,491	2,942

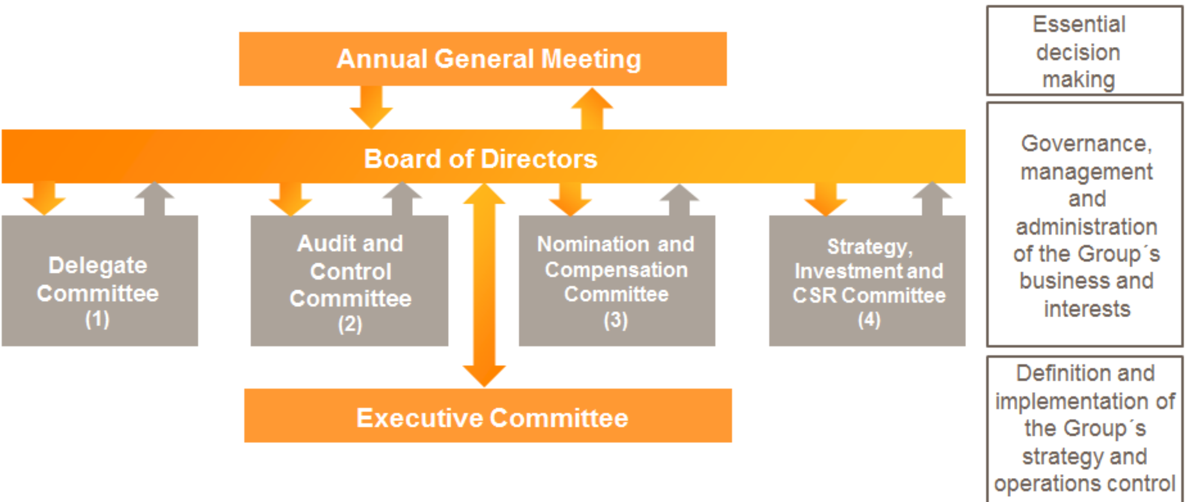
2.4) CORPORATE GOVERNANCE

STRUCTURE AND GOVERNING BODIES

The Annual General Meeting of Shareholders is the sovereign corporate body through which the shareholders can take part in the Company's key decisions, while the Board of Directors is responsible for the governance, management and administration of the Company's business interests for all matters not reserved to the competence of the General Meeting.

To ensure greater efficiency and transparency in the performance of its functions, the Board of Directors has appointed internal committees with executive and consulting powers: the Executive Committee, acting as a delegated body of the Board, the Audit and Control Committee, the Appointment and Remuneration Committee and the Strategy, Investment and Corporate Social Responsibility Committee which are three special committees that carry out supervision, information, consulting and proposal drafting tasks.

In general, the Board of Directors entrusts the day-to-day handling of ordinary business to the Executive Committee and the management team, concentrating its efforts on general supervision and considering matters of particular importance to the Company.



NOTE: See the Annual Corporate Governance Report for more information on the General Meeting, the Board of Directors and its committees.

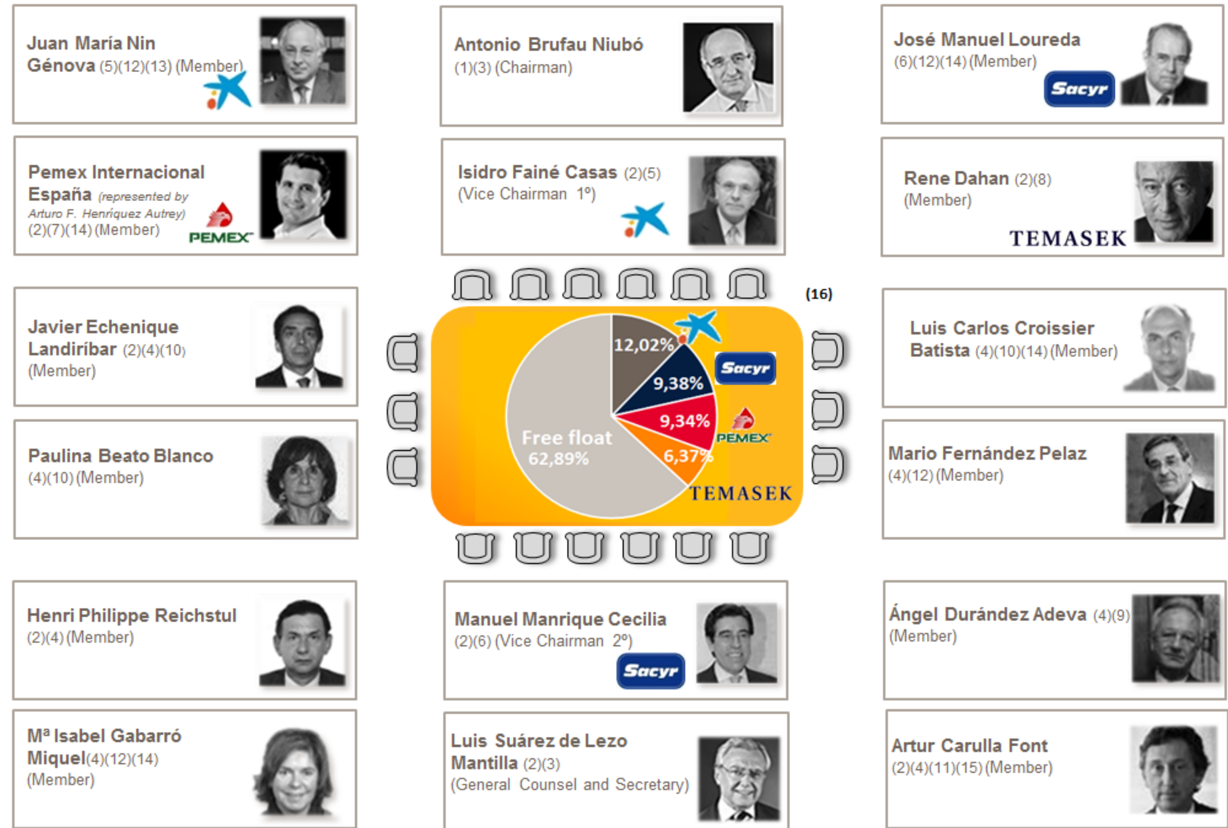
(1) The Executive Committee is permanently delegated with all the powers of the Board of Directors except those that cannot be delegated according to the Articles of Association or the Regulations of the Board of Directors.

(2) The function of the Audit and Control Committee is to support the Board in its oversight duties, through the regular review of the preparation process of the financial-economic information, executive controls, supervision of the systems that record and control the Company' hydrocarbon reserves, Internal Audits, and the independence of the external auditor, as well as the review of compliance with all the legal provisions and internal regulations applicable to the Company. This Committee is responsible for formulating the proposed resolution to the Board on the appointment of external auditors, the extension and termination of their appointment and the terms of their engagement. Likewise, it shall inform, through its Chairman, the General Shareholders' Meeting on the issues raised by shareholders and that fall within its scope. Its functions also include the knowledge and guidance of the Company's policies, objectives and guidelines in the environmental and safety fields.

(3) The Appointments and Remuneration Committee is responsible for proposing and reporting to the Board of Directors on the selection , appointment, reappointment and removal of Directors, the Managing Director, Chairman, Deputy Chairman, Secretary, Deputy Secretary and Directors who make up the Board's Committees; proposals for the Board's remuneration policy and, if applicable the Executive Directors, on the additional remuneration for their executive duties and other terms of their contracts; reporting on the appointment of senior Company executives and on the overall remuneration and incentives policies; reporting on compliance by the Directors of the Corporate Governance principles or the obligations contained in the By-laws or Board Regulations; and, in general, for proposals and reports on any other matters related to the above as requested by the Chairman or by the Board of Directors.

(4) The Strategy, Investment and Corporate Social Responsibility Committee is responsible for reporting on the most important events, milestones and revisions of the Strategic Plan; strategic decisions relevant to the Repsol Group; and asset acquisitions and divestitures that, because of their magnitude or strategic nature, are submitted by the Managing Director for prior review by the Committee. Its role also includes knowing and guiding the policy, objectives and guidelines of the Repsol Group on Corporate Social Responsibility and reporting to the Board of Directors; reviewing and reporting on the Repsol Group Corporate Responsibility Report prior to its submission to the Board of Directors; and, in general any other functions within its areas of competence that are requested by the Board of Directors or its Chairman.

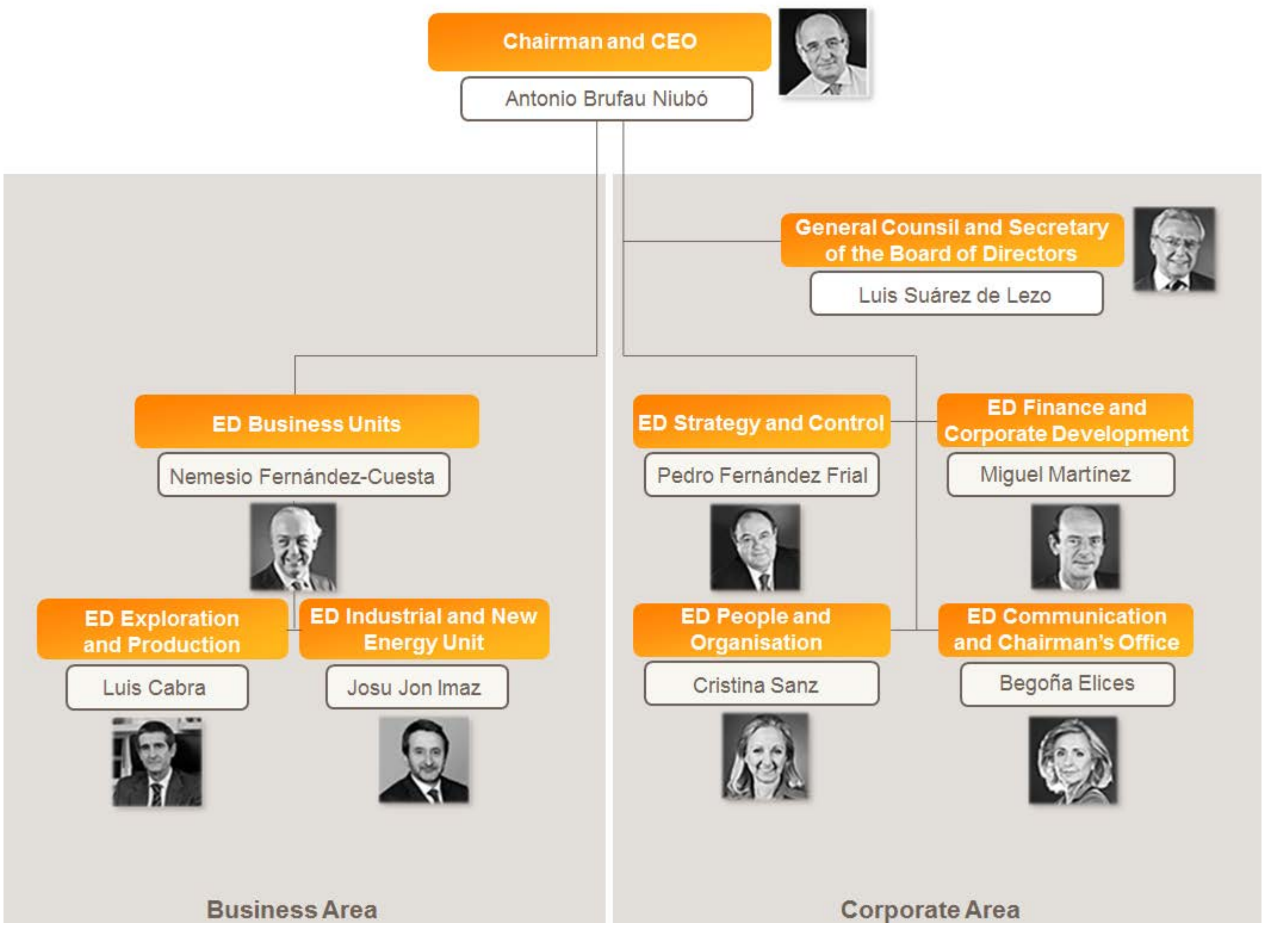
The composition of the Board and its committees is as follows:



NOTE: Updated information on the Board members´ background information can be found at www.repsol.es/es_es/corporacion/accionistas-inversores/gobierno-corporativo/consejo-de-administracion/

(1) President of the Delegate Committee.
(2) Member of the Delegate Committee.
(3) Executive Director.
(4) Independent Outside Director.
(5) Institutional Outside Director proposed by Caixabank, S.A.
(6) Institutional Outside Director proposed by Sacyr, S.A.
(7) Institutional Outside Director proposed by Petróleos Mexicanos.
(8) Institutional Outside Director proposed by Temasek.
(9) Chairman of the Audit and Control Committee.
(10) Member of the Audit and Control Committee.
(11) Chairman of the Nomination and Compensation Committee.
(12) Member of the Nomination and Compensation Committee.
(13) Chairman of the Strategy, Investment and CSR Committee.
(14) Member of the Strategy, Investment and CSR Committee.
(15) Lead Independent Director.
(16) Percentage of share capital at December 31, 2013. Data corresponding to the latest information provided by Compañía de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (Iberclear), and the information submitted by the shareholders of the Company and the National Securities Market Commission (CNMV for its acronym in Spanish).

The composition of the Executive Committee on 31st December 2013 is as follows:



NOTE: E.D: Executive Division. Updated information on the Committee members´ background information is available at www.repsol.com

2.5) OUR STRATEGY

In recent years, at Repsol we have consolidated a growth strategy enabling us to develop new and attractive business lines, diversify our portfolio of assets and incorporate key projects that today underpins our position in the global energy sector.

The results of this continued effort are the major exploration discoveries over the last years, the investment projects to upgrade the refineries of Cartagena and Petronor, as well as the Repsol Sinopec Brazil joint venture.

In the 2012-2016 Strategic Plan (hereafter “SP 12-16”) we are committed to growth as a driving force to prepare for the Company's future.

Our Strategic Plan rests on four pillars:

1. **Upstream Growth**: focusing on exploration and with challenging growth targets for production and reserves.
2. **Maximising return on investments in Downstream**: through operational excellence following the implementation of the projects to upgrade Cartagena and Petronor.
3. **Financial strength**: self-financed strategic plan that allows the company's credit rating to be maintained.
4. **Compensation to shareholders**: giving a competitive remuneration in relation to the sector.

One of the fundamental elements of Repsol's strategy is the integrated development of its *Upstream* and *Downstream* businesses. This integration translates into clear corporate and portfolio synergies and advantages:

- Provides Repsol with sufficient scale to be able to tackle its growth strategy, especially given the growing size and risk of major projects in the sector.
- Contributes to more stable profits, facilitating fulfilment of objectives for both financial stability and shareholder remuneration.
- Ensures greater risk diversification, given the specific risk profiles of the *Upstream* and *Downstream* businesses.
- Gives Repsol the cash flow for its strategic plan and investment program, taking into account the different investment and cash generation cycles of the *Upstream* and *Downstream* businesses
- Allows Repsol to access a larger portfolio of investment opportunities allowing señecting the most attractive opportunities at any one time, thus optimising capital assignment between businesses.

There are also many operational synergies and advantages arising from the integration of the Upstream and Downstream businesses, of which the most significant are:

- Commercial and technical synergies based on the growing operational convergence of technical capabilities and commercial synergies between the *Upstream* and *Downstream* projects.
- Possibility of sharing technical resources, maximising the use of human resource capabilities, enhancing technical talent and encouraging the transfer of experts between these two businesses.
- Development opportunities in which the know-how and presence of both businesses is valued.
- Significant cost savings in corporate and support functions, which optimise their expenses by providing joint services to the *Upstream* and *Downstream* businesses.

1. Upstream, driving growth

Exploration and production activities are our growth engine. Our commitment to innovation has been the key to consolidating ourselves as a company with great exploratory success.

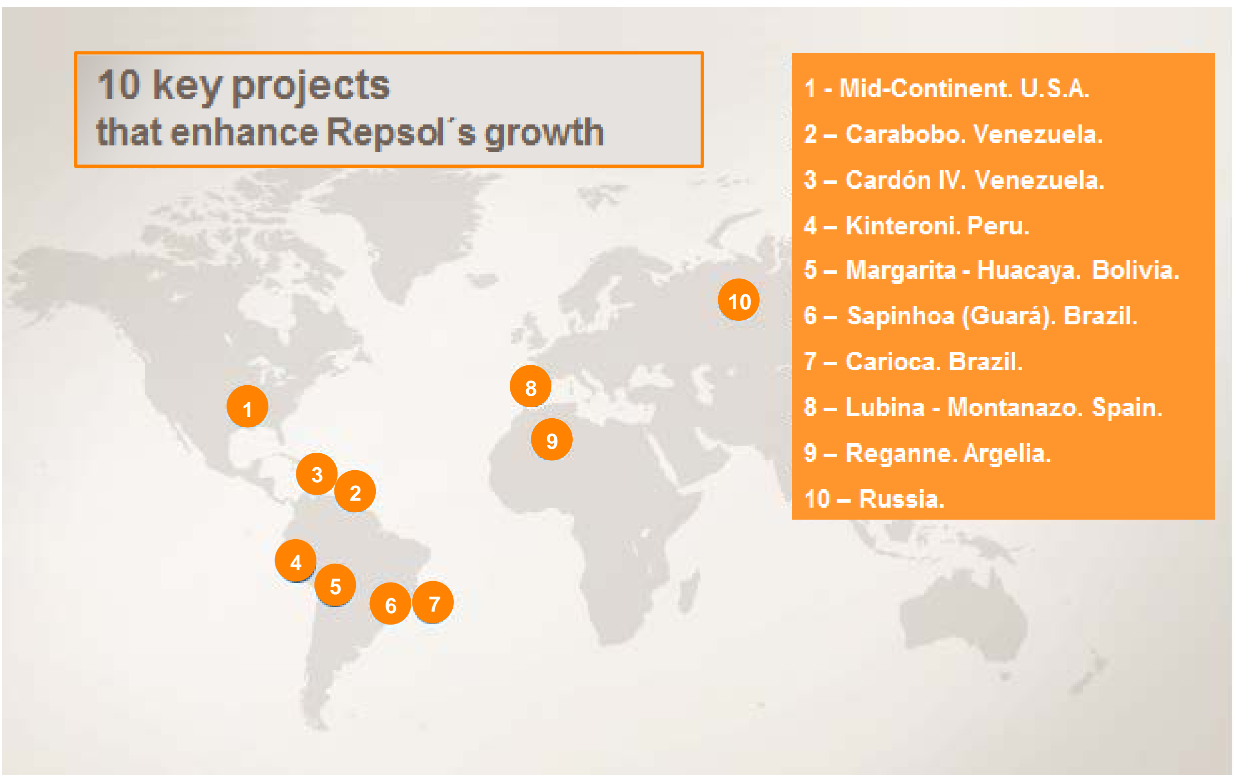
Since 2008, we have made more than 30 discoveries, including six of the largest annual findings in the world, according to IHS.

Estimated investment for the period of the *Upstream* business plan is an average of €2,900 million per year, more than 20% growth over previous years. This investment represents about 77% of the Group's total forecasted investments.

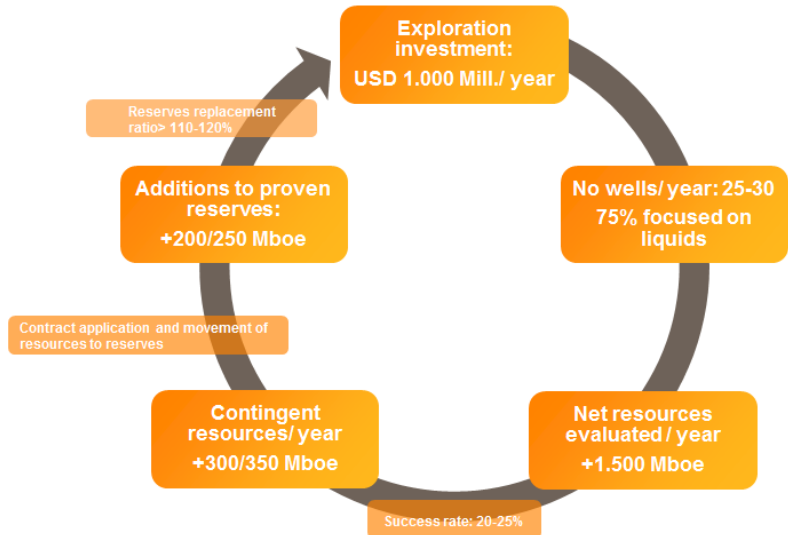
To carry out this growth commitment we have focused on 10 key growth projects located in Brazil, United States, Russia, Spain, Venezuela, Peru, Bolivia and Algeria. The 10 major projects involve a total combined investment of €6,700 million.

Five of them (Mid Continent, Margarita, Sapinhoá, Lubina-Montanazo and Russia) are already producing and contributing to the production growth target. And furthermore, Carabobo registered its first early production in late 2012.
In addition to these key projects, the company will continue with the plans for its contingent resource discoveries, particularly in the United States (Alaska and Gulf of Mexico), Brazil, Peru, Libya and Russia. Exploration investment in the period of the SP 12-16 will involve an average annual investment of around USD 1,000 million.

This investment includes the drilling of 25 to 30 exploration wells per year.



The intense activity in the area of exploration and development will allow targets for the planned period to be reached with more than 7% annual growth in production for the plan´s period, an average reserve replacement ratio of over 120% and an average annual addition to contingent resources of about 300/350 million bo



2. Downstream, operational excellence and margin optimisation

The *Downstream* area, after the successful completion of the asset investments period, has again become a net cash generator.

In 2012 expansions were commissioned at Cartagena and Petronor, which have increased Repsol's conversion capacity and operational efficiency of the refining system.

These expansions are expected to generate an improved refining margin between 2-3 dollars per barrel processed throughout Repsol's refineries in Spain, thus improving the efficiency of our assets.

The average investment for the period of the plan stands at €750 euros per year, and essentially consists in the maintenance of industrial and commercial facilities and improvements in energy and operational efficiency, representing a reduction of 60% of the average annual investment over the 2008 -2011 period.

3. A self-financed plan

The third pillar of our strategic plan is financial strength, sustained in a firm commitment to maintaining the credit rating, achieving high liquidity and performing selective divestments during the period in order to develop a self-financed investment plan.

In March 2013 there was a sale of Repsol treasury shares corresponding to 5% of the capital stock to Temasek, a Singapore-based investment fund.

In June 2013 a solution, with an acceptance of 97% of the total value, was given to holders of preference shares, ensuring their value and liquidity in the market through repurchases in cash and with Repsol obligations.

Additionally, in order to maximise cash flow, a process of continuous optimisation of the Group's working capital is being carried out continuously.

The sale of LNG assets to Shell, 2013, and other divestments previously completed in other business lines as part of the usual dynamics of managing our portfolio of assets, has already allowed us in 2013 to meet the divestment targets set out in the of the strategic plan period (between €4,000 and €4,500 million).

All this has led to improved financial ratios, allowing us to maintain *investment grade* (the minimum acceptable credit rating level) and has increased the confidence of international investors.

4. Competitive remuneration for shareholders

The last of the strategic pillars is to establish a competitive remuneration policy for its shareholders.

Our financial strength allows us to offer shareholders competitive remuneration, thus continuing a policy of creating value for shareholders through dividends, supported by the Flexible Compensation Plan, with an expected pay-out (Shareholder Remuneration/Net Income) between 40 and 55%.

2.6) RISK MANAGEMENT

2.6.1. RISK MANAGEMENT MODEL

The Repsol Group operates in numerous countries, under multiple regulatory frameworks and in all stages of the value chain of the oil and gas business.

Therefore, the Company's operations and results are subject to risks in the long-term (strategic), short and medium term (operational) as well as financial. Any of these risks could have a negative impact on the Group's financial position, businesses or operating income, thus affecting the achievement of its objectives.

For this reason, the Company has an organisation, procedures and systems that allow it to reasonably manage the risks to which the group is exposed, becoming an integral element of the Group's decision-making processes.

In recent years, risk management at Repsol has received a major boost from specialised units (including the safety, environment or financial units among others).

Additionally, Repsol is committed to accelerating progress towards a model of integrated risk management in order to obtain a more comprehensive view of the risks in all its activities, along with the interactions and mitigation strategies, as well as enabling a more efficient use of the allocated resources. All this is achieved through the implementation of Repsol's Integrated Risk Management System (IRMS).

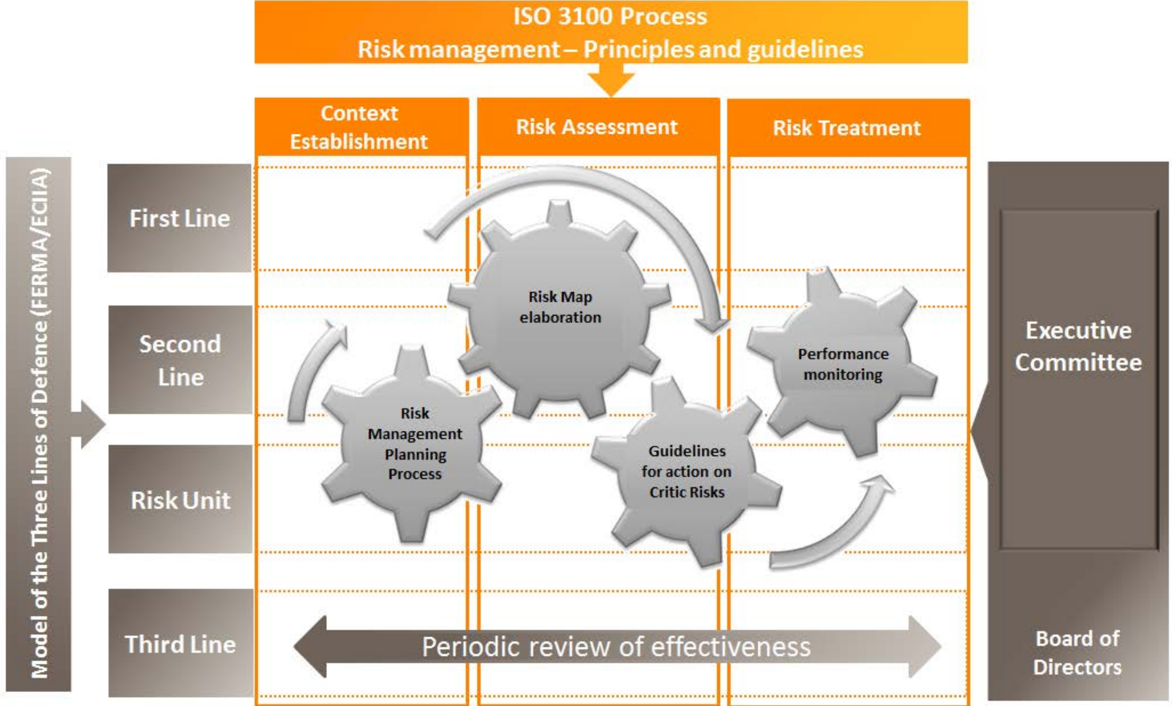
The IRMS complies with international standards of reference for risk management: ISO 31000 and COSO ERM [(1)], concerning the effective methodology for integrated risk management and analysis in organisations, and the Model of the Three Lines of Defence [(2)], on the allocation of responsibilities in the scope of risk management and control.

One of the main pillars of IRMS is the Risk Management Policy, approved by Repsol's Board of Directors in July 2013. This Policy establishes a commitment to the integrated management of risks that contribute to the deployment of the Company's Vision and Values, based on the following principles:

- Management Leadership
- Integration of management processes
- Differentiated responsibility
- Global scope and harmonisation of management
- Continuous improvement

(1) Enterprise Risk Management Model – Integrated Framework defined by COSO (C*ommittee of Sponsoring Organizations of the Treadway Commission*).

(2) Recommended by FERMA (European Risk Management Associations Federation) and ECIIA (European Confederation of Internal Auditors Institutes).



The main strategic, operational and financial risks Repsol Group is facing are set out below:

2.6.2. RISK FACTORS

Repsol's operations and results are subject to risks as a consequence of changes in the competitive, economic, political, legal, regulatory, social, industrial, business and financial conditions, such as those listed below.

STRATEGIC AND OPERATIONAL RISKS

Uncertainty in the current economic context

Global economic growth is still weaker than anticipated. The recent rise in the forward interest rates in the US could lead to a partial reversal of capital flows towards certain economies, resulting in greater exposure for countries with weaker fiscal positions or with higher rates of inflation.

In the Euro Zone, the European Central Bank (ECB) has two major challenges ahead: ending the banking division within the monetary union which hampers the transmission of monetary policy uniformly across the Eurozone, and to avoid a prolonged period of low inflation.

Meanwhile, persistent pressure on the sustainability of government finances in advanced economies has led to pronounced tensions in credit markets, and could prompt fiscal reforms or changes in the regulatory framework of the oil and gas industry. Finally, the economic-financial situation could have a negative impact on third parties with whom Repsol does or could do business. Any of the factors described above, whether in isolation or in combination with each other, could have an adverse effect on the financial position, businesses, or results from Repsol operations.

Potential fluctuations in international prices and demand of crude oil and reference products owing to factors beyond Repsol's control

World oil prices have fluctuated widely over the last ten years and are driven by international supply and demand factors over which Repsol has no control.

International product prices are influenced by the price of oil and the demand for products. Therefore, international prices of crude oil and products affect the refining margin. International oil prices and demand for crude oil may also fluctuate significantly during economic cycles.

Reductions in oil prices negatively affect Repsol's profitability, the value of its assets and its plans for capital investment, including projected capital expenditures related to exploration and development activities. Any significant drop in capital investment could have an adverse effect on Repsol's ability to replace its crude oil reserves.

Regulatory and tax framework of Repsol's operations

The oil industry is subject to extensive regulation and intervention by governments throughout the world in matters such as the award of exploration and production permits, the imposition of specific drilling and exploration obligations, restrictions on production, price controls, required divestments of assets, foreign currency controls, and nationalisation, expropriation or the cancellation of contractual rights. Such legislation and regulations apply to virtually all aspects of Repsol's operations both inside and outside Spain.

Furthermore, the natural gas and electricity sectors, in which Repsol operates mainly through Gas Natural Fenosa, tend to be extensively regulated in most countries. These regulations are typically subject to periodic revision by the competent authorities and changes to those regulations can result in a decrease (or a lower increase than expected) in the remuneration received for regulated activities.

Likewise, oil refining and petrochemical activities, in general, are subject to extensive government regulation and intervention in matters such as safety and environmental controls.

Finally, the energy sector, particularly the oil industry, is subject to a singular fiscal framework. In *Upstream* activities there are often energy taxes on profit and production, and in regard to the activities of *Downstream*, the existence of taxes on consumption products is also common.

Repsol cannot predict changes to such laws or regulations or their interpretation, or the implementation of certain policies. Any such changes could have an adverse impact on the business, financial position and results of operations of the Repsol Group.

Repsol is subject to extensive environmental and safety legislations and risks

Repsol is subject to extensive environmental and safety legislations and regulations in practically all the countries in which it operates, which regulate, among other matters affecting Repsol's operations, environmental quality standards for products, air emissions and climate change, energy efficiency, water discharges, remediation of soil and groundwater and the generation, storage, transportation, treatment and final disposal of waste materials and safety.

In particular, and due to concerns over the risk of climate change, a number of countries have adopted, or are looking into adopting, new regulatory requirements to reduce greenhouse gas emissions, such as carbon taxes, increasing efficiency standards, or adopting emissions trading schemes. These requirements could make Repsol's products more expensive as well as shift hydrocarbon demand toward relatively lower-carbon sources, such as renewable energies. In addition, compliance with greenhouse gas regulations may also require Repsol to upgrade its facilities, monitor or sequester emissions or take other actions that may increase the cost of compliance.

Requirements previously mentioned have had, and will continue to have, an impact on Repsol's business, financial position and results of operations.

Operating risks related to exploration and exploitation of oil and gas, and reliance on the cost-effective acquisition or discovery of, and, thereafter, development of, new oil and gas reserves

Oil and gas exploration and production activities are subject to particular risks, some of which are beyond the control of Repsol. These activities are exposed to production, equipment and transportation risks, mistakes or inefficiencies in operations management and purchasing processes, natural hazards and other uncertainties relating to the physical characteristics of oil and natural gas fields. In addition to this, some of the Group's development projects are located in deep waters and other difficult environments, such as the Gulf of Mexico, Brazil and the Amazon rainforest, or in complex oilfields, which could aggravate these risks further. Also, the transportation of oil products, by any means, always has inherent risks: during road, rail or sea transport, or by pipeline, oil and other hazardous substances could leak. This is a significant risk due to the potential impact a spill could have on the environment and on people, especially considering the high volume of products that can be carried at any one time. Should these risks materialise, Repsol may suffer major losses, interruptions to its operations and harm to its reputation.

Moreover, Repsol must replace depleted oil and gas reserves with new proven reserves that enables subsequent production to be economically viable. Repsol's ability to acquire or discover new reserves is, however, subject to a number of risks. For example, drilling may involve negative results, not only with respect to dry wells, but also with respect to wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs are taken into account. In addition, Repsol generally faces intense competition in bidding for exploratory blocks, in particular those blocks offering the most attractive potential reserves. Such competition may result in Repsol's failing to obtain the desirable blocks, or acquiring them at a higher price, which could render subsequent production economically unviable.

If Repsol fails to acquire or discover, and, thereafter, develop new oil and gas reserves in a cost-effective manner, or if any of the aforementioned risks were to materialise, its business, financial position and results of operations could be adversely affected.

Location of reserves

Part of the oil and gas reserves of Repsol is located in countries that are or could be economically or politically unstable.

Reserves in these areas as well as related production operations may be exposed to risks, including increases in taxes and royalties, the establishment of limits on production and export volumes, the compulsory renegotiation or cancellation of contracts, the nationalisation or denationalisation of assets, changes in local government regimes and policies, changes in business customs and practices, payment delays, currency exchange restrictions and losses and impairment of operations due to the actions of insurgent groups. In addition, political changes may lead to changes in the business environment. Economic downturns, political instability or civil disturbances may disrupt the supply chain or limit sales in the markets affected by such events.

If any of the aforementioned risks were to materialise, it could have an adverse impact on Repsol's business, financial position and results of operations.

Oil and gas reserves estimation

In the estimation of proved oil and gas reserves, Repsol relies on the guidelines and the conceptual framework of the Securities and Exchange Commission's (SEC) definition of proven reserves and on the criteria established by the Petroleum Reserves Management System of the Society of Petroleum Engineers (PRMS-SPE). In the estimation of non-proved oil and gas reserves, Repsol relies on the criteria and the guidelines established by the PRMS-SPE.

The accuracy of these estimates depends on a number of different factors, assumptions and variables, some of which are beyond Repsol's control. Factors that fall within Repsol's control include: drilling, testing and production after the date of the estimate, which may entail substantial upward or downward corrections in the estimate; the quality of available geological, technical and economic data used and the interpretation and valuation thereof; the production performance of reservoirs and recovery rates, both of which depend in significant part on available technologies as well as Repsol's ability to implement such technologies and the relevant know-how; the selection of third parties with which Repsol conducts business; and the accuracy of initial estimates of existing hydrocarbons in place at a given reservoir, which may prove to be incorrect or require substantial revisions control. On the other hand, factors that are mainly beyond Repsol's control include changes in prevailing oil and natural gas prices, which could impact on the quantities of proven reserves (since estimates of reserves are calculated under existing economic conditions when such estimates are made); changes in prevailing tax rules, other government regulations and contractual conditions after the date estimates are made (which could render reserves economically unviable to exploit); and certain actions of third parties, including the operators of fields in which the Group has an interest.

As a result of the foregoing, measures of reserves are not precise and are subject to revision. Any downward revision in estimated quantities of proven reserves could adversely impact the results of operations of the Repsol Group, leading to increased depreciation, depletion and amortisation charges and/or impairment charges, which would reduce net income and shareholders' equity.

Projects and operations carried out through joint ventures and partnerships

Many of the Repsol Group's projects and operations are conducted through joint ventures and partnerships. If Repsol does not act as the operator on those projects or operations, its ability to control and influence the performance and management of the operations and to identify and manage risk is limited. Additionally, there is a possibility that if any of Repsol's partners or members of a joint venture or associated company fails to comply with their financial obligations or incur any another breach, that could affect the viability of the whole project.

Repsol may engage in acquisitions, investments and disposals as part of its strategy

As part of Repsol's strategy, Repsol may engage in acquisitions, investments and disposals of interests. There can be no assurance that Repsol will identify suitable acquisition opportunities, obtain the financing necessary to complete and support such acquisitions or investments, acquire businesses on satisfactory terms, or that any acquired business will prove to be profitable. In addition, acquisitions and investments involve a number of risks, including possible adverse effects on Repsol's operating results, risks associated with unanticipated events or liabilities relating to the acquired assets or businesses which may not have been disclosed during due diligence investigations, difficulties in the assimilation of the acquired operations, technologies, systems, services and products, and risks arising from provisions in contracts that are triggered by a change of control of an acquired company.

Any failure to successfully integrate such acquisitions could have a material adverse effect upon the business, results of operations or financial condition of Repsol. Any disposal of interest may also adversely affect Repsol's financial condition, if such disposal results in a loss to Repsol.

Repsol's current insurance coverage may not be sufficient for all the operational risks

As discussed in several of the above risk factors, Repsol's operations are subject to extensive economic, operational, regulatory and legal risks. The Group holds insurance coverage against certain risks inherent in the oil and gas industry in line with industry practice, insurance coverage is subject to deductibles and limits that in certain cases may be materially exceeded by the liabilities incurred. In addition, Repsol's insurance policies contain exclusions that could leave the Group with limited coverage in certain circumstances. Furthermore, Repsol may not be able to maintain adequate insurance at rates or on terms

considered reasonable or acceptable to Repsol, or be able to obtain insurance against certain risks that could materialise in the future. If Repsol were to experience an incident against which it is not insured, or the costs of which materially exceed its coverage, it could have an adverse effect on its business, financial position and results of operations.

Repsol's natural gas operations are subject to particular operational and market risks

Natural gas prices tend to vary between the different regions in which Repsol operates as a result of significantly different supply, demand and regulatory circumstances, and such prices may be lower than prevailing prices in other regions of the world. In addition, excess supply conditions that exist in some regions cannot be utilised in other regions due to a lack of infrastructure and difficulties in transporting natural gas.

In addition, Repsol has entered into long-term contracts to purchase and supply natural gas in various parts of the world. These contracts have different price formulae, which could result in higher purchase prices than the price at which such gas could be sold in increasingly liberalised markets. Furthermore, gas availability could be subject to the risk of counterparties breaching their contractual obligations. Thus, it might be necessary to look for other sources of natural gas in the event of non-delivery from any of these sources, which could require payment of higher prices than those envisaged under the breached contracts.

Repsol also has long-term contracts to sell and deliver gas to clients, mainly in Bolivia, Venezuela, Trinidad and Tobago, Peru and Russia, which present additional types of risks to the company as they are pegged to existing proven reserves in these countries. Should available reserves in these countries prove insufficient, Repsol might not be able to satisfy its obligations under these contracts, some of which include penalty clauses for breach of contract. The occurrence of any of the aforementioned risks would have an adverse impact on the business, financial condition and results of operations of the Repsol Group.

Cyclical nature of the petrochemical activity

The petrochemicals industry is subject to wide fluctuations in supply and demand, reflecting the cyclical nature of the chemicals market on a regional and global scale. These fluctuations affect the prices and profitability of petrochemicals companies, including Repsol. Repsol's petrochemicals business is also subject to extensive governmental regulation and intervention in matters such as safety and environmental controls. Any such fluctuations or changes in regulation could have an adverse effect on the business, financial position and results of operations of the Repsol Group.

Repsol Group's strategy requires efficiency and innovation in a highly competitive market

The oil, gas and petrochemical industry operates in the context of a highly competitive energy sector. This competition influences the conditions for accessing markets or following new business leads, the costs of licenses and the pricing and marketing of products, and requires the Repsol Group's utmost attention and continuous efforts towards improving efficiency and reducing unit costs, without becoming detrimental to operational safety or the management of other strategic, operational and financial risks.
The implementation of the Group's strategy requires a significant ability to anticipate and adapt to the market and continuous investment in technological advances and innovation.

The Repsol Group is subject to the effects of administrative, judicial and arbitration proceedings

The Repsol Group is subject to the effects of administrative, judicial and arbitration proceedings arising in the ordinary course of business. Repsol could become involved in other possible future lawsuits in relation to which the Company is unable to predict the scope, subject-matter or outcome. Any current or future dispute inevitably involves a high degree of uncertainty and any adverse outcome could adversely affect the business, financial position and results of operations of the Repsol Group.

Misconduct or violations of applicable legislation by our employees can damage the reputation of the Repsol Group

Repsol's Ethics and Conduct Regulations, mandatory for all Group employees regardless of their geographic location, area of activity or professional level, establish the overall guidelines for the conduct of the Company and all its employees in performing their duties and in their commercial and professional relationships in line with the principles of corporate loyalty, good faith, integrity and respect for the law and the ethical values defined by the Group. The different compliance and control models of the company include controls aimed at detecting and mitigating relevant compliance aspects of the Ethics and Conduct Regulations. The existence of management misconduct or breach of applicable legislation, when occurring, could cause harm to the Company's reputation, in addition to incurring sanctions and legal liability.

Information technology and its reliability and robustness are a key factor in maintaining our operations

The reliability and security of Repsol Group's information technology systems are critical to maintaining the availability of its business processes and the confidentiality and integrity of the data belonging to the Company and third parties. Given that cyber-attacks are constantly evolving, the Repsol Group cannot guarantee that it will not suffer material losses in the future caused by such attacks.

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

The main risk facing Repsol as a result of the expropriation of the Group's shares in YPF S.A. and YPF Gas S.A. lies with the uncertainty hanging over the restitution of Repsol's YPF S.A. and YPF Gas S.A. shares subject to expropriation and/or the amount of compensation the Argentine state must pay Repsol in exchange for seizing control over both companies, which risk extends to the timing and form of any related payments.

In light of the conversations underway with the Argentine government with a view to reaching a rapid, adequate and effective solution to the ongoing controversy, and on the basis of the fact that Repsol is seeking certain and monetary compensation of USD5,000 million at year-end, the Group has adjusted what it is considered as the recoverable value of its equity interests in YPF S.A. and YPF Gas S.A subject to expropriation, as detailed in Note 4 to the 2013 consolidated financial statements. The estimated recoverable amount is subject to the sources of uncertainty intrinsic to any negotiation process and the specific scope of any agreements reached. For further information on the negotiation process, see Note 37 "*Subsequent events*".

FINANCIAL RISKS

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. Note 19 "*Financial risk and capital management*" in the Group's audited consolidated financial statements analyses the exposure to those risks and measures the impact they may have on the financial statements.

The main financial risks are described below:

Liquidity risk

Liquidity risk is associated with the Group's ability to finance its obligations at reasonable market prices, as well as being able to carry out its business plans with stable financing sources.

At 31 December 2013 Repsol held available resources in cash and other liquid financial instruments and undrawn credit lines which covered 73% of the gross debt and 72% of such debt including the preference shares at that time. The Group had undrawn credit lines for €5,234 million and €5,899 million at 31 December 2013 and 31 December 2012, respectively.

In the case that Repsol were unable to meet its needs for liquidity in the future or needed to be required to incur increased costs to meet them, this could have an adverse effect on the business, financial position and results of operations of the Repsol Group.

Credit risk

Credit risk is the risk of a third party failing to carry out its contractual obligations resulting in a cost or loss to the Group.

The exposure of the Group to credit risk is mainly attributable to commercial debts from trading transactions, which are measured and controlled in relation to the customer or individual third parties, and whose amounts are reflected in the balance sheet net of allowances for impairment provisions in the amount of €7,128 million and €7,202 million, at 31 December 2013 and 31 December 2012, respectively. To this end, the Group has, in line with best practices, its own systems for the permanent credit evaluation of all its debtors and the determination of risk limits with respect to third parties.

As a general rule, the Group establishes a bank guarantee issued by financial entities as the most suitable instrument of protection from credit risk. In some cases, the Group has taken out credit insurance policies to transfer partially the credit risk related to the commercial activity of some of its businesses to third parties.

Additionally, the Group is exposed to counterparty risk derived from non-commercial contractual transactions that may lead to defaults. In these cases, the Group analyses the solvency of counterparties with which the Group has or may have non-commercial contractual transactions. Any breach of payment obligations by Repsol's customers and counterparties, in the agreed time frame and form, could result in an adverse effect on Repsol's business, results or financial position.

Market risk

Exchange rate fluctuation risk: Repsol is exposed to fluctuations in currency exchange rates since revenues and cash flows generated by oil, natural gas and refined product sales are generally denominated in U.S. dollars or are otherwise affected by dollar exchange rates. Operating income is also exposed to fluctuations in currency exchange rates in countries where Repsol conducts its activities. Repsol is also exposed to exchange risk in relation to the value of its financial assets and investments, predominantly those denominated in U.S. dollars. In order to mitigate the exchange rate risk on results, Repsol may, when it deems appropriate, hedge its position through the use of derivatives in relation to those currencies for which there is a liquid market and where transaction costs, in its opinion, are reasonable.

In addition, Repsol's financial statements are expressed in euros and, consequently, the assets and liabilities of subsidiary investee companies with a different functional currency are translated into euros at the exchange rate prevailing at the balance sheet date. The revenues and expenses of each of these items in the profit and loss accounts are translated into euros by applying the exchange rate in force on the date of each transaction; for practical reasons, the exchange rate used is, in general, the average of the period in which the transactions were made. Fluctuations in the exchange rates applied in the process for translating the currencies into euros generate gains or losses, which are recognized in the Repsol Group consolidated financial statements and expressed in euros.

In order to mitigate this risk, and when considered appropriate, Repsol performs investing and financing transactions, using the currency for which risk exposures have been identified. Repsol can also carry out hedging transactions by means of financial derivative instruments for those currencies that have a liquid market, with reasonable transaction costs.

Note 19 "*Financial risk and capital management*" and Note 20 "*Derivative transactions*" in the Group's audited consolidated financial Statements for the financial year ended 31 December 2013 include additional details on the financial risks to which the Repsol Group is exposed.

Commodity price risk: In the normal course of operations and trading activities, the earnings of the Repsol Group are exposed to volatility in the price of oil, natural gas, and related derivative products (see the risk factors titled "*Potential fluctuations in crude oil and reference products international prices and demand owing to factors beyond Repsol's control*" and "*Repsol's natural gas operations are subject to particular operational and market risks*" above). Therefore, changes in prices of crude oil, natural gas and their derivatives could have an adverse effect on the Repsol Group's business, results and financial position. Note 20 "*Derivative transactions*" in the Group's audited consolidated financial Statements for the financial year ended 31 December 2013 include additional details on the financial risks to which the Repsol Group is exposed.

Interest rate risk: Changes in interest rates can affect the interest income and interest cost of financial assets and liabilities tied to floating interest rates, as well as the fair value of financial assets and liabilities tied to a fixed interest rate.

Although, when considered appropriate, Repsol may decide to hedge the interest rate risk by means of derivative financial instruments for which there is a liquid market, these hedging mechanisms are limited and, therefore, could be insufficient.

Note 19 "*Financial risk and capital management*" and Note 20 "*Derivative transactions*" in the Group's audited consolidated financial Statements for the financial year ended 31 December 2013 include additional details on the financial risks to which the Repsol Group is exposed.

Credit rating risk: Credit ratings affect the pricing and other conditions under which the Repsol Group is able to obtain financing. Any downgrade in the credit rating of Repsol, S.A. could restrict or limit the Group's access to the financial markets, increase its new borrowing costs and have a negative effect on its liquidity.

2.6.3. EXPROPRIATION OF REPSOL GROUP SHARES IN YPF, S.A. AND REPSOL YPF GAS, S.A.

In 2012 the Group deemed YPF, which included the business activities of YPF S.A. and its group companies, a business segment. That year, Repsol lost control of YPF S.A. and YPF Gas, S.A. when in April of that year the Argentine government seized management control and initiated proceedings to expropriate some of the shares in this company owned by the Group.

It is Repsol's belief that the expropriation is manifestly illicit and gravely discriminatory (the expropriation only affects YPF S.A. and YPF Gas S.A. and not other oil and gas companies operating in Argentina; moreover, the Argentine government only confiscated the shares of one of the shareholders of YPF S.A. and YPF Gas S.A., namely Repsol, and none of the other shareholders). It further maintains that there is no justification whatsoever for the public utility argument put forward and that the seizure of its shares constitutes a blatant breach of the obligations assumed by the Argentine state when it privatized YPF.

It is remarkable that, at year-end 2013, in light of the talks underway with the Argentine government with a view to reaching a rapid, adequate and effective solution to the ongoing controversy, and on the basis of the fact that Repsol is seeking certain and monetary compensation of USD5,000 million, the Group has adjusted the recoverable value of its interests in YPF S.A. and YPF Gas S.A subject to expropriation, as detailed in Note 4 to the 2013 consolidated financial statements.

A full description of the expropriation and the related accounting effects, including the revaluations recognized in 2013, is provided in Note 4 "*Expropriation of the Repsol Group's shares in YPF S.A. and YPF Gas S.A.*" and in Note 37 "*Subsequent events*" accompanying the consolidated Financial Statements of the financial year 2013.

Throughout 2013, Repsol has continued -despite the negotiations underway- the proceedings filed before the ICSID Arbitration Tribunal and the courts of Argentina, Spain and the State of New York. In relation to the legal actions taken before the ICSID Arbitration Tribunal, the tribunal that will hear the case presented by Repsol has already been constituted, its president appointed and the arbitrators proposed by each party named. For further information on the proceedings undertaken in the wake of the expropriation, see Note 34.1.1 to the 2013 consolidated financial statements.

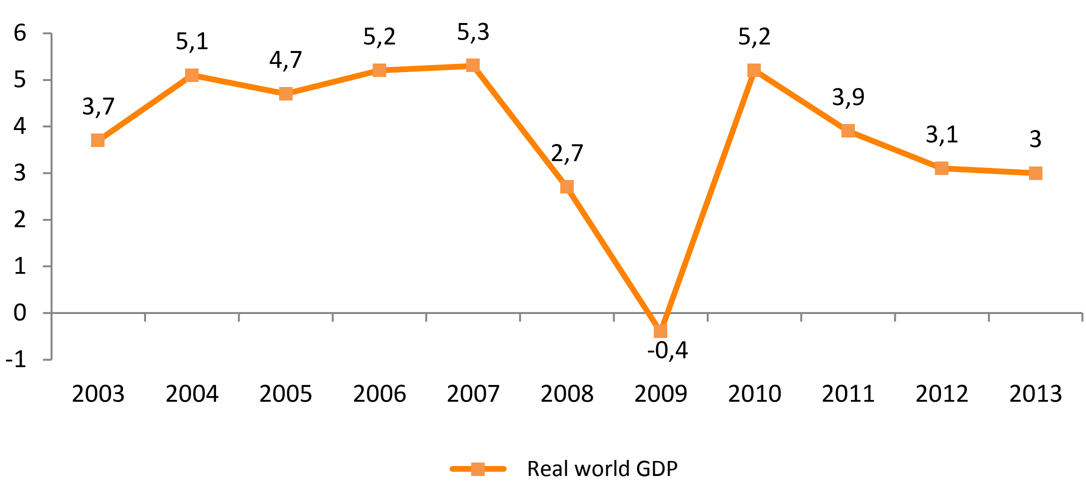
Repsol trusts that such flagrant violation of the most fundamental principles of legal certainty and respect for business activities carried out in good faith will not go ignored by the international investment community and, should the negotiations underway not come to a satisfactory conclusion, that it will be handed down favorable rulings by the corresponding courts of justice and international dispute settlement bodies.

3. MACROECONOMIC ENVIRONMENT

Recent economic developments

In 2013 the global economy slowed its growth rate to 3% year-on-year, mainly due to a slowdown in emerging economies. Meanwhile, developed economies began to strengthen which, although not enough to offset the lower growth contribution of developing economies, has meant a shift of monetary policy towards the withdrawal of financial stimulus and greater global financial stability.

GPD evolution



Source: International Monetary Fund (IMF) and Repsol Economic Research Department.

With respect to growth by region, in the United States the strong fiscal adjustment reduced growth by 1.9% year-on-year while domestic demand remained strong. Emerging economies, on average, grew at a rate of 4.7%, well short of the 6.2% growth of 2011. In some cases, this slowdown was caused by above potential growth and the subsequent reversion to reasonable levels. In other cases, population growth is creating bottlenecks in infrastructure, labour markets and investment, thus also contributing to the slowdown in many of these economies.

In the Eurozone, the adjustment policies implemented reduced major risks, stabilising financial conditions. Although growth in the periphery was limited by tight credit restrictions and weak domestic demand, there were significant advances in competitiveness and exports. The whole of the Eurozone returned to positive growth rates as from the second quarter of 2013, achieving a growth of around -0.4% for the whole year.

During 2013, the Spanish economy experienced a marked change compared to the past two years. The easing of tension in the European financial markets, together with the acknowledgement by supranational institutions of the country's domestic efforts has already resulted in improved confidence among the main economic players. While the signs of stabilisation are still at an early stage, corrections to the accumulated causes of imbalance and the structural reforms adopted encourage expectations of further stabilisation in economic activity. In this sense, the Spanish economy technically emerged from recession in the third quarter of 2013 with growth of 0.1% quarter-on-quarter.

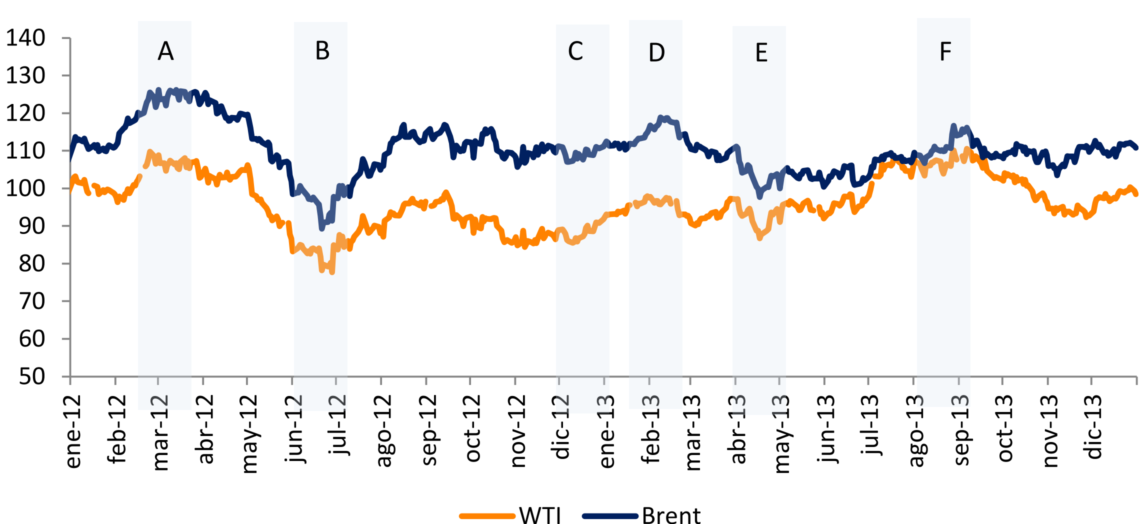
Recent developments in the Energy sector

With regard to the energy market, the fluctuations recorded in oil prices throughout 2013 were related to the health of global finances and geopolitical uncertainty. Along with these factors, the oil market in 2013 has been largely marked by the entry of new oil production from unconventional formations in the US and Canada, especially the former. We could conclude that without the increase in supply experienced by these North American countries (about 1.5 million barrels of total liquids per day), relaxing to a certain extent the fundamentals, the price fluctuations would have been greater. Thus, the interaction of all these factors defined two cycles throughout the year, each showing rises and subsequent declines in oil prices.

The first cycle saw a price increase during the first two months of the year, in response to positive economic data from the US, China and Germany, and in particular to the tension created in Algeria by the kidnapping of staff at a gas facility by radical Islamists. The downward phase of this first cycle lasted from February to mid-April, with a climate of prevailing pessimism in the data and the economic outlook of key economies.

The second cycle of prices began its upward trend with the aggravation of the civil war in Syria, after the use of chemical weapons. This price trend was reinforced by an improvement in the economic outlook and various geopolitical problems in Iraq and Libya, directly affecting oil supplies from these countries. The next downward phase of this second cycle, which began in mid-September, was mainly caused by the easing of geopolitical uncertainty, though still latent in Libya, and also, to a large extent by the uncertainty created by the possibility that the United States could start to curb the liquidity policy maintained for the past three years.

Milestones in the evolution of the price per barrel of Brent crude



Source: *Bloomberg* and Repsol Economic Research Department

A - Negotiation for the release of reserves. Negotiations between G5 + 1 and Iran over its nuclear program.
B - Good economic data and reduced production in the North Sea. Start of Iran oil sanctions.
C- Start of QE3 bond-buying in the US.
D- Doubts about the evolution of the European and Chinese economies.
E- Good economic data from the US and China. Rising geopolitical tensions in Syria.
F- Chemical disarmament agreement in Syria.

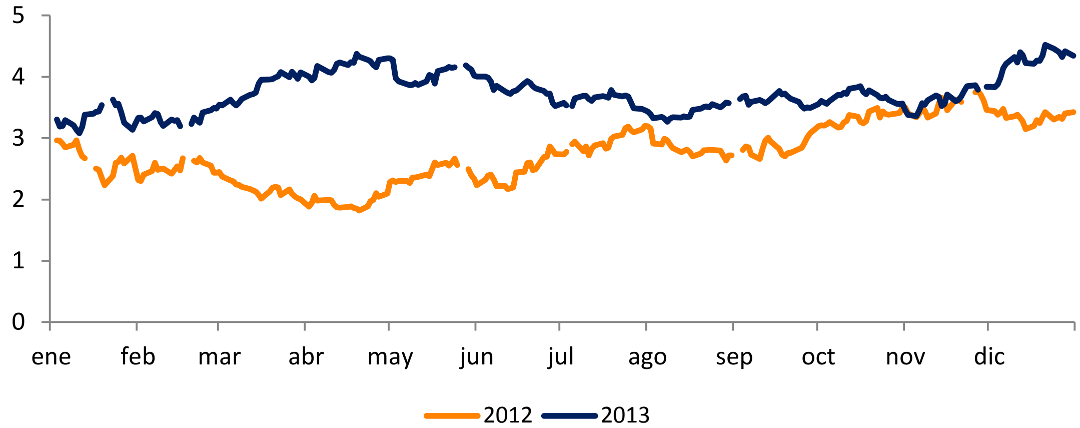
The average price of Brent crude (*Brent Dated*) in 2013 stood at $108.7 a barrel, while WTI (WTI *Spot*) averaged $ 98.05 per barrel in the same period. This year the spread between the two reference crudes has gone through two stages. In the first stage it went from over $20 in late January to $5 in late June, determined by the improved oil refining and transportation infrastructure that has helped decongest the oil hub of Cushing, Oklahoma in the US Midwest. In the second stage, the spread again extended above $13 per barrel in December, in response to the aforementioned sharp increase in the supply of US oil.

Gas Natural – Henry Hub

In 2013 Henry Hub gas prices averaged $3.65/MMBtu, representing an increase of over 30% over the previous year. Underlying market fundamentals are behind this increase, in particular an increase in demand due to a more intensive use of gas by industry and the residential sector in winter, along with a drop in supply. Total supply fell as a result of both a decline in domestic production (-0.8% year-on-year) and total imports (-7.1%), in a context of high inventory levels (historic highs) resulting from the increased production experienced in 2012.

Despite the increase of Henry Hub, the price remains low due to the boom in unconventional gas production (which already accounts for about half of total US gas production). At the end of 2013 there were five projects with permission to export LNG in the United States, with a combined export capacity exceeding 7 Bcm/year (approx 2% of the world LNG trade).

Evolution of Henry Hub prices



Source: *Bloomberg* and Repsol Economic Research Department.

Regarding the price of gas in Europe, the average net NBP (National Balancing Point) for gas in 2013 was $10.42 z/mmBtu, up by 12.5% compared to 2012. Like Henry Hub, the NBP has responded to inherent market fundamentals.

Evolution of exchange rate

The euro appreciated strongly during 2013 thanks to greater financial stability in the Eurozone and its improved economic prospects. Consequently, the EUR/USD rate averaged at 1.33 during 2013, compared to 1.28 last year, and recorded lower volatility.

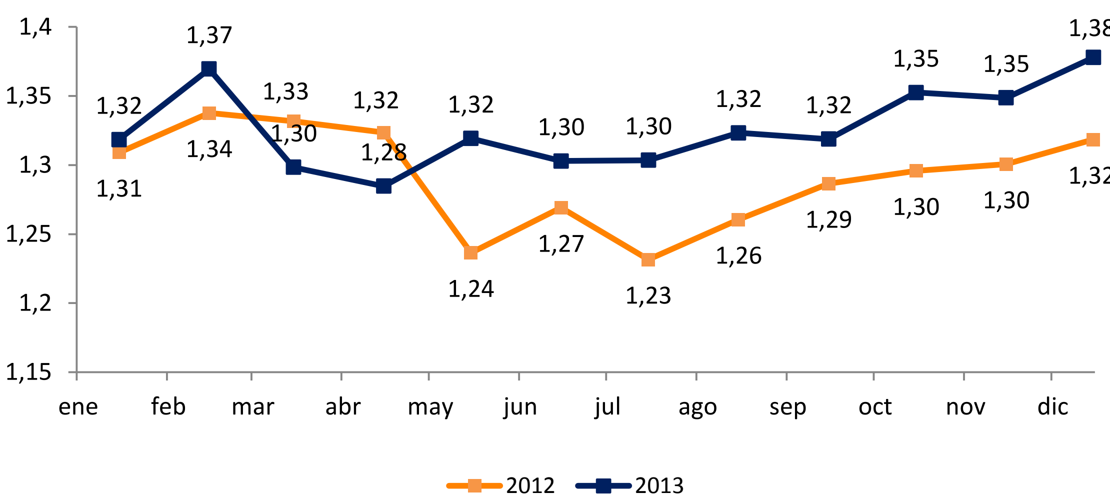
Improved confidence in the single currency was remarkable thanks to very strong statements from the ECB President, Mario Draghi, in July 2012 in which he reaffirmed the irreversibility of the euro, and the announcement shortly after of a program allowing the ECB to buy sovereign bonds if necessary. These measures prompted the return of capital to the Eurozone, progressively reducing risk premiums in the euro periphery and strengthening community currency.

Financial stability was also favoured by the progress of government fiscal adjustment plans and structural reforms. In particular, 2013 saw the recapitalisation of Spanish banks with the European credit line, and the emergence of Ireland from the Troika's bailout program.

The moment of greatest weakness for the single currency in 2013 was recorded in March, with the intervention of the Cypriot financial system. This involved losses for depositors at the island's second-largest bank, forcing the suspension of free movement of capital and the imposition of a bank freeze in Cyprus lasting several weeks. Despite the gravity of the situation, the financial instability was contained and did not seriously affect other member states of the monetary union.

In the light of lower inflationary pressures in the short and medium term, the ECB cut its benchmark rate, first in May and then in November from 0.75% to 0.25%, underscoring its commitment to keep interest rates low in the Eurozone for an extended period of time in order to support the economic recovery.

Evolution of the EUR/USD exchange rate (monthly closings)



Source: *Bloomberg* and Repsol Economic Research Department.

4. RESULTS, FINANCIAL OVERVIEW & OUR SHAREHOLDER REMUNERATION

RESULTS

Group adjusted results (see footnote) in 2013 and 2012 are as follows:

Millions of euros	2013	2012	% variation
Upstream	1,757	2,208	-20.4
LNG	959	535	79.3
Downstream	42	1,013	-95.8
Gas Natural Fenosa	889	920	-3.4
Corporate	(304)	(390)	22.1
Operating income	**3,343**	**4,286**	-22.0
Financial result	(814)	(857)	-5.0
Share of results of companies accounted for using the equity method-net of tax	122	117	4.3
Income before tax	**2,651**	**3,546**	**-25.2**
Income tax	(1,096)	(1,581)	-30.7
Net income for the period from continuing operations	**1,555**	**1,965**	**-20.9**
Net income for the period from continuing operations attributable to minority interests	(38)	(75)	-49.3
Net income for the period from continuing operations attributable to the parent	**1,517**	**1,890**	**-19.8**
Net income for the period from discontinued operations attributable to the parent	**(1,322)**	**170**	
TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT	**195**	**2,060**	**-90.5**

NOTE: The results and other measures, variables or indicators identified as "adjusted" have been prepared considering that the quantities related to the LNG assets and businesses subject-matter of the sale (see section 5.3) form part of the results of continuing operations. APPENDIX I of this document includes an EU-IFRS compliant breakdown of the adjusted income reconciliation statement explained in this section.

From a macroeconomic point of view, the main factors that have influenced the evolution of the results in 2013 have been the sustained depreciation of the dollar against the euro and the weak global economic recovery. In this context, weak demand in southern Europe has negatively affected margins in the industrial business areas as well as domestic sales of our commercial businesses. With regard to our *Upstream* business, there has been an increase in production, despite production disruptions in Libya. In the LNG business, the sale of part of the Group's LNG assets to Shell was successfully completed, with a gain of €1,540 million. Finally, it should be noted that, applying a conservative valuation criteria, a significant effort has been made in the extraordinary write-downs of assets from the LNG and YPF businesses, with a global negative impact on results of €3,266 million before tax.

Operating income from continued operations in the first half of 2012 amounted to €3,343 million, which represents a decrease of 22% on the first half of 2012 (€4,286 million). Adjusted EBITDA reached 6,230 million euros in 2013, compared to 6,956 million euros for the year 2012.

Upstream operating income in 2013 amounted to €1,757 million, representing a decrease of 20.4% from €2,208 million in the same period of 2012. Increase in production due to the launch of the new key Strategic Plan projects (Lubina and Montanazo in Spain, Sapinhoá in Brazil, Mid-Continent in the US, *AROG* in Russia and Margarita in Bolivia), has been reduced by production disruptions lasting over 100 days in Libya. Additionally, results were negatively affected by higher exploration costs, higher depreciation resulting from the onset of production in the new projects and the depreciation of the dollar against the euro.

Downstream operating income in 2013 it was €42 million, representing a decrease of 95.8% compared to the same period in 2012, which included €195 million from the sale of the LPG business in Chile. The

most notable factors in these results are the negative impact of the European economic crisis both on refining margins and sales margins and volumes of service stations in Spain. Additionally, stagnant demand and uncertainty about the growth of the economy have conditioned the outcome of the Chemicals division, which was also affected by the scheduled multiannual shutdown of the Tarragona facilities and the restructuring of certain assets and associated costs amounting to €108 million. Finally, the variations in prices of crude oil and other products have had a negative impact of €284 million. The improved result of the LPG business partially offset the above impacts.

In 2013, *Downstream*'s CCS operating income was € 326 million. The CCS income is calculated by valuing the cost of the crude oil and products at their replacement value (CCS) instead of at mean cost (MIFO), which is a difference of €284 million as a result of changes to the prices of crude oil and of the products. The CCS income is a measure of income which is commonly used in the industry, although it is not accepted for accounting purposes according to European legislation.

The adjusted operating result for *LNG* in 2013 amounted to €959 million, representing an increase of 79.3%. The better results are mainly due to increased margins and volumes of LNG sold and the result obtained from the sale of LNG assets and business (see section 5.3) with a gain of €1,540 million. These results were partially offset by provisions for impairment losses (€1,410 million) recorded in relation to the assets in Canada, which, together with other assets and marketing businesses in North America, have not been transmitted (see section 5.3).

With regard to *Gas Natural Fenosa*, the operating income in 2013 was €889 million compared to €920 million for the same period last year. This downturn is owed primarily to lower results from the electricity business in Spain affected by new fiscal measures and regulations and reduced income from Unión Fenosa Gas, offset by higher wholesale gas marketing margins and better results in Latin America.

The *Corporation* section includes corporate operating costs and activities not attributable to operating areas, as well as inter-segment consolidation adjustments. A loss of €304 million was posted in 2013, against the €390 million net losses for 2012.

The net financial adjusted result in 2013 amounted to €814 million in spending, which represents a decrease in net spending of 5% over the same period last year, highlighting the positive impact on operating results of the repurchase of preferences shares, partially compensated by the negative exchange rate differences associated primarily with the euro/dollar positions.

Corporation adjusted tax amounted to €1,096 million in 2013, with an effective tax rate of 43% This is lower than the same period last year (46%) mainly due to declining results in businesses with a high tax burden, such as Libya.

The result from discontinued operations includes the liability for the shares of YPF S.A. and YPF Gas S.A. subject to the expropriation process and that were recorded in the balance sheet as "*Non-current assets held for sale subject to expropriation*". At year-end 2013, in accordance with the preliminary agreement announced by the Argentinian government and the basis for the negotiation process established by Repsol, the expropriated shares were revalued to adjust their recoverable value to an estimated $5,000 million. Therefore, an impairment in the value was recorded with a net impact on the results of €1,279 million.

As a consequence of the above measures, income in 2013 was €195 million, compared with the €2,060 million the previous year.

In 2013, recurring CCS net income, i.e. net income for the financial year, not including atypical results and taking into account product and crude oil costs at replacement value, was €1,823 million, 6.7% less than in 2012.

The difference between CCS recurring net income (€1,823 million), which is habitually used in the industry and the net accounting income (€195 million) is mainly explained by the following reasons:

- Adjustment to the value of the Group´s expropriated shares in YPF: - €1,279 million after tax
- Effect associated with the valuing of the crude oil and products at mean cost (MIFO), instead of at replacement costs (CCS): - €187 million after tax.
- Net effect of other non-recurring events, such as the sale of Liquefied Natural Gas (LNG) and the provisions and write-offs (LNG, Chemicals): - €162 million after tax.

Financial performance indicators for periods 2013 and 2012 are as follows:

PERFORMANCE INDICATORS	31/12/2013[1]	31/12/2012[1]
Return on equity (ROE)[2] (%)	5.6	7.4
Return on average capital employed (ROACE)[3] (%)	6.5	7.8
EBITDA [4]/Financial debt	64.5	57.4

(1) The numerator of financial ratios at December 31, 2013 and 2012 has been calculated from the results of continuing operations. Ratios of these periods including capital employed do not incorporate any YPF amounts.
(2) ROE is the result attributed to the parent company after tax / average equity attributed to the parent company.
(3) ROACE is the (result attributed to the parent company + result attributed to minority interests + financial result after tax) / (equity + preference shares + average net debt for the period).
(4) EBITDA: represents operating income adjusted for items that do not result in cash inflows or outflows from operations (depreciation and amortisation, allowances and provisions released, profit/loss from asset sales and other items), and is calculated following the guidelines stated at the beginning of this section.

FINANCIAL OVERVIEW

In 2013, Repsol has continued its policy of financial prudence, which has allowed it to maintain access to the markets and a high credit rating while financing the investment program, the preference shares buy-back plan and attractive shareholder remuneration, to name just a few.

Preference Shares

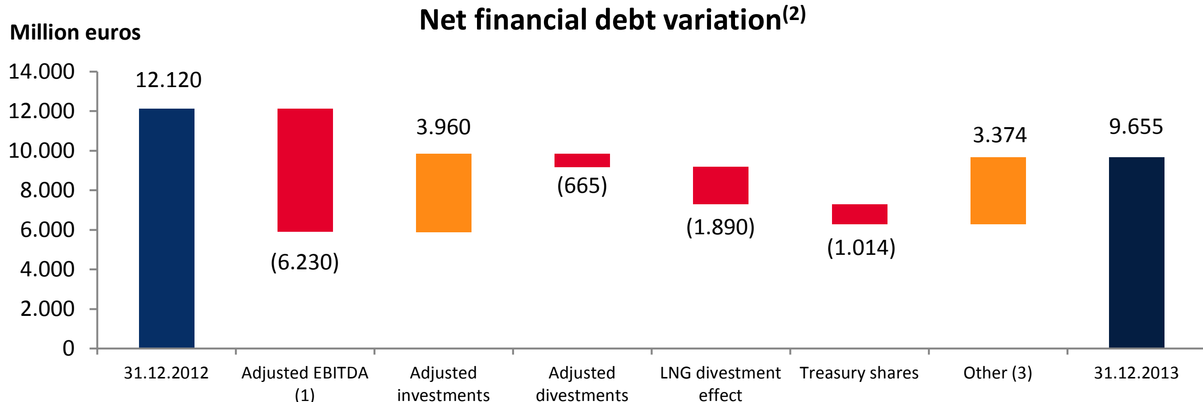
On 31 May 2013 the Board of Directors of Repsol International Capital Ltd (RIC) and Repsol, S.A. agreed, in their respective jurisdictions, to launch an operation consisting in a voluntary Tender Offer for the Repurchase of the Preference Shares in cash issued by RIC, simultaneously linked to the public offer for the subscription of bonds of Repsol S.A. addressed to the holders accepting the Repurchase Offer. RIC paid €2,843 million in cash (97.21% of the nominal) to the acceptants of the Repurchase Offer, of which €1,458 million were applied to the subscription of Repsol S.A. bonds that were admitted to trading on 2 July.

On the other hand, on 16 April 2013 the Board of Directors of Gas Natural authorised the launch of an offer to buy preference shares issued on 20 May 2003 by its group company Union Fenosa Financial Services USA, LLC, that on 20 May 2013 resulted in a lump sum payment amounting to €162 million (corresponding to Repsol's percentage stake in that group) to acceptors of that offer (88.56% of the total nominal amount of the issue).

For more information regarding the financial effects of the transaction, see the *Preference Shares* section of Note 18 in the Group’s audited consolidated financial Statements for the financial year ended 31 December 2013.

Indebtedness

The Consolidated Group's net financial debt at the end of 2013 was €9,655 million compared to €12,120 million at the end of 2012. The evolution of net financial debt in 2013 is described below:



(1) Adjusted EBITDA: represents operating income adjusted for items that do not result in cash inflows or outflows from operations (depreciation and amortisation, allowances and provisions released, profit/loss from asset sales and other items).
(2) See Note 19.2 "Capital Management" in the in the Group's audited consolidated financial Statements for the financial year ended 31 December 2013, which describes the composition of net debt.
(3) "Others" include the following items: i) €1,279 million of income tax payments, ii) €145 million in payments for operational activities, iii) €528 million of dividends and other remuneration to shareholders and iv) €902 million in net interests.

The Group's net financial debt excluding Gas Natural Fenosa, i.e. excluding the financial debt relating to this company, was €5,358 million, compared to €7,432 million for the previous period.

The reduction in net debt in the period was mainly motivated by the impact of the sale of LNG assets within the period.

Main financing operations

The main financing operations of Repsol Group during 2013 were as follows:

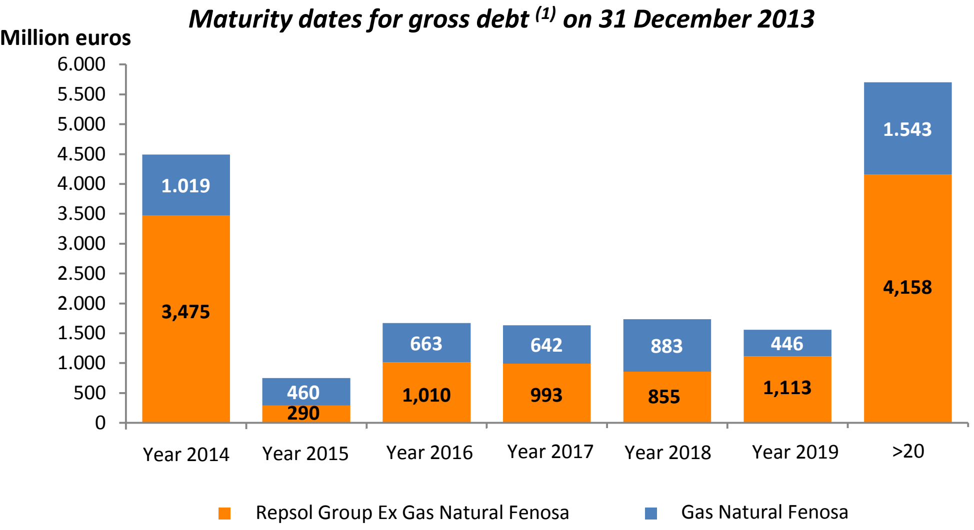
CONCEPT	ISSUER	CURRENCY	NOMINAL[1] (millons)	RATE	DATE	TERM
Bonds	Gas Natural Fenosa	Euro	90	2.310%	April	4 years
Loan	Gas Natural Fenosa	Euro	225	n/d	October	5 years
Bonds	Gas Natural Fenosa	Swiss franc	60	2.125%	January	6 years
Bonds	Repsol International Finance, B.V	Euro	1,200	2.625%	May	7 years
Bonds	Gas Natural Fenosa	Euro	150	3.5%	October	7,5 years
Bonds	Repsol International Finance, B.V	Euro	1,000	3.625%	October	8 years
Bonds	Gas Natural Fenosa	Euro	225	3.875%	April	9 years
Bonds	Gas Natural Fenosa	Euro	180	3.875%	January	10 years
Loan	Banco Europeo de Inversiones	Euro	200	Euribor 3M +1.402%	May	10 years
Bonds	Repsol, S.A.	Euro	1,458	3.50%	July	10 years
Bonds	Gas Natural Fenosa	NOK	31	3.974%	July	10 years

(1) Amounts corresponding to Gas Natural Fenosa Group issues shows Repsol's % of participation in that Group.

Additionally during 2013, the Group issued short-term European commercial paper amounting to €1,382 million nominal, $430 million and 20 million Swiss francs nominal under a Euro-Commercial Paper Programme (ECP) Through Gas Natural Fenosa, and its ECP Program, issues totalling €481 million were released in 2013 (amount in proportion to the Group taking into account the percentage of Repsol's stake in Gas Natural Fenosa).

Maturity dates for gross debt.

As a result of this information, the maturity date profile of the existing financial debt at year-end is as follows:



(1) Includes preference shares, exchange rate derivatives and interest.

Financial prudence

Repsol holds sufficient available cash resources and other liquid financial instruments, including undrawn lines of credit, to cover the debt maturities for at least the next five years, and covering 72% of its entire gross including preference shares. In the case of Repsol, excluding Gas Natural Fenosa, these same resources cover 78% of gross debt.

Further information; see Note 19 in the Group Consolidated Financial Statements as “Liquidity risk”.

Net debt and net debt to capital employed ratio, in which capital employed refers to net debt plus net equity, provide a true and fair view of the volume of necessary borrowings and their relative weighting in the funding of capital employed in transactions.

	December, 31st			
	Consolidated Group		**Consolidated Group ex Gas Natural Fenosa**	
INDICATORS OF FINANCE SITUATION *Amounts in millions of euros, except ratios*	**2013**	**2012**	**2013**	**2012**
Net financial debt with preference shares	9,655	12,120	5,358	7,432
Total capital employed (1)	37,575	39,592	32,806	34,426
Net financial debt / total capital employed (1)	25.7%	30.6%	16.3%	21.6%

(1) Includes Net Capital employed coming from discontinued operations.

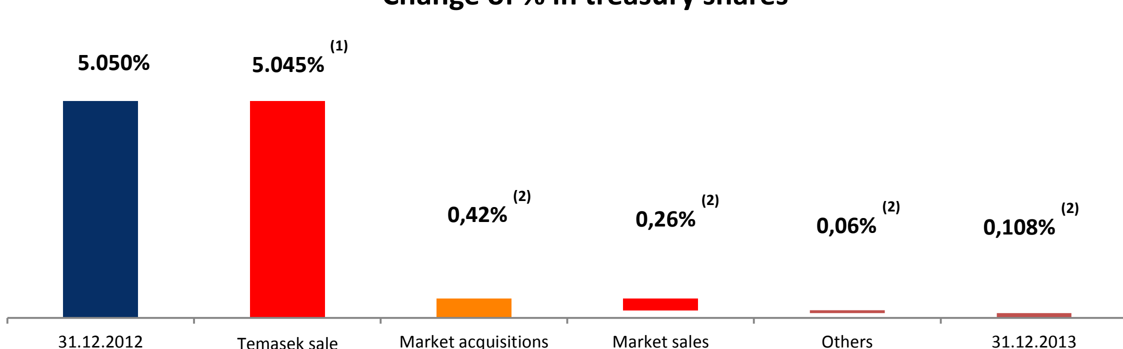
Credit rating

Repsol S.A.'s current credit rating is as follows:

TERM	STANDARD & POOR'S	MOODY'S	FITCH RATINGS
Long-term	BBB-	Baa3	BBB-
Short-term	A-3	P-3	F-3
Outlook	Stable	Stable	Stable
Latest data review	22/06/2012	01/03/2013	31/01/2013

Treasury shares and own equity investments

Below is a description of the evolution in the percentage of treasury shares in relation to Repsol's share capital, attending to the nature of its sale or acquisition that on 31 December 2013 represented 0.108% of the Group share capital (calculated over Repsol share capital post *scrip dividend* in January 2014).



(1) % calculated over the share capital prior to sale.

(2) % calculated as the number of shares over Repsol share capital post *scrip dividend* of January 2014.

The aforementioned acquisitions were carried out by virtue of the powers that the General Shareholders' Meeting of April 30, 2010 vested in the Board of Directors.

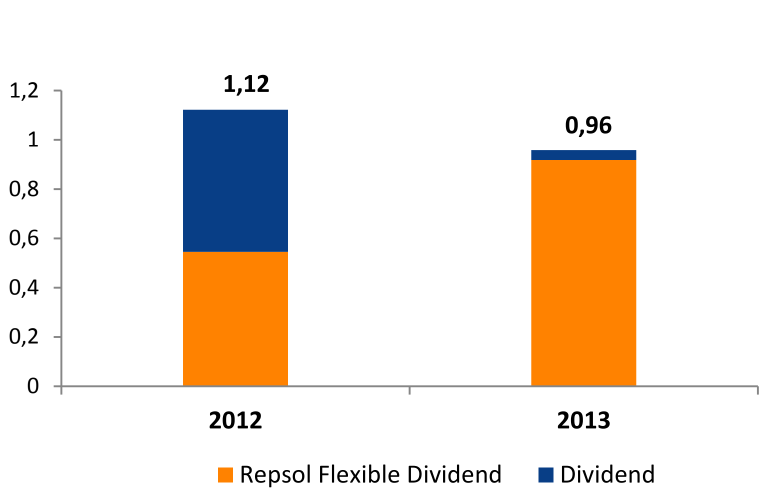
Among the operations performed with treasury shares in the period was the acquisition on 4 March 2013 of 64.7 million Repsol shares held in treasury by the Singapore investment company Temasek, representing 5.045% of the capital, at a price of 16.01 euros per share and resulting in the payment to Repsol of €1,036 million. For further information, see Note 14.4 "Treasury shares and equity interests" of the Group's Consolidated Financial Statements.

SHAREHOLDER REMUNERATION

Repsol is committed to maintaining attractive remuneration for its shareholders in line with that of previous years, although this has not been formalised in a policy of dividend distribution. Nonetheless, shareholder return eventually agreed by Repsol will depend on various factors, including the evolution of its business and operating results.

In 2012 Repsol started a scrip dividend scheme under the "Repsol Flexible Dividend" program. 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.

Shareholder remuneration in 2013 and 2012, including cash dividend and script dividend under the "Repsol Flexible Dividend" program, was as follows:



The remuneration shown in the table for 2012 includes the dividend for 2011 of €0.5775 gross per share paid in January 2012 and the amount of the irrevocable undertaking to purchase free assignment rights made by Repsol in the capital increase concluded in July 2012 (€0.545 gross per right), under the "Repsol Flexible Dividend" program.

The remuneration of 0.96€/share for 2013 includes the amount of the irrevocable undertaking to purchase free assignment rights made by Repsol in the two capital increases concluded in January and July 2013 (0.473 and 0.445 euros gross per right), under the "Repsol Flexible Dividend" program, and the cash dividend of 0.04 euros gross per share paid in June 2013. As a result, in 2013, Repsol paid out a total of €467 million to shareholders and distributed 46,293,180 new shares to shareholders, with an equivalent of €833 million.

Additionally, within the "Repsol Flexible Dividend" program, and to replace what would have been the dividend on account for the financial year, Repsol made a cash payment in January 2014 of €232 million (€ 0.477 gross per right) to those shareholders who chose to sell their free assignment rights to the Company, and distributed 22,044,113 shares, with an equivalent value of €389 million, to those who chose to receive new shares in the Company.

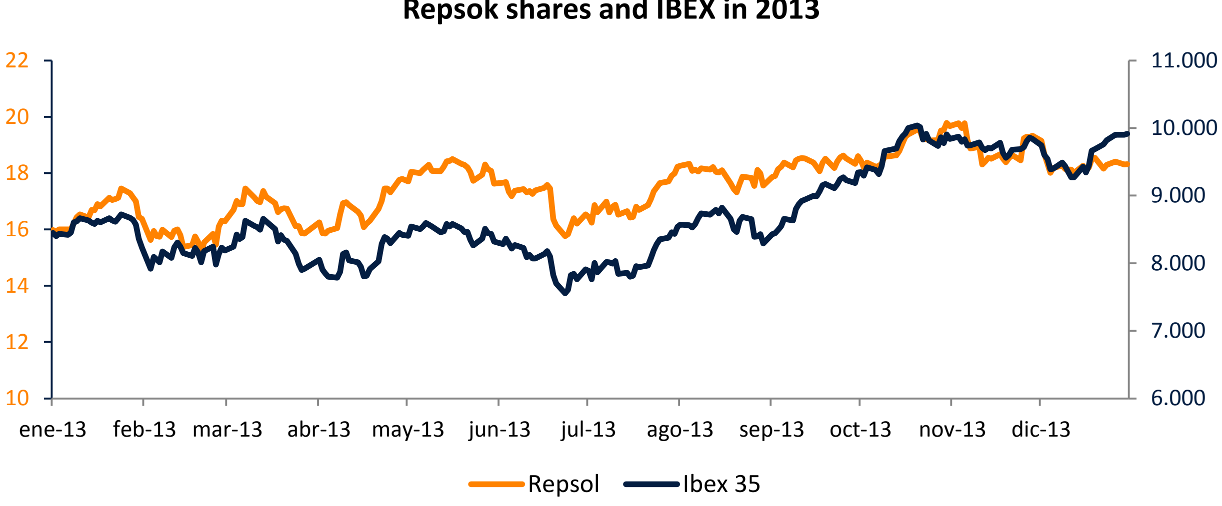
Lastly, on the date on which the Annual Accounts are completed, within the "Repsol Flexible Dividend" program, and to replace the traditional complementary dividend for the financial year, the Board of Directors will propose to the next Ordinary General Shareholders Meeting a capital increase to be charged to reserves from retained earnings equivalent to a shareholder return of approximately 0.50 euros per share.

For additional information on the total remuneration received by shareholders, the aforementioned capital increases issued under the "Repsol Flexible Dividend" program, see sections 6 *Shareholder remuneration* and 1 *Share Capital* of Note 14 "*Net Equity*" of the consolidated financial statements of the Group for the financial year 2013.

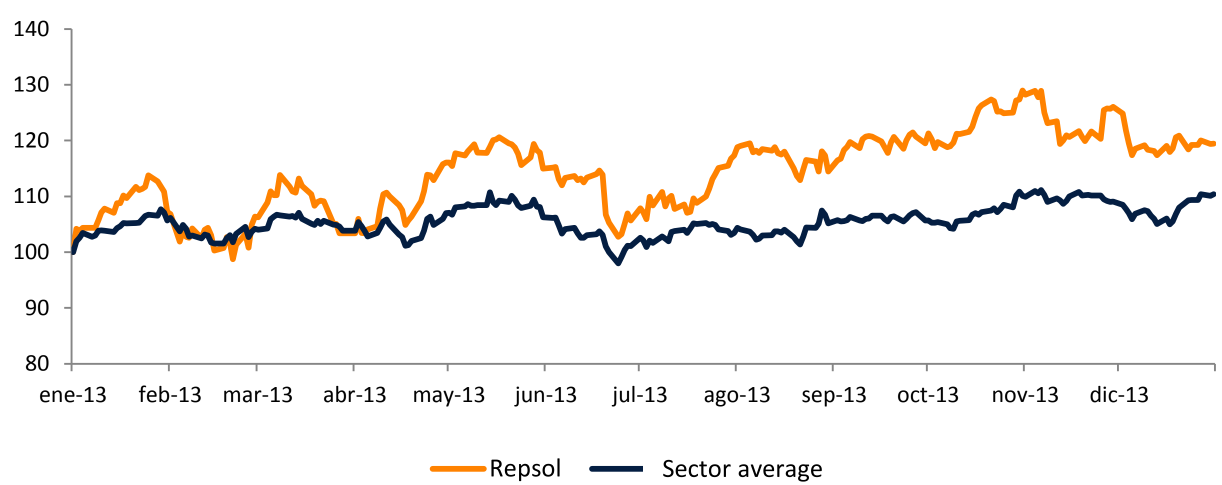
Our shares

Overall 2013 has been positive for the Spanish stock markets, closing the year with revaluation of the Ibex index of 21.4%. This increase is mainly due to a change in the perception of the Spanish economy by investors. The risk premium fell 170 points during the year and the interest on Spanish debt fell from 5.26% to 4.14%, showing that the market considers the political reforms and stability as positive signals for investing in Spanish companies.

Repsol shares have experienced a very similar progress to the Íbex, as shown in the following chart, with an increase of 19.5%:



Compared to the sector, Repsol shares have performed better than the average of its European peers. European companies in the sector have raised an average of 10.4%, while Repsol shares, as mentioned above, have risen by 19.5%.



Note: sector average include Repsol, BP, ENI, Total, RDS (B), OMV and Statoil

The main stock-exchange indicators of the Group during the years 2013 and 2012 are detailed bellow:

MAIN STOCK EXCHANGE INDICATORS	2013	2012
Share price at close of financial year[2] (euros)	18.3	15.3
Average share price (euros)	17.5	16.2
Maximum price for the period (euros)	19.8	24.1
Minimum price for the period (euros)	15.1	11
Market capitalisation (million euros) [1]	23,861	19,263
PER[3] (euros)	122.1	9.3
Dividend yield [4] (%)	6.0	4.7
Shareholders' equity per share [5]	21.29	21.48

(1) Corresponds to the trading price per share at closing multiplied by the number of outstanding shares (million euros).
(2) This item represents the quoted year-end price per share in the Continuous Market of the Spanish Stock Exchanges.
(3) PER is the closing quoted share price for the period / earnings per share attributed to the parent company.
(4) Corresponds to the dividend per share according to the quotation at the beginning of the period.
(5) Corresponds to the Equity / average number of shares outstanding at closing.

5. *PERFORMANCE OF OUR BUSINESS AREAS*

5.1) UPSTREAM

Our activities

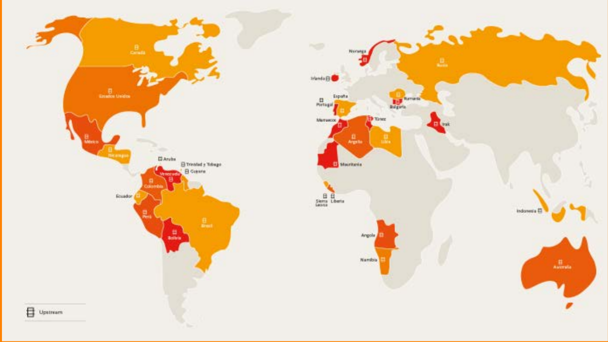
The Repsol *Upstream* Division includes oil and natural gas exploration and production, and the company manages its project portfolio in order to achieve profitable, diversified and sustainable growth with a commitment to safety and the environment. The exploration and production activities are:

- **New areas**: Identification and entry into new projects (organic or inorganic growth).
- **Exploration**: Geology, seismic and geophysical activities and drilling exploratory wells in the search for hydrocarbon resources.
- **Evaluation**: Definition of the resources discovered and determination of their commercial viability.
- **Development**: Drilling production wells and implementing facilities for starting production of the reserves.
- **Production**: Commercial exploitation of hydrocarbons.

Main figures

	2013	2012
UPSTREAM:		
Net non-developed acreage (Km^2)	223,363	221,228
Net developed acreage (Km^2)	880	935
Reserves of crude oil, condensate and LPG (Mboe)	422	428
Natural Gas Reserves (Mboe)	1,093	866
Proven Reserves Replacement Ratio (%)	275	204
Reserve replacement cost (three-year average) ($/boe) [1]	11.5	12.3
Net production of hydrocarbons day (boe/d)	346	332
Average crude realisation price ($/bbl)	88.7	89,0
Average gas realisation price ($/boe)	22.5	20.9
Extraction cost [2] (net lifting cost - $/Boe)	5.0	3.8
Finding cost (three-year average) ($/boe) [3]	6.0	9.0

(1) Finding cost: (Investments Acreage Acquisition+Exploration)/Discoveries and Extensions
(2) Reserve replacement cost: Total Investment(ex. Gas Storage, Liquefaction, Regasification and Other Investments) /Addition of Net Reserves (without Reserves Sales)
(3) Net Lifting Cost: Lifting Costs / Net Production



Our vision for the future

Exploration and production activities are our growth engine. In this area, strategy is based on the increase of production and reserves, maintaining our intense exploratory activity, geographical diversification, operative excellence and maximization of assets return.

Our performance in 2013

Millions of euros **Operating income**	2013	2012	Variation 2013/2012
North America and Brazil	205	380	-46.05%
North Africa	752	1,298	-42.06%
Rest of the world	800	530	50.94%
Total	**1,757**	**2,208**	**-20.43%**
Investments [(1)]	**2,317**	**2,423**	**-4.37%**

[(1)] Development investments represented 71% of the total (34% U.S.A., 17% Venezuela, 15% Brazil, 12% Trinidad and Tobago, 9% Bolivia y 5% Peru).Exploration investments represented 24% (26% U.S.A., 21% Brazil, 9% Norway, 8% Canada, 8% Iraq y 7% Ireland)

Main events of the period

- Commercial exploitation starts in Sapinhoá field, located in the Brazilian pre-salt region (Ja
çnuary).
- The creation of the AROG joint venture process was completed between Alliance Oil (51%) and Repsol (49%) in Russia (January).
- Start of production in Syskonsyninskoye (SK) in Russia (February).
- Gas discovery in the SE Illizi block in Algeria, as well as three discoveries in the Alaska North Slope (April).
- Discoveries at the BM-S-50 deepwater block of the Santos Basin in Brazil, at the Karabashsky-2 block in Russia and the Cosecha block in Colombia (June).
- Six new exploration licenses in Norway (H1) (first semester).
- Launch of phase II of the Margarita-Huyaca project in Bolivia (October).
- Oil discovery in Libya in block NC115 (October).
- The seventh generation drill ship "Ocean Rig Mylos" began drilling in Brazil (November)
- Production stops in Libya due to problems not associated with the operation (H2).
- Entry into two new countries: Nicaragua and Romania
- Commissioning of new gas well in Margarita-Huacaya in Bolivia (December).
- Declaration of commercial viability applied for at the Carioca

field in the deep waters of the Santos Basin in Brazil (December).

5.1.1. UPSTREAM MAIN ACTIVITIES

EXPLORATION AND DEVELOPMENT

At year-end 2013, Repsol's *Upstream* division was involved in oil and gas exploration and production blocks in 31 different countries, either directly or through investee companies. The company was the operator in 25 of these.

The tables below display information on Repsol's acreage and exploration and development activities by geographical area:

	Developed and non-developed acreage 2013			
	Developed (1)		**Undeveloped (2)**	
(km2)	**Gross (3)**	**Net (4)**	**Gross (3)**	**Net(4)**
Europe	**22**	**17**	**64,677**	**32,649**
South America	**1,862**	**513**	**119,074**	**60,741**
Brazil	98	8	3,659	468
Peru	167	17	38,814	15,974
Trinidad and Tobago	180	66	7,972	3,327
Venezuela	777	186	2,214	667
Other countries in South America	640	237	66,415	40,306
North America	**866**	**69**	**40,249**	**11,029**
Africa	**643**	**175**	**152,024**	**82,204**
Asia	**215**	**105**	**42,905**	**24,192**
Oceania	-	-	**12,548**	**12,548**
Total	**3,608**	**880**	**431,477**	**223,363**

(1) Developed acreage is the area assignable to production wells. The amounts shown belong to the acreage, both in terms of exploration and development.
(2) Non-developed acreage covers the surface area in which no wells have been drilled, or where wells have not been completed to the point of permitting oil and gas production in economically viable quantities, regardless of whether said area contains proven reserves.
(3) Gross acreage is the area where Repsol owns a working interest.
(4) Net acreage is the sum of the fractions of interest held in gross acreage.

	Acreage											
	No of blocks (2)				Gross acreage (km2) (1)				Net acreage (km2) (2)			
	Development		Exploration		Development		Exploration		Development (3)		Exploration	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Europe	**10**	**12**	**49**	**41**	**399**	**468**	**64,301**	**41,578**	**332**	**389**	**32,334**	**18,170**
South America	**51**	**50**	**20**	**27**	**17,294**	**17,047**	**103,642**	**86,833**	**5,724**	**5,685**	**55,531**	**41,301**
Brazil	3	2	4	10	956	723	2,801	6,161	113	78	363	1,219
Peru	2	2	5	5	2,020	2,020	36,961	36,961	202	202	15,789	19,017
Trinidad and Tobago	7	7	1	-	5,579	5,579	2,574	-	2,363	2,363	1,030	-
Venezuela	8	8	-	1	2,990	2,980	-	518	853	849	-	207
Other countries in South America	31	31	10	11	5,749	5,745	61,306	43,194	2,193	2,193	38,350	22,858
North America	**7**	**7**	**517**	**474**	**18,208**	**1,157**	**22,908**	**27,504**	**2,009**	**559**	**9,089**	**9,791**
Africa	**4**	**5**	**34**	**37**	**12,059**	**12,274**	**140,607**	**172,166**	**2,564**	**2,692**	**79,815**	**107,470**
Asia	**16**	**14**	**21**	**20**	**2,076**	**1,404**	**41,043**	**35,612**	**1,017**	**1,181**	**23,280**	**22,376**
Oceania	**-**	**-**	**1**	**1**	**-**	**-**	**12,548**	**12,548**	**-**	**-**	**12,548**	**12,548**
Total	**88**	**88**	**642**	**600**	**50,036**	**32,351**	**385,049**	**376,242**	**11,647**	**10,506**	**212,596**	**211,657**

(1) Gross acreage is the area where Repsol owns a working interest. Net acreage is the sum of the gross area in each acreage according to their respective working interests.
(2) The number of active blocks excludes unconventional Mississippian Lime assets in the United States.
(3) Includes development and in production acreage.

	Finished and ongoing exploratory wells									
	Positive		Negative		Under evaluation		Total		Ongoing	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Europe	**-**	**-**	**4**	**1**	**-**	**-**	**4**	**1**	**-**	**-**
Latin America	**2**	**4**	**6**	**5**	**-**	**1**	**8**	**10**	**-**	**4**
Brazil	1	1	4	1	-	1	5	3	-	4
Peru	-	1	-	1	-	-	-	2	-	-
Trinidad and Tobago	-	-	-	-	-	-	-	-	-	-
Venezuela	-	-	-	-	-	-	-	-	-	-
Other countries in South America	1	2	1	2	-	-	2	4	-	-
Central America	-	-	1	1	-	-	1	1	-	-
North America	**3**	**-**	**1**	**1**	**-**	**2**	**4**	**3**	**-**	**-**
Africa	**2**	**1**	**3**	**1**	**-**	**2**	**5**	**4**	**2**	**1**
Asia	**1**	**-**	**1**	**-**	**-**	**-**	**2**	**-**	**2**	**-**
Oceania	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**8**	**5**	**15**	**8**	**-**	**5**	**23**	**18**	**4**	**5**

	Finished development wells							
	Positive		Negative		Under evaluation		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
Europe	-	-	-	-	-	-	-	-
South America	**95**	**75**	**6**	**5**	**6**	**4**	**107**	**84**
Brazil	4	1	-	1	-	-	4	2
Peru	1	3	-	1	-	-	1	4
Trinidad and Tobago	5	4	-	-	2	1	7	5
Venezuela	29	20	-	1	1	1	30	22
Other countries in South America	56	47	6	2	3	2	65	51
Central America	-	-	-	-	-	-	-	-
North America	**406**	**254**	-	**1**	**1**	**5**	**407**	**260**
Africa	**23**	**2**	-	-	-	-	**23**	**2**
Asia	**31**	**4**	**2**	-	**6**	-	**39**	**4**
Oceania	-	-	-	-	-	-	-	-
Total	**555**	**335**	**8**	**6**	**13**	**9**	**576**	**350**

PRODUCTION AND RESERVES

Average production in 2013 (346 Kboe/d) has been 4% higher than in 2012 (332 Kboe/d). The start-up of five of the ten major projects and the reduction in stoppages in Trinidad and Tobago have compensated for the interruption in production in Libya (which stopped for over 100 days) and the sale of 20% of block 16 in Ecuador. If Libya had operated normally, average production in 2013 would have been 8% higher than in 2012. Production was restarted in Libya on the 4th January 2014.

	Net production of liquids and natural gas by geographical area					
	2013			2012		
	Liquids	Natural gas	Total	Liquids	Natural gas	Total
	(Mbbl)	(bcf)	(Mbep)	(Mbbl)	(bcf)	(Mbep)
Europe	**2**	**1**	**3**	**1**	**2**	**1**
South America	**24**	**395**	**94**	**24**	**372**	**90**
Brazil	3	*	3	2	*	2
Peru	4	40	11	3	39	10
Trinidad and Tobago	4	253	49	4	240	47
Venezuela	5	47	13	5	48	13
Other countries in South America	8	54	18	10	45	18
North America	**10**	**9**	**11**	**10**	**5**	**11**
Africa	**11**	**11**	**13**	**17**	**12**	**19**
Asia	**4**	**8**	**5**	**1**	**-**	**1**
Total net production	**51**	**424**	**126**	**52**	**391**	**122**

(*) Production value between 0 and 1.

	Productive Wells by geographical área			
	Oil		Gas	
	2013	2012	2013	2012
Europe	**10**	**9**	**1**	**1**
South America	**1,098**	**1,083**	**180**	**166**
Brazil	17	16	-	-
Peru	-	-	20	21
Trinidad and Tobago	97	96	47	48
Venezuela	366	333	25	23
Other countries in South America	618	638	88	74
North America	**811**	**304**	-	**-**
Africa	**248**	**240**	**83**	**83**
Asia	**362**	**332**	**7**	-
Oceania	-	**-**	**-**	**-**
Total	**2,529**	**1,968**	**271**	**250**

Main production concessions by country

The following table provides figures on the main production [and development] concessions for Repsol's Upstream division by country at December 31, 2013, likewise stating the percentage that Repsol holds in each of them.

	Main blocks	% Repsol	Productive /Development	Operated (O) / Not operated (NO)	Liquids (L) / Gas (G)
Europe					
Spain	Lubina	100,00%	Productive	O	L
Spain	Casablanca-Montanazo	68,67%	Productive	O	L
Spain	Boquerón	61,95%	Productive	O	L
South America					
Trinidad and Tobago	BP TT	30,00%	Productive	NO	L-G
Trinidad and Tobago	TSP	70,00%	Productive	O	L-G
Trinidad and Tobago	5B Manakin	30,00%	Development	NO	L-G
Rest (South America)					
Brazil	BM-S-9 (Sapinhoá)	15,00%	Productive	NO	L
Brazil	Albacora Leste	6,00%	Productive	NO	L-G
Bolivia	Margarita - Huacaya	37,50%	Productive	O	L-G
Bolivia	Sabalo	24,46%	Productive	NO	L-G
Bolivia	San Alberto	24,46%	Productive	NO	L-G
Colombia	Cravo Norte	5,63%	Productive	NO	L
Colombia	Cosecha	17,50%	Development	NO	--
Ecuador	Block 16	35,00%	Productive	O	L
Ecuador	Tivacuno	35,00%	Productive	O	L
Peru	Bloque 56 (Camisea)	10,00%	Productive	NO	L-G
Peru	Bloque 88 (Camisea)	10,00%	Productive	NO	L-G
Peru	Bloque 57 (Kinteroni)	53,84%	Development	O	L-G
Venezuela	Cardón IV (Perla)	50,00%	Development	O	G
Venezuela	Quiriquire (Gas)	60,00%	Productive	O	G
Venezuela	Yucal Placer	15,00%	Productive	NO	G
Venezuela	Barua Motatan	40,00%	Productive	O	L
Venezuela	Quiriquire	40,00%	Productive	O	L-G
Venezuela	Mene Grande	40,00%	Productive	O	L
Venezuela	Carabobo	11,00%	Development	O	L
North America	---	---		---	---
United States	Shenzi	28,00%	Productive	NO	L-G
United States	Mississippian Lime	7,42%	Productive	NO	L-G
Africa					
Argelia	Tin Fouyé Tabenkor (TFT)	30,00%	Productive	O	L-G
Argelia	Reggane	29,25%	Development	O	G
Libya	NC-115	20,00%	Productive	O	L
Libya	NC-186	16,00%	Productive	O	L
Asia					
Russia	SK	49,00%	Productive	O	L-G
Russia	YK	49,00%	Development	O	--
Russia	SNO	49,00%	Productive	O	L
Russia	TNO	49,00%	Productive	O	L

Average realization price for crude oil and gas by geographical region

	At December 31, 2013		At December 31, 2012	
	Average crude oil realization price	**Average gas realization price**	**Average crude oil realization price**	**Average gas realization price**
	($/Bbl)	**($/Boe)**	**($/Bbl)**	**($/Boe)**
Europe	108.12	63.27	110.13	65.11
South America	82.18	22.41	75.99	20.43
North America	102.36	28.78	103.80	37.43
Africa	108.51	-	110.33	-
Asia	60.13	10.69	65.15	-
Oceania	-	-	-	-
TOTAL	**88.68**	**22.46**	**88.96**	**20.87**

Note: source data in dollars converted at the accumulated average dollar/euro exchange rate for the period in question.

Reserves

At year-end 2013, Repsol's proven reserves, estimated in accordance with the US Securities and Exchange Commission (SEC)'s conceptual framework for the oil and gas industry, and in accordance with the criteria envisaged under the Petroleum Reserves Management System of the Society of Petroleum Engineers (PRMS-SPE), amounted to 1,515 Mboe, of which 422 Mboe (27.8%) relate to crude oil, condensate and liquefied gases, and the remaining 1,093 Mboe (72.2%) to natural gas.

	Proven reserves	
Millions of barrels of oil equivalent	**2013**	**2012**
Europe	4	5
South America	1,287	1,033
North America	46	53
Africa	139	152
Asia	39	51
Oceania	-	-
TOTAL	**1,515**	**1,294**

In 2013, the development of these reserves was positive, with a total incorporation of 347 Mboe, mainly from the Cardón IV Project in Venezuela, incorporations in BPTT in Trinidad and Tobago reviews in Blocks 56 and 88 in Peru. In 2013, the company achieved a proven reserves replacement ratio (measuring total additions of proven reserves over the period relative to production for the period) of 275% for crude oil, condensate, LPG and natural gas (87% for crude oil, condensate and LPG, and 401% for natural gas), which improves the good ratios obtained in 2012 (204%) and 2011 (162%), adding resources that strengthen their future growth.

5.1.2. ACTIVITIES IN THE MAIN GEOGRAPHIC LOCATIONS

Noth America

<table>
<tr><td>Canada
 </td><td>• In early 2013, Repsol was awarded a new offshore exploration block in the NL12-02-Flemish Pass Exploration Round. The EL-1134 block was awarded to a consortium in which Repsol holds a 25% stake. The block is located in the Southern Flemish basin.
• The entry of this new exploration block to join existing ones, demonstrates Repsol's commitment to create a portfolio of projects in the Canadian offshore area, in line with its strategy of geographical diversification and growth in OECD countries.</td></tr>
</table>

<table>
<tr><td>EE.UU.
 </td><td>Repsol's diversified portfolio of projects in the United States, comprised of assets in production and exploration projects of great significance, both onshore and offshore, positions this country as one of the major strategic growth areas for the company. Repsol has a stake in 500 blocks in the US, along with the Mississippian Lime assets.</td></tr>
<tr><td colspan="2">• In the Gulf of Mexico, Repsol won the award in Exploration Round 227 held in March 2013, for two new exploration blocks. The offshore blocks are Green Canyon 581-GC in which Repsol holds 40% and Atwater Valley-AT 172 with a 100% stake.</td></tr>
<tr><td colspan="2">• In April 2013, Repsol announced three oil discoveries in Alaska during the 2012-2013 exploration campaign. The wells Qugruk 1 (Q-1) and Qugruk 6 (Q-6) showed hydrocarbons at two levels, whereas in the Qugruk 3 (Q-3) hydrocarbons were found at multiple levels. The exploration and evaluation work will continue during the winter 2013-2014. Repsol is the operator of the exploration consortium with a 70% stake.</td></tr>
<tr><td colspan="2">• In Alaska, Repsol was officially awarded the 41 blocks previously announced as the highest offer in the NS-2012W and BS-2012W rounds of North Slope of Alaska in November 2012.</td></tr>
<tr><td colspan="2">• The areas of unconventional resources in the Mississippian Lime reservoir, located between the states Kansas and Oklahoma, in which Repsol holds a stake after an agreement ratified in 2012 with US oil firm SandRidge Energy, continued operating in 2013 with an intense drilling campaign of more than 400 producing wells drilled during the year.</td></tr>
<tr><td colspan="2">• At the productive asset of Shenzi, located in deepwater Gulf of Mexico and where Repsol has a 28% stake, saw the drilling of two development wells and a new well was started. There currently are 16 production wells (14 at the Shenzi platform and two at the Marco Polo platform) and four injection wells have been drilled, including two in 2013.</td></tr>
<tr><td colspan="2">• In the first half of 2013, a second appraisal well was drilled at the Buckskin discovery, which is scheduled for completion in early 2014.</td></tr>
</table>

Latin America

Brazil

The exploration discoveries made in Brazil in recent years, the emerging development projects and the partnership between Repsol (60%) and China's Sinopec (40%), creating the company Repsol Sinopec Brazil, reinforce the company's strategy in the Brazilian offshore, one of the largest areas of growth in hydrocarbon reserves in the world and a key growth area for Repsol *Upstream*. The company has a large and diversified portfolio of assets in Brazil, including the Sapinhoá and Albacore Leste productive fields and assets in the BM-S-9 and BM-C-33 blocks with major discoveries made in recent years.

- In January 2013 production began at the Sapinhoá field with the first production well in the southern area, in the BM-S-9 block in the deepwater pre-salt layer of the Santos Basin. Repsol Sinopec Brazil has a 25% stake. The production of this high quality crude oil is taking place in the south area through the floating platform that produces, stores and transfers the oil to another vessel (FPSO) "Cidade de São Paulo" with capacity to process 120,000 barrels of oil per day and 5 million cubic meters of gas. Within the complete development plan for the area, the platform will connect to new production wells and is expected to reach a total production of 120 kbbld of oil. In a second phase of development in the north area of the Sapinhoá Field, the FPSO "Cidade de Ilhabela" will be installed with a daily production capacity of 150,000 barrels of oil and 6 million cubic meters of gas.

- In 2013 production tests were performed (EWT) in Sapinhoá Norte in the BM-S-9 block connecting with the FPSO Cidade de São Vicente platform. The tests gave very positive results and produced high quality oil.

- In June 2013 a major oil discovery was made by the Sagittarius exploratory well in block BM-S-50 in the deepwater Brazilian pre-salt layer of the Santos Basin. This is the first well drilled in block BM-S-50. The company IHS included it in its list of the world's ten largest discoveries in the first half of 2013. Repsol Sinopec Brazil has a 20% stake in this block.

- The seventh generation drill ship "Ocean Rig Mylos" arrived in Block 33 in the Campos offshore field in Brazil in late October 2013 and began its drilling activities in November. This rig is one of the most modern and safest in the world and can be used for drilling in water depths of up to 3,700 m. Repsol chartered the rig in 2012 for a period of three years with an option to extend for two more. Initially, the evaluation plan for Block 33 will be implemented. Block BM-C-33 is operated by Repsol Sinopec Brasil (35%), in partnership with Statoil (35%) and Petrobras (30%).

- In 2013 work continued on the appraisal plan and the design of the future development of the Carioca project in block BM-S-9. A formation test (TFR) was performed in Carioca Norte and Carioca SW was drilled with very positive results.
  In December 2013 an application for the Declaration of Commercial Viability of the Carioca field was submitted to the Brazilian authorities (ANP), including the northeast and southwest areas of the Evaluation Plan and returning the southeast area including the Abaré, Abaré West, Iguazú North Iguazú South prospects.

Bolivia

- In October 2013 the President of Bolivia and Chairman of Repsol inaugurated the expansion of a gas processing plant as part of the second phase of Margarita-Huacaya development project. The plant's capacity was increased, with a current gas production of 14 million cubic meters per day. The Margarita-Huacaya development plan is one of the key growth projects described in the 2012-2016 Strategic Plan. In its final phase the development plan for the area includes the drilling of four wells, two of which have already been completed and the implementation of seismic 2D and 3D data surveys, which will lead to further production increases.

- To incorporate the new wells to the production system, in 2013 the construction of 29 km of pipeline was completed and the Villamontes compressor station was expanded.

- The project is operated by Repsol, with a 37.5% stake.
- In December 2013 production began at the Margarita 6 well with six million cubic metres of gas per day. This well is the second to enter production, out of four in the second phase of the Margarita-Huacaya project and allows total production at Margarita-Huacaya to increase to 15 million cubic metres of gas per day.

Peru	• In 2013 the supply of natural gas from Peru LNG liquefaction plant, from the region of the Camisea field, where Repsol has a 10% interest in blocks 56 and 88, continued normally. In these blocks the Cashiriari and San Martín fields are under production, and production is intended for the local market and to supply the Peru LNG liquefaction plant.
	• The Kinteroni field in block 57 was ready to start production in 2013, pending the settlement of outstanding trade issues. The Kinteroni field is located in central-eastern Peru, east of the Andes, in the Ucayali-Madre de Dios basin.
	• In mid-2013 the Peruvian authorities announced the resumption of the extension work being carried out in the Camisea pipeline, which will increase its current capacity from 1230 to 1540 cubic feet per day. The pipeline is operated by Transportadora de Gas del Perú (TGP) where Repsol has a 10% stake. At the end of January 2014, an agreement was signed with Enagás for the sale of 10% of Repsol's holding in the TGP gas pipeline; completion is subject to compliance with conditions precedent. This operation is in line with the goal of divestment of non-strategic assets as outlined in Repsol's 2012-2016 Strategic Plan (see Note 37 *Subsequent Events* in the Consolidated Annual Accounts for 2013).

Venezuela	• In the gas development project at the Perla field in the Cardon IV block, Gulf of Venezuela, the consortium (where Repsol has a 32.5%) continued to progress in 2013. This project contemplates three Phases depending on the volumes of non-associated natural gas to be produced (150, 450 and 800 Mscfd). Additionally, there is an estimation of one last Phase and reach 1,200 Mscfd. The first 150 Mscfd phase is estimated to start producing by the end of 2014. • In 2013 the detailed engineering work for the onshore processing plant was performed, the contract to supply equipment for the plant was awarded and the contract for its construction was signed. In addition the EPC contract (Engineering, Procurement and Construction) was awarded for the construction of the offshore facilities, work progressed on the installation of the production pipeline (sea-to-coast), the rig contract was awarded, the earthmoving works were performed and the detailed engineering of the condensate tanks began.
	• In 2013 progress was made in the development work of the Carabobo heavy oil project, another key growth project in Venezuela and where Repsol has an 11% stake. The ongoing seismic campaign continued, approval was given to commission a processing plant with capacity for 30,000 barrels of oil for accelerated early production along with the future installation of two new 30,000 Bbld plants and the FEED contract (Front End Engineering Design) was awarded for the permanent *Upstream* facilities. • Early production is estimated to start around 2016, reaching an anticipated production plateau of 400,000 Bbld in 2018 to 2019 with the start-up of the upgrader. This facility, with a processing capacity of 200,000 Bbld, will increase the quality of the crude to 32º API.
	• In the first half of the year Repsol opened a new office in Venezuela in Maracaibo.

Trinidad and Tobago	• The Trinidad&Tobago development well drilling campaign continued throughout 2013 at the Savonette and Immortelle fields. The company bpTT where Repsol has a 30% stake, operates an extensive offshore area, dedicated to gas production from these fields to supply the liquefaction trains of the Atlantic LNG plant.
	• In the TSP block, progress was made during 2013 in preparation for the drilling campaign to be carried out in 2014. It is estimated that between 6 and 8 development wells will be drilled using two rigs. Repsol is the operator in TSP with a 70% stake.
	• In November 2013 the exploration contract for block 23b was signed. Repsol participates in this new deepwater exploration block with a 40% interest.

Other countries in Latin America
• In Colombia, in the Cosecha onshore block participated by Repsol with a 25% stake in the exploration phase, during the first half of 2013 a discovery was made at the REX-1 exploratory well. The block is located in the Llanos Basin. • At the Tayrona offshore exploration block where Repsol holds a 30% interest, in 2013 the seismic survey was completed and the location was defined for the first exploration well planned for 2014. The environmental license was granted in May 2013.
• In Mexico, Repsol operated in 2013 the Reynosa-Monterrey block in the Burgos basin, through a multi-service contract. At the end of 2013 there were about 40 producing wells, although their production is not recorded in Repsol's books since they belong to the state-owned company Pemex. Following Pemex instructions, the work performed in 2013 focused primarily on maintenance services. • The Services contract with Pemex ended on 8 January 2014 and the facilities were handed over to Pemex.
• In Ecuador, in blocks 16 and Tivacuno where Repsol is the operator under the form of a Service Agreement a total cumulative production of 300 million barrels was achieved in 2013.
• In Aruba, in February 2013 Repsol opened a permanent representation office in the country, where it is the operator of an extensive exploratory offshore block. In 2013 the register of a 2D seismic survey was conducted in this block and the processing was completed at the end of the year.
• In Guyana, in May 2013, Repsol signed a new Production Sharing Contract (PSC) with the Government of Guyana for exploring the Kanuku offshore block.
• In Nicaragua, in late 2013 Repsol's entry in the country was completed with a 20% interest in the Tyra and Isabel blocks. The operation was pending of official ratification 31 December, 2013.

Africa

Repsol’s significant presence in North Africa is mainly concentrated in Algeria and Libya, countries where it holds interests in major projects that will ensure sustained and profitable growth over the coming years. The company is also consolidating its presence in West Africa, in particular in Angola, Tunisia, Morocco, Mauritania, Namibia, Sierra Leone and Liberia.

Libya	• In October 2013, Repsol announced a very high quality (39º API) light oil discovery in the Murzuq Basin. The discovery was made at the A1-129/02 well in block NC115. Repsol is the operator in the exploration area of the block, with a 40% stake.
	• For more than 100 days in 2013, production in the NC115 and NC186 blocks were affected by problems not associated with the operation. At the beginning of January, production was restarted.

Argelia	• In the second quarter of 2013 a second exploratory gas discovery was made at the Tin Essameid Est-1 (TDE-1) well in the Sud-Est Illizi block. In 2013 the outline plan of these two discoveries made during the first exploration period was submitted to Sonatrach, along with approval for the second period. Repsol is the operator of the consortium with a 25.7% stake in the contract.
	• At the major gas development project Reggane the FEED (Front End Engineering Design) was completed for the surface facilities in July 2013 and the bid proposal process began for the Detailed Engineering and Construction contract of the gas treatment plant, export pipeline and collection system that will connect the wells to the plant. Also in 2013 the bid proposal process began for the drilling rigs. Drilling of the first development wells is expected to start in 2014. • In September a 3D seismic survey campaign began in the Reggane field, to be followed by the Azrafil SE and Khalouche South fields. • Repsol co-operates this project with a 29.25% stake.
	• In September 2013, three fields -Tifernine, TIM and BEQ were handed over to Algerian state company Sonatrach.. This transfer resulted from the expiry of the 15-year exploitation period granted.

Angola	• In April 2013 the new office was opened in Angola, where Repsol is present in three exploration blocks (22, 35 and 37) Repsol is the operator of block 22 where it has 30% stake, it also has a 25% interest in block 35 and 20% of Block 37.
	• In 2013 a collaboration agreement was signed with state oil company Sonangol to use Repsol's cutting edge exploratory technology in Angola, as developed in the Kaleidoscope project and successfully deployed in offshore Brazil.

Liberia	• At the LB-10 block, where Repsol holds a 10% stake, in 2013 the interpretation of drillable targets was completed and two of them were selected in order to begin drilling in 2014.
	• In June 2013 the partners of the LB-16 and 17 blocks, after the studies performed, informed the Liberian authorities of the decision not to proceed to the second exploratory phase.

Tunez	• In the first half of 2013 a 2D seismic register campaign was performed in the three offshore exploration blocks that Repsol operates with a 50% share. The processing of the survey was completed in the last quarter.
	• In mid-2013 the authorities were requested to extend the exploratory period in the three blocks in order to complete the evaluation of the area's potential.

Namibia	• In February 2013, the agreement signed in July 2012 became effective under which Repsol acquired, from the company Arcadia Petroleum Ltd, a 44% stake in exploration license 0010 located in the waters of Namibia and comprising offshore blocks 1910a, 1911 and 2011A. Repsol took over as operator.

Morocco	• In mid-2013 Repsol applied to the Moroccan authorities for an exploration license in the offshore "Gharb" block after the good results obtained by the geological and economic appraisal performed under the evaluation license.

Mauritania	• At the end of 2013 drilling began of the Ouguiya-1 exploration well in block TA-10 in the Taoudenni basin. Repsol is the operator with a 70% stake.

Sierra Leona	• To date all the exploration commitments undertaken with the authorities of the country have been fulfilled in this exploratory phase of block SL-07B-10. The alternatives which may be followed before the end of the exploration phase for the block (August 2014) are currently being studied in collaboration with other partners in the block.

Asia

Russia	• In January 2013 Repsol contributed to the AR Oil and Gaz BV (AROG) joint venture with the company's assets in Eurotek, including two major gas fields: Syskonsyninskoye (SK), entered production in late February 2013 and Yuzhno-Khadyryakhinskoye (YK) which is in the final evaluation phase before entering development. With all this in late January 2013 was completed the formation of the joint venture between Alliance Oil AROG (51%) and Repsol (49%).
	• In February 2013, gas production began at the Syskonsyninskoye (SK) field, in the Khanty-Mansiysk region of the Siberian steppe. The full development of the field includes a total of 11 production wells that are all estimated to enter production throughout 2014.
	• In mid-2013 there was a discovery at the Gabi 3 exploratory well in the Karabashsky-2 block in Siberia, where Repsol is the operator with a 100% interest. 2013 also saw the completion of the Gabi 1 well in the Karabashsky-1 block (100% Repsol) with very good results, which will be confirmed with the production tests in 2014.
	• In 2013 the company's Acreage was joined by two new exploratory blocks in Siberia; Karabashsky-3 and Karabashsky-9, where Repsol is the operator with a 100% stake.

Indonesia	• In June 2013 the Indonesian authorities authorised the entry of Repsol, with a 30% stake in the Cendrawasih offshore exploration block. This new exploration block adds to the five blocks in which Repsol is already involved in Indonesian waters.

Iraq	• In 2013 processing and interpretation work concluded on the results of the 2D seismic acquisition surveys performed in 2012 in the Dze Piramagrun and Qala exploration blocks. As a result, drilling objectives were defined and one of them began in the fourth quarter of 2013 with work at the Zewe 1 well in the Piramagrun block. The second exploratory well at the Binari Serwan exploratory well in the Dze Qala block, is expected to be finished in the first half of 2014.
	• In the fourth quarter of 2013 the Maersk company concluded the purchase of 50% of Repsol's stake in the Piramagrun and Qala Dze blocks. With this divestment, Repsol maintains a 50% interest in the Area and maintains the operation.

Europe

<table>
<tr><td>Norway
 </td><td>In recent years Repsol has been consolidating a wide portfolio of projects in the Scandinavian country, in line with its strategy of geographic diversification and increased presence in OECD countries. In December 2013 Repsol participated in 18 exploration licenses in Norwegian waters, acting as the operator in six of them (PL-531, PL-541, PL-642, PL-692, PL-705 y PL-711).</td></tr>
<tr><td colspan="2">• In January 2013 Repsol's involvement became effective with a 20% interest in license PL628. The license is located in the North Sea.</td></tr>
<tr><td colspan="2">• In the first quarter of 2013 the Norwegian Petroleum Directorate announced the award of a license in the Norwegian Sea (PL 692) to Repsol where it is the operator with a 40% interest.</td></tr>
<tr><td colspan="2">• In June 2013 the Norwegian Ministry of Petroleum and Energy announced the award to Repsol of four exploration licenses in Round 22. Repsol will be the operating company in two of these licenses. Two are located in the Norwegian Sea (PL704 Repsol 30% and PL705 Repsol 40% and operator) and the other two are in the Barents Sea (PL711 Repsol 40% and PL721 Repsol 20%).</td></tr>
<tr><td colspan="2">• In the fourth quarter of 2013, the dilution of a 15% stake at license PL541 took place, in favour of Explora Petroleum. Repsol still holds a 35% stake and the operational control of the area.</td></tr>
</table>

<table>
<tr><td>Ireland
 </td><td>• In the second quarter of 2013 the Dunquin exploration well was drilled, although after the studies performed it was declared not commercially viable in the third quarter.</td></tr>
</table>

<table>
<tr><td rowspan="2">Portugal
 </td><td>• In the third quarter of 2013 Repsol completed the acquisition of the 50% stake held by Petrobras in the offshore blocks Mexilhao, Ameijoa, Ostra and Camarao. After this transaction Repsol's interest stands at 65% and it has taken over the operation of this blocks.</td></tr>
<tr><td>• In the blocks of the Algarve (Lagosta and Lagostim) in 2013 processing continued on the 3D seismic data registered in 2012. The result of this work will be obtained during 2014 in order to define the location of the first exploration well. Repsol has a 90% stake.</td></tr>
</table>

<table>
<tr><td>Rumania
 </td><td>• In March 2013 Repsol announced the signing of an agreement with the Romanian subsidiary of Austrian oil company OMV (OMV Petrom), to jointly explore the deeper levels (2,500 to 3,000 meters) of four blocks in Romania. The blocks are located in the front part of the Carpathian fold belt. Repsol's participation in this project is 49% and it is the operator company.</td></tr>
</table>

<table>
<tr><td>Bulgaria</td><td>• In 2013 the award obtained in 2012 of the Han Asparuh ocean exploration block, located in the Black Sea, was officially ratified. Repsol holds a 30% stake. It spans over an area of 14,220 km2 and is located in the Western Sub-Basin of the Black Sea, at a depth between 200 and 2,000 metres underwater.</td></tr>
</table>

<table>
<tr><td rowspan="3">España</td><td>In 2013 production at the Lubina and Montanazo fields surpassed two million barrels of total oil, both combined. Production in these fields, discovered in 2009 by Repsol, began in October 2012. Lubina and Montanazo have increased the past production of the Casablanca platform fivefold. Thanks to the activity of both deposits, at least another decade of life will be added to the other fields operating through Casablanca, allowing the possibility of developing new fields.
In 2013 the Casablanca platform obtained Integrated Management System certification under ISO9001, ISO14001 and OHSAS18001. In this way Casablanca has reached high standards of integrity and security in the industry for this type of facility.
Repsol is the operator in both blocks, with a stake of 68.67% in Montanazo and 100% in Lubina.</td></tr>
<tr><td>The Spanish Ministry of Industry, Energy and Tourism approved, in April 2013, the request submitted by Repsol in January to extend the Sirocco A-D permit to search for gas in the seabed off the coast of Malaga. Repsol is the operator of the project with a 60% stake.</td></tr>
<tr><td>In 2013 the government authorised the study of the seabed in the Canary Islands. The Energy Policy and Mines Department granted Repsol authorisation to study the seabed off the coast of Lanzarote and Fuerteventura. The area includes the blocks "Canarias 1-9" and the results will be incorporated into the Environmental Impact Study for the exploratory wells to be drilled. Repsol is the operator with a 50% stake.</td></tr>
</table>

5.1.3. UPSTREAM R&D PROGRAMES

During 2013, a significant number of Strategic Research Projects have been deployed in line with the targets of the 2011-2015 Strategic Plan for E&P Technology.

Within the key technological areas, projects have been created to understand how the subsoil is formed, through the development of simulations to characterise rocks and fluids contained in deposits, leading to a long-term decrease in hydrocarbon exploration investments, projects focused on the more specific characterisation of fluids during their extraction and transport, also addressing flow assurance. Other strategic projects aim to quickly determine the most cost-effective deposit within a given reservoir portfolio with different levels of information and uncertainty. This is done through an evaluation technology based on proprietary algorithms that enable predictive decision-making and avoid lost opportunities.

Work is also underway on unconventional hydrocarbons, from heavy oil to shale gas/oil.

Finally, Repsol has developed in partnership with a technology partner a technology for the surveillance and early detection of hydrocarbons in the aquatic environment, being able to identify very small quantities automatically, in any atmospheric or light condition. This is a pioneering project led by the Repsol Technology Centre, consisting of an advanced interpretation sofware, capable of operating autonomously. The investigation phase has been successfully completed and development has already been implemented at the Casablanca platform (offshore Tarragona). This project is a clear example of Repsol's commitment to the environment.

5.2) DOWNSTREAM

Our businesses

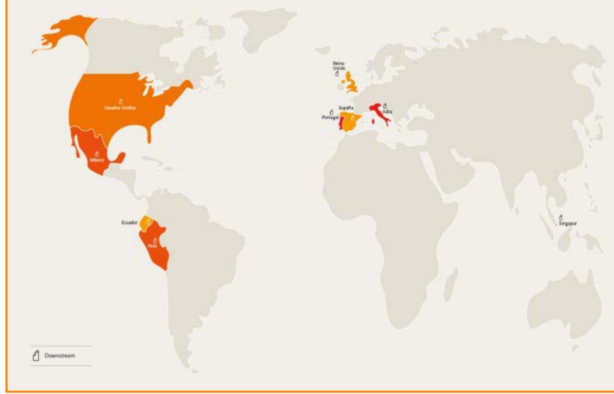
The Repsol Group *Downstream* business embraces the supply and trading of crude oil and other products, oil refining, marketing of oil products and the production and marketing of chemicals.

This is done through six divisions:

- **Refining:** production of fuel and other petroleum-derived products.
- **Marketing:** marketing and sale of the company's products.
- **Trading&Transport:** supply of crude oil and products to the Refining system, and the trading of crude oil and own products outside the system.
- **Chemicals:** production and marketing of a wide variety of products, ranging from basic petrochemicals to derivatives.
- **LPG:** production, distribution and retailing of LPG.
- **New Energies:** this division is responsible for identifying opportunities, promoting projects and carrying out initiatives in areas such as bioenergy, transport electrification and renewable generation.

Main figures

	2013	2012
Refining capacity (kbbl/d)	**998**	**998**
Europe (including stake at ASESA)	896	896
Rest of the world	102	102
Conversion index (%)	**59**	**59**
Crude processed (million t)	**38.1**	**37.0**
Europe	35.0	33.4
Rest of the world	3.1	3.6
Refining margin indicator ($/Bbl)		
Spain	3.3	5.3
Peru	0.8	3.9
Number of service stations	**4,604**	**4,549**
Europe	4,250	4,216
Rest of the world	354	333
Oil product sales (kt)	**43,177**	**42,744**
Europe	39,066	38,277
Rest of the world	4,111	4,467
Petrochemical product sales (kt)	**2,337**	**2,308**
Europe	2,023	1,997
Rest of the world	314	311
LPG sales (kt)	**2,464**	**2,537**
Europe	1,412	1,414
Rest of the world	1,051	1,123



Our vision for the future

Consists in maximising the return on investment and cash generation, by:

- Reduction in investments after the investment and asset portfolio cycle has completed.
- Maximising margins and return on investment.
- Increasing profits through operational efficiency and excellence.

Our performance in 2013

	2013	2012	Variation
EBITDA	**863**	**1,533**	**-43.71%**
CCS Operating income	**326**	**1,012**	**-67.79%**
Operating income	**42**	**1,013**	**-95.85%**
Europe	65	723	-91.01%
Rest of the world	(23)	290	-107.93%
Investments [(1)]	**656**	**666**	**-1.5%**

[(1)] In 2013, most investments of the period were destined to operative, facilities and fuel quality improvements, as well as security and environmental matters.

Main events of the period

- Opening of a new Fueloil Reduction Unit in Petronor's refinery (April).
- Opening of a commercial office in Istanbul (September).
- Technology transfer agreement with the Chinese company Jilin Shenhua, for the construction of a flexible polymeric and polyol plant (November).

5.2.1. DOWNSTREAM MAIN ACTIVITIES

REFINING

The Repsol Group owns and operates five refineries in Spain (Cartagena, A Coruña, Bilbao, Puertollano and Tarragona), with a combined distillation capacity of 896 thousand barrels of oil per day (including, in the case of the Tarragona refinery, the share in Asfaltos Españoles S.A.). Installed capacity at La Pampilla refinery (Peru), in which Repsol holds a 51.03% stake and is the operator, is 102 thousand barrels of oil per day.

Refining activity and context

The year was marked, as in previous years, by the effects of the international economic crisis. Demand for petroleum products declined in the OECD countries, affecting the refining business, especially in Europe, where refining margins remained low. The weak demand and overcapacity of European refining is compounded by increased exports of oil products from the United States (especially middle distillates) motivated by the high refining rates caused by low crude prices and energy costs derived from the exploitation of unconventional resources. This further depresses refining margins in the European environment. For this reason, 2013 witnessed the closure of yet more refineries, and this restructuring within the sector is expected to continue over the coming years across Europe, with the closure of less advanced and less competitive refineries. These closures will allow offer to adjust to demand and will foreseeably allow margins to rally, especially at refineries geared towards producing medium distillates and with capacity to process heavy crude oil products, as Repsol does.

The refining margin in Spain stood at 3.3 dollars per barrel in 2013, slightly down on the same figure for 2012 (5.3 dollars per barrel). In Peru, the annual refining margin came in at 0.8 dollars per barrel, in comparison to the 3.9 dollars per barrel seen in 2012.

The following table shows the refining capacity of the plants in which Repsol had an interest at 31 December 2013:

Refining capacity [1]	Primary distillation (thousand barrels per day)	Conversion index [2] (%)	Lubricants (thousand barrels per year)
Spain			
Cartagena	220	76	155
A Coruña	120	66	-
Puertollano	150	66	110
Tarragona	186	44	-
Bilbao	220	63	-
Total Repsol (Spain)	**896**	**63**	**265**
Peru			
La Pampilla	102	24	-
Total Repsol	**998**	**59**	**265**

(1) Information submitted in accordance with the Repsol Group's consolidation criteria: all the refineries cited are integrated globally in the Group's financial statements. The reported capacity in Tarragona includes the shareholding in ASESA.
(2) Defined as the ratio between the equivalent capacity coefficient of Fluid Catalytic Cracking (FCC) and primary distillation capacity.

In this context, the Repsol refineries managed by the *Downstream* division processed 38.1 million tons of crude oil, representing an increase of 3% compared to 2012, due in part to increased capacity at the Cartagena refinery. The average use of refining capacity was 78% in Spain, higher than the 74% recorded in the preceding year. On the contrary, in Peru, refinery use was down on 2012, going from 70% to 60% in 2013.

The table below provides a breakdown of refinery production, by main products:

PRODUCTION Thousands of tons	**2013**	**2012**
Refinery intake [(1)]		
Crude	38,074	36,960
Other refinery intake	7,312	8,213
Total	**45,386**	**45,173**
Refining production		
Intermediate distillates	22,299	21,863
Gasoline	7,587	7,165
Fuel oil	3,555	4,474
LPG	929	961
Asphalts [(2)]	1,080	970
Lubricants	232	184
Other (except petrochemicals)	6,059	5,827
Total	**41,741**	**41,444**

(1) Information submitted in accordance with the Repsol Group's consolidation criteria: all the refineries cited are integrated globally in the Group's financial statements.

(2) Includes 50% of the Asfaltos Españoles S.A. (ASESA) asphalt production, in which Repsol and Cepsa own 50% shares. Repsol markets 50% of ASESA's products.

The following table shows the origin of the crude oil processed at the Group's refineries, as well as sales of oil products.

ORIGIN OF CRUDE OIL PROCESSED	**2013**	**2012**
Middle East	14%	17%
North Africa	13%	13%
West Africa	7%	6%
Latin America	38%	40%
Europe	28%	24%
Total	**100%**	**100%**

OIL PRODUCTS SALES

Thousands of tons	**2013**	**2012**
Sales by geographic area		
Sales in Europe	**39,066**	**38,277**
Own marketing	**19,170**	**19,417**
Light products	16,587	16,618
Other products	2,583	2,799
Other sales [1]	**6,734**	**7,131**
Light products	6,484	6,567
Other products	250	564
Exports [2]	**13,162**	**11,729**
Light products	4,583	4,554
Other products	8,579	7,175
Sales rest of the world	**4,111**	**4,467**
Own marketing	**2,209**	**1,999**
Light products	1,979	1,788
Other products	230	211
Other sales [1]	**1,144**	**1,583**
Light products	893	1,214
Other products	251	369
Exports [2]	**758**	**885**
Light products	283	344
Other products	475	541
Total sales	**43,177**	**42,744**
Sales by distribution channel		
Own marketing	**21,379**	**21,416**
Light products	18,566	18,406
Other products	2,813	3,010
Other sales [1]	**7,878**	**8,714**
Light products	7,377	7,781
Other products	501	933
Exports [2]	**13,920**	**12,614**
Light products	4,866	4,898
Other products	9,054	7,716
Total sales	**43,177**	**42,744**

[1] Includes sales to operators and bunker sales.
[2] Expressed from country of origin.

After implementation and start-up of two major projects at the end of 2011 and the beginning of 2012 in the Cartagena and Petronor refineries respectively, the courses of action for the refining business are fundamentally focussed on optimising production and improving efficiency. In this respect, a large number of measures are being implemented to improve energy efficiency, as the most significant vector of optimizing, maintaining and operating costs and improving the competitiveness of the business line, managing markets and the logistics of access to those markets, and the relationship with the business

environment, all based on the appropriate management of human resources in an active policy of safety, environment and innovation.

In 2013, progress was made in the construction phase of a new production plant for next-generation lubricants, a joint facility with the Korean company SKL. This new plant is expected to be launched in the second half of 2014.

The plant, adjacent to the refinery in Cartagena, will involve an estimated investment of €250 million. The Tarragona and Cartagena refineries will provide the raw materials for the plant.

The base oils produced are needed in the manufacture of advanced lubricants, and involve a major reduction in emissions and consumption.

MARKETING

Repsol markets its range of products through an extensive network of service stations. In addition, marketing activity includes other sales channels and the marketing of a wide range of products, such as lube oils, bitumen, coke, and derivatives.

Total marketing sales were 21,379 thousand tons in 2013, in line with figures from last period. The declines in domestic consumption, more moderate than previous years and motivated by a shrinking demand, were offset by international growth and new business opportunities.

In this regard, emphasis is placed on the opening of new product marketing lines abroad, the maintenance of petrol and diesel market shares in Spain, and the improvement of the position in Portugal.

In this complex environment, the management of sales margins and credit risk enabled positive results to be obtained both in the service stations channel and in direct sales to the end consumer.

At year-end 2013, Repsol had a network of 4,604 service stations in countries where the *Downstream* division operates. In Spain, the network comprised 3,165 points of sale, 69.5% of which had a strong concessionary link to the network, while 26% were company operated. Service stations in other countries were spread throughout Portugal (433), Italy (202) and Peru (354).

The *Downstream* business had the following points of sale (service stations and supply units) as of 31 December 2013:

Points of sale	Controlled by Repsol (1)	Branded (2)	Total
Spain	2,513	1,102	3,615
Portugal	262	171	433
Peru	114	240	354
Italy	71	131	202
Total	**2,960**	**1,644**	**4,604**

(1) Owned or controlled by Repsol under long-term commercial agreements or other types of contractual relations that ensure direct long-term control over these points of sale.
(2) “Branded” refers to service stations owned by third-party dealers with whom Repsol has entered into a new branding agreement, entitling Repsol to (i) be the sole supplier of these service stations and (ii) to use its brand at the service station. In the EU, the maximum term of these agreement is five years.

In Spain, Repsol markets its fuels under the Repsol, Campsa, Petronor Campsa Express and Petrocat brands, with the following distribution as of 31 December 2013:

Brand	**Points of sale**
Campsa	163
Repsol	3,138
Petronor	290
Petrocat	21
Other	3
Total	**3,615**

Law 11/2013 of July 26 has introduced a number of measures aimed to ensure fuel price stability and to increase competition in the sector (see APPENDIX III of the Consolidated Financial Statements 2013 for further information on Law 11/2013). In this new context, Repsol, as a market leader and with a wide geographical coverage, works to efficiently meet the new challenges posed by this legislation.

Growth and consolidation

The company maintains its partnerships policy with market leaders such as El Corte Inglés, with a joint promotional campaign to offer discount vouchers for purchases of a certain value, both in Repsol service stations and its own chain of stores. Repsol has also strengthened its strategic alliance with Burger King and has made progress with its implementation of the Burger King outlets in its service station network in Spain.

As a company committed to technological innovation, Repsol, along with La Caixa has supported the implementation of a faster contactless payment system, the quickest on market, allowing customers to pay remotely, being very useful in busy outlets such as service stations. Repsol is the first Ibex35 company to use this technology.

In 2013, several key projects have been launched in various segments, enhancing brand value and product quality through innovation, operational excellence and a committed team.

In line with Repsol's policy of monitoring changing market trends, the Company has piloted a business model based on increasing point of sale automation. In 2013, 26 points of sale with this new business model were opened with the Campsa Express brand.

In 2013, Repsol consolidated its position as an international producer and marketer of green fuel grade coke with over 50% of the sales of this product made in foreign markets, reaching a total of 20 countries mainly in Europe and North Africa.

In line with this idea of growth and consolidation, Servicios Logísticos de Combustibles de Aviación (SLCA), in which Repsol holds a 50% interest, has started in-plane refueling operations in Spain's two main airports: Madrid-Barajas and Barcelona-El Prat. As a result SLCA has become the second largest operator in Spain by number of airports and business volume.

Following the strategic policy of the company to consolidate its market position in Portugal, the Boa Nova and Sines logistics projects have been launched, enabling Repsol to achieve a better supply foothold in the country.

Confirming the growth and consolidation strategy, over 60% of the Lubricants and Specialties sales are made in the international market, operating in over 90 countries and with 60 international distributors of lubricants. Strengthening its international presence, a new commercial office was opened in Singapore in

September, 2013. Highlights also include the start of construction of the third-generation base lubricant plant in Cartagena.

True to its social commitments, in 2013 Repsol maintained its policy for the employment and integration of people with disabilities and advanced in its commitment to sustainability, respect for the environment and safety of people, developing environmentally friendly products at the Repsol Technology Centre, as Bio Repsol Telex 68 oil and green asphalts.

LIQUEFIED PETROLEUM GAS (LPG)

Repsol is one of the leading retail distributors of LPG in the world, ranking first in Spain and Peru, and maintaining top positions in Portugal and Ecuador. In 2013, the company operated in four different European and Latin American countries.

LPG sales in 2013 totaled 2,464 thousands of tons. Meanwhile, total sales in Spain increased 0.7% year on year, primarily due to higher retail sales in the petrochemical sector, offsetting the decline of the retail demand. Repsol distributes bottled, bulk, and piped LPG in Spain through the collective distribution and Autogas networks, with over 5 million active customers. Bottled LPG sales accounted for more than 50% of total retail LPG sales in Spain in 2013, through a network of 222 distribution agencies.

Thousands of tons

Sales volume of LPG	**2013**	**2012**
Europe	**1,412**	**1,414**
Spain	1,281	1,271
Rest of Europe [(1)]	131	143
Latin America	**1,051**	**1,123**
Peru	665	622
Ecuador	386	374
Rest of Latin America [(2)]	-	127
Total	**2,464**	**2,537**
Bottled	1,354	1,367
Bulk, piped and other [(3)]	1,110	1,170
Total	**2,464**	**2,537**

[(1)] Portugal.

[(2)] Chile and Colombia in 2012.

[(3)] Includes sales to the automotive market, LPG operators and others.

In Spain, prices continue to be regulated for piped LPG and bottles between 8 and 20kg, excluding bottled mixtures for using LPG as fuel.

In the case of bottled LPG, prices have been regulated by Royal Decree Law 29/2012 and Order IET/463/2013 of 21 March, updating the system for the automatic determination of the maximum sales price, before tax, of bottled liquefied petroleum gas, and its subsequent resolutions.

In Portugal, Repsol distributes bottled, piped and bulk LPG and Autogas to end customers while also supplying other operators. Sales in 2013 reached 131,344 tons, making the company the third largest operator with a 20% market share.

In Latin America, Repsol sells bottled, bulk, piped and automotive LPG in the home, commercial and industrial markets of Peru and Ecuador with sales of 1,051thousands of tons.

AutoGas (LPG vehicles) is the most widely used alternative fuel in the world, with over 21 million vehicles (eight million in Europe). Although it has yet to make any meaningful impact on the Spanish market, sales grew by 30% in 2013, indicating increased demand for this economic fuel that also helps to improve air quality within cities. The industry expects that roughly 200,000 vehicles will be running on Autogas in Spain in five years' time.

Repsol, fully aware of the growing interest in this alternative fuel, had 476 points of sale equipped with AutoGas pumps at year-end 2013, of which over 228 are in Spain. Additionally there are already 279 supply points at customer sites.

In Peru the Energy Social Inclusion Fund (FISE) continues to operate, which, among other measures, established the distribution of discount vouchers worth 16 soles per 10kg bottle of LPG, allowing the more impoverished sectors of society to access and consume LPG, thus substituting other sources such as kerosene and firewood.

For further information on Spain and Peru regulatory framework, see APPENDIX III in the Consolidated Financial Statements 2013.

CHEMICALS

The Chemicals division produces and markets a wide variety of products, and its activities range from basic petrochemicals to derivatives. Its products are marketed in over 90 countries, leading the market on the Iberian Peninsula.

Production is concentrated at three petrochemical complexes located in Puertollano, Tarragona (Spain) and Sines (Portugal), where there is a high level of integration between basic and derivative chemicals, as well as with refining activities, in the case of the Spanish facilities. Repsol also has a number of subsidiary and affiliate companies, through which the company produces styrene derivatives, chemical specialties and synthetic rubber at special plants, being the latter produced through Dynasol, a 50% partnership with the Mexican KUO group, with plants in Mexico and Spain and another one under construction in China with local partner Shanxi Northern Xing'an Chemical Industry.

Stagnant demand and uncertainty regarding the growth of the economy have influenced the results of a financial year, that has been influenced by the negative impact of the scheduled multiannual shutdown of the Tarragona facilities performed this year, as well as the write-downs mentioned in the results section. However, volumes of sales to third parties were up to 2.3 million tons, 1.3% higher than 2012.

Given the situation of the Business, throughout the year the company continued to consolidate its strong measures initiated in recent years to cut costs, including production adjustments and asset restructuring. In this line, the company announced the shutdown of production of EPS (expandable polystyrene) in Monzón (Polidux) in December 2013 and production of High Density Polyethylene (HDPE) in Puertollano by 2015, in addition to the stoppages already implemented for PO/SM and glycols at Puertollano (idle since 2009) and ACN/MMA in Tarragona (idle since 2010).

In the same line of efficiency and asset optimisation, the Sines facility reported a consolidated improvement in its margin owing to the flexibility of raw material input to the cracker and the modification of the ETBE plant (ethyl tertiary butyl ether) to MTBE (methyl tert butyl ether) that allows the unit to produce either product depending on demand.

Regarding product development, at the Polyethylene line in Tarragona the acquisition of technology to produce metallocene grade was approved. In the Polypropylene line, a new range of random copolymers was launched on the market, thus further differentiating our products.

Additionally, in 2013 Repsol signed a technology transfer agreement with the Chinese holding Jilin Shenhua Group, for the construction of a flexible polyol plant (185,000 t/year) and two polymer polyol plants (24,000 t/year each) in China. This agreement confirms Repsol´s leading position in this process.

As for investments, these have been mainly destined to the improvement and optimization of existing assets, efficiency boost, cost reduction, differentiation and improvement of quality, safety, and environmental compatibility standards.

Major individual projects include the improvements in energy efficiency implemented during the Tarragona cracker turnaround in the fourth quarter of 2013 and the approval of a project to optimise the Puertollano cracker in order for its production to meet the site's ethylene requirements, thus permitting a significant increase in energy savings and consolidating the increased flexibility in the supply of raw materials. This project will be started up during the 2015 turnaround.

Thousands of tons

OPERATING FIGURES, CHEMICALS	2013	2012	Variation
Capacity			
Basic petrochemicals	2,808	2,808	0 %
Derivative petrochemicals	2,491	2,942	-15.3%
TOTAL	**5,299**	**5,750**	**-7.8 %**
Sales by type of product			
Basic petrochemicals	718	731	-1.7 %
Derivative petrochemicals	1,619	1,577	2.7 %
TOTAL	**2,337**	**2,308**	**1.3 %**
Sales by region			
Europe	2,023	1,997	1.3 %
Rest of the world	314	311	1.0 %
TOTAL	**2,337**	**2,308**	**1.3 %**

The following table details the production capacity for the main petrochemical products, mainly in Europe, as of 31 December 2013:

PRODUCTION CAPACITY

Thousands of tons	**2013**
Basic petrochemicals	**2,808**
Ethylene	1,362
Propylene	904
Butadiene	202
Benzene	290
Ethyl tert-butyl ether	50
Petrochemical derivatives	**2,491**
Polyolefins	
Polyethylene [(1)]	883
Polypropylene	520
Intermediate products	
Propylene oxide, polyols, glycols, and styrene monomer [(2)]	937
Acrylonitrile / Methyl methacrylate	-
Rubber [(3)]	115
Other [(4)]	36

(1) Includes ethylene vinyl acetate (EVA) and ethylene butyl acrylate (EBA) copolymers.
(2) Does not include OP/SM and Puertollano glycols.
(3) Includes 55,000 tons of production capacity in Mexico.
(4) Includes specialties. Does not include EPS, which stops being reported due to cease of activity in December 2013.

NEW ENERGIES

The New Energies business unit was created by the Repsol Group in 2010 to promote and provide business sense to the new initiatives that contribute to a vision of the future where energies are more diversified.

The aim of this new business unit is to identify new opportunities, promote projects and carry out initiatives in fields such as biotechnology and renewable energies applied to transport and other areas that could share synergies with Repsol's current businesses and the geographic regions in which it operates.

In 2013, New Energies continued to develop the projects initiated since its inception. Repsol carried on developing the electric mobility business in 2013 through IBIL and IBILEK. IBIL already has more than 300 recharging stations operating in both the public and private sectors. Development has begun along these lines on fast recharging infrastructure at the service stations of the Repsol Group.

In 2011, Repsol acquired 100% of Sea Energy Renewables, later renamed Repsol Nuevas Energías U.K., a British company based in Scotland engaged in the promotion and development of offshore wind farms. With the deal, Repsol acquired development rights at three offshore wind farms off the Scottish coast.

Within the context of this same deal, Repsol reached an agreement with EDP Renováveis for the joint development of two of these wind farms, namely the 1,500-MW Moray Firth wind farm and the 905-MW Inch Cape facility. Following the operation, Repsol owns 33% and 51% interests in these facilities, respectively. The company also holds a 25% stake in the Beatrice wind farm with Scottish and Southern Renewables owning the remaining 75%. Thanks to the new deal, Repsol now holds rights to develop construct and operate 1,190 MW of installed capacity in the United Kingdom.

During 2013 Repsol executed the investment plan for these three projects according to schedule and incorporated the capacities needed to ensure their development. Major milestones have included the presentation of all the information needed to apply for the official approval of the Beatrice, Moray Firth and Inch Cape wind farm projects, expected in the first quarter 2014.

During the project development stage, to be completed sometime between 2014 and 2015, the necessary studies will be conducted and steps taken to acquire the construction and operating permits for the facilities, with commissioning expected to take place from 2018. These projects will allow Repsol to apply its considerable technological expertise in offshore operations, coupled with its experience in large-scale engineering projects.

Furthermore, the New Energies division has made the following investments in 2013, all them through Repsol New Energy Ventures, S.A., a 100% subsidiary of the Repsol Group.

In January 2013, Repsol acquired a stake in the Dutch company Tocardo, BV, dedicated to developing power generation technology in rivers and ocean currents. At year-end, Repsol owns 20.34% of that company.

In March 2013, Repsol acquired a 33.6% stake in Principal Power Inc. (PPI) through the delivery of its shares in WindPlus (all of them except one). PPI is the company that owns the technology implemented by WindPlus in its offshore floating wind turbine prototype.

In December 2013, through the INNVIERTE program, Repsol acquired a 5.2% stake in the company Graphenea, dedicated to the development of industrial graphene applications.

In 2013, Repsol New Energies SA, within the framework of its "*CLIMA*" projects, achieved a proven reduction in CO2 emissions, thanks to its electrical mobility program developed by its subsidiary IBIL.

5.2.2. DOWNSTREAM R&D PROGRAMES

In the area of oil refining and its derived products (petrol and diesel, LPG, asphalt, lubricants, wax...), technological knowledge is applied to optimize the operation of refineries, the development of new processes and products and to enhance the quality standards of the latter, with particular attention paid to advances in energy efficiency and environmental issues.

Examples of developments in this area include, among others: technologies aimed at improving energy efficiency in the operation of our refinery units; the adaptation of our fuels and lubricants to the demands of new engines and emerging legislation; the technological distinction of our entire product portfolio; the development of more environmentally friendly lubricants - formulated using regenerated raw materials and biodegradable oils - that are also more efficient in order to contribute to improved engine performance, reducing consumption and the resulting emissions; processes facilitating the development of new products for manufacturing tires in more demanding and competitive markets; and, asphalt surfacing tailored to the needs of each application, addressing road safety and environmental concerns. Finally, we have proposed highly innovative applications for automotive LPG in order to promote its use as an alternative fuel.

In 2013, the shrinking demand for fuels in Spain - and to a lesser extent Europe -, a combination of the economic downturn and the development of more efficient engines, has raised the need for more flexible processes and examining the possibility of manufacturing alternative products and maximizing product differentiation to guarantee the competitiveness required by Repsol's businesses. The new projects with this guidance are mainly focused on energy efficiency, the development of new fuels and biofuels, and processing increasingly heavy crude oils. The current situation also requires the streamlining and internationalization of research activities accompanied by a strong commitment to selling our products in new markets.

In 2013, the technology strategy has been revised to provide the support required by the adopted measures developed to improve the competitiveness of the chemical business.

The most significant results of the year included the project to sell proprietary technology for manufacturing polyols to the Chinese Jilin Shenhua Group; the launch of a project for the differentiation and reduction of production costs through the use of CO_2 as raw material for the manufacture of polymers; the development of PO/SM technology to reduce the consumption of raw materials; or, the development of differentiated products. In this last line, there has been progress in the development of products with higher performance, such as new polymeric polyols for the automotive market, polypropylene grades with improved properties for food industry containers and materials from polyethylene with improved mechanical and insulation properties for use in power transmission cables, along with pipe grades with enhanced processing and resistance properties.

Repsol´s commitment to the future of energy technology is framed in four research areas: renewable generation, bioenergy, CO_2 technologies and transport electrification.

Noteworthy initiatives undertaken within the scope of renewable generation included investments in companies with a high technological level or signing agreements with different official agencies. The development of simulation tools has allowed the potential of different families of wave energy technologies to be assessed. Meanwhile, floating offshore wind power has made increased technological progress; therefore, Repsol, in collaboration with various partners, has established a full-scale prototype off the Portuguese coast in order to monitor and evaluate the data to propose actions for optimising this technology.

Within the area of bioenergy, new challenges and opportunities, as well as barrriers, for microalgae have been identified. In this regard, a new phase has opened, focused on technological monitoring and the search for more disruptive solutions for the direct production of biofuels. The main objectives are the active monitoring of new technologies to check whether they can tackle the challenges and uncertainties identified and the search for possible partnerships with different entities. In addition, through its participation in the company NEOL, Repsol has selected and patented a microorganism for obtaining biofuels. The challenge of the project is not only to generate an integrated process, but to do so competitively for less than the price of generation from fossil fuels.

Finally, in order to develop new processes associated with the challenge of transforming CO_2 into value-added products, work has continued on the CO_2 Transform project created with the objective of enhancing CO2 into units that can be used as a raw materials, beyond mere geological sequestration. This project is carried out in collaboration with universities, companies and technology research centres.

5.3) LIQUEFIED NATURAL GAS (LNG)

Our activities

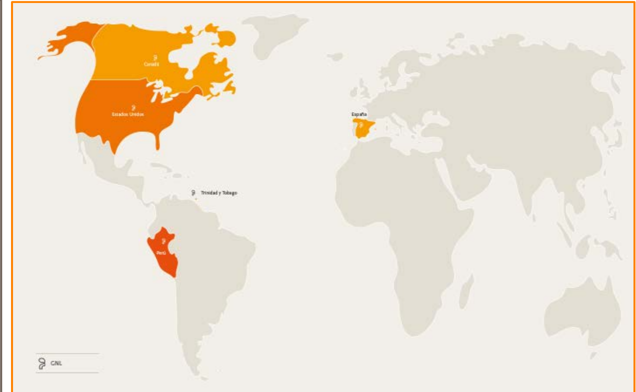
LNG activities include liquefaction, transport, marketing, trading and regasification of liquid natural gas.

During 2013 and early 2014, Repsol sold part of the LNG assets and businesses, namely its investments in liquefaction plants (Trinidad and Tobago and Peru), and the power generation plant of Bahía Bizkaia Electricidad (BBE), as well as the assets associated to marketing, transport and trading.

The Group maintains its regasification and transport assets and its marketing businesses in North America, and also an investment in the integrated LNG project in Angola.

Main figures

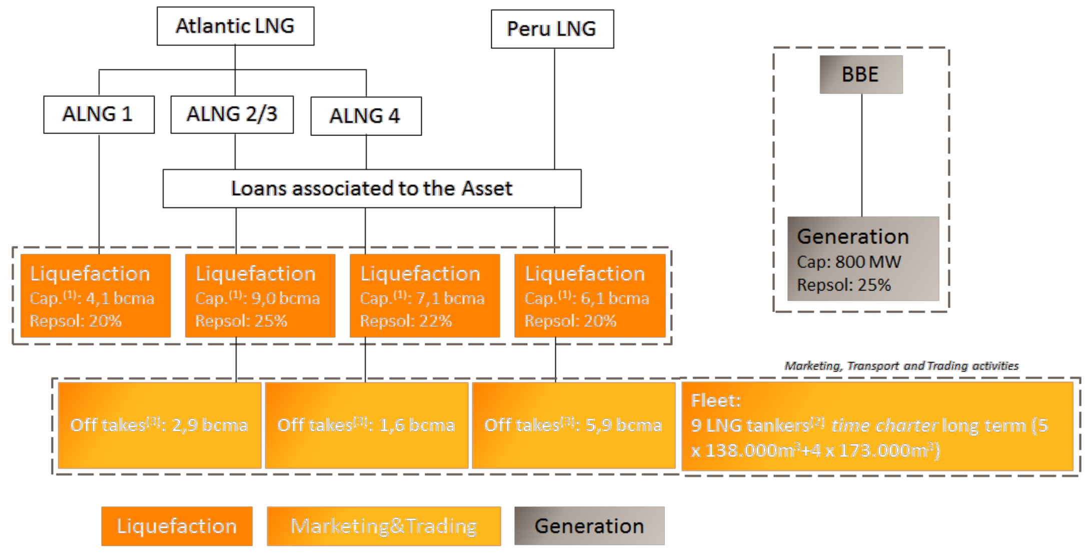
	2013	2012
LNG:		
Liquefaction trains production (TBtu)	987	960
Canaport production (bcm)	1	1.4
LNG sold in North America (TBtu)	184	219
Operating income (million euros)	**959**	**535**



5.3.1. SALE OF PART OF THE LNG ASSETS AND BUSINESS

On 26 February 2013 Repsol signed an agreement with Shell to sell part of its LNG assets and businesses, which was completed in three separate transactions in October and December 2013 and January 2014.

The Shell operation included the business assets presented in the following diagram:



(1) Plant capacity.
(2) 7 owned by Repsol and 2 owned 50% by Repsol and GNF.
(3) Gas supply contract.

Additionally, along with the sale agreement another agreement was signed by which Shell will supply LNG to Repsol's Canaport regasification plant (Canada), over the next 10 years, for a total approximate volume of 1 million tonnes.

On October 11 Repsol sold its 25% stake in the Bahía de Bizkaia Electricidad (BBE) combined cycle power plant to BP for €135 million and generated a pre-tax gain of €89 million. This asset, initially included within the perimeter of the sale to Shell, was finally transferred to BP after it exercised its right of first refusal.

On 31 December 2013, after obtaining permits and approvals and having met other conditions precedent provided for in the agreement, the sale to Shell of the main LNG purchase and supply contracts was materialised, as well as minority interests in the Atlantic LNG and Peru LNG businesses, amounting to €2,446 million that generated a gain before tax of €1,451 million. On 1 January 2014, and after obtaining the necessary approvals, the sale of Repsol Comercializadora de Gas, S.A., whose basic activities are marketing, transport and trading, was completed for approximately $730 million. The transaction generated a pre-tax gain of €432 million, recognised in the financial statements of 2014.

Overall, these transactions have provided the release of financial commitments and unconsolidated debt. Repsol's balance sheet and liquidity have been significantly strengthened, with a net reduction of the company's debt of €1,890 million.

With this transaction, Repsol achieved a volume of divestments of over €5,000 million, above the target established in its Strategic Plan, which for the 2012-2016 period, provided for divestments of between €4,000 and €4,500 million.

Following the agreement of sale of assets to Shell, Repsol will retain the main LNG business assets with the Canaport regasification plant and pipelines in Canada and the US. The inability to continue managing these assets together with others already transferred to Shell, has prompted the company to rethink the applicable business models for managing them and has led to cautious provisions reflecting their potential loss in value, for a total amount of €1,410 million before tax.

For further information in relation with the accounting effect of these operations, see Notes 31 "*Divestments"*, Note 10 "*Non-current assets and liabilities held for sale*", Note 7 *"Property, Plany and Equipment",* Note 16 "*Current and non current provisions*", Note 37 "*Subsequent events*" and Note 27 "N*et income from discontinued operations*" of the consolidated Financial Statements for the financial year 2013.

Additional operative information of the assets included in the sale agreement, as well as those remaining in Repsol Group, is disclosed below.

5.3.2. MAIN ACTIVITIES OF LNG

Not transferred commercialization, regasification and transport businesses

Repsol operates a regasification plant, Canaport LNG, owned by Repsol (75%) and Irving Oil (25%). It is the first LNG regasification plant on the east coast of Canada. Located in Saint John (New Brunswick) and with an initial capacity of 10 bcm/year (1,000 million cubic feet/day), this terminal is one of the largest in North America. Repsol supplies the LNG that fuels the terminal and is entitled to use the entire regasification capacity. Repsol has also contracted transportation capacity for a period of 25 years with the Emera Brunswick Pipeline and Maritimes & Northeast Pipeline (M&NE), which will allow it to market the gas regasified in the Canaport facility to the Maritime Canada and North Eastern US markets.

In 2013, eight shipments were unloaded (five Q-Max ships, the largest in the world, with capacities of 210,000 and 260,000 cubic meters from the agreement with Qatargas, and three shiploads from the Trinidad and Tobago trains). The plant produced 1 bcm in 2013, 40% less than in 2012. This is a consequence of having optimised production for commercial reasons, as well as maintenance shutdowns and other work associated with the minimum send-out project. This project, commenced in 2012, was completed in October 2013 and allows the plant to adapt to the needs of gas sales. The minimum supply to the plant has been secured with the signing of a contract with Shell for the next 10 years, representing a total volume of 1,000 million tonnes.

The business's strong profits were the result of several factors, but especially Repsol's ability to manage production at Canaport and meet peaks in demand at times of high prices by storing the LNG at times of low demand. The value of the LNG is thus maximised, since sales are concentrated into times of high demand. Market prices exceeded $ 30 per million BTU in January 2013.

In addition to the gas produced at the plant, the marketing activity includes the natural gas purchased from North American suppliers. In this regard it should be noted that the Encana pipeline has been supplying the plant since August (with gas from the Deep Panuke basin in Canada), substantially diversifying the gas supply. The total volume traded in North America in 2013 amounted to 184 TBtu, 19% lower than in 2012, although with marketing margins that have doubled as a result of price increases and the optimisation of sales, which has allowed the business to obtain the best results since the start of its operations.

Additionally it should be noted that this year Repsol has signed two important gas supply agreements. The first one is the purchase of one billion cubic metres per year of liquefied natural gas for a period of approximately 20 years beginning in 2017. The second one is the purchase in Spain of two billion cubic metres per year of natural gas between 2015 and 2018. These two agreements, together with the Canaport supply contract with Shell, will help to competitively guarantee the gas needs of the Repsol Group following the sale of the LNG business.

As for the Angola LNG project, in which we have participated with Natural Gas since 2007, preliminary studies were conducted in 2013 to select the best monetisation option.

Businesses transferred during 2013 and 2014

In 2013, Repsol marketed 11 bcm of LNG, 9% more than in 2012. Most of the gas came from Peru LNG, which was started up in June 2010, and from Trinidad and Tobago. The main destinations for the cargo were Spain, Mexico, the Asian market and Canaport LNG, with sales materializing in both the Atlantic (Europe and America) and the Pacific basins.

Until it was sold on 31 December, Repsol was involved in the Trinidad and Tobago integrated LNG project, in which it held an interest alongside BP, BG and others in the Atlantic LNG liquefaction plant. The strategic geographical location of the facility allowed it to supply markets in the Atlantic Basin (Europe, the United States, and the Caribbean).

The Peru LNG liquefaction plant, located in Pampa Melchorita, went into production in June 2010, and Repsol had a 20% stake until the effective moment of its sale on 31 December 2013. The Camisea consortium, in which Repsol currently has a 10% stake, supplies natural gas to the plant.

In Spain, until its effective sale to BP in October 2013, Repsol had a 25% stake in Bahía de Bizkaia Electricidad (BBE). This company owns a combined cycle power plant with 800 MWe of installed capacity. This facility, which is located in the port of Bilbao, maintained throughout 2013 the high availability levels of 2012, despite which it continued to sell surplus gas without harming the company financially.

5.4) GAS NATURAL FENOSA

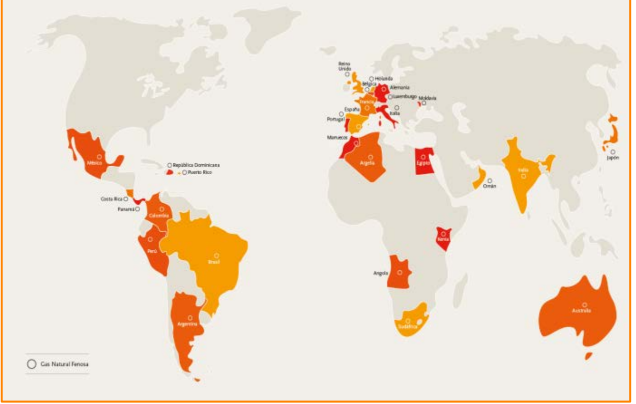
Business model

The Business model of Gas Natural Fenosa is developed through a broad number of companies basically in Spain, rest of Europe, Latin America and Africa and is supported through five principal businesses:

- **Gas distribution in Europe (Spain and the rest).**
- **Electricity distribution in Europe (Spain and the rest).**
- **Gas (Infraestructure, Supply & Marketing, Union Fenosa Gas).**
- **Electricity (Spain and the rest).**
- **Latin America (Gas distribution, Electricity distribution and Electricity).**

Main physical figures

	2013	2012
Gas distribution in Europe		
Sales – TPA (Third party access)(GWh)	194,975	199.416
Distribution points (thousands)	5,627	5,573
Electricity distribution in Europe		
Sales – TPA (Third party access)(GWh)	35,307	36,288
Distribution points (thousands)	4,618	4,608
Gas		
Gas supply (GWh)	326,923	328,058
Gas Transportation – EMPL (GWh)	122,804	116,347
Electricity		
Electricity Generated (GWh)	34,342	37,790
Installed electricity capacitiy (MW)	15,420	15,519
Latin America		
Sales – TPA gas (GWh)	229,833	210,358
Sales – TPA Electricity (GWh)	16,443	18,074
Electricity Generated	19,414	18,458
Installed electricity capacitiy (MW)	2,580	2,580



Strategy of Gas Natural Fenosa

In November 2013, Gas Natural Fenosa presented an update of the strategic guidelines for 2013-2015 and a strategic vision for 2017 in order to adapt to the current macroeconomic and energy environment and the impact of regulatory factors.

Main economic figures [1]

Millions of euros	2013	2012	Variation 2013/2012
Gas distribution Europe	204	199	2.6%
Electricity distribution Europe	117	125	5.8%
Gas	249	277	-10.1%
Electricity	50	84	-40.9%
Latin America	270	252	7.4%
Other activities	(1)	(17)	90.6%
Operating income	**889**	**920**	**-3%**
Investments [2]	**444**	**432**	**18%**

(1) Figures corresponding to Repsol´s investment of 30% in GNF.
(2) Operating investments are mainly increased due to the investment in electricity generation outside Spain (Mexico) and the acquisition of an interest of 14.9% in Medgaz.

Main events of the period

- Acquisition of a 10% stake in Medgaz (January)
- Award of tender issued by the Peruvian government to extend natural gas to four cities in southwest Peru (July).
- Signature of two agreements for the sale of natural gas to Repsol. The first of 2 bcm per year for the period 2015-2018 and the second for the sale of 1 bcm per year for 20 years that is estimated to begin from 2017 (July).
- Acquisition of 4.9% in Medgaz (July).
- Tender awarded by the Panamanian National Public Services Authority (ASEP) for extending the operation of its two power distributors in Panama over the next 15 years (August).
- Signature of a contract to supply natural gas to South Korea's KOGAS energy company over the coming years (September).

Main business figures of those activities which mean a significant percentage from the Gas Natural Fenosa operating income are described below. For a better comprehension, amounts corresponding to Gas Natural Fenosa Group reflect Repsol's participation in that Group, which at year-end 2013 was 30%.

Gas distribution in Europe

Business in Spain includes the compensated gas distribution activity, the TPA (third-party network access services) and secondary transport, as well as non-compensated distribution activities (rental of gas meters, connections to customers, etc.). Aditionally, in Italy, gas sales at the regulated tariff are also included.

Sales from regulated gas business in Spain amounted to 191,189 GWh in 2013, down 2.3% on the same figure for 2012. Gas Natural Fenosa continues the expansion of its distribution network and number of distribution points. The volume of subscribers, not previously connected, increased by 5.2% over the previous year. Its distribution network increased by 1,137km, including the gasification of 36 new municipalities.

Sales from gas activity in Italy amounted 3,786 GWh, up 3.8% on the same figure for 2012. Furthermore, marketing to the retail market increased by 5.2% to 2,992 GWh. Today the distribution network extends over 6,958 km, with an increase of 73 km in the last 12 months and reaches 455,000 supply points in the distribution business, representing an increase of 1.3% over the previous year.

Electricity distribution in Europe

Electricity supply points remained the in the same level of 2012, reaching 3,772,000. In 2013, eletricity effectively supplied showed a decrease of 3% compared to 2012, amounting 32,766 GWh, mainly because of the benign weather conditions.

The energy delivered in Moldova climbed by 0.6%, as well as the supply points, which totaled 846,080, up 1.2% in comparison with 2012. Sales from the electricity distribution business stood at 2,541 GWh, which represents an increase of 0.6% in comparison with last year.

Gas

Infrastructure. Gas transportation activity carried out in Morocco through the companies EMPL and Metragaz represented a total volume of 122,804 GWh, up 5.5% on the previous year. Of this figure, 84,781 GWh were transported to Gas Natural Fenosa through the company Sagane, while 38,023 GWh were earmarked for Portugal and Morocco, representing growth of 6.7%.

In January 2013 Gas Natural and the Algerian company Sonatrach signed an agreement for the purchase from the latter of a 10% stake in Medgaz for €16 million in total, acquiring an additional stake in July 2013 of 4.5% in the company Gaz de France International, S.A.S amounting to €11 million (these figures take into account Repsol's percentage stake in Gas Natural Fenosa). The amounts transported by the Medgaz pipeline for Natural Gas Fenosa in 2013 amounted to 4,889 GWh.

Supply and marketing. In a scenario of weak demand, the marketing of natural gas in the Spanish gas market reached 229,419 GWh, a decrease of 3.8% on the previous year, owing to reduced sales to end customers of Gas Natural Fenosa (-6.3%), mainly due to lower consumption in the combined cycle, partially offset by higher third-party provisioning (+3.6%). Meanwhile, the international gas market reached 94,512 GWh, an increase of 8.9%, compared with the previous year.

Unión Fenosa Gas. Gas supplied to the Spanish market reached 24,228GWh, representing a year-on-year drop of 13%. This decline is particularly acute in the supply to the electricity generators (-18%) and much more moderate in the sales of the industrial segment.

Electricity

In 2013, the national electricity demand stood at 246,204 GWh which represents an annual decrease of 2.2% over the previous year, either gross demand and corrected demand in the effects of the number of working days and temperatures, was the third consecutive drop in demand.

Gas Natural Fenosa power generation throughout the Iberian Peninsula amounted to 33,785 GWh in 2013. Of this amount, 30,744 GWh came from ordinary system generation, and 3,041 GWh from special system generation.

Sales from the electricity marketing business came in at 32,941 GWh.

Latin America

Gas distribution. This division involves gas distribution in Argentina, Brazil, Colombia and Mexico. Sales from the gas activity in Latin America, (gas and ATR third-party network access services), totalled 229,833 GWh, with a 9.3% increase compared to sales for the same period last year.

In 2013, the number of gas distribution supply points reached 6,321,000. Year-on-year growth rates remain high, showing an increase of 231,000 supply points, mainly in Colombia, with an increase of 115,000 points.

The gas distribution network has been extended by a further 1,720 kilometres over the last 12 months, reaching 69,054 km at year-end 2013 and representing a growth of 2.6%. Significant contributions came from the expansion of the network in Mexico, which increased by 674 km.

Distribution and electricity. This division involves electricity distribution in Colombia, Nicaragua (until its sale on 11 February 2013) and Panama. Electricity distribution sales in Latin America reached 16,443 GWh, a decrease of 9% due to inclusion in the previous year of sales made by distributors in Nicaragua of 2,752 GWh compared to 239 GWh in 2013 (1 month). Excluding the operations in Nicaragua in both periods, sales experienced an increase of 5.8%, generated by the growth in demand both in Colombia and Panama.

The number of supply points reached 2,395,000.

Electricity in Latin America. This section includes electricity generation in Mexico, Puerto Rico, Panama and the Dominican Republic. Power generated in Latin America stood at 19,414 GWh in 2013, higher than the previous year, mainly in Mexico and Puerto Rico.

For further information on Gas Natural´s activities, see the consolidated management report 2013, published in www.gasnaturalfenosa.com.

6. DIFFERENTS WAYS OF CREATING VALUE

6.1) PEOPLE

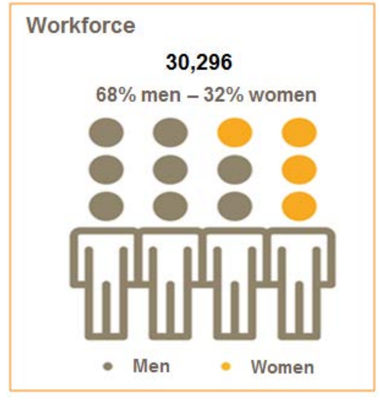
At Repsol we believe that our competitive advantage lays in the people within the Company, hence the strategic value of the management of our employees and the various teams. This is an organization that is distinguished by having a team of multidisciplined, skilled and committed professionals.

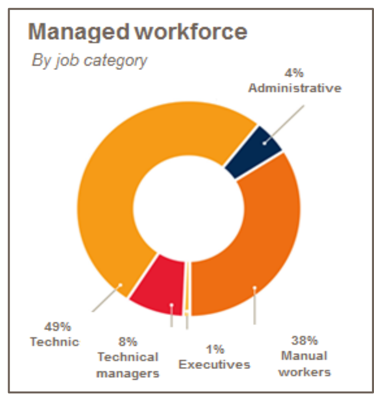
6.1.1 PEOPLE MANAGEMENT

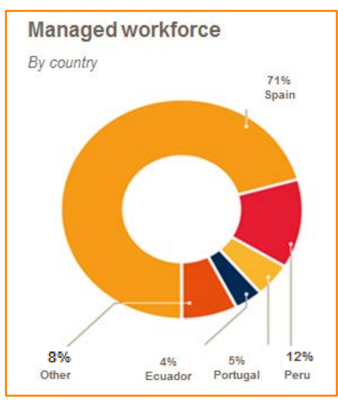
On 31 December 2013, Repsol Group had a workforce of 30,296 employees. A total of 24,214[1] employees formed part of entities directly managed by Repsol, and the information included in this chapter is exclusively referred to them, unless the contrary is specified. Managed workforce increased by 219 people, compared to 2012.

STAFF	2013	2012
Consolidated Workforce	30,296	29,985
Managed Workforce	24,214	23,995
Non-Managed Workforce	6,082	5,990
Accumulated average managed workforce	24,068	23,656
Number of new hires in the year	1,062	1,222
MANAGED WORKFORCE BY COUNTRY		
Employees in Spain	17,193	17,059
Employees in Peru	2,872	3,015
Employees in Portugal	1,247	1,209
Employees in Ecuador	931	932
Number of employees elsewhere in the world (35 countries)	1,971	1,780
GENDER INDICATORS		
Women in the workforce	7,857	7,706
Managerial positions held by women	43	44
MANAGED WORKFORCE BY BUSINESS		
Total number of employees in Corporation	2,539	2,522
Total number of employees in *Downstream*	18,314	18,255
Total number of employees in *Upstream*	3,197	3,042
Total number of employees in LNG	165	176
MANAGED WORKFORCE BY JOB CATEGORY		
Number of Executives	292	292
Number of Technical Managers	1,967	1,851
Number of Technical workers	11,776	11,656
Number of Administrative workers	1,086	1,089
Number of Manual workers	9,093	9,107

(1) The data provided in this chapter exclude those employees with annual working hours equal to or less than 20% of the hours set in the collective agreement and employees of partially-owned companies in which Repsol does not have management control. The workforce figure also follows the Group's accounting consolidation criteria.







6.1.2 ATTRACTING TALENT

Repsol offers different ways to recruit, motivate and engage talented individuals, helping them to develop personally and professionally, with a good working environment, skills training, internal promotion opportunities and job mobility.

To recruit this talent, the company took part in over 20 forums and job fairs, and it gave talks and presentations in a number of schools, colleges, universities and associations providing more information about the company.

INITATIVES	2013	2012
Hiring of New Repsol Professionals (1)	97	140
University Internship agreements to boost Training (2)	680	>300
Medium and Higher Level Vocational Training Internships (3)	52	>60

(1) Program to incorporate young talent, educating through any of the three Masters programs offered by Repsol (Hydrocarbon Exploration and Production, Refining, Petrochemicals and Gas, and Energy Management).
(2) Repsol has adapted to the needs of the new European Curriculum of the Bologna Accords, receiving university students with curricular working experience, postgraduates and final-year students.
(3) These include students from Medium and Higher Level vocational training cycles, with a high percentage of these joining Repsol through different job vacancies.

6.1.3 MANAGEMENT TALENT

Repsol's ability to retain talent is evidenced by the low rates of voluntary employee turnover and the high retention rate among its management staff.

RETAINING TALENT	2013	2012
Total staff turnover rate (1)	7%	8%
Total voluntary staff turnover rate (2)	3%	3%
Executive rotation rate (3)	4%	3%

(1) Corresponds to the total staff turnover, regardless of the % of occupancy, calculated as the total number of staff leaving from the total permanent staff at year end
(2) Corresponds to the total voluntary staff turnover, calculated as the total number of staff voluntarily leaving from the total permanent staff at year end
(3) Corresponds to the total executive rotation, calculated as the total number of executives leaving from the total executives at year end.

The Company has several tools to retain talent and manage its workers ´development: compensation, training, internal and international mobility, development and performance assessment.

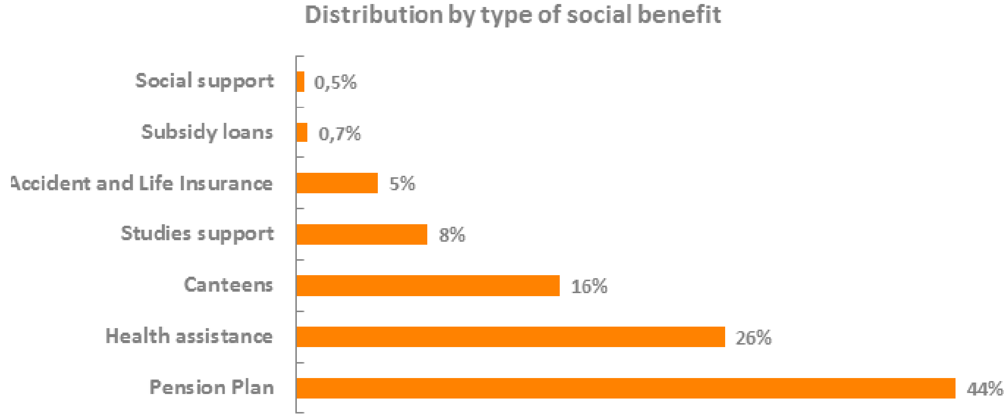
Compensation

Remuneration is an important factor for attracting and retaining the professionals who are necessary to the company. The compensation system is designed to reward individuals, standing at competitive market values that are appropriate for an organisation like Repsol, as well as boosting employee compromise with the achievement of Repsol´s strategic and operative objectives.

COMPENSATION	2013	2012
Average personnel costs per employee (euros) [(1)]	67,301	65,840

[(1)] Corresponds to the heading of personnel expenses of the consolidated income statement of the Group from the consolidated average workforce.

In 2013 the total spending on social benefits for employees of the managed workforce was 93.9 million, compared to 88.3 million in 2012.



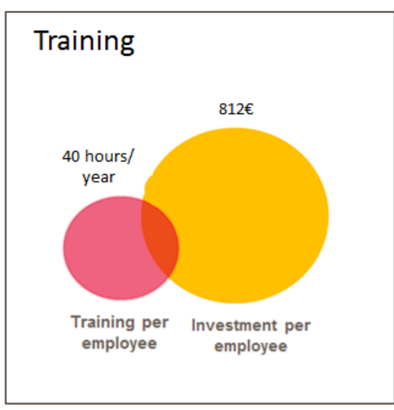
For the first time, in 2012 the variable remuneration system was deployed for employees included in collective bargaining agreements in Spain, linked to the achievement of the common goals of each organisational unit. Common goals were defined for the collective agreement workforce in Spain in 47 different units, addressing all the Group's business lines in Spain, where collective negotiations concluded in the Sixth Framework Agreement and the reference agreement or covenant was established for each company. In 2013, first payment was effective in Spain.

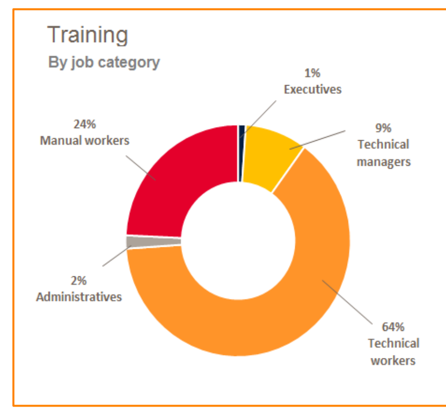
The Flexible Remuneration scheme continued in 2013, incorporating new benefits and collectives, expanding with Childcare, Computer Equipment, Health Insurance Expansion benefits and additional benefits to the Pension Plan.

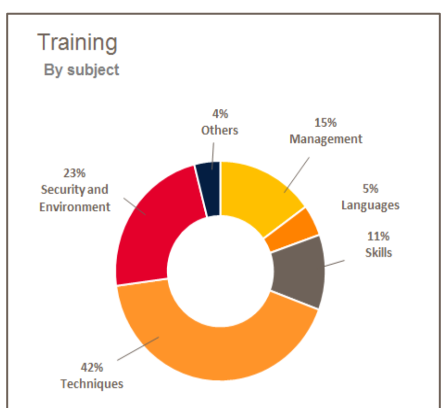
For more information regarding pension plans, medium-and long-term incentives for employees and share-based employee compensation plans, see Note 17 to the Consolidated Financial Statements for the year 2013. In relation to the remuneration of the members of the Board of Directors and senior management, see Note 33 to the Consolidated Financial Statements and the Annual Report on Corporate Governance.

Training

Repsol is a company that values, promotes and facilitates staff training as the key driver behind their personal and professional development.







TRAINING	2013	2012
No. of training actions	10,989	9,007
Total investment in training (€million)	20	19
Investment per employee (€)	812	792
Total Training Hours / year	978,751	1,008,973
Average hours / year per employee	40	42
% of Employees receiving training	78.2%	75%
No. of Attendances	107,014	94.068
No. of People	18,939	18,122

In 2013, we have continued to integrate training for new university graduates through professional Master's degree programs in the areas of E&P, Petrochemical and Gas Refining, and Management, for a total of 142 students attending these programs.

The E&P area has maintained its focus in the training role with specialised technical courses in asset management, well integrity management for production, compressional structural styles, etc. This classroom training has been complemented with the introduction of a wide range of online technical training units, including over 100 specific courses in Geology, Geophysics, Petrophysics, Production Engineering and Reservoir Engineering. Additionally, a major international mentor-based training program has been developed.

The Commercial Areas have launched the new "Commercial School", formally certified by prestigious Spanish universities based on modular learning paths using blended methodologies that combine classroom and on-line training. This training covers general skills in the oil&gas environment, sales training, product training and service and management skills.

In Safety and Environment, the Leadership in Safety and Environment program has almost completed the training of all Repsol managers with dependent staff in their role as safety and environment leaders, with a total of 58 actions and 1,389 attendees. This program has been supplemented with an SMA Leadership program for Area Managers and Maintenance Managers in Industrial Centres. Everyone in the organisation, managers and non-managers, both in the corporate and business areas have attended at least one training activity on this topic.

A new leadership and management roadmap has been developed for all Repsol managers aimed at promoting and standardising the profile of team leaders throughout the company, as exponents of

corporate values and culture. Specific programs have been launched to boost Leadership in Innovation and an online itinerary for Innovation and Knowledge Management has been designed.

Development and evaluation performance

This development is focused on the acquisition and/or improvement of skills and knowledge, enabling people to take on greater challenges and responsibilities within the Company, and giving them room for professional growth.

JOB CLASSIFICATION CHANGES	2013	2012
Number of people	1,941	1,996

The company's tools for the evaluation of potential and planning of development actions are mainly *People Review* and *Development Centre*.

People Review Assessment Indicators	2013	2012
People tested by *People Review* according to objective (1)	2,329	2,307
People tested by *Development Centre* according to objective (2)	189	112

(1) This program provides a detailed assessment of people, generating a shared vision of each of them: their strengths, areas of improvement and professional profile.
(2) This program evaluates the professionals' level of development through individual and group tests. Additionally to tests planned in 2013, and as a consequence of the Trading project, 89 specific evaluations were performed in this collective.

In 2013, 14,576 employees underwent performance assessments, 10,743 are employees in Spain and 3,833 in rest of world.

The Company has a Performance Assessment model called "Management by Commitments (GxC)" for staff not covered by collective agreements (Executives, Line Managers and Technicians). Also, in January 2013, an agreement was signed with union representatives for the implementation of a "single performance evaluation model" applicable to all collective agreement staff in Spain known as Performance and Development Management (or *"DyD - desempeño y desarrollo"*), thus reaching a significant milestone towards a homogeneous framework for performance management for all collective agreement staff working for the company in Spain.

Internal mobility and internationalisation

Mobility is an opportunity for professional development driven by the assumption of new challenges and tasks.

MOBILITY	2013	2012
Number of Migrations	3,328	3,330
% of women	40	35

Increasing internationalisation makes it necessary to support businesses and corporate areas, considered as a development opportunity for employees.

INTERNATIONAL CAREER	2013	2012
Number of employees on international assignment	674	652
Incorporation of professionals to international workforce	162	166
Migrations carried out between different countries	87	105

6.1.4 LABOUR RELATIONS

LABOUR RELATIONS	2013	2012
No. of employees with fixed employment contract	21,993	21,872
No. of employees with temporary contract	2,221	2,123
Absenteeism rate [(1)]	2.87%	2.83%

(1) Corresponds to the rate of absenteeism among collective agreement staff in Spain, calculated as the comparison between the days they should have worked compared to the days they actually worked owing to absenteeism caused by common illnesses.

The VI Framework Agreement signed in 2011 with Spain's largest unions - the CC.OO. and UGT - remains in force. This Framework Agreement regulates the working conditions of Repsol's workers in Spain. Its contents have been extended to other collective agreements of the Group in Spain.

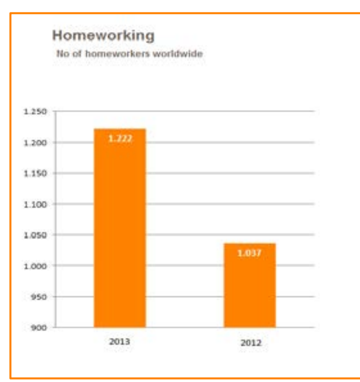
The collective agreements were signed for Repsol S.A., Repsol Comercial, Repsol Directo, Repsol Butano, Repsol Química and Dynasol, General Química, Repsol Petróleo, Repsol Trading, Repsol Lubricantes y Especialidades, S.A. (Relesa), Repsol Exploración and Repsol Investigaciones Petrolíferas, S.A. (Ripsa) are in force too.

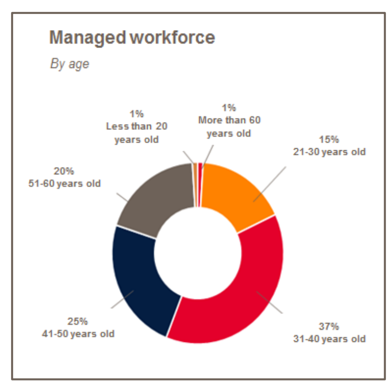
In the international field, agreements have been signed in Brazil ("Acordo Coletivo de Trabalho 2013" and "Aditivo de Acordo Coletivo específico para instituição do plano de participação nos resultados para o biénio"), Portugal ("Acordo coletivo entre a BP Portugal - Comércio de Combustíveis e Lubrificantes, S.A., e outras empresas petrolíferas e o SINDEQ - Sindicato Democrático da Energia, Química, Têxteis e Indústrias Diversas e outros - Alteração salarial e outras e texto consolidado" and "Acordo coletivo entre a BP Portugal - Comércio de Combustíveis e Lubrificantes, S.A. e ou-tras empresas petrolíferas e a FETESE - Federação dos Sindicatos da Indústria e Serviços - Alteração salarial e outras e texto consolidado") and in Peru (Collective Agreement for 2013-2014 (REGAPESA) and Certificate of Final Agreement on Collective Bargaining 2013 (RELAPASAA))

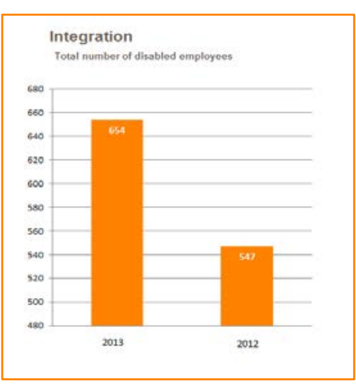
The European Workers Committee met on 10 and 11 July 2013. UGT-R. Portugal, CGTP-R. Portugal, CC.OO. and UGT attended.

At the beginning of 2014, the negotiation of the VII Framework Agreement and Collective Agreements will begin.

6.1.5 BALANCING PERSONAL AND PROFESSIONAL LIFE, DIVERSITY AND EQUAL OPPORTUNITIES







Repsol's Diversity and Work-life Balance Committee has continued to promote the programs initiated in previous years: homeworking, recruiting people with disabilities, flexible working hours, efficient time management and cultural diversity.

The homeworking program at Repsol is one of the most accepted measures in the Company's development towards a flexible working environment model.

HOMEWORKING INDICATORS	2013	2012
Number of Homeworkers Worldwide	1,222	1,037
Number of Homeworkers in Spain	1,148	972
Number of Homeworkers rest of the world	74	65

In addition to Pilot telecommuting programs in Ecuador and Peru, different studies have been initiated for the implementation of such programs in Trinidad and Tobago and Bolivia.

In addition, further actions were implemented to promote more flexible and efficient time management, based on work planning and prioritisation. Some of the achievements include flexible hours worldwide, adapted to the habits and customs of each country.

According to research published by the International Institute of Political Science, Repsol is regarded as the top company in Spain in terms of work-life balance. The ARHOE Foundation (Association for the Rationalisation of Spanish Working Hours) awarded Repsol as most outstanding company in the implementation of activities to promote more rational working hours, adapted to people's needs.

Repsol has an integration plan for disabled people, which integrates these employees in every area of the organization. We keep on overcoming legislation on this matter, distinguishing in Spain with 2.77% of disabled people on 31 December 2013, from which 22% of these professionals occupy technically qualified posts.

The current effort is focused on sensitization and impulse in different countries, promoting a model of social coexistence committed and supportive. In 2013, 32 new jobs have been filled by people with disabilities.

INTEGRATION	2013	2012
Total number of disabled employees	654	547
No. of employees with disabilities in Spain	532	437
No. of employees with disabilities in Ecuador	40	38
No. of employees with disabilities in Peru	47	39
No. of employees with disabilities in Portugal	17	17
No. of employees with disabilities in Venezuela	9	10
No. of employees with disabilities in Brazil	9	6

Repsol, in the context of its managed societies, is present in nearly forty countries with over 1,000 employees working in countries other than their own, and their contribution to the value of a multicultural environment can be felt in all areas of the Company. In order to encourage and promote cultural diversity within the company, actions have been designed with the aim of adapting management practices to the company's employees in an increasingly multicultural environment.

The following table shows the countries with the most different nationalities among employees (excluding the country in question):

Destination destination	Spain	Brazil	United States	Portugal	Libya	Trinidad, Tobago	Norway	Algeria	Russian Federation	Iraq	Peru	Angola	Venezuela	Ecuador	Bolivia	Colombia	United Kingdom	Canada	UAE	Indonesia	Netherlands
No. of different nationalities	59	23	18	17	15	14	11	10	10	10	9	8	8	7	6	5	5	4	4	4	4

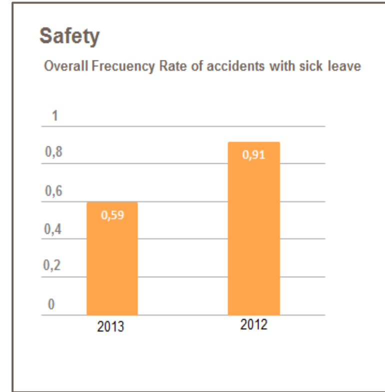
Repsol continues to increase the percentage of women participating throughout all the groups and businesses. The Equality Board meets every two months to conduct a review of the current situation and the evolution of the main gender indicators.

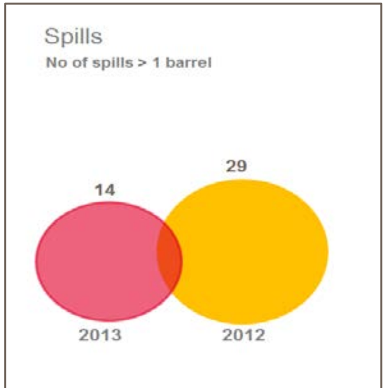
Gender Indicators	2013	2012
Women in the workforce	7,857	7,706
Women managers	43	44

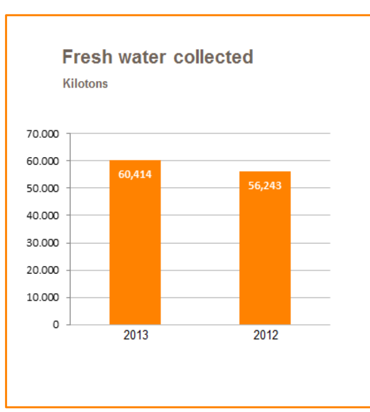
At Repsol we promote initiatives to convert the knowledge of senior staff into a shared asset, encouraging the transfer of knowledge acquired by people with more experience to our new employees, believing that this approach will ensure the success of the Company in the short and long term. A project has been undertaken focused on the employability and profitability of the expertise of assets with Greater Experience. Teams have been formed so, through a process of disruptive innovation, have generated concrete proposals in collaboration with the areas of Occupational Health, Education and the Innovation.

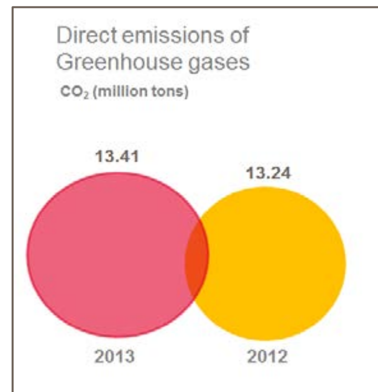
	2013			2012		
	Women	**Men**	**% of women**	**Women**	**Men**	**% of women**
Aged under 20	85	61	58	93	68	58
Aged 21-30	1,582	2,124	43	1,678	2,346	42
Aged 31-40	3,433	5,620	38	3,417	5,753	37
Aged 41-50	1,918	4,221	31	1,774	4,076	30
Aged 51-60	795	4,017	17	708	3,781	16
Older than 60	44	313	12	36	266	12

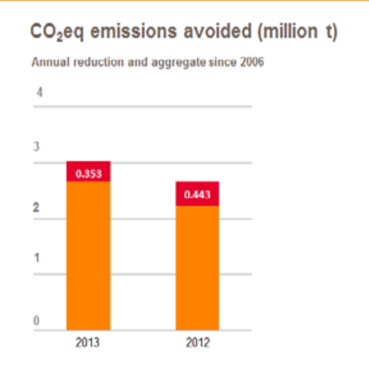
6.2) SAFETY AND ENVIROMENTAL MANAGEMENT











The attention to safety and the environment plays a central role for Repsol in managing its activities. The Company's principles for safety and the environment are defined in its Health, Safety and Environment Policy.

The Executive Committee establishes the safety and environmental objectives and strategic guidelines, which are the basis for drawing up objectives and plans of action for all of the company businesses.

Additionally, the duties of the Board of Directors' Audit and Control Committee include learning and orienting the company's safety and environmental policy, directives and objectives.

Established objectives and plans include actions that are necessary for a continuous improvement of management, investments and associated costs and the actions required to adapt to the new legislative requirements. The most significant new requirements include:

- Approval of Directive 2013/30/EU on the Safety of offshore platforms, which provides that companies must conduct an assessment of the potential risks, the measures to adopt and have an emergency response plan before commencing exploration or production operations located anywhere in the world (not just in European territory). Repsol has a comprehensive emergency response program that includes strengthening prevention and covers the safety requirements stipulated in the Directive.

- The update process is currently underway for the BREF documents in the refining sector, large combustion plants, plants handling large volumes of organic chemicals and the treatment plants, water management and residual gas systems in the chemical sector. These documents establish the Best Available Techniques (BATs) and their associated levels of emissions to air and discharges to water. In compliance with Directive 2010/75/EU on Industrial Emissions, these limits, that were voluntary up until now, will become binding with the integrated environmental authorisations

(IEAs). All the BREF documents with implications in Repsol's activities are expected to be approved between 2014 and 2015.

- In 2013, Phase III of CO_2 Emission Trading started, which regulates Directive 2009/29/EC on the greenhouse gas emission allowance trading scheme of the Community, establishes a goal of reducing overall emissions by 20% compared to 1990 levels by 2020. The start of the new phase was conditioned by the effect of the excess of allowances. To reactivate the price, on 6 February 2014, the European Parliament approved the Commission's proposal on “Backloading” (temporary withdrawal of 900 million allowances).

- The process of transposing Directive 2012/27/EU on Energy Efficiency which drives the European objective of primary energy savings of 20% by 2020 has begun. To achieve this objective, the Directive establishes a system of energy efficiency obligations that will require energy distribution companies to work with their customers in order to achieve annual savings in the use of their products equivalent to 1.5% of their energy sales. It also requires large companies to carry out energy audits, and promotes the implementation of Energy Management Systems.

- In process, definition of article 7A of Directive 2009/30/EC as regards the specification of petrol, diesel and gas-oil and introducing a mechanism to monitor and reduce greenhouse gas emissions and that aims to ensure the monitoring, reporting and reduction of emissions from fuel during its life cycle.

Safety and environmental management system at Repsol is comprised of a body of regulations, procedures, technical guidelines and management tools applicable in all company activities and facilities. They are being continuously updated to be adapted to the sector's best practices. Our safety management system is based on the OHSAS 18001 standard ISO 14001 for the environmental management system. We encourage progressive certification of the company's centres according to these standards. In the certificates search function at www.repsol.com and the Corporate Responsibility Report 2013, information on all the certified centres as well as information on the audits carried out can be found.

6.2.1 SAFETY

Repsol's main safety indicators are shown below:

SAFETY [1]	2013	2012
Overall Frequency Rate (IF) of accidents with sick leave [2]	0.59	0.91
Frequency rate of accidents with sick leave of own staff	0.60	1.00
Frequency rate of accidents with sick leave of contractor staff	0.55	0.84
Number of fatalities own staff	0	0
Number of fatalities contractor staff	0	4

(1) For processing safety indicators, Repsol has a corporate rule that establishes common criteria and methodology for recording incidents in the company, accompanied by a guide for the management of safety indicators. These indicators include the safety ratios in relation to 100% of the staff of the subsidiaries in which Repsol has a majority ownership and/or operational responsibility (control).
(2) Overall frequency rate with sick leave: number of accidents leading to days lost or deaths recorded over the year, for every million hours worked.

Our goal is to achieve zero accidents from Repsol's activities. As a result of the high level of safety we demand from our operations, the overall accident rates reflect a continued improvement in our performance. No deaths were reported in 2013 and the accident frequency rate with sick leave decreased more than 35% over the previous year, meeting the annual target and representing an accumulated fall of 55% since 2011. The fulfilment of this goal is part of the annual targets of Repsol employees with variable remuneration and the performance assessment of the remaining personnel.

In addition to the efforts to ensure the safety of the people who work at our facilities, we have a robust system for managing the risks associated with our industrial processes and assets. To achieve this, we perform risk analysis throughout the entire lifecycle of our assets, applying the highest international standards at the designing stage and implementing strict operation and maintenance procedures.

In this way, we respond to the safety challenges established by the company's strategic plan for operating in increasingly complex and sensitive environments.

One of the most notable projects was our 2013 Plan for Leadership in Safety and Environment Culture. Over the past two years all of the company's leaders have received training in safety culture, which means that more than 3,000 people have attended some of the 120 editions held in 11 countries. This training has been extended to other groups, and about 1,000 middle-managers have participated in these initiatives. At Repsol we understand that a safety culture is part of the company's value proposal and for this reason we have spent years working on projects that guarantee our ranking in this field.

6.2.2 ENVIROMENT

The main environmental management indicators are shown below:

MAIN ENVIRONMENTAL INDICATORS	2013	2012
SPILLS		
Number of spills > 1 barrel that have reached the environment	14	29
Oil spills that have reached the environment (tons) (1)	15	6,091
WATER MANAGEMENT (KT)		
Freshwater collected(2)	60,414	56,243
Reused	9,473	8,375
DISCHARGES (TONS)		
Hydrocarbons (3)	460	259
Suspended Solids	1,265	1,581
Chemical Oxygen Demand (COD)	7,944	8,752
MANAGEMENT OF WASTE (TONS) (4)		
Hazardous waste	66,315	80,775
Non-hazardous waste (5)	182,693	52,580
AIR EMISSIONS (TONS)		
SO_2	34,263	36,949
NO_X	37,155	33,566
COV_S	41,755	42,855

(1) The 2012 figure includes the Tarragona spill of approximately 6,000 tonnes, of which over 90% has been recovered to date.
(2) Does not include the figure for the amount of water used in the exploration campaign in Alaska. This water is taken directly from surface resources (ice) to construct roads, and not for its own business. This water returns to its natural terrain once the campaign is over. The amount of water used for this purpose was 314,207 kilotonnes.
(3) The increase in hydrocarbon leaks is associated with specific operational problems at one of the water treatment plants in the Trinidad and Tobago facilities.
(4) Additionally, the waste associated with drilling mud should be taken into account. The increase in 2013 is due to exploration activities.

2013	2012
115,978 tons	58,793 tons

(5) The increased amount of non-hazardous waste in 2013 includes the extraordinary generation of 105,267 tonnes of waste due to soil remediation work in the Peru Refining activities, and to dismantling the Spain Refining facilities.

We work with the goal of minimising our impact on the environment. Therefore, and in order to further support the long term strategic plan of our company, establishing that margins should be improved through operational excellence and efficiency, we conduct numerous initiatives.

Our main efforts focus on improving the environmental quality of our products, minimising air emissions, increasing energy efficiency, optimising water consumption, reducing the contaminating load of dumps and improving spill prevention systems, applying for it the available best practices and technological innovation. Also noteworthy is the effort undertaken to identify, evaluate and correct the possible contamination situations occurred in the past. In note 36 "*Environmental information*" of the Consolidated Financial Statements, information on assets, provisions, and expenses of an environmental nature is listed.

The major milestones of 2013 included the implementation of a comprehensive program for the prevention, preparation, response and recovery from the impact of major accidents in exploration and production operations: *Global Critical Management Program*. This program establishes the following lines of action:

- Adaptation of internal standards to international best practices.
- Creation of a group of experts in emergency management (Global Critical Management Group) and establishment of functions and roles for a new multidisciplinary group set up to deal with emergency response (Global Critical Response Group).

- Establishment of emergency response facilities and centres located in Madrid, Houston, Lima and Rio de Janeiro.

6.2.3 SUSTAINABLE ENERGY AND CLIMATE CHANGE

When reporting on energy and carbon performance, we follow the oil industry guidelines developed by the *American Petroleum Institute* (API), the *International Petroleum Industry Environmental Conservation Association* (IPIECA), and the *International Association of Oil & Gas Producers*. The main indicators related to sustainable energy and climate change are set out below:

MAIN INDICATORS	2013	2012
DIRECT EMISSIONS OF GREENHOUSE GASES (1)		
CO_2 (million tons)	13.41	13.24
CH_4 (million tons)	0.029	0.028
N_2O (thousand tons)	0.64	0.72
CO_2 eq (million tons)	14.22	14.06
CO_2 EMISSIONS AVOIDED (MILLION TONS)		
Aggregate reduction since 2006	3.021	2.668
Annual reduction	0.353	0.443

(1) For data on emissions from mobile sources, only those associated with own transport is included.
(2) CO_2 information in process of regulatory verification with an end date of 28/02/2014.

Repsol is committed to building a better future through smart energy initiatives, offering the best energy solutions to society and the planet. This means using a wide variety of sources and optimizing their use through energy management systems to achieve excellent energy performance. This commitment is reflected in the updated Corporate Global Carbon Strategy for 2012-2020 which aims to boost the company's vision of a more diversified and less carbon intensive energy supply. The Carbon Strategy's end goal is to have a common method of acting that harmonizes the existing initiatives and detects synergies with an integrated focus.

Repsol established a strategic goal of reducing 2.5 million tons of CO_2 during the 2006-2013 period. This objective was met one year ahead of time, so during 2013 work has been done on defining a new long-term Company Plan to improve energy efficiency and reduce CO_2 emissions.

As a result of this work, a new strategic target was established to reduce 1.9 million tonnes of CO_2eq through a new plan for the period 2014-2020, which includes the reduction of energy intensity and emissions. Additionally, in 2013 Repsol has maintained its commitment to continuous improvement and to reducing Greenhouse Gas emissions, and has promoted energy efficiency actions which have resulted in reductions of over 350 kt of CO_2eq.

One of the main strategic objectives in energy terms is the implementation of an Energy Management System (EMS) in our facilities, which allows the establishment of the necessary systems and processes to improve its energy performance, promoting cost savings and affirming the company's commitment to supplying sustainable energy. Advancing excellence in energy management through the implementation of these EMS allows the company's energy policy and vision to be formalised, and likewise establishes goals and objectives to be monitored in the short, medium and long term, as part of a process of continuous improvement. It also systematises procedures and best practices, spreading common energy standards and homogenising their use in Repsol by anticipating regulatory implementation.

Repsol's Energy Management System is implemented according to the requirements of International Standard ISO 50001. During 2013 the certification process of facilities continued, covering the refineries of Tarragona, Cartagena and La Pampilla (Peru), the Puertollano Chemical plant and finally the *Upstream* assets in Block 16 (Ecuador), which join the facilities already certified in previous years.

Repsol aims to achieve excellence in its greenhouse gas inventories by broadening their scope and continuously improving their quality and transparency. Accordingly, every year an external company is called in to check that our GHG inventories meet the highest standards in quality and accuracy. During the year, progress was made in CO_2 emissions inventories, verifying more than 92% of these emissions according to international standard ISO 14064.

Additionally Repsol continues being the leader in the energy sector in the Climate Disclosure Leadership Index (CDLI), from the Climate Disclosure Project, the most prestigious in matters of climate change internationally.

Repsol's 2013 Corporate Responsibility Report lists the most notable actions carried out during the financial year to improve safety and to protect and conserve the environment, as well as the development of the most relevant indicators.

6.3) TAXATION

Tax Policy

Repsol's tax policy is in line with the company's mission and values, and with the long term business strategy. As a result, Repsol is committed to applying best taxation practices when managing its tax affairs and to offering solutions with a global vision, with the aim of ensuring that the Company is recognised for applying responsible policies in regard to taxation and for promoting cooperative relationships with governments and the different stake holders.

Since 2010 Repsol has followed the Code of Best Tax Practices which was prepared in Spain by the Large Businesses Forum of the Spanish Tax Authority.

In its operations and business models, tax efficiency for the company is studied and, where applicable, tax positions are taken on the basis of solid business and financial reasons and/or commonly accepted practices, while always complying with both the letter and spirit of applicable legislation and avoiding

financial or reputational risks and unnecessary conflicts. Repsol considers that this balanced and respectful approach will result in the long-term sustainability of its operations.

Repsol has made a commitment not to use opaque ownership structures i.e. those which are designed to conceal information from Tax Authorities or in which special purpose vehicles in tax havens or territories that do not cooperate with Tax Authorities are used.

As a result of its commitment to transparency, Repsol is a founding member of EITI (Extractive Industries Transparency Initiative). This initiative aims to strengthen governance through improvements in transparency about payments made by oil, gas and mining companies to governments and agencies linked to them, and in cooperative relationships with the authorities. Repsol undertakes hydrocarbon exploration and production activities in several countries that are recognised as "EITI Compliant or EITI Candidate" (Peru, Norway, Liberia, Mauritania, Iraq, Trinidad and Tobago, Indonesia, etc.)

The Board of Directors, through the Audit and Control Committee, regularly reviews the taxation policies which are being followed.

Impact of taxation on Repsol's profits

The Group is subject to the various taxes on profits applicable in the countries where it operates. Each tax has its own structure and rates. The applicable tax rates to profits obtained from hydrocarbon production (*Upstream*) are, in general, higher than those generally applicable. On some occasions, these profits are not only taxed in the country in which they are obtained but also in the country where the companies that own the operations or their parent companies are domiciled (double taxation).

The Group is also subject to other levies which reduce its profits and, specifically, its operating profits. This is the case of taxes on the production of hydrocarbons (royalties and similar), local rates and taxes, social insurance payments, etc.

In 2013, the total tax burden accrued from the abovementioned taxes was €2,192 million, which is an effective rate of 60.5%. The effective tax rate on profits is 43.3%.

Taxation on profits impact in 2013

Amounts in million euros

	Repsol Group ex Gas Natural Fenosa		Repsol Group	
Item	**Amount**	**Rate (*)**	**Amount**	**Rate (*)**
Income tax	956	50.5%	1,096	43.3%
Total tax burden	1,857	66.4%	2,192	60.5%

(*) Effective tax rate on profits: Corporation tax /income before tax on profits and participated companies. Effective rate of total tax burden: Corporation tax + Other taxes on the operating income /profit before tax on profits and on operating profits.

Tax contribution

Repsol is aware of its responsibility to the economic development of the societies in which it operates. The taxes paid represent a significant part of its financial contribution to the countries in which it operates. Repsol therefore places high priority on fulfilling its obligation to pay the taxes which are due in each territory, in accordance with applicable regulations and principles.

Taxes paid by the Repsol Group has considerable economic importance and implies a major effort to comply with the formal obligations and the obligations of informing and collaborating with the Authorities that it implies, while carrying with it significant liabilities.

In order to monitor and analyse the Group's fiscal contribution, we distribute the taxes paid into those which are an effective cost to the company and reduce its profit (for example, corporate income tax, tax on production, social insurance payable by the company, etc.) and those which do not reduce profits because they are withheld or are passed on to the final tax payer (for example, value added tax, tax on the sale of hydrocarbons, withholding taxes, etc.). The former are called “Tax Burden” and the latter are “Taxes Collected”.

To measure the tax contribution, only taxes effectively paid are included, and, for example, taxes on profits which are due, but which will be paid in the future, are not included. By this criterion, it should be emphasised that in 2013, Repsol fulfilled more than 22,000 tax declarations, not including those for Gas Natural Fenosa, and paid €13,671 million in taxes and associated public charges.

Taxes effectively paid in 2013 (*)
Amounts in million euros

Regions	Tax burden	Taxes collected	Total
Europe	851	10,462	11,313
Latin America	974	736	1,710
North Africa	600	5	605
Rest of the world	25	19	43
TOTAL 2013	**2,449**	**11,222**	**13,671**

(*) Only includes payments effectively made in the financial year. Does not include amounts now due but to be paid in the future, nor collections for previous financial years.

In 2013, the breakdown of taxes paid by the Group by country, not including those paid by Gas Natural Fenosa, is as follows:

Taxes effectively paid in 2013, by country, not including Gas Natural Fenosa [(1)]

Millions of euros

		Tax burden			Taxes collected [(2)]			
COUNTRY	**Taxes paid in 2013**	**Corporation Tax**	**Others**	**Total**	**VAT**	**Tax on hydrocarbons**	**Others**	**Total**
Spain	**8,811**	188	276	465	3,200	4,825	322	8,346
Portugal	**1,144**	16	11	27	428	669	19	1,117
Italy	**390**	2	1	3	51	334	1	387
Russia	**89**	13	60	73	11	0	5	16
Lybia	**566**	512	53	565	0	0	1	1
Argelia	**39**	34	1	35	0	0	4	4
T&T	**465**	301	164	465	-9	1	8	0
Venezuela	**67**	35	20	55	7	0	5	12
Colombia	**25**	18	1	19	0	0	6	6
Bolivia	**91**	56	8	64	22	0	5	27
Peru	**815**	77	120	196	425	175	19	618
Brazil	**74**	27	35	62	2	0	11	13
Ecuador	**39**	21	2	24	10	0	5	15
Rest	**30**	8	4	12	-2	0	20	18
TOTAL 2013	**12,645**	**1,308**	**757**	**2,065**	**4,145**	**6,004**	**432**	**10,581**

[(1)] Only includes payments effectively made in the financial year. Does not include amounts now due but to be paid in the future, nor collections for previous financial years.

[(2)] Includes amounts paid through logistics operators that act as substitutes.

Management of fiscal risk

The Group has a map of risks in which the fiscal risks are specifically identified, whether they derive from the taxation policies applied, from possible non-compliance, from eventual discrepancies concerning the interpretation or application of law to specific cases or from the instability of the legal taxation and contractual framework.

Management of fiscal risk is part of the Group's Integrated Risk Management policy, which requires a scrupulous and ongoing process of risk identification, analysis and evaluation.

Specifically, investment and divestment projects and the company's significant operations all involve studying their taxation implications before decisions are taken.

When defending itself in taxation litigation and conflicts, Repsol prioritises amicable solutions and behaves transparently in its dealings with tax authorities, willingly providing the information on the business activities carried out by the Group that these authorities consider necessary. Repsol considers that, in the current international tax framework, which is characterised by growing complexity and uncertainty, it is important to make an effort to reduce the number of conflicts and to promote legal certainty and the stability of the taxation framework, as these are fundamental for the development of economic activity.

6.4) R&D

Through research and innovation, fostering talent and working cooperatively with networked groups of scientific excellence, in Spain and abroad, Repsol seeks to develop solutions to address these challenges.

The Repsol Technology Centre is the scientific and technological hub where the company centralises its R&D investments.

R& D MANAGEMENT INDICATORS	2013	2012
Number of contracts	122	151
External R&D (million euros)	23	20
R&D Investment (million euros)	89	83

In 2013, Repsol invested €83 million in R&D activities carried out directly at its Technology Centre in Móstoles (Spain), and a further €6 million in projects undertaken at the company's different business units, compared to €77 million and €6 million in 2012 respectively. Repsol maintains an active policy of collaboration with technology centres, public and private universities and companies in Spain and internationally. The investment earmarked for these types of agreements was more than €23 million. Repsol participates in R&D financing projects run by different government authorities. During 2013 Technology Centre participated in 12 projects backed by the Spanish Government and 9 EU projects, compared to 14 and 6 in 2012, as well as an international cooperation project with Chile.

During 2013 a loan agreement was signed with the European Investment Bank (EIB) to finance R&D activities at the Technology Centre for the next four years. This loan covers almost half of the budget during this period and is a milestone in public aid for the Centre, representing the first time that Repsol has requested funding for such activities. This operation represents an endorsement and is a guarantee of the quality of our R&D activities.

This loan will finance numerous actions within the extensive research, development and innovation investment program, covering among other fields improving energy efficiency and oil refining processes, development and production of petrochemical derivatives or storage of CO_2. The R&D programs also include developing systems and products in the field of renewable energy generation, bioenergy and transport solutions.

The Technology Centres in Houston and Brazil became fully operational in early 2013. The launch of these two new "hubs" in locations of strategic interest and in highly innovative technological environments, involved the creation of an integrated model with the Madrid Technology Centre, which makes it possible to access new innovation ecosystems and to be close to projects in these areas that are important to the company.

6.5) SOCIETY

CORPORATE SOCIAL RESPONSIBILITY

Repsol is strengthening its business strategy with the search for better energy solutions that contribute to sustainable development. This is possible thanks to a forward-looking vision that is based on corporate responsibility environment as one of its key attributes.

Through its model of corporate responsibility, the company responds to the current and future needs of its stakeholders. Repsol makes daily efforts to be able to identify and understand their expectations at global and local level, both in countries and operational centres, with a proactive attitude.

Throughout 2013, the company has consolidated the implementation of its corporate responsibility coordination system, with the creation of new Corporate Responsibility Committees in the countries where it operates. These join those already in place in Spain and Portugal, Bolivia, Ecuador and Peru. Each committee has approved and published its corresponding Sustainability Plan 2013-2014, where it defines the actions to be undertaken to bring the company's ethical, social and environmental performance in line with expectations of its stakeholders.

During this year, the deployment system for the coordination of corporate responsibility in the main industrial complexes has been formalised, which passed their first sustainability plans. Having a model that integrates the corporate accountability expectations of our stakeholders in the company's decision-making processes allows us to work towards the constant generation of long-term value. This effort is internationally recognised, as vouched for by our continued presence in the Dow Jones and FTSE4Good and sustainability indices. Repsol again received the "Gold Class" company rating, according to the SAM 2013 Sustainability Yearbook, which recognises companies with the best sustainability performance.

SHAREHOLDERS AND INVESTORS

Repsol has an Investor Relations Management department, whose aim is to serve to Repsol shareholders, both institutional investors as minority shareholders, besides those analysts who follow the Company, on all these matters related to access the company's financial and operating information and facts that may affect the value of their shares.

In this context, and with the aim of continuously improving the quality of the information about the company, in 2013 the Investor Relations Department developed two new specialised areas for attending to the needs of minority shareholders on the one hand and socially responsible investors on the other.

The "*Repsol in Action*" channel was created for minority shareholders as relationship model based on the best practices of good corporate governance and transparency in order to facilitate closer ties, communication and a more fluid contact between the company and its minority shareholders. A special section was created in the investors section of the website dedicated to Repsol shareholders, in order to keep them informed of key developments in the company in a transparent manner and to involve them in social action, sporting events and the company's promotional campaigns.

With regard to socially responsible investors, a dedicated contact channel was designed along with a series of special events aiming to transmit how the company operates in the areas of corporate responsibility and dealing with the issues of safety, environment, human rights, and relationship with communities and corporate governance, among others.

A summary is shown below with statistics that support the interaction of the company with investors and the financial community through the various channels of communication established:

SHAREHOLDERS AND INVESTORS INFORMATION	**2013**	**2012**
OIA calls[(1)]	34,291	45,000
Acces to corporate website	443,000	390,000
Mail consultation	10,000	6,000
Roadshows institutional investors (cities) [(2)]	41	34
Roadshows minority shareholders (cities) [(2)]	12	-
Sectoral conferences	19	22
Institutional investors contacted	808	900
Application for mobile devices (downloads)	1,385	-
Events for minority shareholders	49	-

(1) Shareholder Information Office (OIA) serves shareholders, both current and potential.

(2) *Roadshows* are trips to different cities to visit institutional investors or minority shareholders. Includes *roadshows* with socially responsible investors.

Additionally in 2012, in an effort to update access to company information for the financial community, an application was developed for shareholders and investors to consult information using mobile devices (tablets and smartphones). This application can be downloaded for free on Repsol's website.

REPSOL ON THE INTERNET

The company's Internet presence is mainly channelled through the corporate website repsol.com, which is a cross-platform communication and marketing tool for the different business lines. Repsol's website is a reference in terms of content, transparency and accessibility of information.

In the last ten years, the repsol.com portal has positioned itself among the top European websites, according to the periodic study conducted by international consultancy firm KWD. In this ranking, the corporate site has always occupied the first position in Spain and has been among the top in its sector.

In addition, Repsol has other assets of particular relevance -such as the website guiarepsol.com- and applications for mobile devices. Moreover, the company's presence in social networks -especially Facebook and Twitter- has gained special significance with over 180,000 followers so far.

REPSOL ON THE INTERNET

	2,800,000 visits (monthly average)
	1,600,000 unique users (monthly average)
	56,000 followers
	127,000 followers
	5,500 keywords positioned in the Google Top 20, with an annual estimated value of €212,000

ADVERSTISING, SPONSORSHIP AND PUBLIC RELATIONS

Throughout 2013, several advertising campaigns have been made that have served to highlight the company's strategic projects. These communications have also transmitted Repsol's commitment on issues of great importance to society, such as the ability of Repsol to create jobs or support entrepreneurship and its involvement in training young people, among others. On the commercial front, there have been numerous advertising campaigns that have served to highlight the excellence of our products and their competitive advantages.

As a responsible brand, we are concerned with the rigorous standards of our advertising campaigns. Accordingly, we continue to adopt voluntary codes and mechanisms that guarantee transparency and accuracy in all such communications (such as membership of the Association for Advertising Communication Self-Regulation or adherence to the Code of Self-Regulation regarding Environmental Claims in Advertising and Marketing).

Again this year, our sponsorship and public relations programs have helped generate awareness for the Repsol brand and strengthen our corporate image as a forerunner in the commitment to society and the future of energy.

During the 2013 season, Marc Márquez became the youngest MotoGP World Champion in history, and along with his teammate Dani Pedrosa, they gave the Repsol Honda Team yet another World Championship team title. Without doubt, this sponsorship program contributes to making the company a

household name globally, thus opening the way for its international expansion. Furthermore, the acquired experience in the development of specific products for top motor competitions enables Repsol to remain a leader in research and thus be capable of fulfilling its customers' highest expectations.

As a sign of Repsol's commitment to society, in 2013 the strategy of sponsorship and public relations included new programs such as CEV Repsol (Spanish Bike Championship) or scholarship grants to the Monlau Repsol Technical School, favouring the generation of opportunities and the adequate training of young riders and professionals.

In line with Repsol's strong commitment to the future of energy and respect for the environment, once again this year the company has compensated the CO_2 emissions corresponding to its participation in MotoGP and holding the Annual General Meeting.

7. OUTLOOK AND PROSPECTS

Users of this report should be aware that the forward-looking information contained in the document and which reflects the plans, forecasts or estimates of the Group's managers, based on assumptions that are considered reasonable, should not be considered as a guarantee of the entity's future performance, in the sense that such plans, forecasts or estimates are subject to numerous risks and uncertainties, meaning that the future development of the Group will not necessarily coincide with what was initially planned. The main risks and uncertainties are described in section 2.6) Risk Management.

7.1) MACROECONOMIC OUTLOOK

Global economy is still recovering from the crisis of 2009, but this process turned out to be slow and fragile. Unlike previous years, in 2013 the risks in emerging economies have increased and risks in advanced economies have become more moderate.

The outlook for the global economy is that economic growth will rebound to above 3%, after the slowdown experienced between 2011 and 2013, so that in 2014 it will reach 3.7%. The bulk of global economic growth will continue to be driven by emerging economies but there has also been a momentum in growth in advanced economies. In these countries, real GDP will increase 2.2% in 2014, almost one percentage point higher than in 2013.

Growth in emerging and developing economies is expected to reach 5.1% in 2014 and gradually increase in subsequent years, sustained by strong domestic demand, the recovery of exports and more flexible fiscal, monetary and financial policies; although most of these economies are experimenting slower growth and have recently revised their forecasts downward.

Looking ahead to 2014, most analysts already estimate that the Spanish economy will show a positive annual variation rate, although the magnitude of this growth is still uncertain. IMF placed growth at 0.6% in the latest WEO[1]. Repsol's Environmental Studies and Analysis Department placed GDP growth for 2014 at 0.8% - in line with forecasts form the main national analyst firms.

In all, it seems that the Spanish economy is gradually achieving a certain degree of stability. There are still many weaknesses, and risks exist that could reverse the path followed by GDP in the past two quarters. But the improvement of the situation in the Eurozone, both institutional and macroeconomic, and the structural reforms adopted leave room for cautious optimism. The Spanish economy already emerged from technical recession in the third quarter of 2013, registering its first positive growth figures. However, there is still a long way to go before reaching pre-crisis production levels.

Macroeconomic forecasts, main figures

	GDP (%)		**Average inflation (%)**	
	2013	**2014**	**2013**	**2014**
Global economy	3	3.7	3.8	3.8
Advanced economies	1.3	2.2	1.4	1.8
Spain	-1.2	0.6	1.4	1.5
Emerging economies	4.7	5.1	6.1	5.6

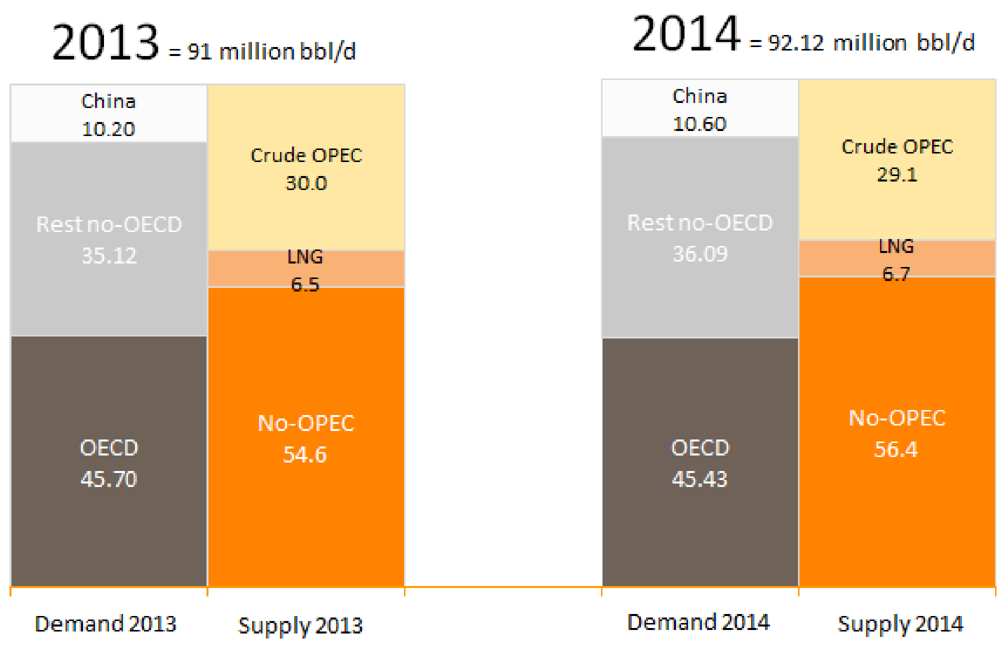
Source: IMF and Repsol Economic Research Department.

[1] World Economic Outlook

7.2) ENERGY SECTOR OUTLOOK

In the short-term, according to the International Energy Agency (IEA) the supply/demand balance for oil will be determined by the significant increase in production expected for 2014, of about 1.8 million barrels. More than 60% of this supply will come from non-OPEC countries. In turn, the increased demand will be driven by non-OECD countries.

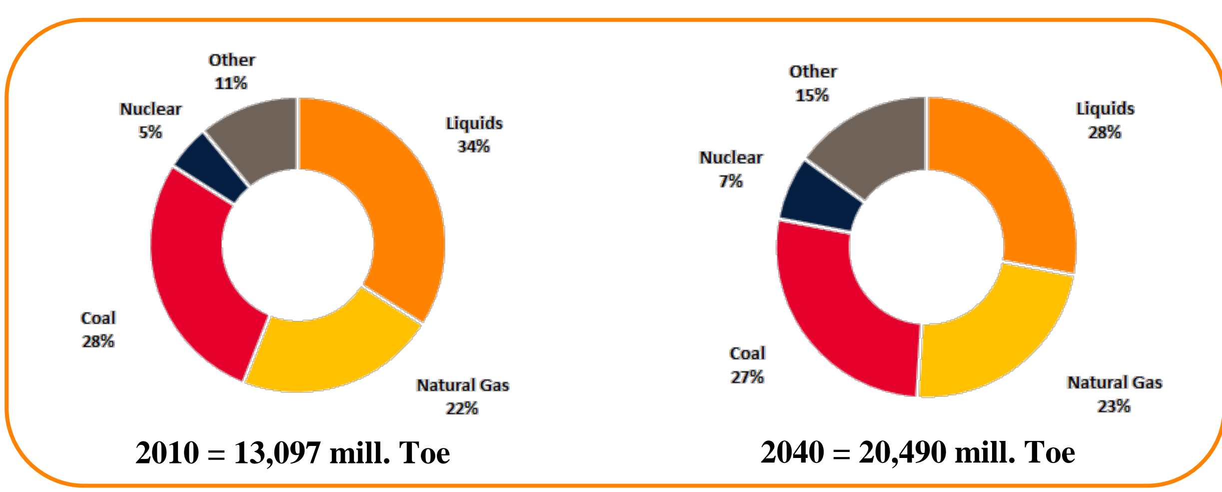
Short-term prospects of the global balance between supply and demand



Source: AIE and Repsol Economic Research Department.

In the longer term, the increase in energy demand put forward by the United States Energy Information Administration (EIA) stands at 56% from 2010-2040, equivalent to an average annual growth of 1.5%, with most of this growth, 85%, concentrated in non-OECD countries, due to their strong economic and population growth.

Fossil fuels will remain the world's main driving force, given that in 2040 these three sources (oil, natural gas and coal) will supply more than three-quarters of the energy demand. Even so, oil will reduce its share, from 34% in 2010 to 28% in 2040.



Source: International Energy Outlook 2013 (EnergyInternational Agency) and Repsol Economic Research Department.

7.3) FUTURE OUTLOOK FOR OUR BUSINESSES

Following the milestones achieved in 2012 and 2013, the strategic guidelines established in the 2012-2016 Strategic Plan will be maintained in the next few years. In this way, we will continue to focus on business growth in *Upstream* and operational excellence in *Downstream*, while maintaining a competitive shareholder remuneration and strength of our financial ratios.

In the *Upstream* business, our goal is to achieve a strong, profitable and sustainable growth over time. Thus, our investment efforts focus on projects with high added value, which enable the company's progressive expansion. This is the growth vector of the company, and therefore 77% of the investments referred to in the SP 12-16 are concentrated in this area. In 2014 the investment effort commitments will be upheld. Approximately $1,000 million is earmarked for exploration activities, hoping to complete more than 30 exploratory wells and conduct major seismic campaigns, highlighting the investments in Brazil, United States, Angola, Russia, Norway, Colombia, Namibia and Romania. Additionally, approximately $2,600 million is contemplated for investment in development, drilling and facilities construction, mainly in North America, Brazil, Venezuela and Algeria.

In 2014 the production and incorporation of new reserves is expected to follow the forecasts of the SP 12-16.

The growth commitment of the SP 12-16 is driven by 10 major projects, including those already in production in 2013, namely; Russia, Lubina-Montanazo, Margarita, Mid-Continent, Sapinhoa and Carabobo (early production). It is expected that between 2014 and 2015 Kinteroni in Peru and Cardón IV in Venezuela will become operational and development will continue in the other projects mentioned, along with Carioca and Reggane.

In the *Downstream* business the completion of the major projects of Cartagena and Petronor and the operational excellence targets are enabling the company to overcome the environment of economic crisis in Spain and Europe. The objectives established for next year will be:

- Continuing to improve the efficiency and competitiveness of the Refining and Chemical facilities, thus leading to continuous improvements in margins.
- Commissioning of the SKSOL next generation lubricants plant in Cartagena, in association with the Korean company SKL.
- Maximising the value of the Marketing business and consolidating a competitive position within the new legal framework in view of the stabilisation in demand for fuel in Spain after 6 years of constant decline.

In the anticipated environment, the Group will maintain its financial strength to perform the required investments while maintaining its credit rating and offering shareholders competitive returns.

APPENDIX I: RECONCILIATION OF ADJUSTED RESULTS WITH IFRS-EU RESULTS

***2013** (Million euros)*	**Adjusted Results**	**Reclassif.**	**Results IFRS-EU**
Operating income	**3,343**	**(772)**	**2,571**
Financial result	(814)	59	(755)
Share of results of companies accounted for using the equity method-net of tax	122	(74)	48
Income before tax	**2,651**	**(787)**	**1,864**
Income tax	(1,096)	149	(947)
Net income for the period from continuing operations	**1,555**	**(638)**	**917**
Net income for the period from continuing operations attributable to minority interests	(38)	-	(38)
Net income for the period from continuing operations attributable to the parent	**1,517**	**(638)**	**879**
Net income for the period from discontinued operations attributable to the parent	**(1,322)**	**638**	**(684)**
TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT	**195**	**-**	**195**

***2012** (Million euros)*	**Adjusted Results**	**Reclassif.**	**Results IFRS-EU**
Operating income	**4,286**	**(620)**	**3,666**
Financial result	(857)	47	(810)
Share of results of companies accounted for using the equity method-net of tax	117	(70)	47
Income before tax	**3,546**	**(643)**	**2,903**
Income tax	(1,581)	175	(1,406)
Net income for the period from continuing operations	**1,965**	**(468)**	**1,497**
Net income for the period from continuing operations attributable to minority interests	(75)	-	(75)
Net income for the period from continuing operations attributable to the parent	**1,890**	**(468)**	**1,422**
Net income for the period from discontinued operations attributable to the parent	**170**	**468**	**638**
TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT	**2,060**	**-**	**2,060**

APPENDIX II: CONVERSION TABLE AND GLOSSARY

			OIL				GAS		ELECTRICITY
			Litres	**Barrels**	**Cubic metres**	**toe**	**Cubic metres**	**Cubic feet**	**kWh**
OIL	1 barrel (1)	bbl	158.99	1	0.16	0.14	162.60	5,615	$1.7x10^6$
	1 cubic metre (1)	m^3	1,000	6.29	1	0.86	1,033	36,481	10,691.5
	1 ton of oil equivalent (1)	toe	1,160.49	7.30	1.16	1	1,187	41,911	12,407.4
GAS	1 cubic metre	m^3	0.98	0.01	0.001	0.001	1	35.32	10.35
	1,000 cubic feet=$1.04x10^6$ Btu	ft^3	27.64	0.18	0.03	0.02	28.3	1,000	293.1
ELECTRICITY	1 megawatt hour	MWh	93.53	0.59	0.10	0.08	96.62	3,412.14	1,000

(1) Reference measurement: 32.35 °API and relative density 0.8636

			Metre	**Inch**	**Foot**	**Yard**
LENGTH	metre	m	1	39.37	3.281	1.093
	inch	in	0.025	1	0.083	0.028
	foot	ft	0.305	12	1	0.333
	yard	yd	0.914	36	3	1
				Kilogram	**Pound**	**Ton**
MASS	kilogram	kg		1	2.2046	0.001
	pound	lb		0.45	1	0.00045
	ton	t		1,000	22.046	1
			Cubic feet	**Barrel**	**Litre**	**Cubic metres**
VOLUME	cubic foot	ft^3	1	0.1781	28.32	0.0283
	barrel	bbl	5,615	1	158.984	0.1590
	litre	l	0.0353	0.0063	1	0.001
	cubic metre	m^3	35.3107	6.2898	1,000	1

Term	Description
bbl	Barrel
bcf	Billion cubic feet
bcm	Billion cubic meters
boe	Barrels of oil equivalent
Btu	British thermal unit
LPG	Liquefied Petroleum Gas.
LNG	Liquefied Natural Gas.
Gwh	Gigawatts per hour

Term	Description
kbbl	Thousand barrels of oil
kbbl/d	Thousand barrels of oil per day
kboe	Thousand barrels of oil equivalent
kboe/d	Thousand barrels of oil equivalent per day
km^2	Square kilometre
kt	Thousand tons
Mbbl	Million barrels
Mboe	Million barrels of oil equivalent

Term	Description
Mm^3/d	Million cubic metres per day
Mscf/d	Million standard cubic feet per day
MW	Million watts
Mwe	Million electric watts
MWh	Million watts per hour
TCF	Trillion cubic feet
toe	ton of oil equivalent
USD	US dollar

APPENDIX III: ANNUAL REPORT ON CORPORATE GOVERNANCE