# REPSOL, S.A. and investees comprising the REPSOL GROUP

INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE SIX-MONTH
PERIOD ENDED JUNE 30, 2013

***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 June 30, 2013 and December 31, 2012**

| | | Millions of euros | |
|---|---|---|---|
| **ASSETS** | Note | **06/30/2013** | **12/31/2012** |
| Intangible Assets: | | 5,420 | 5,514 |
| a) Goodwill | | 2,673 | 2,678 |
| b) Other intangible assets | | 2,747 | 2,836 |
| Property, plant and equipment | 3 | 28,614 | 28,227 |
| Investment property | | 24 | 25 |
| Investment accounted for using the equity method | | 813 | 737 |
| Non-current assets held for sale subject to expropriation | 3 | 5,436 | 5,392 |
| Non-current financial assets | 5 | 1,330 | 1,313 |
| Deferred tax assets | | 3,546 | 3,310 |
| Other non-current assets | | 235 | 242 |
| **NON-CURRENT ASSETS** | | **45,418** | **44,760** |
| Non current assets held for sale | 3 | 173 | 340 |
| Inventories | | 5,268 | 5,501 |
| Trade and other receivables | | 8,080 | 7,781 |
| a) Trade receivables | | 6,128 | 6,081 |
| b) Other receivables | | 1,664 | 1,284 |
| c) Income tax assets | | 288 | 416 |
| Other current assets | | 257 | 221 |
| Other current financial assets | 5 | 388 | 415 |
| Cash and cash equivalents | 5 | 7,693 | 5,903 |
| **CURRENT ASSETS** | | **21,859** | **20,161** |
| **TOTAL ASSETS** | | **67,277** | **64,921** |

Notes 1 to 14 are an integral part of the consolidated balance sheet at June 30, 2013.

**REPSOL, S.A. AND INVESTEES COMPRISING THE REPSOL GROUP**
**Consolidated balance sheet at June 30, 2013 and December 31, 2012**

| | | Millions of euros | |
|---|---|---|---|
| **LIABILITIES AND EQUITY** | Note | **06/30/2013** | **12/31/2012** |
| Issued share capital | 3 | 1,302 | 1,282 |
| Share premium | | 6,428 | 6,428 |
| Reserves | | 259 | 247 |
| Treasury shares and own equity instruments | 3 | (22) | (1,245) |
| Retained earnings and other reserves | 3 | 19,814 | 18,465 |
| Profit attributable to the equity holders of the parent | | 901 | 2,060 |
| Dividens and remunerations | | - | (184) |
| **EQUITY** | | **28,682** | **27,053** |
| Financial assets available for sale | | 30 | 42 |
| Other financial instruments | | 59 | 15 |
| Hedge transactions | | (80) | (210) |
| Translation differences | | (163) | (198) |
| **ADJUSTMENTS FOR CHANGES IN VALUE** | | **(154)** | **(351)** |
| **EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT** | | **28,528** | **26,702** |
| **MINORITY INTERESTS** | | **736** | **770** |
| **TOTAL EQUITY** | | **29,264** | **27,472** |
| Grants | | 60 | 61 |
| Non-current provisions | | 2,369 | 2,258 |
| Non-current financial liabilities: | 5 | 14,309 | 15,300 |
| a) Bank borrowings, bonds and other securities | | 14,191 | 15,073 |
| b) Other financial liabilities | | 118 | 227 |
| Deferred tax liabilities | | 3,137 | 3,063 |
| Other non-current liabilities | | 3,489 | 3,457 |
| **NON-CURRENT LIABILITIES** | | **23,364** | **24,139** |
| Liabilities related to non-current assets held for sale | 3 | 37 | 27 |
| Current provisions | | 242 | 291 |
| Current financial liabilities: | 5 | 5,070 | 3,790 |
| a) Bank borrowings, bonds and other securities | | 4,930 | 3,721 |
| b) Other financial liabilities | | 140 | 69 |
| Trade payables and other payables: | | 9,300 | 9,202 |
| a) Trade payables | | 4,274 | 4,376 |
| b) Other payables | | 4,600 | 4,507 |
| c) Current income tax liabilities | | 426 | 319 |
| **CURRENT LIABILITIES** | | **14,649** | **13,310** |
| **TOTAL EQUITY AND LIABILITIES** | | **67,277** | **64,921** |

Notes 1 to 14 are an integral part of the consolidated balance sheet at June 30, 2013.

**REPSOL, S.A. AND INVESTEES COMPRISING THE REPSOL GROUP**
**Consolidated income statement corresponding to the interim periods ended June 30, 2013 and 2012**

| | | Millions of euros | |
|---|---|---|---|
| | Note | **06/30/2013** | **06/30/2012** |
| Sales | 4 | 28,362 | 27,836 |
| Services rendered and other income | 4 | 782 | 869 |
| Changes in inventories of finished goods and work in progress inventories | | (343) | (42) |
| Income from reversal of impariment losses and gains on disposal of non-current assets | | 10 | 14 |
| Allocation of grants on non-financial assets and other grants | | 7 | 2 |
| Other operating income | | 426 | 399 |
| **OPERATING REVENUE** | 4 | **29,244** | **29,078** |
| Supplies | | (21,904) | (21,878) |
| Personnel expenses | | (1,018) | (971) |
| Other operating expenses | | (3,029) | (2,943) |
| Depreciation and amortization of non-current assets | | (1,236) | (1,287) |
| Impairment losses recognised and losses on disposal of non-current assets | | (66) | (33) |
| **OPERATING EXPENSES** | | **(27,253)** | **(27,112)** |
| **OPERATING INCOME** | 4 | **1,991** | **1,966** |
| Finance income | | 145 | 68 |
| Finance expenses | | (509) | (510) |
| Changes in the fair value of financial instruments | | 48 | 139 |
| Net exchange gains/ (losses) | | (69) | (130) |
| **FINANCIAL RESULT** | | **(385)** | **(433)** |
| Share of results of companies accounted for using the equity method-net of tax | | 74 | 66 |
| **NET INCOME BEFORE TAX** | | **1,680** | **1,599** |
| Income tax | | (717) | (674) |
| **Net income for the period from continuing operations** | | **963** | **925** |
| Net income for the period from continuing operations attributable to minority interests | | (18) | (22) |
| **NET INCOME FOR THE PERIOD FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE PARENT** | | **945** | **903** |
| **Net income for the period from discontinued operations after taxes** | | **(44)** | **242** |
| Net income for the period from discontinued operations attributable to minority interests | | - | (109) |
| **NET INCOME FOR THE PERIOD FROM DISCONTINUED OPERATIONS ATRIBUTTABLE TO THE PARENT** | | **(44)** | **133** |
| **TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT** | | **901** | **1,036** |
| **EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT** | | **Euros / share** | **Euros / share** (1) |
| Basic | 3 | 0.70 | 0.84 |
| Diluted | 3 | 0.70 | 0.84 |

(1) Includes the necessary modifications with respect to the interim condensed consolidated financial statements for the first six months of 2012 in conection with the capital increase carried out as part of the shareholder compensation scheme known as the "Flexible Repsol dividend" described in section d) Equity of Note 3.

Notes 1 to 14 are an integral part of the Consolidated Income Statement for the six-month period ended June 30, 2013.

**REPSOL, S.A. AND INVESTEES COMPRISING THE REPSOL GROUP**
**Consolidated statement of recognised income and expenses corresponding to the interim periods ended June 30, 2013 and 2012**

| | Millions of euros | |
|---|---|---|
| | **06/30/2013** | **06/30/2012** |
| **CONSOLIDATED NET INCOME FOR THE INTERIM PERIOD [(1)]** **(from the Consolidated Income Statement)** | **919** | **1,167** |
| **INCOME AND EXPENSES RECOGNISED DIRECTLY IN EQUITY:** | | |
| From actuarial gains and losses and other adjustments | - | - |
| Tax effect | - | - |
| **Total items not reclassifiable to the income statement** | - | - |
| From measurement of financial assets available for sale | (1) | (45) |
| From other financial instruments | 44 | 280 |
| From cash flow hedges | 48 | (39) |
| Translation differences | 13 | 198 |
| Entities accounted for using the equity method | 4 | 1 |
| Tax effect | (10) | 13 |
| **Total items reclassifiable to the income statement** | **98** | **408** |
| **TOTAL** | **98** | **408** |
| **AMOUNTS TRANSFERRED TO THE CONSOLIDATED INCOME STATEMENT:** | | |
| From measurement of financial assets available for sale | - | (2) |
| From cash flow hedges | 88 | 15 |
| Transaltion differences | 1 | 605 |
| Tax effect | - | - |
| **TOTAL** | **89** | **618** |
| **TOTAL RECOGNISED INCOME/ (EXPENSES)** | **1,106** | **2,193** |
| a) Attributable to the parent company | 1,096 | 2,140 |
| b) Attributable to minority interests | 10 | 53 |

(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 discontinued operations after taxes*".

The accompanying explanatory notes 1 to 14 are an integral part of the Consolidated Statement of Recognized Income and Expenses corresponding to the six-month period ended June 30, 2013.

**REPSOL, S.A. AND INVESTEES COMPOSING THE REPSOL GROUP**

**Consolidated statement of changes in equity corresponding to the interim periods ended June 30, 2013 and 2012**

Millions of euros

| | Equity attributable to equity holders of the parent: Capital and reserves: Issued share capital | Capital and reserves: Share premium and reserves | Capital and reserves: Treasury shares and own equity instruments | Capital and reserves: Net income for the year attributable to equity holders of the parent | Adjustments for changes in value | Total equity attributable to equity holders of the parent | Minority interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| **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)** | - | - | - | 1,036 | 1,104 | 2,140 | 53 | 2,193 |
| **Transactions with shareholders or owners** | | | | | | | | |
| Increase/ (decrease) of share capital | 35 | (35) | - | - | - | - | - | - |
| Dividend payments | - | - | - | - | - | - | - | - |
| Transactions with treasury shares or own equity instruments (net) | - | 65 | 1,234 | - | - | 1,299 | - | 1,299 |
| Changes in the scope of consolidation | - | - | - | - | - | - | - | - |
| Other transactions with partners and owners | - | (242) | | | | (242) | (50) | (292) |
| **Other changes in equity** | | | | | | | | |
| Transfers between equity accounts | - | 2,193 | - | (2,193) | - | - | - | - |
| Other changes | - | (3) | - | - | - | (3) | (2,746) | (2,749) |
| **Closing balance at 06/30/2012** | **1,256** | **25,204** | **(1,338)** | **1,036** | **574** | **26,732** | **762** | **27,494** |
| **Total recognized income/ (expense)** | - | (17) | - | 1,024 | (925) | 82 | 32 | 114 |
| **Transactions with shareholders or owners** | | | | | | - | | |
| Increase/ (decrease) of share capital | 26 | (26) | - | - | - | - | - | - |
| Dividend payments | - | - | - | - | - | - | (70) | (70) |
| Transactions with treasury shares or own equity instruments (net) | - | (20) | 93 | - | - | 73 | - | 73 |
| Changes in the scope of consolidation | - | - | - | - | - | - | (8) | (8) |
| Other transactions with partners and owners | - | (184) | - | - | - | (184) | 50 | (134) |
| **Other changes in equity** | | | | | | - | | |
| Share based payments | - | - | - | - | - | - | - | - |
| Transfers between equity accounts | - | - | - | - | - | - | - | - |
| Other changes | - | (1) | - | - | - | (1) | 4 | 3 |
| **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 recognized income/ (expense)** | - | - | - | 901 | 195 | 1,096 | 10 | 1,106 |
| **Transactions with shareholders or owners** | | | | | | - | | - |
| Increase/ (decrease) of share capital | 20 | (20) | - | - | - | - | - | - |
| Dividend payments | - | (51) | - | - | - | (51) | (46) | (97) |
| Transactions with treasury shares or own equity instruments (net) | - | (206) | 1,223 | - | - | 1,017 | - | 1,017 |
| Changes in the scope of consolidation | - | - | - | - | - | - | - | - |
| Other transactions with partners and owners | - | (232) | - | - | - | (232) | - | (232) |
| **Other changes in equity** | | | | | | | | |
| Share based payments | - | - | - | - | - | - | - | - |
| Transfers between equity accounts | - | 2,060 | - | (2,060) | - | - | - | - |
| Other changes | - | (6) | - | - | 2 | (4) | 2 | (2) |
| **Closing balance at 06/30/2013** | **1,302** | **26,501** | **(22)** | **901** | **(154)** | **28,528** | **736** | **29,264** |

Notes 1 to 14 are an integral part of the consolidated statement of changes in equity corresponding to the six-month period ended June 30, 2013.

**REPSOL, S.A. AND INVESTEES COMPRISING THE REPSOL GROUP**
**Consolidated statement of cash flows corresponding to the interim periods ended June 30, 2013 and 2012**

| | Millions of euros | |
|---|---|---|
| | **06/30/2013** | **06/30/2012** |
| **Net income before tax** | **1,680** | **1,599** |
| **Adjustments to net income:** | **1,696** | **1,732** |
| Depreciation and amortization of non-current assets | 1,236 | 1,287 |
| Other adjustments to results (net) | 460 | 445 |
| **Changes in working capital** | **(158)** | **(139)** |
| **Other cash flows from operating activities:** | **(628)** | **(747)** |
| Dividends received | 51 | 37 |
| Income tax received / (paid) | (616) | (637) |
| Other proceeds from / ( payments for) operating activities | (63) | (147) |
| **Cash flows from operating activities** (1) | **2,590** | **2,445** |
| **Payments for investing activities:** | **(1,911)** | **(1,863)** |
| Group companies, associates and business units | (157) | (57) |
| Property, plant and equipment, intangible assets and investment properties | (1,553) | (1,674) |
| Other financial assets | (201) | (132) |
| **Proceeds from desinvestments:** | **377** | **395** |
| Group companies, associates and business units | 137 | 43 |
| Property, plant and equipment, intangible assets and investment properties | 23 | 19 |
| Other financial assets | 217 | 333 |
| **Other cash flows** | **-** | **2** |
| **Cash flows used in investing activities** (1) | **(1,534)** | **(1,466)** |
| **Proceeds from/ (payments for) equity instruments:** | **1,025** | **1,313** |
| Acquisition | (37) | (56) |
| Disposal | 1,062 | 1,369 |
| **Disposals of ownership interests in subsidiaries without loss of control** | **-** | **-** |
| **Proceeds from / (payments for) financial liabilities:** | **617** | **108** |
| Issues | 3,950 | 5,443 |
| Return and depreciation | (3,333) | (5,335) |
| **Payments for dividends and payments on other equity instruments** | **(281)** | **(685)** |
| **Other cash flows from financing activities:** | **(592)** | **(110)** |
| Interest payments | (512) | (413) |
| Other proceeds from/ (payments for) financing activities | (80) | 303 |
| **Cash flows used in financing activities** (1) | **769** | **626** |
| Effect of changes in exchange rates | (21) | 15 |
| **Net increase / (decrease) in cash and cash equivalents** | **1,804** | **1,620** |
| Cash Flows from operating activities from discontinued operations | (11) | 874 |
| Cash Flows from investment activities from discontinued operations | - | (872) |
| Cash Flows from financing activities from discontinued operations | (3) | (339) |
| Effect of changes in exchange rates from discontinued operations | - | (7) |
| **Net increase / (decrease) in cash and discontinued operations** | **(14)** | **(344)** |
| Cash and cash equivalents at the beginning of the year | 5,903 | 2,677 |
| Cash and cash equivalents at the end of the year | 7,693 | 3,953 |

| **COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR** | **06/30/2013** | **06/30/2012** |
|---|---|---|
| (+) Cash and banks | 6,041 | 1,271 |
| (+) Other financial assets | 1,652 | 2,682 |
| **TOTAL CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR** | **7,693** | **3,953** |

(1) Includes the cash flows from continuing operations.

Notes 1 to 14 are an integral part of the consolidated statement of cash flows for the interim period ended June 30, 2013.

## REPSOL, S.A. AND INVESTEES COMPOSING THE REPSOL GROUP

Explanatory notes to the interim condensed consolidated financial statements for the six-month period ended June 30, 2013.

### INDEX

## (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, liquified petroleum gas (LPG) and natural gas, refining, the production of a wide range of oil products and the retailing of oil products, oil derivatives, petrochemicals, LPG and natural gas, as well as the generation, transportation, distribution and supply of electricity. The Group operates in more than 40 countries and its Head Office is in Spain. From 1999 until the first quarter of 2012 the Group also operated in Argentina through YPF and YPF Gas. A significant part of the Group's investment in these companies is subject to an expropriation process by the Argentinean Government (see Note 3, section b) *Assets and liabilities related to the expropriation of the Repsol Group Shares in YPF S.A. and YPF Gas S.A.)*.

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.

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 in Madrid, calle Méndez Álvaro, 44, where the Shareholder Service Office is also located, the telephone number of which is 900.100.100.

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).

At June 30, 2013, the share capital of Repsol amounted to €1,282,448,428 fully subscribed and paid in, consisting of 1,282,448,428 shares with a nominal value of 1 euro each. The free-of-charge capital increase approved by the Annual Shareholders' Meeting held on May 31, 2013 under item 6 of the Agenda was closed last July 5 as part of the compensation scheme to shareholders know as the "Repsol Flexible Dividend," described in Note 3 section d) *Equity - 1. Share capital and Reserves*. In accordance with applicable accounting regulations, this capital increase was recognized in the financial statements at June 30, 2013.

These interim condensed consolidated financial statements for the six-month period ended June 30, 2013 were prepared by the Board of Directors of Repsol, S.A. at their meeting on July 24, 2013.

## (2) BASIS OF PRESENTATION

The accompanying interim condensed consolidated financial statements are presented in millions of euros (except for any other information in which another currency or parameter is specified), and were prepared based on the accounting records of Repsol, S.A. and its investees. They are presented i) in accordance with International Financial Reporting Standards (IFRSs) as endorsed by the European Union at June 30, 2013, and particularly, pursuant to the requirements established in IAS 34 *Interim Financial Reporting* which establishes the accounting principles in relation with interim financial statements, and ii) in conformity with Art. 12 of RD 1362/2007 and iii) the disclosures of information required in Circular 1/2008, of January 30, issued by Spanish securities market regulator (the CNMV for its acronym in Spanish).

In this regard, the interim condensed consolidated financial statements present fairly the Group's consolidated equity and the financial position at June 30, 2013, as well as the results of operations, the changes in consolidated equity and consolidated cash flows that have occurred during the six-month period ended on that date.

Pursuant to the provisions of IAS 34, interim financial information is prepared only with the intention of updating the content of the last annual consolidated financial statements prepared by the Group, emphasizing new activities, events and circumstances that occur during the half-year and not duplicating the information previously published in the consolidated financial statements for the financial year 2012. Therefore, for an adequate understanding of the information that is included in these interim condensed financial statements, they must be read in conjunction with the consolidated financial statements of the Repsol Group for the financial year 2012, which were approved by the General Shareholders' Meeting of Repsol, S.A., held on May 31, 2013.

***Regulatory framework***

The information herein updates relevant changes regarding the regulatory framework applicable to the Group, since the preparation consolidated financial statements for the financial year 2012, in which this information was included under Note 2 "*Regulatory framework*" and Note 38 "*Subsequent events*".

*Spain*

On June 5, 2013 the Official State Gazette (BOE - Boletin Oficial del Estado in Spanish) published Law 3/2013 of June 4, on creation of the National Markets and Competition Commission (CNMC - Comisión Nacional de los Mercados y la Competencia in Spanish) as a "macro body" assuming the specific duties and tasks relating to supervision and control of regulated markets previously supervised by various National Commissions, amongst them the National Energy Commission and the National Competition Commission.

The CNMC is constituted as a public body under the Ministry of Economy and Competition, organically and functionally autonomous as well as fully independent, and is tasked with guaranteeing, maintaining, and promoting the correct functioning of the market, as well as transparency and the existence of effective competition in all markets and productive sectors to the benefit of consumers and users.

It is composed of four ruling bodies (amongst them those responsible for Competition and Energy), a collegiate conciliatory body, the CNMC Board (which will function in chamber and full court), and a management and representative body, the President of the CNMC.

One of the fundamental questions dealt with by this law is the devolution of competencies, functions, and duties that were previously handled by regulatory bodies to different ministries. Especially noteworthy amongst the changes is the attribution of competencies to the Ministry for Industry, Energy, and Tourism (Minetur) with respect to liquid hydrocarbons that prevailing legislation had attributed to the National Energy Commission (–"Comisión Nacional de Energía"or "CNE" for its acronym in Spanish ).

In addition, Law 3/2012 substantially modifies the control regime with respect to corporate transactions in the energy sector, which is now under the purview of Minetur. Previously, the control regime was handled under public function number 14 of the CNE (Function 14).

Law 3/2013 establishes an *ex post* control regime via two mechanisms for the performance of certain transactions: (i) The obligation for the acquirer to communicate said transactions to Minetur (this notification must be verified after it has been presented) (ii) The authority of Minetur to impose conditions upon the activities of acquired companies, as well as specific obligations for the acquirer to guarantee compliance with the aforementioned conditions, should the energy supply in Spain be threatened.

A novelty of this new control regime is the assimilation of the liquid hydrocarbons sector to the sectors that previously already fell under a control regime (electricity and gas). The new control thus includes in its scope companies that pursue activities related to refining, pipeline transportation, and storage of petroleum products (related activities), or companies that hold title to said assets - assets that also acquire the condition of strategic assets.

Relevant transactions in which the acquirer is a regulated or similar company in the aforementioned energy sectors and those transactions that involve regulated or similar energy companies or regulated or similar assets, shall all be subject to control, provided that said transactions result in "significant influence" with respect to management of the company.

Minetur can impose conditions with respect to the pursuit of regulated or related activities in connection with the aforementioned transactions. Further, Minetur can also impose specific obligations on the acquirer to guarantee compliance with the aforementioned obligations provided that a real and sufficiently grave threat is detected with respect to the supply of energy.

A resolution in this sense must be adopted for good reason and must be communicated within a maximum period of 30 days from the initial notification of the transaction, and subsequent to a non-binding report issued by the CNMC.

In addition, the CNMC shall be responsible for publishing the list of main operators and dominant operators for each market or sector, a task that Royal Decree Law 5/2005 had previously assigned to the CNE.

*Liquid hydrocarbons, oil, and petroleum derivatives*

On February 23, 2013, was published Legislative-Royal Decree 4/2013 on measures to support entrepreneurs and stimulate growth and job creation which gathers a series of measures affecting the oil and gas retail and wholesale markets in an attempt to increase effective competition in the sector. The following measures stand out: (i) stepping-up of the logistics and storage facility oversight regime; (ii) establishment of measures designed to foster and simplify the installation of new petrol stations in commercial and industrial centres and areas; (iii) a ban on restrictive clauses that establish, recommend or affect, directly or indirectly, retail fuel prices; (iv) a reduction in the terms of the contracts referred to in the legislation as exclusive supply agreements to one year, extendable to three years at the behest of the distributor; (v) establishment of a term of one year for adapting the affected contracts to reflect the foregoing modifications; (vi) imposition of a transitory limit on growth in the number of oil product retail outlets with respect to the main operators in each province (those with a market share in a given province of over 30% in terms of the number of outlets); and (vii) the downward revision of the biofuel mix targets.

The definitive text put forward for parliamentary consideration was approved by parliament last July 17, and its publication by the B.O.E (Official State Gazette) is imminent. The parliamentary consideration of the text only resulted in the introduction of two new and relevant amendments, which affect the scope of the new article 43 bis of the Hydrocarbons Law (HL) and the fourth additional provision. Thus, the new scope of article 43 bis of the HL excludes those exclusive supply agreements in which the wholesale operator also owns both the land and the service station. In addition, supply agreements in which the operator is party to a leasing agreement for the premises or land, or holds a real and limited right thereto, are also exempt from the obligation to adapt, provided that the duration of the exclusive supply agreements does not exceed the duration of the other aforementioned agreements.

On March 21, 2013 was published the Order IET/463/2013 updating the system for automatic determination of maximum sale prices, before tax, for bottled liquefied petroleum gases. This new Order thus ensures compliance with the stipulations of Royal Decree Law 29/2012, of December 28, temporarily froze the price established by the September 24, 2012 resolution for the final quarter of 2012 until March 1, 2013, to subsequently carry out a new price revision of bottled liquid petroleum gas enacting Ministerial Order ITC/1858/2008 of June 26.

Therefore, it is this Order IET/463/2013, of March 21, which is used to update the system for automatic determination of maximum sale prices before tax for bottled liquefied petroleum gases, introducing the following changes with respect to the regulations in force:

(i) bimonthly updating is established, limiting variations to 5 per cent, for both rises and falls, and including a term for recovery of imbalances occurring in previous price updates in the formula to determine the maximum sale price;

(ii) the “C term”, which covers the commercialisation costs, is increased progressively. A new formula is also established for annual review of these costs and,

(iii) finally, authorisation is expanded to the competent authority for the Canary Islands Autonomous Region, to the competent authority for the cities of Ceuta and Melilla, to adjust the commercialisation costs according to specific factors, given their geographical locations, up to a maximum amount equivalent to the difference between the taxes payable by the consumer under the tax regime in those territories and those applicable in general in the rest of Spanish territory.

***Accounting policies: New standards, interpretations and amendments***

*A)* In relation with the accounting policies framework applicable at December 31, 2012, following is a breakdown of standars and its interpretations or amendments, which have been issued by the IASB and adopted by the European Union, mandatory applicable to the annual periods beginning on 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).
- Amendment to IFRS 1 *Government Loans.*
- Improvements to IFRSs 2009-2011.

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

IFRS 13 *Fair Value Measurement* establishes a framework for all fair value measurements and requires specific additional disclosures of information. As a general rule, the Group applies this standard in the measurement of certain financial instruments (Note 5) and to inventories of “commodities” used for “trading”. It´s application has not have a significant impact on the Group’s interim condensed consolidated financial statements with the exception of certain additional disclosures included in the explanatory notes.

Amendments to IAS 1 *Presentation of Items of Other Comprehensive Income*, represented a change in the presentation of the items in the consolidated statements of recognized income of these interim condensed 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.

With regard to the other standards, interpretations and amendments to standards identified in the current section A), have not had a significant impact on the Group’s interim condensed consolidated financial statements.

B) Below there is a list of the standards, interpretations and amendments issued by the IASB and endorsed by the European Union at June 30, 2013, whose mandatory first time application will be in the periods subsequent to 2013:

<u>Mandatory application in 2014:</u>

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

**(2)** These standards were issued by the IASB with entry into force for to annual periods starting on or after January 1, 2013. These standards were adopted by the European Union with entry into force for annual periods starting on or after January 1, 2014 with the possibility of early adoption.

Starting 2014, the application of the new IFRS 11 *Joint Arrangements*, could have significant impact on the Group consolidated financial statements, as the Group currently applies the proportionate consolidation method under the criteria of IAS 31 *Participation in Joint Arrangements.* The Group is in the process of analyzing all its joint arrangements in order to determine their proper classification as either *joint operations* or *joint ventures*, and determine the necessary reclassifications between items of the balance sheet and income statement of the amounts currently integrated proportionately related to the participation in joint arrangements, which under IFRS 11 criteria will be classified as *joint ventures*, to the headings corresponding to the equity method of accounting. In this sense, in Note 26 of the consolidated financial statements for the financial year 2012 it is provided a breakdown of the aggregated amounts contributed by the Group´s interests in jointly controlled entities at that date. In addition, Appendix I "*Changes in the scope of consolidation*" details the changes in the scope of consolidation of the Group that have taken place with respect to the mentioned Note 26.

With regard to the other standards, interpretations and amendments to standards identified in the current section B), the Group does not expect a significant impact on the Group's consolidated financial statements, with the exception of certain additional disclosures.

C) Below there is a list of the standards, interpretations and amendments issued by the IASB but pending to be adopted by the European Union at June 30, 2013:

Mandatory application in 2014:

- *Amendments* to IFRS 10, IFRS 12, and IAS 27: *Investment Entities*.
- *Amendments* to IAS 36*: Recoverable Amount Disclosures for Non- Financial Assets*.
- *Amendments* to IAS 39*: Novation of Derivatives and Continuation of Hedge Accounting.*
- IFRIC 21 *Levies.*

Mandatory application in 2015:

- IFRS 9 - *Financial Instruments* [3].

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

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

***Accounting Policies***

As described in Note 3 of the notes to the consolidated financial statements for the year 2012, in the preparation of these interim condensed consolidated financial statements, Repsol has applied the same accounting policies applied in 2012.

***Comparison of information***

The profit per share at June 30, 2012 has being modify compared with that stated in the interim condensed consolidated financial statements at June 30, 2012, in accordance with the 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 section *d) 1. Share Capital and Reserves* of Note 3, that has been recognized with accounting effects June 30, 2013.

***Changes in estimates***

Management estimates have been used to quantify certain assets, liabilities, income, and expenses that are recorded in the interim condensed consolidated financial statements. These estimates are made based on the best available information and they refer to:

1) The expense for income tax, which, pursuant to IAS 34, is recognized in interim periods based on the best estimate of the average weighted tax rate that the Group expects for the annual period;
2) The evaluation of possible impairment losses on certain assets (see Note 3, section f));
3) The market value of certain financial instruments, among which is worth mentioning the financial instruments arising as a consequence of the expropriation process of YPF and YPF Gas (see Note 3, section b);
4) The provision for legal and arbitration proceedings and other contingencies; and
5) Crude oil and gas reserves.

Despite the fact that the estimates described above are made based on the best available information on the date on which the facts are analyzed, possible future events might require their revision (upward or downward) at year end 2013 or in subsequent years.

During the six-month period ended June 30, 2013, not significant changes have being taken in the methodology for calculating the estimates made at year end 2012.

***Relative importance***

When determining the information to be included in these interim condensed consolidated financial statements under the different items in the financial statements or other matters, the Repsol Group, pursuant to IAS 34, has taken into account their relative importance in relation to the interim condensed consolidated financial statements for the six-month period.

***Seasonality***

Among the activities of the Group, the LPG and natural gas businesses are the ones most affected by seasonality due to their connection to weather conditions, with more activity in the winter and less in the summer in the northern hemisphere.

***Changes in the structure of the group***

Repsol prepares its consolidated financial statements including its investments in all its subsidiaries, associates and joint ventures. Appendix I of the consolidated financial statements at December 31, 2012 details the main subsidiaries, associates and joint ventures, held directly or indirectly by Repsol, S.A., which were included in the scope of consolidation at that date.

Appendix I to these interim condensed consolidated financial statements details the changes in the scope of consolidation of the Group that have taken place during the first half of 2013.

The principal changes in the scope of consolidation that have taken place during the interim period ended at June 30, 2013 and their impact on the accompanying interim condensed consolidated financial statements are detailed below.

On January 24, 2013, Repsol Exploración Karabashky B.V. contributed the company Eurotek to AR Oil & Gas B.V. (AROG), thus complying with the last step in the agreement signed in December 2011 by Repsol and Alliance Oil, by virtue of which AROG was incorporated and in which Repsol held 49% interest. In 2012, Alliance Oil contributed Saneco and TNO (Tafnefteotdacha) to AROG, in which its interest stands at 51%. The transaction was carried out via the sale of Eurotek to AROG for 315 million US dollars. Eurotek had, since its acquisition, been classified under non-current assets held for sale in the balance sheet as it had been acquired for the purpose of contributing it to AROG. Thus, the derecognition of 51% of Eurotek's net assets is reflected in the balance sheet under non-current assets held for sale and associated liabilities, in accordance with the following breakdown:

| | Millions of euros |
|---|---|
| Current assets | 134 |
| Non- current assets | - |
| **TOTAL ASSETS** | **134** |
| Current liabilities | 14 |
| Non- current liabilities | - |
| **TOTAL LIABILITES** | **14** |
| **NET ASSETS** | **120** |

Further, the percentage of assets retained, corresponding to 49% of Eurotek and amounting to €116 million, was reclassified from non-current assets held for sale and associated liabilities to the corresponding balance sheet headings according to their nature:

| | Millions of euros |
|---|---|
| Current assets | 8 |
| Non- current assets | 121 |
| **TOTAL ASSETS** | **129** |
| Current liabilities | 9 |
| Non- current liabilities | 4 |
| **TOTAL LIABILITES** | **13** |
| **NET ASSETS** | **116** |

The contribution and subsequent reclassification have not had an impact on the consolidated income statement.

With respect to the sale of assets and natural gas businesses and the sales agreement signed with Shell, see Note 12 "*Other information*".

## (3) DESCRIPTION OF TRANSACTIONS DURING THE PERIOD

The most significant changes recognized in the first six months of 2013 and 2012 under headings in the consolidated balance sheet and the income statement are described below.

*a) Property, plant and equipment*

The main additions made in the first half of 2013 corresponded to exploration and production assets in United States (€409 million), Brazil (€209 million), Venezuela (€129 million), Trinidad & Tobago (€106 million), Bolivia (€75 million), and Perú (€66 million). In addition, during this period, significant additions were made in refining assets in Spain (€89 million).

The main additions made in the first half of 2012 corresponded to exploration and production assets in United States (€327 million), Brazil (€120 million), Trinidad & Tobago (€88 million), Venezuela (€74 million), Perú (€67 million), and Bolivia (€65 million). In addition, during this period, significant investments were made in refining assets in Spain (€296 million). Moreover, in 2012 the investments made by YPF and Repsol YPF Gas and its investees prior to the loss of control amounted to €328 million.

Also in the first half of 2012, €802 million were reclassified from property, plant, and equipment under construction, principally to the heading machinery and facilities, due to the start up of the expansion and upgrade work performed at the Petronor refinery.

*b) Assets and liabilities related to the expropriation of the Repsol Group Shares in YPF S.A. and YPF Gas S.A.*

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 are recognized under "*Non-current assets held for sale subject to expropriation*" and the remaining shares, which were not included in the expropriation, are recognized as "*Available-for-sale financial assets*".

Nothwithstanding of the rights and claims made Repsol in the appropriate bodies due to the illicit expropriation and the valuations that will be performed in that said process, shares valuation regarding recognition purposes was carried out in accordance with IAS 39. The accounting standard reference to fair value or realizable value makes it necessary to distinguish between the shares subject to expropriation and the remaining shares held by Repsol.

For the former, recognized under "*Non-current assets held for sale subject to expropriation*", fair value calculation must take as reference the expected recoverable value as a consequence of the expropriation process, that is, the price or compensation that the Argentinean government would finally pay to Repsol. Since this price or indemnity has yet to be set and may have to be decided through legal proceedings in which circumstances beyond the control of the Group will influence the outcome, it should be borne in mind that the estimated recoverable value is uncertain in terms of both quantity and the date and manner in which it will be effective. Any modifications to the hypotheses considered reasonable in the jurisdictional proceedings and in the valuation of rights subject to expropriation could generate positive and negative changes in the amount recognized for the interest in YPF S.A. and YPF Gas S.A. and hence in its impact on the Group's financial statements. (See section 5.3 of the 2012 consolidated financial statements for further detail in relation to the valuation).

Regarding YPF S.A. shares, recorded under "*Available-for-sale financial assets*" (included in the heading "*Non-current financial assets*", see Note 5), 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.

The principal changes in the information included in Note 5 "*Expropriation of Repsol Group shares in YPF, S.A. and Repsol YPF Gas, S.A.*" of the 2012 consolidated financial statements, that have taken place during the interim period ended at June 30, 2013 are detailed below.

Due to the exchange rate fluctuation, the changes in value since December 31, 2012 until June 30, 2013 of the shares classified as "*Non- current assets held for sale subject to expropriation*" are recognized in equity under "*Adjustments for changes in value*" in the positive amount, before tax, of €44 million. At June 30, 2013 the amount registered in this heading, "*Non- current assets held for sale subject to expropriation*", corresponding to shares subject to expropriation of the Repsol Group Shares in YPF S.A. and YPF Gas S.A., amounted to €5,436 million.

In relation to the loan that Banco Santander granted to the Petersen Group, guaranteed by Repsol, and for which in turn the Petersen Group pledged in favour of Repsol, S.A. 2,210,192 Class D shares in YPF S.A: represented by ADSs as a counter guarantee for Repsol, S.A.'s obligations. In April 2013, Repsol partially enforced this pledge on 322,830 ADSs in YPF S.A., representing 0.08% of its share capital, classifying the shares as "*Available-for-sale financial assets*" at their market value at the moment of the acquisition.

The changes in value since December 31, 2012 until June 30, 2013 of shares classified as "*Available-for-sale financial assets*", including those recognized in relation with the exercise of the counter- guarantee, are recognized in equity under "*Adjustments for changes in value*", in the positive amount, before tax, of €11 million. These fluctuations were primarily due to the changes in its listed price and in exchange rates. At June 30, 2013 the amount registered for the shares not subject to expropriation, amounts to €545 million.

During the first half of 2013 the provision for risks and expenses covering the maximum amount of the liabilities assumed by Repsol regarding the Banco de Santander loan granted to Petersen, has suffered a variation in the amount of €3.5 million due to the partial enforcement of the counter-guarantee over 322,830 ADSs of YPF S.A. indicated above, the change in the realizable market value of the shares pledged as counter-guarantee and the payments made during the period. The balance of the provision at June 30, 2013, amounts to €48 million.

No relevant events affecting the regulatory framework of the expropriation process of Repsol Group shares in YPF S.A. and YPF Gas S.A. occurred. Repsol considers the expropriation is manifestly illicit and gravely discriminatory (the expropriation only affects YPF S.A. and YPF Gas S.A. and no other oil companies in Argentina; additionally its expropriated solely the interest of a shareholder of YPF S.A. and YPF Gas S.A., namely Repsol and not to the whole shareholders); the national public interest is unjustified and is an explicit violation of the obligations assumed by the Argentinean government at the privatization process of YPF.

Repsol also considers that the expropriation violates the most fundamental principles of legal certainty and confidence of the international investment community. Accordingly, Repsol expressly and fully reserves the right to take all available corresponding actions at its disposal to preserve its rights, the value of all its assets and its shareholders´ interests under prevailing Argentinean law, standard rules of the securities markets in which YPF

S.A. is listed, and international law, including the “Agreement between the Republic of Argentina and the Kingdom of Spain on the Reciprocal Promotion and Protection of Investments” signed between Spain and Argentina in 1991.

Via the filing of a relevant event dated June 26, 2013, notification was provided of the resolution approved on that date by the Repsol Board of Directors to reject an offer presented by the Argentinean government for compensation in connection with the expropriation of YPF. The Board considered that the amount offered did not cover the losses incurred by Repsol and the structure of the offer was far from representing the declared interest of Repsol in an agreement.

The Argentinean government's offer amounted to 5 billion US dollars, divided into 3.5 billion US dollars’ worth of Vaca Muerta assets and 1.5 billion US dollars to be mandatorily reinvested in the development of that assets.

Described in Note 35.1.1 to the consolidated financial statements for 2012 are the proceedings initiated as a consequence of the expropriation of the Group’s shares in YPF. Specifically, among others, Repsol has begun legal proceedings based on (i) the violation of the *“Agreement between the Republic of Argentina and the Kingdom of Spain on the reciprocal Promotion and Protection of Investments”*, before the ICSID arbitration tribunal, which in accordance with the Washington Convention acquires exclusive competence, once the procedure has been initiated, with regard to ruling on the legality of the expropriation, and before which Repsol has, amongst other matters, requested restitution of the expropriated shares, or alternatively, that the Argentine government be sentenced to providing an adequate compensation, in addition to an indemnity for all the additional damages caused, valuation of which will remain under the purview of the tribunal; (ii) the unconstitutional nature of the intervention of YPF and YPF Gas and the temporary seizure by the Argentine Government of the rights over 51% of YPF S.A. and YPF Gas S.A. shares held directly or indirectly by Repsol, S.A. and Repsol Butano, S.A., respectively, in the Argentine courts; (iii) the Argentine government´s failure to comply with its obligation to launch a tender offer for all outstanding YPF S.A. shares prior to taking control of the company, in the courts of the state of New York; and (iv) other legal proceedings filed in various jurisdictions (Spanish courts and courts of the state of New York) to preserve the assets of the seized company and to avoid competing oil companies (until now Chevron and Bridas) from taking advantage of the legal infractions which have occurred to gain advantage from certain assets belonging to YPF by signing agreements the validity of which is questioned in these processes for that reason.

*c) Non-current assets and liabilities held for sale*

<u>Assets classified as held for sale and associated liabilities during the six-month period ended June 30, 2013</u>

With respect to the derecognition and reclassification of assets and liabilities corresponding to Eurotek as a consequence of its contribution to AR Oil and Gaz, B.V. (“AROG”), see Note 2 "*Changes in the structure of the Group*".

<u>Assets classified as held for sale and associated liabilities during the six-month period ended June 30, 2012</u>

During the first half of 2012, Repsol reached an agreement to sale its Liquified Petroleum Gas (LPG) business in Chile, through its subsidiary Repsol Butano Chile, S.A. As a consecuence of this transaction, at June 30, 2012, the Group classified these assets and liabilities as assets and liabilities held for sale, amounting to €140 million (net) in accordance with the following detail:

| | Millions of euros 2012 |
|---|---|
| Goodwill | 92 |
| Tangible assets and other intangible assets | 90 |
| Other non-current assets | 9 |
| Current assets | 32 |
| **TOTAL ASSETS** | **223** |
| Minority interests | 4 |
| Non- current liabilities | 44 |
| Current liabilities | 35 |
| **TOTAL LIABILITIES AND MINORITY INTERESTS** | **83** |
| **NET VALUE** | **140** |

Once the pertinent authorizations had been obtained, the sale took place in July 2012 for a consideration of 540 million US dollars, generating a €195 million gain that were recognized under "*Income from reversal of impairment losses and gains on disposal of non-current assets*" (this amount includes the differences in historic exchange rates recognized under "*Net unrealized gains losses reserve*" in equity, which amounted to €62 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.

*d) Equity*

*1. Share Capital and reserves*

On May 31, 2013, The Annual Shareholders´ Meeting approved, under points 6 and 7 of the agenda, two paid up capital increases for the instrumentation of the shareholders remuneration scheme called “Repsol Flexible Dividend” programme which allows the shareholders to decide whether they will receive their compensation, in cash (by selling free-of-charge allocation rights either in the market or to the Company) or in Repsol shares. Subsequent to the general meeting held on May 31, the Board of Directors resolved on the same date to delegate in to the Delegate Committe (Comisión Delegada in Spanish) the power that the Annual Shareholders´ Meeting granted to the Board of Directors in relation with the two capital increases, in particular, the faculty of executing them.

In the exercise of the above mentioned powers, the Delegate Committe of Repsol, in its meeting held on June 17, 2013, authorized the execution of the first of these capital increases. The free-of-charge allocation rights were traded on the Spanish stock exchanges between June 21 and July 4, 2013, and the deadline granted to the shareholders to sell their rights to Repsol at a guaranteed price ended on June 28. Holders of 59.33% of the free-of-charge allocation rights (a total of 760,892,202 rights) chose to receive new-issue shares of Repsol in the proportion of 1 new share for every 38 rights held.

Moreover, during the period established for that purpose, the holders of 40.67% of the free-of-charge allocation rights (521,556,172 rights), accepted the irrevocable commitment assumed by Repsol to purchase rights at a fixed price of 0.445 euros (gross) per right. Accordingly, Repsol acquired the abovementioned rights for a total amount of €232 million and waived the shares corresponding to the free-of-charge allocation rights acquired by virtue of the mentioned commitment. As a consecuence of the previous, it was recognized a decrease in equity under *"Prior year results and other reserves"* and, the payment obligation with the shareholders who had accepted this irrevocable purchase commitment for this amount.

Finally, since the amount of the acquisition of free-of-charge allocation rights deriving from the commitment to purchase was higher than that allocated to this acquisition on the allocation 2012 year-end results (€208 million) approved under point 5 of the agenda of the Annual Shareholders´ Meeting of May 31, 2013, and according to the terms established in the aforementioned resolution, the difference (€24 million) has reduced the amount allocated to increase the Company's voluntary reserves.

The final number of shares of 1 euro per value issued in the capital increase was 20,023,479, representing an increase of 1.56% of the share capital of Repsol before the capital increase.

This capital increase was registered with the Commercial Registry of Madrid on July 8, 2013 and the new shares began to trade on the continuous market of the Madrid, Barcelona, Bilbao and Valencia stock exchanges through the Spanish Automated Quotation System (*Mercado continuo,* by its name in Spanish) on July 12, 2013. Repsol had also applied for the listing of the new shares in the Buenos Aires stock exchange.

Subsequent to the capital increase, Repsol, S.A.'s share capital amounted to €1,302,471,907 fully subscribed and paid up, consisting of 1,302,471,907 shares with nominal value of 1 euro each.

This capital increase was registered with the Commercial Registry of Madrid prior to the approval of these interim condensed consolidated financial statements, and, accordingly, was recognized in the Group financial statements with accounting effects June 30, 2013, in compliance with prevailing accounting criteria.

*2. Treasury shares and own equity investments*

On March 4, 2013, the investment company Singapur Temasek acquired 64.7 million Repsol shares held as treasury shares, and representing 5.045% of its share capital at that date. The shares were acquired at a price of 16.01 euros each, which resulted in a payment of €1,036 million and a negative effect on equity in the first half of 2013 amounting to €208 million.

Under the framework of the 2013 Share Acquisition Plan approved at the Annual Shareholders' Meeting held on May 31, 2012, during the first six months of 2013, the Group acquired a total of 205,785 shares, at a cost of €3.5 million. These shares have been delivered to the employees of the Repsol Group signed up to the scheme. In the same period of the previous year, under the framework of the 2012 Share Acquisition Plan, the Company acquired a total of 264,398 shares, at a cost of €4.4 million. These shares were delivered to the Repsol Group employees signed up to the scheme.

In addition, during the first six months of 2013, the Group acquired 2,579,733 treasury shares amounting to €43 million. During the same period, the Group sold 969,036 treasury shares amounting to €16.7 million. Lastly, 377,500 treasury shares were disposed of as a consequence of options on treasury shares.

During the first half of 2012, the Group paid €52 million to acquire 3,566,237 treasury shares, which had not been disposed of at June 30, 2012.

In July 2013, due to the capital increase described in section 1. *"Share capital and reserves*," the Group received a total of 19,358 new shares corresponding to the shares held as treasury stock.

At June 30, 2013, the treasury shares held by Repsol and/or other companies within the Group, represented 0.101% of its share capital recognized on that same date.

*3. Earnings per share*

At June 30, 2013 and 2012 earnings per share were the following:

| | **2013** | **2012** |
|---|---|---|
| Net income attributable to the parent company (millions of euros) | 901 | 1,036 |
| Net income attributable to the parent company from discontinued operations (millions of euros) | (44) | 133 |
| Weighted average number of outstanding shares at June, 30 (shares) | 1,279,836,379 | 1,231,898,464 |

**EARNINGS PER SHARE ATTRIBUTED TO THE PARENT COMPANY**
(Euros)

| | **2013** | **2012** |
|---|---|---|
| Basic | | |
| EPS attributed to the parent company | 0.70 | 0.84 |
| EPS attributed to the parent company from discountinued operations | - | 0.11 |
| Diluted | | |
| EPS attributed to the parent company | 0.70 | 0.84 |
| EPS attributed to the parent company from discountinued operations | - | 0.11 |

Outstanding issued shares at June 30, 2012 amounted to 1,256,178,727 shares. However, the weighted average number of shares outstanding at that date had been modified compared to that used to calculate the profit per share in the interim condensed consolidated financial statements at June 30, 2012 to include the effect of the capital increase of July 2013(see section d).1), in accordance with the applicable accounting regulations.

*e) Current and non- current provisions*

In June 2013 an agreement was signed ("settlement agreement") with the State of New Jersey in connection with the environmental contingencies in relating to the Passaic river and the Bay of Newark (see Note 9 "*Contingencies and guarantees*") by virtue of which Repsol will pay 65 million US dollars, and have required a provision of €50 million.

*f) Impairment of assets*

Repsol performs a valuation of its intangible assets, its property, plant and equipment, and other non-current assets, as well as its goodwill, at least annually, or whenever there are indicators that the assets made have become impaired, to determine whether there is an impairment loss.

In the first half of 2013, Gas Natural Fenosa recognized €21 million in net impairment losses (amounts stated at the Group's proportionate interest in Gas Natural Fenosa) on "*Other intangible assets*", corresponding to the loss in value assigned to the gas processing rights in the Unión Fenosa business combinations, which Gas Natural Fenosa holds via its investee Unión Fenosa Gas in the Damietta liquefaction plant (Egypt), as a result of a temporary halt in activities at the plant due to the suspension of deliveries by the natural gas supplier. In the first half of 2013, Unión Fenosa Gas initiated legal proceedings in defense of its contractual rights.

In addition, the Group recognized net impairment losses in the amount of €15 million in the chemicals business as a consequence of the Group rationalizing its productive capacity in Spain and current market conditions.

*g) Balance sheet revaluation law*

On December 27, 2012 Law 16/2012 was passed, enacting several fiscal measures designed to further the consolidation of public finances and to shore up economic activity. One of the measures passed provides the Group's Spanish companies with the choice of revaluating their balance sheets. The Spanish Audit and Accounting Institute (ICAC), in a resolution issued on January 31, 2013, has ruled that the balance sheet revaluation, if made, must be recognized in the Group's Spanish companies' individual financial statements for the financial year 2013. The tax impact would also be recognized in 2013. Repsol has calculated the revaluation of items recognized by the Spanish Group companies under property, plant, and equipment that have not been depreciated in accounting or tax terms.

Said revaluation was eliminated for the preparation of the condensed interim consolidated financial statements under IFRS, which involved the recognition of a 155 million euro deferred tax asset and a 26 million euro increase in "*current income tax liabilities*", corresponding to 5% of the tax to be settled as a result of the revaluation of assets.

*h) Devaluation of the Bolivar in Venezuela*

With effect from February 9, 2013, Venezuela set new rates of exchange for the bolivar against the US dollar. The exchange rate prevailing until that date, of 4.30 bolivars per US dollar, has been modified to 6.30 bolivars per U.S. dollar.

The impact on the Group's net income from continuing operations as of June 30, 2013 has amounted to $172 million.

*i) Preference shares*

With respect to the repurchase of preference shares that the Group issued via its subsidiary Repsol International Capital in May and December 2001, and those issued by the Gas Natural Fenosa group via Unión Fenosa Financial Services USA, see the heading on "*preference shares*" section b.2) *"Bonds and other securities"* of Note 5.

## (4) SEGMENT REPORTING

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 June 30, 2013, the operating segments of the Group are:

- Upstream, corresponding to oil and gas exploration and development of crude oil and natural gas reserves;
- Downstream, corresponding to refining, sales activities for oil products, chemicals and LPG;
- LNG, corresponding to the Liquid Natural Gas business. Part of the assets and businesses corresponding to this operating segment are involved in a sales negotiation process with Shell (Note 12 "*Other information*"); and
- Gas Natural Fenosa, (though its shareholding in Gas Natural SDG, S.A. strategic company for the Group) corresponding to the sales activities for natural gas and power generation, distribution and sale of electricity.

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

*Operating revenues from continuing operations by segment*

| Millions of euros | Operating revenue from customers | | Operating revenue inter segments | | Total operating revenue | |
|---|---|---|---|---|---|---|
| **SEGMENTS** | **06/30/2013** | **06/30/2012** | **06/30/2013** | **06/30/2012** | **06/30/2013** | **06/30/2012** |
| Upstream | 1,849 | 1,837 | 848 | 709 | 2,697 | 2,546 |
| LNG | 1,513 | 1,308 | 332 | 178 | 1,845 | 1,486 |
| Downstream | 22,161 | 22,305 | 40 | 55 | 22,201 | 22,360 |
| Gas Natural Fenosa | 3,712 | 3,620 | 197 | 165 | 3,909 | 3,785 |
| Corporate | 9 | 8 | 216 | 153 | 225 | 161 |
| (-) Adjustments and eliminations of operating revenue among segments (1) | - | - | (1,633) | (1,260) | (1,633) | (1,260) |
| **TOTAL** | **29,244** | **29,078** | **-** | **-** | **29,244** | **29,078** |

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

*Operating income by segment*

| | Millions of euros | |
|---|---|---|
| **SEGMENTS** | **06/30/2013** | **06/30/2012** |
| Upstream | 1,161 | 1,144 |
| LNG | 481 | 237 |
| Downstream | 79 | 277 |
| Gas Natural Fenosa | 464 | 475 |
| Corporation | (194) | (167) |
| **Total operating income pertaining to the reported segments** | **1,991** | **1,966** |
| Results not assigned (Financial results) | (385) | (433) |
| Other results (Share of results of companies accounted for using the equity method) | 74 | 66 |
| **CONSOLIDATED NET INCOME FOR THE YEAR** | **1,680** | **1,599** |
| Income Tax | (717) | (674) |
| **Net income for the period attributable to the parent from continuing operations** | **963** | **925** |
| Net income for the period from continuing operations attributable to minority interests | (18) | (22) |
| **NET INCOME FOR THE PERIOD FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE PARENT** | **945** | **903** |
| **Net income for the period from discountinued operations after taxes** | **(44)** | **242** |
| 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** | **(44)** | **133** |
| **TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT** | **901** | **1,036** |

The breakdown of assets by operating segment:

| | Millions of euros | |
|---|---|---|
| **Segments** | **06/30/2013** | **12/31/2012** |
| Upstream | 13,511 | 12,638 |
| LNG | 4,133 | 4,176 |
| Downstream | 18,902 | 18,993 |
| Gas Natural Fenosa | 12,289 | 12,658 |
| Corporate (1) | 12,461 | 10,534 |
| **Total Assets by segment (2)** | **61,296** | **58,999** |
| Assets from discontinued operations (3) | 5,981 | 5,922 |
| **Total Assets** | **67,277** | **64,921** |

(1) Includes financial assets in the amount of €8,484 million and €6,670 million, respectively, in June 30, 2013 and December 31, 2012.

(2) Includes in every segment the amount of the investments accounted for using the equity method.

(3) Includes the assets affected by the expropriation of YPF and YPF Gas (see Note 3 section b).

In addition, the distribution of the net amount of turnover (comprising "*Sales*" and "*Services rendered and other income*" headings on the accompanying interim consolidated income statement), by geographic area based on the destination market, is as follows:

| | Millions of euros | |
|---|---|---|
| **Geographic area** | **06/30/2013** | **06/30/2012** |
| Spain | 14,321 | 15,230 |
| Other in the European Union | 4,147 | 4,254 |
| Others in the O.E.C.D. countries | 3,619 | 2,713 |
| Other countries | 7,057 | 6,508 |
| **TOTAL** | **29,144** | **28,705** |

## (5) DISCLOSURE OF FINANCIAL INSTRUMENTS BY NATURE AND CATEGORY

*a) Financial Assets*

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

| | Millions of euros | |
|---|---|---|
| | **06/30/2013** | **12/31/2012** |
| Non-current financial assets | 1,330 | 1,313 |
| Other current financial assets | 388 | 415 |
| Current derivatives on trading transactions (1) | 122 | 45 |
| Cash and cash equivalents | 7,693 | 5,903 |
| | **9,533** | **7,676** |

(1) Recognized under the "*Other receivables*" on the balance sheet.

The detail by type of assets of the Group's financial assets by categories at June 30, 2013 and December 31, 2012, is as follows:

| Millions of euros | **June 30, 2013** | | | | | | |
|---|---|---|---|---|---|---|---|
| **Nature/Category** | **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 | - | - | 654 | - | - | - | 654 |
| Derivatives | - | - | - | - | - | - | - |
| Other financial assets | - | 84 | - | 568 | 24 | - | 676 |
| **Long Term / Non-current** | **-** | **84** | **654** | **568** | **24** | **-** | **1,330** |
| Derivatives | 141 | - | - | - | - | 2 | 143 |
| Other financial assets | - | 11 | - | 366 | 7,683 | - | 8,060 |
| **Short term / Current** | **141** | **11** | **-** | **366** | **7,683** | **2** | **8,203** |
| **TOTAL (1)** | **141** | **95** | **654** | **934** | **7,707** | **2** | **9,533** |

| Millions of euros | December 31, 2012 | | | | | | |
|---|---|---|---|---|---|---|---|
| **Nature/Category** | **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) These amounts do not include trade receivables that are recognized under "*Other non-current assets*" and under the headings "*Trade receivables*" and "*Other receivables*" in the balance sheet, totaling €235 million in the long term and €7,665 million in the short term. At December 31, 2012 the aforementioned long term and short term trade receivables amounted to €242 million and €7,320 million, respectively. In addition, the assets presented under "*Non-current assets held for sale subject to expropriation*" in the balance sheet have not been included in the breakdown of financial assets in the table above.

The column "Financial assets Available-for-sale " under caption "Equity instruments" at June 30, 2013, includes €545 million corresponding to 6.43% of YPF S.A. shares and 33.997% of YPF Gas S.A. shares held by Repsol and that are not subject to expropriation by the Argentinean government, as well as 5.47% of YPF S.A. shares acquired via the execution of the loan pledges granted by the Group and other financial entities to the Petersen Group (included in the execution of the counter-guarantee in April 2013, described in section b) of Note 3). This item also includes 10% of the interest held in Medgaz which Gas Natural Fenosa acquired from Sonatrac on January 8.

The column "*Current loans and receivables*" includes €275 million and €320 million at June 30, 2013 and December 31, 2012 respectively, corresponding to the Group´s share of the funding of the electricity tariff deficit through its ownership interest in Gas Natural Fenosa. During the first six months of 2013, in addition to the payments received from the liquidations, Spain's electricity tariff deficit securitization fund completed ten issuances, with Gas Natural Fenosa collecting €162 million as a result (amounts stated at the Group's proportionate interest in Gas Natural Fenosa).

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

| | Millions of euros | | | |
|---|---|---|---|---|
| | Carrying amount | | Fair value | |
| | 06/30/2013 | 12/31/2012 | 06/30/2013 | 12/31/2012 |
| Non- current | 568 | 578 | 737 | 793 |
| Current | 366 | 401 | 366 | 401 |
| | 934 | 979 | 1,103 | 1,194 |

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

### *b) Financial Liabilities*

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

| | Millions of euros | |
|---|---|---|
| | **06/30/2013** | **12/31/2012** |
| Non-current financial liabilities | 14,309 | 15,300 |
| Non-current derivatives on trading transactions (1) | 1 | - |
| Current financial liabilities | 5,070 | 3,790 |
| Current derivatives on trading transactions (2) | 119 | 41 |
| | **19,499** | **19,131** |

(1) Recognized under the heading "*Other non-current liabilities*" on the balance sheet.
(2) Recognized under the heading "*Other payables*" on the balance sheet.

Following is a breakdown of the financial liabilities as of June 30, 2013 and December 31, 2012:

| Millions of euros | June 30, 2013 | | | | |
|---|---|---|---|---|---|
| **Nature/Category** | **Financial liabilities held for trading** | **Debts and payable items** | **Hedging derivatives** | **Total** | **Fair value** |
| Bank borrowings | - | 3,527 | - | 3,527 | 3,541 |
| Bonds and other securities | - | 10,664 | - | 10,664 | 11,086 |
| Derivatives | 30 | - | 88 | 118 | 118 |
| **Long term debts / non-current financial liabilities** | **30** | **14,191** | **88** | **14,309** | **14,745** |
| Bank borrowings | - | 656 | - | 656 | 656 |
| Bonds and other securities | - | 4,274 | - | 4,274 | 4,411 |
| Derivatives | 236 | - | 24 | 260 | 260 |
| **Short term debts / current financial liabilites** | **236** | **4,930** | **24** | **5,190** | **5,327** |
| **TOTAL** [(1)] | **266** | **19,121** | **112** | **19,499** | **20,072** |

| | December 31, 2012 | | | | |
|---|---|---|---|---|---|
| Millions of euros | **Financial liabilities held for trading** | **Debts and payable items** | **Hedging derivatives** | **Total** | **Fair value** |
| Bank borrowings | - | 3,457 | - | 3,457 | 3,467 |
| Bonds and other securities | - | 11,616 | - | 11,616 | 12,228 |
| Derivatives | 28 | - | 199 | 227 | 227 |
| **Long term debts / Non-current financial liabilities** | **28** | **15,073** | **199** | **15,300** | **15,922** |
| Bank borrowings | - | 2,164 | - | 2,164 | 2,164 |
| Bonds and other securities | - | 1,556 | - | 1,556 | 1,578 |
| Derivatives | 105 | | 6 | 111 | 111 |
| **Short term debts / Current financial liabilites** | **105** | **3,720** | **6** | **3,831** | **3,853** |
| **TOTAL [(1)]** | **133** | **18,793** | **205** | **19,131** | **19,775** |

(1) At June 30, 2013 and December 31, 2012, €2,750 million and €2,745 million were shown in the balance sheet under "*Other non-current liabilities*", and €230 million and €224 million, respectively under "*Other payables*" corresponding to finance leases recorded under the amortized cost method and not included in the above table.

b.1) Bank borrowings

In May 2013, the Group signed a 200 million euro financing agreement with the European Investment Bank 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.

In June 2012 the Group closed two financing transactions for a total €750 million, both independent of each other, via the contracting of certain derivative instruments maturing in 12 months. Additionally, in July 2012 the Group closed a financing transaction amounting €250 million, via the contracting derivative instruments maturing in 12 months. These transactions were recognized under "*Bank borrowings, bonds, and other securities*" on the Group's balance sheet. At June 30, 2013 both transactions with their respective associated guaranties have been totally cancelled.

b.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*") which took place during the interim periods ended June 30, 2013 and 2012:

| Millions of euros | Balance at 12/31/2012 | (+) Issuances | (-) Repurchases or reimbursement | (+/-) Exchange rate and other adjustment | Balance at 06/30/2013 |
|---|---|---|---|---|---|
| Bonds and other debt securities issued in the European Union with prospectus [1] | 12,858 | 2,917 | (877) | (175) | 14,723 |
| Bonds and other debt securities issued in the European Union without prospectus | - | - | - | - | - |
| Bonds and other debt securities issued outside European Union | 315 | 61 | (162) | 1 | 215 |
| **TOTAL** | **13,173** | **2,978** | **(1,039)** | **(174)** | **14,938** |

[1] In the case of preference shares issued by the Group via Repsol International Capital Ltd. whose holders accepted the repurchase and subscription offers, the valuation was adjusted in accordance with the conditions of said offers (see *Preference Shares* below in this note).

| 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 06/30/2012 |
|---|---|---|---|---|---|---|
| Bonds and other debt securities issued in the European Union with prospectus | 11,836 | 3,916 | (3,856) | 52 | - | 11,948 |
| Bonds and other debt securities issued in the European Union without prospectus | - | - | - | - | - | |
| Bonds and other debt securities issued outside European Union | 501 | - | - | 5 | (180) | 326 |
| **TOTAL** | **12,337** | **3,916** | **(3,856)** | **57** | **(180)** | **12,274** |

*Preference shares*

At 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 Ltd.

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 (see Note 20 of the consolidated financial statements for financial year 2012, under section *Preference shares*), and simultaneously, and linked to the Repurchase Offer (ii) a public Subscription Offer of Series I/2013 Bonds of Repsol, S.A. for those accepting the Repurchase Offer.

The Offers for the Repurchase of preference shares and for the Subscription of bonds were made under the the “Securities Note” and “Summary” registered with the official registry of the CNMV on June 4, 2013, complemented with the Repsol “Registration Document” registered at the same registry on May 14, 2013. The holders of the Series B and C preference shares, the nominal value of which is 1,000 euros, would receive a cash payment of 975 euros per each preference share, including the commitment to apply 500 euros to the subscription of Repsol bonds at a nominal value of 500 euros, with a 3.5% yearly nominal interest rate to be paid on a quarterly basis, 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 bonds disbursement 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 the other shares remain outstanding. The total amount paid by Repsol International Capital Ltd. to those accepting the Repurchase Offer was €2,843 million in cash, €1,458 million were applied to subscribing Repsol's bonds, which were admitted to trading on the AIAF fixed-income market, to be quoted on the Electronic System for Debt Trading (SEND by its acronym in spanish) on July 2, 2013.

At June 30, 2013, the preference shares whose holders had accepted the Repurchase Offer were recognized at fair value in accordance with the conditions established in the Offers at the amount of €2,766 million, of which €1,385 million,corresponding to the repurchase price not pertaining to the subscription of the bond (475 euros per share) which were reclassified in the short term under current "*Bonds and other securities*". As a consequence of this transaction, the effect in the income statement represented a profit net of taxes of €53 million, including the effects related to the hedge transactions.

On July 1, 2013, with the cash disbursement made from those accepting the repurchase price, the repurchased preference shares were derecognized from the balance sheet. Simultaneously, the bonds subscribed by the acceptors of the repurchase were recognized under non current "*Bonds and other securities*"

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 €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 considering the Group´s proporcionate interest in Gas Natural Fenosa), representing 88.56% of the total nominal amount of the issue, with the remainder still outstanding.

*Other debt issues and cancellations in the first six months of 2013.*

On May 28, Repsol International Finance, B.V., with the guarantee of Repsol, S.A. closed a 1,200 million euro 7-year bond at 99.414% issue price, with a coupon of 2.625%, listed on the Luxembourg Stock Exchange. This Bond issue was made under the 10,000,000,000 euro Guaranteed Euro Medium Term Note Program, registered in Luxembourg.

On January 9, 2013, Gas Natural Fenosa closed a bonds issue on the Euromarket for an amount of €600 million (€180 million considering the Group´s proporcionate interest in Gas Natural Fenosa). This 10-year issue was established with an annual coupon of 3.875% and a new bond issue price of 99.139% of par value. On January 14, 2013, Gas Natural Fenosa closed a 250 million Swiss franc (Fr.75 million considering the Group´s proporcionate interest in Gas Natural Fenosa) 6-year bond with a fixed coupon of 2.125% on the Swiss market, which matures in February 2019. Additionally, in April 2013 two other bond issues closed, in the amounts of €750 and €300 million (€225 and €90 million respectively, considering the Group´s proporcionate interest in Gas Natural Fenosa), which mature in April of 2022 and 2017, respectively. These issues have fixed yearly coupons of 3.875% and 2.310%, respectively. These issues were made under the Euro Medio Terms Notes (EMTN) program which was renewed by Gas Natural Fenosa in November 2012.

Repsol International Finance B.V. kept its Euro Commercial Paper program (ECP) guaranteed by Repsol, S.A. in the amount of €2,000 million. During the first six months of 2013, Repsol International Finance, B.V. issued nominal amounts of €760 million and €131 million under the ECP program. The effective balance outstanding under this program amounted to €430 million at June 30, 2013.

In the first six months of 2013, Gas Natural Fenosa continued issuing debt under its Euro Commercial Paper program (ECP), amounting to €1,207 million (€362 million considering the Group´s proporcionate interest in Gas Natural Fenosa).

*Main debt issues and cancellations in the first six months of 2012.*

On January 19, 2012, the Group through Repsol International Finance, B.V issued a €750 million at a fixed interest rate of 4.875% in the Eurobond market. The bond mature is seven years and one month after the issue date. This issue, was increased on February 14, 2012 with the placement of another bond issue amounting to €250 million, at the same interest rate and maturity. Both bond issues, guaranteed by Repsol, S.A., are part of the same series of bonds, amounting to €1,000 million and listed on the Luxemburg Stock Exchange under the program "Euro 10,000,000,000 *Guaranteed Euro Medium Term Program*" (EMTN) registered at Luxemburg.

In January 2012, Gas Natural Fenosa issued €225 million (amounts stated at the Group's proportionate interest in Gas Natural Fenosa) of bonds in the Eurobond market under its *Euro Medium Term Notes*, a medium-term debt issuance program (EMTN). The limit of this program at June 30, 2012 amounted to €12,000 million.

In addition, in the first six months of 2012 Gas Natural Fenosa continued issuing debt under its *Euro Commercial Paper* program (ECP) and its promissory note program, amounting to an aggregate total of €389 million (amount stated at the Group's proportionate interest in Gas Natural Fenosa).

Since 2010, Repsol International Finance, B.V. held an *Euro Commercial Paper* program (ECP), guaranteed by Repsol, S.A. amounting to €2,000 million. During the first six months of 2012, Repsol International Finance, B.V. issued nominal amounts of €1,843 million and $5 million under the ECP program. The effective balance outstanding under this program stood at €235 million at June 30, 2012.

On June 7, 2011 Repsol, S.A. signed a promissory note issue program for an amount of €500 million. During the first six months of 2012, Repsol issued promissory notes for a nominal amount of €455 million under this program. The nominal balance outstanding under this program amounted to €50 million at June 30, 2012.

The table below the amounts guaranteed by Group companies in the interim periods ending June 30, 2013 and 2012 for issues, repurchases, or redemptions undertaken by associates, jointly controlled entities (for the percentage not included in the consolidation process) or non-Group companies:

**GUARANTEED ISSUES**
Millions of euros

| | Balance at 12/31/2012 | (+) Granted | (-) Cancelled | (+/-) Exchange rate and other | Balance at 06/30/2013 |
|---|---|---|---|---|---|
| Debt security issues guaranteed by the Group ( guaranteed amount) | 29 | - | (1) | (1) | 27 |

| | Balance at 12/31/2011 | (+) Granted | (-) Cancelled | (+/-) Exchange rate and other | Balance at 06/30/2012 |
|---|---|---|---|---|---|
| Debt security issues guaranteed by the Group (guaranteed amount) | 31 | - | (2) | 1 | 30 |

## *c) Fair Value of financial instruments*

The classification of the financial instruments recognized in the financial statements at fair value, at June 30, 2013 and December 31, 2012, is as follows:

*Millions of euros*

| | **Level 1** | | **Level 2** | | **Level 3** | | **Total** | |
|---|---|---|---|---|---|---|---|---|
| **Financial assets** (1) | **Jun 2013** | **Dec 2012** | **Jun 2013** | **Dec 2012** | **Jun 2013** | **Dec 2012** | **Jun 2013** | **Dec 2012** |
| Financial assets held for trading | 17 | 8 | 124 | 43 | - | - | 141 | 51 |
| Other financial assets at fair value through profit and loss | 11 | 11 | 84 | 84 | - | - | 95 | 95 |
| Financial assets available for sale (2) | 553 | 567 | - | - | - | - | 553 | 567 |
| Hedging derivatives | - | - | 2 | 7 | - | - | 2 | 7 |
| **Total** | **581** | **586** | **210** | **134** | **-** | **-** | **791** | **720** |

| | **Level 1** | | **Level 2** | | **Level 3** | | **Total** | |
|---|---|---|---|---|---|---|---|---|
| **Financial liabilities** | **Jun 2013** | **Dec 2012** | **Jun 2013** | **Dec 2012** | **Jun 2013** | **Dec 2012** | **Jun 2013** | **Dec 2012** |
| Financial liabilities held for trading | - | 15 | 266 | 118 | - | - | 266 | 133 |
| Hedging derivatives | - | - | 112 | 205 | - | - | 112 | 205 |
| **Total** | **-** | **15** | **378** | **323** | **-** | **-** | **378** | **338** |

Financial instruments recognized at fair value were classified at different levels, as described below:

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.

(1) Regarding the shares of YPF and YPF Gas subject to expropriation, which are presented within "*Non-current assets held for sale subject to expropriation*" at their fair value in accordance with IFRS 5, see Note 5, "*Expropriation of Repsol Group´s shares in YPF S.A. and YPF Gas S.A.*" and Note 3, section b),"*Assets and liabilities related to the expropriation of the YPF S.A. and YPF Gas S.A. shares held by the Repsol Group*" to the accompanying interim condensed consolidated financial statements.
(2) Not includes €101 million and €74 million at June 30, 2013 and December 31, 2012, corresponding to equity investments in companies that are measured at acquisition cost under IAS 39 or the YPF Gas S.A. shares not subject to expropriation (Note 5 "Expropriation of Repsol Group´s shares in YPF S.A. and YPF Gas S.A." and Note 3, section b), "*Assets and liabilities related to the expropriation of the YPF S.A. and YPF Gas S.A. shares held by the Repsol Group*" to the accompanying interim condensed consolidated financial statements).

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 consist in the discount of future cash flows associated with said instruments, including adjustments due to credit risk based on the duration of the instruments. Implied forward curves offered in the market are used to estimate said cash flows. 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 volatility of all aforementioned factors. In all cases, market data is obtained from reputed information agencies or correspond to quotes issued by official bodies.

## (6) SHAREHOLDER REMUNERATION

The following table details the dividends paid by Repsol, S.A. to its shareholders in the six-month period ended June 30, 2013 and 2012:

| | 06/30/2013 | | | 06/30/2012 | | |
|---|---|---|---|---|---|---|
| | **% on nominal amount** | **Euros per share** | **Amount** | **% on nominal amount** | **Euros per share** | **Amount** |
| Ordinary shares | 4.00% | 0.04 | 51 | 57.75% | 0.5775 | 635 |
| Remaining shares (without vote, redeemable, etc) | - | - | - | - | - | - |
| **Total dividens paid** | | | | - | - | - |
| 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 the six-month period ended June 30, 2012 corresponds to the interim dividend from 2011 profits, which amounted to €635 million (€0.5775 gross per each outstanding share carrying dividend rights) and was paid on January 10, 2012.

During the months of June and July, 2012 shareholders also was remunerated through a scrip dividend scheme under the “Repsol Flexible Dividend” program which replaced the traditional final dividend against 2011 profits. Under this program, the Company’s shareholders could choose to receive their remuneration in cash or paid-up shares. This program materializes in paid capital increases 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.

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

In December 2012 and January 2013, a further capital increase was completed, as approved under point 11 of the agenda of the Annual Shareholders´ Meeting of May 31, 2012. The holders of 389,278,581 rights accepted the irrevocable commitment assumed by Repsol, S.A. to purchase the rights at a guaranteed pre-tax price of €0.473 per right. As a result, Repsol, S.A. acquired the above-mentioned rights for a pre-tax sum of €184 million, renouncing the shares corresponding to the bonus share rights acquired by virtue of its purchase commitment. In addition to the above €184 million cash payment, shareholder remuneration included a further €410 million share-based payment, corresponding to the 26,269,701 new shares issued as a result of the bonus share issue, which increased share capital by approximately 2.09% as compared to the previous amount of share capital.

The remuneration received by the shareholders during the period ended June 30, 2013 corresponds to the payment of a cash dividend on June 20, 2013, amounting to €51 million (gross amount of 0.04 euros per outstanding share of the Company with remuneration rights).

In addition, during the months of June and July 2013, dates on which the final dividend corresponding to the previous year was traditionally paid out in cash, the Company carried out the first of its paid-up capital increases authorized by the Annual Shareholders' Meeting held on May 31, 2013 in the framework of the "Repsol Flexible Dividend" program.

Under said program, the holders of 521,556,172 free-of-charge allocation rights accepted the irrevocable commitment assumed by Repsol, S.A. to purchase the rights at a guaranteed fixed pre-tax price of 0.445 euros per right. Consequently, Repsol, S.A. acquired said rights for a pre-tax sum of €232 million, paid out in July, and renounced the shares corresponding to the free-of-charge allocation rights acquired by virtue of said purchase commitment. In addition to the aforementioned €232 million, another €339 million worth of shares were distributed to the shareholders, corresponding to the 20,023,479 new shares issued for the capital increase, which represented an approximate increase of 1.56% of the share capital prior to the capital increase.

## (7) TAX SITUATION

For the calculation of this period's corporate income tax, the effective tax rate that would be applicable to the total profits expected for the yearly period was used, so that the tax expense for the interim period is the result of applying the estimated average effective tax rate for the year to the result before taxes in the interim period. However, the tax effects derived from occasional events or unique transactions undertaken during the period are fully taken into account in the period.

The effective tax rate for the first half of 2013 applicable to continuing operations was estimated at 45%, which is over the estimate for the same period of the previous year (44%); this is mainly due to increased profits in areas with higher tax burdens, such as Upstream businesses, and to decreased profits in areas with lower tax burdens, such as Downstream businesses.

## (8) 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. Significant Shareholders: according to the latest information available, the significant shareholders of the Company, deemed related parties of Repsol are:

| Significant shareholders | % total over share capital June 30, 2013 |
|---|---|
| CaixaBank, S.A | 12.02 |
| Sacyr Vallehermoso, S.A. (1) | 9.38 |
| Petróleos Mexicanos (2) | 9.34 |
| Temasek Holdings (Private) Limited (3) | 6.32 |

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

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

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

Since Repsol S.A.'s shares are represented by the book-entry method, it is not possible to ascertain the Company's precise updated shareholder structure at June 30, 2013. The figures provided below reflect the latest information available to Repsol, S.A. and are based on information furnished by Spain's central counterparty clearing house (IBERCLEAR, Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. for its acronym in Spanish) and information submitted by the shareholders to the Company and the Spanish securities market regulator(the CNMV for its acronym in Spanish) in compliance with its transparency requirements.

b. Executives and Directors: includes members of the Board of Directors and of the Executive Committee.

c. People or Group companies: includes transactions with Group companies or entities for the part not eliminated in the consolidation process (corresponding to the non-owned portion in the proportionately consolidated companies and transactions undertaken with companies accounted for using the equity method).

Income, expenses and other transactions recorded in six-month period ended June 30, 2013 with related parties were as follows:

| EXPENSE AND INCOME:<br>Thousands of euros | June 30, 2013 | | | |
|---|---|---|---|---|
| | Major shareholders | Executive and Directors (1) | Group companies or entities | Total |
| Financial expenses | 21,123 | - | - | 21,123 |
| Management or cooperation agreements | - | | - | - |
| Transfer of R&D and license agreements | - | | 30 | 30 |
| Operating leases | 764 | - | 21,893 | 22,657 |
| Receipts from services | 5,793 | - | 205,613 | 211,406 |
| Purchase of goods (finished or in progress) (2) | 2,047,321 | - | 3,476,056 | 5,523,377 |
| Loses from derecognition or disposal of assets | - | | - | - |
| Other expenses | 10,735 | - | 7,261 | 17,996 |
| **EXPENSES** | **2,085,736** | | **3,710,853** | **5,796,589** |
| | | | | |
| Financial income | 16,921 | 1 | 6,377 | 23,299 |
| Management or cooperation agreements | - | - | 1,263 | 1,263 |
| Leases | 670 | - | - | 670 |
| Provision of services | 13,964 | - | 15,728 | 29,692 |
| Sale of goods (finished or in progress) | 40,192 | - | 480,608 | 520,800 |
| Gains from derecognition or disposal of assets | - | - | 115 | 115 |
| Other income | 2,306 | - | 45,117 | 47,423 |
| **INCOME** | **74,053** | **1** | **549,208** | **623,262** |

| OTHER TRANSACTIONS<br>Thousands of euros | June 30, 2013 | | | |
|---|---|---|---|---|
| | Major shareholders | Executive and Directors (1) | Group companies or entities | Total |
| Purchase of property, plant and equipment, intangible and other assets | 3,151 | - | - | 3,151 |
| Finance agreements: credits and capital contributions (lender) | - | 46 | 200,903 | 200,949 |
| Disposal of property, plant and equipment, intangible or other assets | 109,415 | - | - | 109,415 |
| Finance agreements: credits and capital contributions (lessor) (3) | 564,035 | - | 5,384 | 569,419 |
| Amortisation or cancellation of loans and leases (lessor) | - | - | 16,513 | 16,513 |
| Guarantees given | 128,072 | - | 1,130,571 | 1,258,643 |
| Guarantees received | 56,843 | - | 46 | 56,889 |
| Commitments acquired (4) | 980,968 | - | 19,429,767 | 20,410,735 |
| Cancelled commitments/guarantees | 47,418 | - | 17,005 | 64,423 |
| Dividends and other profit distributed (5) | 192,130 | 30 | - | 192,160 |
| Other transactions (6) | 1,910,771 | - | 15,240 | 1,926,011 |

(1) Includes those transactions carried out with directors and executives not included in Note 11 on Compensation received by directors and executives and which correspond to the effective balance at June 30, 2013 of the loans granted to senior management and the corresponding accrued interest as well as the dividends received in connection with holding shares of the Group.

(2) These purchases included those made under the provisions of a crude oil purchase contract signed for an indeterminate period with the Pemex Group, which in 2013 were fixed at 100,000 barrels per day.

(3) Includes credit lines for the maximum amount granted, amounting to €478 million.

(4) Corresponds to purchase commitments outstanding at the reporting date, net of sales commitments.

(5) Amounts recognized as dividends and other profits distributed to the significant Shareholders and directors, and executives include the dividend paid out in cash at a pre-tax amount of 0.04 euros per outstanding share with remuneration rights, paid out on June 20, 2013, and the corresponding amounts from the sale to Repsol, at the guaranteed fixed price, the free allotment rights arising from scrip closed in January 2013, 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 July 2013, which in the case of significant shareholders amounted to €187 million. These rights were recognized as payables at June 30, 2013. Repsol shares subscribed in such capital increases are not either included.

(6) Corresponds mainly to:
   (a) Remunerated accounts and deposits: €411 million.
   (b) Exchange rate hedges: €528 million.
   (c) Interest rate hedges: €173 million.

Income and expenses, as well as other transactions, recorded during the first half of 2012 in respect of transactions with related parties have been as follows:

| EXPENSES AND INCOME:<br>Thousands of euros | June 30, 2012<br>Major shareholders | Directors and executives (1) | Persons, companies or entities within the Group (2) | Total |
|---|---|---|---|---|
| Finance expenses | 8,497 | - | - | 8,497 |
| Management or cooperation agreements | - | - | 283 | 283 |
| Transfer of R&D and licenses agreements | - | - | 51 | 51 |
| Operating leases | 971 | - | 12,190 | 13,161 |
| Receipts from services | 1,317 | - | 195,569 | 196,886 |
| Purchase of goods (finished or in progress) (3) | 1,852,000 | - | 2,909,374 | 4,761,374 |
| Loss from the removal or sale of assets | - | - | 275 | 275 |
| Other expenses | 7,724 | - | 9,022 | 16,746 |
| **EXPENSES** | **1,870,509** | **-** | **3,126,764** | **4,997,273** |
| | | | | |
| Finance income | 13,875 | 2 | 8,979 | 22,856 |
| Management or cooperation agreements | - | - | 1,148 | 1,148 |
| Transfer of R&D and licenses agreements | - | - | 949 | 949 |
| Dividends received | - | - | - | - |
| Operating leases | 392 | - | - | 392 |
| Services rendered | 20,200 | - | 23,044 | 43,244 |
| Sale of goods (finished or in progress) | 129,677 | - | 682,640 | 812,317 |
| Profit from the removal or sale of assets | - | - | 1,424 | 1,424 |
| Other income | 2,567 | - | 34,845 | 37,412 |
| **INCOME** | **166,711** | **2** | **753,029** | **919,742** |

| OTHER TRANSACTIONS<br>Thousands of euros | June 30, 2012<br>Major shareholders | Directors and executives (1) | Persons, companies or entities within the Group (2) | Total |
|---|---|---|---|---|
| Purchases of tangible, intangible or other assets | 60,600 | - | 30 | 60,630 |
| Finance agreements: credits and capital contribution (lender) | - | 156 | 264,065 | 264,221 |
| Amortization or cancellation of credits and lease agreements (lessor) | - | - | - | - |
| Sale of tangible, intangible or other assets | 104,732 | - | 828 | 105,560 |
| Finance agreements: credits and capital contributions (borrower) (4) | 801,818 | - | 6,192 | 808,010 |
| Amortization or cancellation of loans and lease agreements (lessee) | - | - | - | - |
| Guaranteed given | 162,420 | - | 201,239 | 363,659 |
| Guarantees received | 57,927 | - | 268 | 58,195 |
| Commitments acquired (5) | 698,378 | - | 14,302,142 | 15,000,520 |
| Commitments/ guaranties cancelled | 3,020 | - | 26,764 | 29,784 |
| Dividends and other profit distributed (6) | 315,117 | 319 | - | 315,436 |
| Other transactions (7) | 1,621,428 | - | - | 1,621,428 |

(1) Includes those transactions with Directors and Executives not included in note 11 on Compensations received by Directors and Executives, which corresponded to the present outstanding balance of the loans granted to senior management and the corresponding interest accrued, as well as dividends received from group companies, as well as dividends received from holding shares in the Group.
(2) The Income and Expenses table includes transactions carried out by Group companies with YPF, Repsol YPF Gas, and their respective group companies until control was lost (see Note 3). On the contrary Other transactions table does not include any balances with those companies.
(3) These purchases include those made under the provisions of a crude oil purchase contract signed for an indeterminate period with the Pemex Group, wich in 2012 amounts of 100,000 barrels per day.
(4) This includes credit facilities for the maximum amount granted, totaling €563 million.
(5) Correspond to firm purchase commitments outstanding at the reporting date, net of firm sales commitments.

(6) Amounts recognized as dividends and other profits distributed to significant shareholders, executives and directors include payment of a 2011 interim dividend on January 10, 2012. The amount collected in July 2012 by significant shareholders related to free bonus share rights from the capital increase authorized by the Company's Board of Directors on May 31, 2012 under "Flexible Dividend Programme" shareholder compensation scheme, in cases which such rights were sold to Repsol at a guaranteed fixed price in accordance with the conditions of the abovementioned capital increase (see Note 4 section d), amounted to €152 million are not included. These rights were recognized under "*Other payables*" on June 30, 2012. Repsol shares subscribed in such capital increases are not either included.

(7) Corresponds mainly to:
   - (a) Temporary financial investments: €1,084 million.
   - (b) Exchange-rate hedging transactions: €141 million.
   - (c) Interest-rate hedging transactions: €184 million.

## (9) CONTINGENCIES AND GUARANTEES

### <u>Litigation</u>

The information herein updates the status of certain legal and arbitration proceedings having undergone relevant changes since the preparation of the 2012 consolidated financial statements, in which this information is included under Note 35 "*Contingent liabilities and commitments*".

*<u>Litigation Passaic River / Bay of Newark</u>*

This section discusses certain environmental contingencies, as well as the sale by a predecessor of Maxus Energy Corporation ("Maxus") of its former petrochemical subsidiary, Diamond Shamrock Chemicals Company ("Chemicals"), to a subsidiary of Occidental Petroleum Corporation ("Occidental"). Maxus' predecessor agreed to indemnify Chemicals and Occidental against for certain liabilities relating to the business and activities of Chemicals prior to September 4, 1986, the Closing Date of the transaction, including certain environmental liabilities relating to chemical plants and waste disposal used by Chemicals prior to the closing date. Subsequently (in 1995), Maxus was acquired by YPF S.A. ("YPF") and later (in 1999) Repsol acquired YPF S.A.

In December 2005, the New Jersey Department of Environmental Protection ("DEP") and the Spill Compensation Fund of New Jersey (all together "the State of New Jersey") sued Repsol YPF, S.A. (now named Repsol, S.A., and referred hereafter as "Repsol"); YPF,; YPF Holdings, Inc. ("YPFH"); CLH Holdings ("CLHH"); Tierra Solutions, Inc. ("Tierra"); Maxus; and Occidental Chemical Corporation. In August 2010, the lawsuit was extended to YPF International, S.A. ("YPFI"), and Maxus International Energy Company ("MIEC") (together, "Original Defendants"). This is a claim for damages in connection with the contamination from an old plant of Chemicals located in Lister Avenue in Newark which supposedly polluted the Passaic River, Newark Bay, and other waters bodies and nearby properties (the litigation regarding the Passaic River and Newark Bay).

In February 2009, Maxus and Tierra brought into the process, as third parties, another 300 companies (including certain municipalities) that could be potentially liable.

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

In accordance with the expected Trial Plan, the State 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 intended third-party beneficiaries 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 DEP, its Commissioner, and the Administrator of the New Jersey Spill Compensation Fund 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. Importantly, 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 is pending court approval.

Based on information available at the date of the financial statements and also considering the estimated time it would take for the completion of the trial, the results of investigations, and / or tests, you cannot reasonably estimate the damages that will eventually result from this lawsuit.

**Guarantees**

With respect to the loan granted to Petersen by the Banco Santander in 2008, guaranteed by Repsol by virtue of the guarantee contract signed on June 6, 2008, refer to section b) “*Assets and liabilities related to the expropriation of the YPF S.A. and YPF Gas S.A. shares held by the Repsol Group*” in Notes 3 and 5 to the interim condensed consolidated financial statements.

## (10) AVERAGE HEADCOUNT

The average employee headcount at June 30, 2013 and 2012 was:

| | 06/30/2013 | 06/30/2012 |
|---|---|---|
| **AVERAGE HEADCOUNT** | | |
| Men | 20,825 | 20,925 |
| Women | 9,376 | 9,196 |
| | **30,201** | **30,121** |

## (11) COMPENSATIONS

### A) Directors' and executives' compensation

During the first half of 2013 a total of seventeen members (16 natural persons and one corporate person) have been, at some point, part of the Board of Directors (two Executive Directors, seven Institutional External Directors and eight Independent External Directors). A total of nine people were members of the Group's Executive Committee during the same period. For reporting purposes, in this section Repsol deems "executive personnel" to be the members of the Executive Committee. This consideration, made purely for reporting purposes, herein, neither substitutes nor comprises a benchmark for interpreting other senior management pay 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 following is a breakdown of compensation paid during the first six months of 2013 to Directors and members of the Executive Committee who at some point of the mention period and during the time they held said position. For comparative purposes 2012 data is included, with similar criteria.

**DIRECTORS:**

| | Thousands of euros | |
|---|---|---|
| **Compensation:** | **06/30/2013** | **06/30/2012** |
| Fixed compensation | 1,896 | 1,936 |
| Variable compensation | 1,511 | 1,538 |
| Bylaw stipulated remunerations | 2,436 | 2,406 |
| Others (a) | 59 | 29 |
| **TOTAL** | **5,902** | **5,909** |

**EXECUTIVES: (b)**

| | Thousands of euros | |
|---|---|---|
| | **06/30/2013** | **06/30/2012** |
| **Total compensation received by executives (a)** | **6,076** | **5,669** |

(a) In-kind benefits and contributions to life insurance and pension plans include the corresponding tax payments on account.
(b) The composition and number of members of the Executive Committee varied between 2012 and 2013.

In the first half of 2013 the accrued cost of the retirement, disability, and death insurance policies for Board members, including the corresponding tax payments on account, amounts to €195 thousand (€184 thousand in the first half of the previous year); and the contributions to pension plans and long-service bonuses amounts to €598 thousand (€1,347 thousand for the same period in the previous year).

The contributions made by the Group in the first half of 2013 to the executives' pension plans, the contributions to executives' prevision plans, and insurance policy premiums covering disability and death (in this case including the corresponding tax payments on account) totaled €1,110 thousand (€977 thousand in the first half of the previous year).

**B) Share-based payments plans**

The following is an update during the first six months of 2013 of Repsol, S.A.'s share-based payment scheme approved at the Ordinary General Meeting, and included in the 2012 consolidated financial statements:

i.) "*Plan for Delivery of Shares to Beneficiaries of the Pluri-Annual Remuneration Programs*"

Repsol has a "*Plan for Delivery of Shares to Beneficiaries of the Pluri-Annual Remuneration Program*." On May 31, 2013, 187 employees and executives took part in the Third Cycle of the Plan (2013-2016), having acquired a total of 168,788 shares with an average price of €18.22 per share. The Group is committed to delivering 56,198 shares to those employees who fulfill the Plan requirements after the three-year vesting period ends.

During this Third Cycle, the current Board members had acquired a total of 77,155 shares. Considering the total number of shares acquired during the First Cycle (amounted to 79,611 shares) and during the Second Cycle (amounted to 131,395 shares), Repsol would be committed to delivering 26,534 shares once the First Cycle's vesting period ends, 43,795 shares when the second would be finished and 25,716 shares when the third would be finished. This commitment is subject to the compliance with the remaining Plan requirements.

At June 30, 2013 has been recognized expenses totaling €0.6 million under "*Personnel expenses*" with a counterbalancing entry under "*Retained earnings and other reserves*" in equity related to the First, Second and Third Cycles.

ii.) *"Share AcquisitionPlan"*

During the first half of 2013 and 2012, and in accordance with in the information included in Note 3, section *d) "Equity - 2. Treasury shares and own equity investments* " the Group has purchased 205,785 and 264,398 treasury shares for €3.5 million and €4.4 million respectively, to be delivered to Group employees.

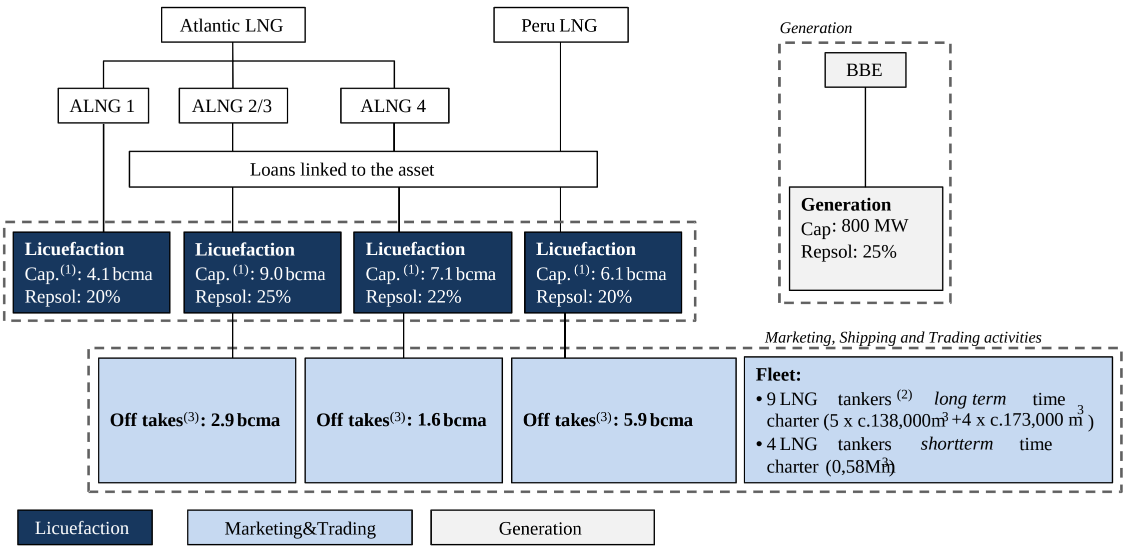
The shares to be delivered under both schemes, i) and ii), may consist of directly or indirectly held treasury shares of Repsol, new issuance shares or shares acquired from third parties under agreements entered into to cover the delivery commitments assumed.

## (12) OTHER INFORMATION

On February 26, 2013 Repsol signed an agreement with Shell for its liquid natural gas (LNG) assets and businesses.

The LNG´s Repsol business includes (i) minority holdings in the liquefaction plants in Trinidad and Tobago (Atlantic LNG) and Peru (Peru LNG) and in the Bahía de Bizkaia Electricidad (BBE) Combined Cycle power plant in Spain; (ii) the commercialisation, transport and trading activities; (iii) the regasification, marketing and trading businesses in North America; and (iv) the integrated LNG project in Angola.

The transaction with Shell includes the businesses indicated in points (i) and (ii) of the previous paragraph, as shown below:




Note: Transport and Upstream assets not included in the transaction. 1 MMtpa = 1.37 bcm.

(1) Nameplate capacity of the Plant.

(2) 7 chartered by Repsol and 2 chartered 50% to Repsol and 50% to GNF. Repsol's percentages of the latter two are transferred.

(3) Gas supply contract.

The transaction does not include either regasification marketing and trading businesses in North America (Canaport regasification plant and the gas pipelines in the region) or the LNG project in Angola.

Together with the sale of assets, Repsol and Shell signed an agreement under which the latter will supply liquefied natural gas to Repsol's regasification plant at Canaport (Canada) over the next 10 years, at a total volume of approximately 1 million tonnes

Transfer of the assets ("*closing*") is conditional on obtaining the necessary authorisations, both from governments and third parties, and the fulfilment of the agreed conditions. Until closing, Repsol will retain ownership and continue managing the businesses included in the scope of the transaction, as well as maintain the dependency relationship between the cash flows for these assets and those of the rest of the LNG business.

In the period of time between the signing of the agreement and its final closing, Repsol will continue to keep the assets and liabilities for the businesses to be transferred on its balance sheet and, furthermore, will register these businesses results in its income statement.

The following tables show a detail of the consolidated assets and liabilities and a summarised consolidated income statement for the period ended 30 June 2013, reflecting the contribution the companies included in the scope of the transaction had on the consolidated financial statements in said period:

| | **06/30/2013** | **06/30/2013** | |
|---|---|---|---|
| | **Consolidated Repsol Group as formulated** | ***Assets of LNG's businesses*[(1)]** | |
| | **(in million €)** | **(in million €)** | **Contribution (%)** |
| **CONSOLIDATED ASSETS AND LIABILITIES (*In accordance with IFRS*)** | | | |
| **ASSETS** | | | |
| Non-current assets | 45,418 | 2,211 | 4.87 |
| Current assets | 21,859 | 801 | 3.67 |
| **Total Assets** | **67,277** | **3,012** | **4.47** |
| **LIABILITIES** | | | |
| Non-current liabilities | 23,364 | 1,328 | 5.68 |
| Current liabilities | 14,649 | 681 | 4.65 |
| **Total Liabilities** | **38,013** | **2,009** | **5.29** |

(1) LNG businesses included in the scope of the selling transaction to Shell.

| | **06/30/2013** | **06/30/2013** | |
|---|---|---|---|
| | **Consolidated Repsol Group as originally stated** | **LNG business results [(2)]** | |
| | **(in million €)** | **(in million €)** | **Contribution (%)** |
| **CONSOLIDATED INCOME STATEMENT *(According to IFRS)*** | | | |
| EBITDA[(1)] | 3,376 | 368 | 10.90 |
| Operating revenue | 29,244 | 1,459 | 5.30 |
| Operating expenses | (27,253) | (1,135) | 4.16 |
| **Operating income** | **1.991** | **324** | **16.27** |
| Financial result | (385) | (19) | 4.94 |
| Net income before tax | 1,680 | 351 | 20.90 |
| **Total net income attributable to the parent** | **901** | **260** | **28.86** |

(1) EBITDA represents operating profit adjusted for items that do not result in cash inflows or outflows from operations (depreciation and amortisation, allowances and provisions released, gains / (losses) on asset sales and other items). EBITDA can also be calculated via the Cash Flow Statement as the sum of "Profit before tax" and "Adjustments to results".
(2) LNG businesses included in the scope of the selling transaction to Shell.

The sale agreement valued the assets at 6,653 million US Dollars. It is estimated that the income before tax, which will be generated when all the suspensory conditions of the sale agreement have been met and, therefore, when the assets are transferred, it will total 3,500 million US Dollars, including the results of the business obtained by Repsol until the effective sale date.

As a consequence of the transfer of the LNG businesses to Shell, a break will occur in the integrated management of the assets and businesses in North America, with part of the assets included in the scope of the transaction. In this regard, Repsol will need to adjust the valuation of the assets and businesses in North America to the new cash flows associated with them by means of the recording of a provision, the amount of which would total approximately 1,800 million US Dollars before tax, according to Repsol's best estimate at June 30, 2013.

## (13) SUBSEQUENT EVENTS

- On July 12, 2013, the Council of Ministers approved a package of measures relating to the energy sector reform established in Royal Decree Law 9/2013, by virtue of which urgent measures to guarantee the financial stability of the electricity system are adopted. In addition, a preliminary draft of the Electricity Sector Law and various Royal Decree proposals were likewise approved.

  Said Royal Decree Law 9/2013 modifies the compensation regime for installations operating under the special regime, which directly affects the compensation for cogeneration facilities. Specifically, it establishes a new regime based on compensation per sale of energy generated and valued at market prices, further establishing additional compensation to that of the market, should it be necessary, to recover the investment and operating expenses until achieving acceptable profitability, calculated before tax and referenced to the average profitability in the secondary market for 10-year government bonds applying a suitable spread (300 basis points for installations that are already operating). This new economic regime will be reviewed every six years.

  The impact that said measures could have on the Repsol Group, in addition to those described for cogeneration facilities, is a consequence of the Group's interest in the Gas Natural Fenosa group which has been estimated at €27 million before taxes for the second half of 2013 and €54 million before taxes for 2014 (amounts stated at the Group´s proporcionate interest in Gas Natural Fenosa).

## (14) EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

These interim condensed consolidated financial statements are prepared on the basis of IFRSs, as endorsed by the European Union, and Article 12 of Royal Decree 1362/2007 (see Note 2). Consequently, certain accounting practices applied by the Group may not conform with other generally accepted accounting principles in other countries.

## ANNEX I: CHANGES IN THE SCOPE OF CONSOLIDATION

*a) Business combinations, other acquisitions and acquisitions of interest in subsidiaries, joint ventures and/or associates*

| Name of the entity (or business activity) acquired/absorbed | Type of transaction | Transaction close date | Cost of the business combination (net) (millions of euros): Consideration (net) paid + other costs directly atributable to the business combination | Cost of the business combination (net) (millions of euros): Fair value of the equity instruments issued to acquire the acquiree | % of voting rights acquired (1) | % of total voting rights acquired in the entity post - acquisition |
|---|---|---|---|---|---|---|
| Tocardo International, B.V. | Acquisition | jan- 13 | 2 | - | 18.0% | 18.0% |
| Mc Alrep, Llc. | Acquisition | feb-13 | - | - | 49.0% | 49.0% |
| SC Repsol Targu Jiu, S.R.L. | Constitution | feb-13 | - | - | 100.0% | 100.0% |
| SC Repsol Baicoi, S.R.L. | Constitution | feb-13 | - | - | 100.0% | 100.0% |
| SC Repsol Targoviste, S.R.L. | Constitution | feb-13 | - | - | 100.0% | 100.0% |
| SC Repsol Pitesti, S.R.L. | Constitution | feb-13 | - | - | 100.0% | 100.0% |
| Repsol Exploración Gharb, S.A. | Constitution | mar-13 | - | - | 100.0% | 100.0% |
| Principal Power, Inc. | Acquisition | mar-13 | 1 | - | 33.6% | 33.6% |
| Principal Power Portugal Unipessoal, Lda. | Acquisition | mar-13 | - | - | 33.6% | 33.6% |
| Principal Power (Europe), Ltd. | Acquisition | mar-13 | - | - | 33.6% | 33.6% |
| Operación & Manteminiento La Caridad, S.A de C.V (2) | Constitution | mar-13 | - | - | 30.0% | 30.0% |
| Gas Natural Servicios Económicos, S.A.S (2) | Constitution | mar-13 | - | - | 30.0% | 30.0% |
| San Andrés Park, S.L | Acquisition | apr- 13 | 5 | - | 96.7% | 96.7% |
| Repsol Exploración Cendrawasih I B.V. | Constitution | apr- 13 | - | - | 100.0% | 100.0% |
| Repsol Exploración Gorontalo B.V. | Constitution | apr- 13 | - | - | 100.0% | 100.0% |
| Repsol Exploración Numfor B.V. | Constitution | apr- 13 | - | - | 100.0% | 100.0% |
| Unión Fenosa Wind Australia PTY (2) | Acquisition | apr- 13 | 1 | - | 0.2% | 28.6% |
| Ryan Corner development Pty. Ltd. (2) | Acquisition | apr- 13 | 1 | - | 0.2% | 28.6% |
| Crookwell development Pty. Ltd. (2) | Acquisition | apr- 13 | - | - | 0.2% | 28.6% |
| Berrybank development Pty. Ltd. (2) | Acquisition | apr- 13 | - | - | 0.2% | 28.6% |
| Gas Natural Finance 1, S.A. (2) | Constitution | apr- 13 | - | - | 30.0% | 30.0% |
| Gas Natural Madrid SDG, S.A. (2) | Constitution | apr- 13 | - | - | 30.0% | 30.0% |
| Repsol Angostura, Ltd. | Constitution | may-13 | - | - | 100.0% | 100.0% |
| Repsol Exploración Liberia LB- 10, B.V. | Constitution | may-13 | - | - | 100.0% | 100.0% |
| Repsol Exploración Liberia LB- 16, B.V. | Constitution | may-13 | - | - | 100.0% | 100.0% |
| Repsol Exploración Liberia LB- 17, B.V. | Constitution | may-13 | - | - | 100.0% | 100.0% |
| Repsol Exploración Guyana S.A. | Constitution | jun-13 | - | - | 100.0% | 100.0% |
| Air Miles España, S.A. | Increase shareholding | jun-13 | - | - | 3.9% | 25.7% |
| Gas Navarra, S.A. (2) | Acquisition | jun-13 | 3 | - | 3.0% | 30.0% |
| Energía del Río San Juan Corp. (2) | Acquisition | jun-13 | 1 | - | 30.0% | 30.0% |
| Hidroeléctrica Río San Juan, S.A.S. (2) | Acquisition | jun-13 | - | - | 30.0% | 30.0% |
| Cer's Commercial Corp. (2) | Acquisition | jun-13 | - | - | 7.5% | 7.5% |

(1) Corresponds to the equity shareholding in the acquired company.
(2) Investments held through Gas Natural Fenosa.

## *b) Reduction in interests in subsidiaries, joint ventures and/or associates and other similar transactions*

| Name of the entity (or business activity) sold, splitted or retired | Type of transaction | Effective date of the operation | % of voting rights sold or retired | % of voting rights acquired in the entity post-acquisition | Income / Loss generated (Millions of euros) (3) |
|---|---|---|---|---|---|
| Eurotek (1) | Reduction in interest | jan- 13 | 51.0% | 49.0% | - |
| Kuosol Servicios, S.A. de C.V (2) | Merge by absortium | feb-13 | 50.0% | - | - |
| Pacific LNG Bolivia, SRL | Liquidation | feb-13 | 37.5% | - | - |
| Windplus, S.A. | Reduction in interest | mar-13 | 7.2% | 23.7% | - |
| Distribuidora de Electricidad del Norte, S.A. (4) | Sale | feb-13 | 25.1% | - | 1 |
| Distribuidora de Electricidad del Sur, S.A. (4) | Sale | feb-13 | 25.1% | - | 1 |

(1) See Note 2, section “Changes in group composition”.
(2) No longer included in the consolidation scope as of February 2013 as a result of it being absorbed by the Repsol Group company, Kuosol Agrícola, S.A.P.I of C.V.
(3) Corresponds to the result recognized before taxes.
(4) Investments held through Gas Natural Fenosa.