

Repsol International Capital Limited

Financial Statements as of
December 31, 2013 together with
Auditors' Report

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Repsol International Capital Limited:

We have audited the accompanying financial statements of Repsol International Capital Limited, which comprise the statement of financial position as of December 31, 2013, the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Repsol International Capital Limited as at December 31, 2013, and of its results and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

DELOITTE, S.L.



Javier Ares San Miguel
April 25, 2014

REPSOL INTERNATIONAL CAPITAL LIMITED

**FINANCIAL STATEMENTS AS OF DECEMBER 31, 2013
TOGETHER WITH REPORT OF INDEPENDENT AUDITORS**

REPSOL INTERNATIONAL CAPITAL LIMITED

Management Board Report

1. General comments and results

1.1 The sole business of Repsol International Capital Limited (“the Company”) is to issue preference shares in various markets and advance the net proceeds to various non-Spanish members of the Repsol Group. The Company engages in no activities other than those related to the borrowing and lending of such funds.

1.2 On May 31st, 2013, the Company, and Repsol, S.A. ’s Board of Directors agreed in their respective powers the launch of an operation consisting of: (i) the completion of an offer of voluntary repurchase in cash of the series B preference shares and the series C preference shares issued by the Company, in May and December 2001 respectively, and simultaneously and related to the offer of repurchase, (ii) the completion of a public offering of subscription of simple obligations series I/2013 of Repsol, S.A. addressed to the acceptors of the repurchase offer.

The acceptance period of the repurchase offer started on June 5th, 2013 and ended June 25th, 2013. During the acceptance period, the Company received acceptances to the repurchase offer for 97.21% (as a whole for the two Series). The Company paid on July 1st, 2013 to those accepting the repurchase offer a total amount of EUR 2,843,473 thousand in cash, out of which EUR 1,458,191 thousand were applied, necessarily, simultaneously, unconditionally and irrevocably to the subscription of Repsol Bonds Series I/2013. The obligations of Repsol S.A. were admitted to trading on the AIAF fixed income market on July 2nd, 2013.

1.3 The net loss for the year ended December 31st, 2013 was EUR 11.6 million compared with a net loss of EUR 26.7 million for the year ended December 31st, 2012. The decrease in loss is mainly caused by the decrease in the expenses related to the liquidity fee commission after the repurchase of the preference shares and the decrease in the financial expenses due to a lower effective rate on the Preference Shares compared to prior period on each of Series B and C.

2. Events after Balance Sheet date

There have been no subsequent events after December 31, 2013.

3. Main activities performed during 2013

- Tenants of Preference Share B have accrued a dividend of EUR 19 million.
- Tenants of Preference Share C have accrued a dividend of EUR 38 million.
- During 2013 Repsol International Capital Ltd. continued to grant loans to Repsol Netherlands Finance BV. As per December 31st, 2013 the amount granted to RNF reached EUR 117.6 million, all of them denominated in EUR at an interest rate of 3.925%.

4. Financial risk management

4.1 The Company’s activities expose it primarily to the market risks of changes in interest rates. Market risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

REPSOL INTERNATIONAL CAPITAL LIMITED

- 4.2 The Group's Corporate Risk function provides services to manage the financial risk relating to the Company's operations. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.
- 4.3 Note 11 of the annual accounts provides a detailed description of the nature and extent of risk arising from the financial instruments to which the Company is exposed at the reporting date. The disclosure includes a sensitivity analysis in order for the users of the financial statements to evaluate the risks.

5. **Corporate governance**

The Company is a wholly owned subsidiary of Repsol International Finance B.V., a limited liability company organized under the laws of the Netherlands. All the ordinary shares of Repsol International Finance B.V. are owned by Repsol, S.A., a limited liability company organized under the laws of Spain.

The Company, subject to the laws of the Cayman Islands, has no obligation to prepare a corporate governance report. For this reason, and in order to comply with the provisions of the Spanish Ministerial Order ECC/461/2013, of March 20th, and Circular of the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores - CNMV*) 5/2013, of June 12th a reference is made to the Corporate Governance Report for the year 2013 prepared by the parent Company, Repsol S.A., which was duly registered with the CMNV last February 26th, 2014 (registration number 2014026449, and official notice - *hecho relevante* - registration number 200970).

6. **Research and development activities**

Repsol International Capital Limited has not carried out any research and development activities during 2013.

7. **Operations with treasury shares**

Repsol International Capital Limited has not carried out any treasury shares operations in 2013.

STATUTORY DIRECTORS:

George Town, Cayman Islands

April 25, 2014

Richard McMillan

Rafael Guerrero Mendoza

Javier Nogales Aranguez

Javier Sanz Cedrón

REPSOL INTERNATIONAL CAPITAL LIMITED

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2013

Before appropriation of net result

Thousand of Euros			2013	2012
ASSETS		Note		
A)	NON-CURRENT ASSETS		117,596	3,017,209
	Long term loans to related parties	4	117,596	3,017,209
	Other non-current financial assets		-	-
B)	CURRENT ASSETS		42	371
	Other debtors		-	-
	Short term loans and accrued interest receivable from related parties	4	13	369
	Other current financial assets		-	-
	Cash and cash equivalents	3	29	2
TOTAL ASSETS (A+B)			117,638	3,017,580

The accompanying notes one to fourteen are an integral part of the financial statements.

REPSOL INTERNATIONAL CAPITAL LIMITED

STATEMENT OF FINANCIAL POSITION

(continued)

DECEMBER 31, 2013

Before appropriation of net result

Thousand of Euros			2013	2012
LIABILITIES				
A)	SHAREHOLDER'S EQUITY / (DEFICIT) (A.1 + A.2)	Note	33,994	(48,258)
A.1)	EQUITY		36,137	47,736
	Common stock US\$1 par value, 518,900,000 shares authorized, issued, fully paid and outstanding	10	347,057	347,057
	Other reserves		(47,900)	(47,900)
	Accumulated deficits		(251,421)	(224,717)
	Net profit (loss)		(11,599)	(26,704)
A.2)	REVALUATION CHANGES		(2,143)	(95,994)
	Revaluation reserve	6	(2,143)	(95,994)
B)	NON-CURRENT LIABILITIES	7	83,618	3,065,797
	a) Non-cumulative Warranted Non-voting Preference Shares:		83,618	3,000,000
	i) Series B – 29,822 shares authorized, issued and outstanding at December 31, 2013, €1,000 par value.		29,822	1,000,000
	ii) Series C – 53,796 shares authorized, issued and outstanding at December 31, 2013, €1,000 par value.		53,796	2,000,000
	b) Other non-current financial liabilities		-	65,797
C)	CURRENT LIABILITIES		26	41
	Other current financial liabilities		-	-
	Payable to related parties	5	3	9
	Creditors		23	32
	Other current liabilities		-	-
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY/ (DEFICIT) (A+B+C)			117,638	3,017,580

The accompanying notes one to fourteen are an integral part of the financial statements.

REPSOL INTERNATIONAL CAPITAL LIMITED

STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 2013

Thousand of Euros

			2013	2012
		Note		
	OPERATIONAL RESULT		(64)	(44)
(+)	Financial income		69,350	135,520
	Interest income from related parties	4	69,350	135,520
	Other financial income		-	-
(-)	Financial expenses		(77,105)	(162,180)
	Preference shares dividend	9	(57,025)	(127,830)
	Amortization of revaluation reserve	6	(1,576)	(3,070)
	Interest on IRS	6	(10,283)	(15,280)
	Other financial expenses		(8,221)	(16,000)
(+/-)	Unrealized fair value changes:		-	-
(+/-)	Exchange gain (loss)	8	-	-
(+/-)	Gain or loss from disposal of financial instruments	7	(3,780)	-
=	FINANCIAL RESULT		(11,535)	(26,660)
=	PRE-TAX RESULT		(11,599)	(26,704)
(+/-)	Tax expense		-	-
=	NET RESULT		(11,599)	(26,704)

The accompanying notes one to fourteen are an integral part of the financial statements.

REPSOL INTERNATIONAL CAPITAL LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2013

Thousand of Euros

		2013	2012
A)	Net result	(11,599)	(26,704)
B)	Income and expenses charged directly to Equity	17,867	(28,863)
	Cash flow hedges	17,867	(28,863)
C)	Transfers to the Statement of Income	75,984	3,070
1	Due to valuation of financial instruments	-	-
	a) Available for sale financial assets	-	-
	b) Other income / (expenses)	-	-
2	Cash flow hedges	75,984	3,070
3	Other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME (A+B+C)		82,252	(52,497)

The accompanying notes one to fourteen are an integral part of the financial statements.

REPSOL INTERNATIONAL CAPITAL LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2013

Thousand of Euros		2013	Equity (Deficit)			Revaluation Changes	Total
			Common Stock	Reserves	Net Profit (Loss)		
December 31, 2012			347,057	(272,617)	(26,704)	(95,994)	(48,258)
I.	Comprehensive income (loss)		-	-	(11,599)	93,851	82,252
II.	Capital transactions with owners		-	-	-	-	-
III.	Other changes in Shareholder's Equity (Deficit)		-	(26,704)	26,704	-	-
	Appropriation of net result		-	(26,704)	26,704	-	-
	Other changes		-	-	-	-	-
December 31, 2013			347,057	(299,321)	(11,599)	(2,143)	33,994

Thousand of Euros		2012	Equity			Revaluation Changes	Total
			Common Stock	Reserves	Net Profit (Loss)		
December 31, 2011			347,057	(270,235)	(2,382)	(70,201)	4,239
I.	Comprehensive income (loss)		-	-	(26,704)	(25,793)	(52,497)
II.	Capital transactions with owners		-	-	-	-	-
III.	Other changes in Shareholder's Equity		-	(2,382)	2,382	-	-
	Appropriation of net result		-	(2,382)	2,382	-	-
	Other changes		-	-	-	-	-
December 31, 2012			347,057	(272,617)	(26,704)	(95,994)	(48,258)

The accompanying notes one to fourteen are an integral part of the financial statements.

REPSOL INTERNATIONAL CAPITAL LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2013

Thousand of Euros		2013	2012
A)	Cash flow from operating activities (1+2+3)	(9,682)	(23,990)
1	Net result	(11,599)	(26,704)
2	Adjustments to net result	(10,749)	(4,620)
	(+/-) Other adjustments to net result	(10,749)	(4,620)
	Amortization of revaluation reserve	1,576	3,070
	Interest income from related companies	(69,350)	(135,519)
	Dividends on Preference Shares	57,025	127,830
3	Other cash flows from operating activities:	12,666	7,334
	(-) Dividend on preference share payments	(57,025)	(127,830)
	(+) Interest collections	69,706	135,523
	(+/-) Other inflows / (outflows) from operating activities	(15)	(359)
B)	Cash flow from investing activities	2,899,613	23,585
1	1. Payment of investments	-	-
	(-) Loans to related parties	-	-
2	2. Proceeds from investments	2,899,613	23,585
	(+) Loans to related parties	2,899,613	23,585
	(+) Other financial assets	-	-
C)	Cash flow from financing activities	(2,889,904)	-
	Capital increase	-	-
	Proceeds (payments) from financial instruments	(2,889,904)	-
D)	Effects of exchange rate changes on the balance of cash held in foreign currencies	-	-
	Net increase / (decrease) in cash and cash equivalents (A+B+C+D)	27	(405)
F)	Cash and cash equivalents, beginning of year	2	407
G)	Cash and cash equivalents, end of year (E+F)	29	2

The accompanying notes one to fourteen are an integral part of the financial statements.

REPSOL INTERNATIONAL CAPITAL LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

(Expressed in Euros)

Note 1: Company Description

Repsol International Capital Limited (the "Company") was incorporated on August 14, 1989, under the laws of the Cayman Islands. All the ordinary shares of the Company are owned directly by Repsol International Finance B.V., (the "Parent") a limited liability company organized under the laws of The Netherlands, all the ordinary shares of which are owned by Repsol, S.A. (the ultimate parent of Repsol Group), a limited liability company organized under the laws of Spain. Repsol, S.A. is an integrated oil and gas company engaged in all aspects of the petroleum business.

The sole business of the Company is to issue preference shares in various markets and advance the net proceeds to various non-Spanish members of the Repsol Group (the "Group"). The Company engages in no activities other than those related to the borrowing and lending of such funds.

The Company's registered office is located at Clifton House, 74 Fort Street, Grand Cayman, Cayman Islands (P.O. Box 1350).

As of December 31, 2013, the capital stock of the Company consisted of 518,900,000 ordinary shares of US\$ 1 par value each, fully subscribed by Repsol International Finance B.V. Each share carries one vote and a right to dividends.

Note 2: Basis of Presentation and Accounting Principles

a) Basis of presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards.

The accompanying financial statements were prepared from the Company's accounting records as of December 31, 2013.

REPSOL INTERNATIONAL CAPITAL LIMITED

Notes to the financial statements for the year ended December 31, 2013 – continued

b) Measurement basis

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

c) Accounting principles

The main accounting principles applied in preparing the accompanying financial statements are summarized as follows:

1. Cash and cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

2. Derivative financial instruments

For the year ended December 31, 2013, there are not unsettled derivatives instruments and for the year ended December 31, 2012 the only outstanding derivatives instruments were the interest rate swaps which were designated, qualified and accounted for as a cash flow hedge. The effective portion of changes in the fair value of the interest rate swap is recognized in the statement of comprehensive income under the caption “cash flow hedges”. The gain or loss relating to the ineffective portion is recognized immediately in the statement of income. Amounts accumulated in equity are transferred to the statement of income in the periods when the hedged item affects the statement of income such as when the hedged financial expense is recognized. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate Series B Preference Shares is recognized in the statement of income within “Interest on IRS”. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the statement of income. If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognized in equity is transferred to the statement of income.

3. Equity

Liabilities vs. equity classification

Financial instruments are classified as liabilities or equity in accordance with the substance of the respective contractual arrangement on initial recognition.

REPSOL INTERNATIONAL CAPITAL LIMITED

Notes to the financial statements for the year ended December 31, 2013 – continued

Interest, dividends, gains and profits relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. When the rights and obligations regarding the manner of settlement of financial instruments depend on the occurrence or non-occurrence of uncertain future events or on the outcome of uncertain circumstances that are beyond the control of both the issuer and the holder, the financial instrument is classified as a liability unless the possibility of the issuer being required to settle in cash or another financial asset is remote at the time of issuance, in which case the instrument is classified as equity (see Note 7).

4. Preference shares

The preference shares issued by the Company are classified as financial liabilities because of the obligation to pay dividends if Repsol, S.A. reports a distributable profit. Consequently the preference dividend is being classified as a finance cost. Transaction costs directly related to the issuance of the preference shares are deducted from the amount of debt originally recognized, and they are subsequently amortized through the income statement (see Note 7).

5. Revenue recognition

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

Interest is recognized on a time proportion basis that reflects the effective yield on the asset.

6. Foreign currency transactions

The Company translates its foreign currency transactions into its reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction. At year-end, the amounts payable or receivable in foreign currencies are translated to Euros at the official exchange rate on the last business day of the year, and the resulting gains or losses are recognized in profit or loss in the year in which they arise.

7. Income taxes

No income tax is levied on corporations in the Cayman Islands and, therefore, no income tax provision has been reflected in the accompanying financial statements.

Note 3: Cash and Cash Equivalents

The caption “Cash and cash equivalents” refers mainly to short-term deposits kept with financial institutions.

REPSOL INTERNATIONAL CAPITAL LIMITED

Notes to the financial statements for the year ended December 31, 2013 – continued

Note 4: Loans to Related Parties

The proceeds from Series B and Series C Preference Shares issuance (see Note 7) were loaned to Repsol Netherlands Finance B.V. , a limited liability company organized under the laws of The Netherlands, in May 2001 and in December 2001, respectively. On July 1, 2013 the Preference Shares Series B and C subject to the repurchase agreement (see Note 7) were paid and derecognized from the statement of financial position, funds for the repurchase of Preference Shares Series B and C were obtained by the repayment of Repsol Netherlands Finance B.V.'s loans.

The outstanding balance at December 31, 2013 relates to the non-purchased Preference Shares Series B and C and amounts EUR 117,596,000 compared to the EUR 3,017,209,000 at December 31, 2012. These loans accrue interest income at a floating rate floor of Euribor plus a margin but not lower than 1.3612%. Interest income for the years ended December 31, 2013 and 2012, amounted to EUR 69,350,000 and EUR 135,520,000 respectively. Outstanding interest accrual at December 31, 2013 and 2012, amounted to EUR 13,000 and EUR 369,000 respectively.

Note 5: Payable to Related Parties

The caption "Payable to related parties" refers to the balance of a current account with companies within the Repsol Group.

Note 6: Derivative Financial Instruments

Starting June 30, 2011 the dividend on each Series B Preference Share (see Note 7) changed to a floating rate per annum equal to three month Euribor plus a margin equal to 3.5%. The Company signed from June 30, 2011, several interest rate swap (IRS) for a notional amount of EUR 1,000,000,000 to hedge the interest rate risk arising from the floating rate preference shares Series B. At inception the IRS was intended to mature on June 30, 2016. Under interest rate swap contracts, the Company agrees to exchange the difference between fixed and floating interest rate amounts calculated on the agreed notional principal amounts. Such contracts enabled the Company to cancel off the risk of cash flow exposures on the issued variable rate of Preference Shares Series B. From its inception the IRS were designated, qualified and accounted as "cash flow hedges".

From June 30, 2013 hedge accounting for the IRS were discontinued as a consequence of the repurchase of the Preference Shares Series B. As consequence of the discontinuance, the corresponding loss recognized in other comprehensive income and accumulated in equity has been recognized in profit and loss under the caption "Gain or loss from disposal of financial instruments". On July 2, 2013 the IRS was cancelled early and settled in cash.

During the first quarter of 2007, a swap qualified as a cash flow hedge, failed the effectiveness test and accordingly the Company proceeded with its discontinuance starting December 31, 2006. The cumulative loss deferred in equity is also affected by the repurchase of the Preference Shares Series B and C. The corresponding part of the

REPSOL INTERNATIONAL CAPITAL LIMITED

Notes to the financial statements for the year ended December 31, 2013 – continued

cumulative loss deferred in equity related to the Preference Shares subject to the repurchase agreement has been recognized immediately as an expense under the caption “Gain or loss from disposal of financial instruments”.

The cumulative loss related to Preference Shares not subject to the repurchase agreement for the swaps continues to be separately recognized in equity EUR 2,143,000 compared to EUR 95,994,000 in 2012, under the caption “Revaluation reserve” and amortized as the financial instrument matures. During 2013, EUR 1,576,000 has been amortized compared to EUR 3,070,000 during 2012.

The Company’s principal financial instruments not carried at fair value are cash and cash equivalents, trade receivables, other current assets and trade and other payables. The carrying amount of cash and cash equivalents approximates their fair value due to the short-term maturity of these financial instruments. Similarly, the historical cost carrying amounts of receivables and payables, which are all subject to normal trade credit terms, approximate their fair values.

Note 7: Preference Shares

Series B

On March 26, 2001, the Board of Directors resolved to issue and sell bearer Preference Shares with an aggregate liquidation preference of up to EUR 1,000,000,000, referred to as the Series B Preference Shares, to be guaranteed by Repsol, S.A.

In May 2001, the Company issued 1,000,000 Non-cumulative Guaranteed Non-voting Preference Shares, each of EUR 1,000 par value, for EUR 1,000,000,000 (the “Series B Preference Shares”). Series B Preference Shares are listed in the Spanish AIAF market. The AIAF is a regulated market for Corporate Debt and Private Fixed Income, it forms part of Bolsas y Mercados Españoles (BME), which operates the Spanish financial markets.

The dividend on each Series B Preference Share was a floating rate per annum equal to three month Euribor with a cap of 7% and a floor of 4% for the first 10 years, and for the following years, starting June 30, 2011, three month Euribor plus a margin equal to 3.5%. The dividend will be accrued from the date of the original issuance, and payable quarterly in arrears on March 31, June 30, September 30 and December 31, of each year, commencing on June 30, 2001.

Dividends are payable only to the extent that the Distributable Profits of Repsol, S.A. for the preceding fiscal year are sufficient to cover the payment of dividends on the Series B Preference Shares, together with any dividends previously paid in the current fiscal year and any dividends proposed to be paid during the current calendar quarter, on either the Series B Preference Shares or any other preference shares of Repsol, S.A. or any affiliate ranking *pari passu* with the Series B Preference Shares. Holders of the Series B Preference Shares will have no other right to participate in any profits of the Company.

REPSOL INTERNATIONAL CAPITAL LIMITED

Notes to the financial statements for the year ended December 31, 2013 – continued

The Series B Preference Shares are redeemable, at the option of the Company, in whole or in part, from time to time on or after May 11, 2011 at EUR 1,000 per share, plus accrued and unpaid dividends for the then-current quarterly dividend period to the date fixed for redemption.

The payment of dividends and payments upon redemption, as well as any distribution upon liquidation of the Company, are unconditionally guaranteed by Repsol, S.A.

Series C

In December 2001, the Company issued 2,000,000 Non-cumulative Guaranteed Non-voting Preference Shares, each of EUR 1,000 par value, for EUR 2,000,000,000 (the “Series C Preference Shares”). Series C Preference Shares are listed in the Spanish AIAF market. The AIAF is a regulated market for Corporate Debt and Private Fixed Income, it forms part of Bolsas y Mercados Españoles (BME), which operates the Spanish financial markets.

The dividend on each Series C Preference Share was a floating rate per annum equal to three month Euribor with a cap of 7% and a floor of 4% for the first 10 years and for the following years, starting December 31, 2011, three month Euribor plus a margin equal to 3.5%. The dividend will be accrued from the date of the original issuance, and payable quarterly in arrears on March 31, June 30, September 30 and December 31, of each year.

Dividends are payable only to the extent that the Distributable Profits of Repsol, S.A. for the preceding fiscal year are sufficient to cover the payment, of dividends on the Series C Preference Shares, together with any dividends previously paid in the current fiscal year and any dividends proposed to be paid during the current calendar quarter, on either the Series C Preference Shares or any other preference shares of Repsol, S.A. or any affiliate ranking *pari passu* with the Series C Preference Shares. Holders of the Series C Preference Shares will have no other right to participate in any profits of the Company.

The Series C Preference Shares are redeemable, at the option of the Company, in whole or in part, from time to time on or after December 21, 2011, at EUR 1,000 per share, plus accrued and unpaid dividends for the then-current quarterly dividend period to the date fixed for redemption.

The payment of dividends and payments upon redemption, as well as any distribution upon liquidation of the Company, are unconditionally guaranteed by Repsol, S.A.

Tender offer for the repurchase in cash of the Preference Shares B and C

On May 31, 2013, the Company and Repsol S.A.’s Board of Directors approved a tender offer for the repurchase in cash of the Preference Shares B and C and simultaneously, and linked to the repurchase offer, a tender offer for the subscription of Bonds Series I/2013 to be issued and offered by Repsol S.A. to the holders of Preference Shares who accepted the repurchase offer, in accordance with the following terms and conditions:

REPSOL INTERNATIONAL CAPITAL LIMITED

Notes to the financial statements for the year ended December 31, 2013 – continued

(i) Preference Shares are to be repurchased by the Company, in cash, for 97.5% of its nominal value (EUR 975);

(ii) the acceptance of the repurchase offer implies the simultaneous, unconditional and irrevocable subscription application of Bonds of Repsol, S.A. with a nominal value of EUR 500. Holders of Preference Shares accepting the repurchase offer retains the difference between the repurchase price and the subscription price of the Bonds (EUR 475 for each Preference Share), for its discretionary use;

(iii) holders of Preference Shares might only accept the repurchase offer with respect to all the Preference Shares that they hold. A partial acceptance in relation to a Series of Preference Shares or an acceptance of the repurchase offer regarding only one of the Preference Shares but not the other (in the event that the relevant holder holds Preference Shares of both Series) are not permitted; and

(iv) the repurchase offer does not modify any rights or obligations of those holders who do not accept the repurchase offer.

The acceptance period of the repurchase offer started on June 5, 2013 and ended June 25, 2013.

During the acceptance period, the Company received acceptances to the repurchase offer for:

(i) 970,178 Preference Shares Series B, representing a 97.02% of the initial nominal value of the issue (therefore, the outstanding amount of this issue after liquidation of the repurchase offer will be 29,822 Preference Shares Series B - 2.98% of the initial nominal value);

(ii) 1,946,204 Preference Shares Series C, representing a 97.31% of the initial nominal value of the issue (therefore, the outstanding amount of this issue after liquidation of the repurchase offer will be 53,796 Preference Shares Series C- 2.69% of the initial nominal value).

Therefore, given the abovementioned acceptance results (97.21% as a whole for the two Series), the Company paid on July 1, 2013 to those accepting the repurchase offer a total amount of EUR 2,843,473,000 in cash, out of which EUR 1,458,191,000 were applied, necessarily, simultaneously, unconditionally and irrevocably to the subscription of Repsol Bonds Series I/2013.

On July 2013 the Preference Shares subject to the repurchase agreement were paid and derecognized from the statement of financial position and Repsol Bonds Series I/2013 were subscribed by those accepting the repurchase offer. As consequence of this transaction the Company registered a net loss of EUR 3,780,000 under the caption "Gain or loss from disposal of financial instruments" including the effect of the hedging derivative financial instruments discontinued and cancelled (Note 6).

REPSOL INTERNATIONAL CAPITAL LIMITED

Notes to the financial statements for the year ended December 31, 2013 – continued

Note 8: Exchange Gains and Losses

The amount registered as exchange gain in the accompanying statement of income is composed as follows:

	Thousands of Euros	
	2013	2012
Realized exchange gain	-	-
Revaluation exchange gain	<u>1</u>	<u>-</u>
Total exchange gain	<u>1</u>	<u>-</u>

The amount recorded as exchange loss in the accompanying statement of income is composed as follows:

	Thousands of Euros	
	2013	2012
Realized exchange loss	(1)	-
Revaluation exchange loss	<u>-</u>	<u>-</u>
Total exchange loss	<u>(1)</u>	<u>-</u>

Note 9: Payment of Dividends

Pursuant to the classification of the Preference Shares as a financial liability, the dividends paid to the holders of these Preference Shares are recorded as a financial expense.

During 2013 and 2012, the Company's Board of Directors declared the following dividends on each of Series B and C Preference Shares to holders:

Series	Date of payment	Dividend per share %	2013		2012	
			Effective rate per share %	Total Amount	Effective rate per share %	Total Amount
B	Quarterly at March 31, June 30, September 30, and December 31.	Floating rate	3.699% annual	€ 19,045,000	4.26% annual	€ 42,610,000
C	Quarterly at March 31, June 30, September 30, and December 31.	Floating rate	3.699% annual	€ 37,980,000	4.26 % annual	€ 85,220,000
				€ 57,025,000		€ 127,830,000

REPSOL INTERNATIONAL CAPITAL LIMITED

Notes to the financial statements for the year ended December 31, 2013 – continued

Note 10: Common Stock

Fully paid ordinary shares, which have a par value of US\$ 1, carry one vote per share and carry a right to dividends.

Note 11: Financial Risk Management

The Company identifies, evaluates and hedges financial risks in close co-operation with its Parent Company's Financial Risk Department.

The Parent Company's Financial Risk Department, with the aim to promote best practices, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks.

The Company's activities expose it primarily to the market risks of changes in interest rates. Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Currency risk

Currently the Company has virtually no currency risk exposure.

Interest rate risk

The Company is exposed to changes in market interest rates. The risk is managed by the Company by maintaining an appropriate mix between fixed and floating rates both in the Preference Shares and the loan granted to Repsol Netherlands Finance B.V. This was achieved by the use of interest rate swap contracts and collars (see note 6).

The interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts were designated as cash flow hedges in order to reduce the Company's cash flow exposure resulting from variable interest rates on Preference Series B. The interest rate swaps settle on a quarterly basis and occur simultaneously with the dividend payment of Preference Shares Series B and the interest payments for the Repsol Netherlands Finance B.V.'s loan.

The Company uses a Value at Risk (VaR) model and a sensitivity analysis to measure the impact of the market risk relating to its financial instruments.

At December 31, 2013, if interest had been 50 basis points higher (lower) all along the yield curve with all other variables held constant, profit for the year would have been EUR 170,000 higher (lower). At 31 December 2012, if interest had been 50 basis points

REPSOL INTERNATIONAL CAPITAL LIMITED

Notes to the financial statements for the year ended December 31, 2013 – continued

higher (lower) all along the yield curve with all other variables held constant, profit for the year would have been EUR 5,088,000 higher (lower).

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The main credit risk is a default from Repsol Netherlands Finance B.V. who has the necessary financial support from Repsol, S.A. The credit risk on derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned.

Liquidity risk

The Company manages liquidity risk by matching the maturity of the preference shares payments with the proceeds from the loan granted to Repsol Netherland Finance B.V..

Capital management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

In order to maintain or adjust the capital structure, the Company may issue new shares. The Company's overall strategy for managing capital remains unchanged from 2012.

Note 12: Related Party Transactions

The statement of financial position captions "Long term loans to related parties" and "Short term loans and accrued interest receivable from related parties" recognize the principal and interest accrued, and the caption of the statement of income "Interest income from related parties" (2013: EUR 69,350,000, 2012: EUR 135,520,000) shows the interest charges of the loan granted by the Company to Repsol Netherlands Finance B.V., which bears arm's length interest.

Under the caption "Other financial expenses" are recorded a liquidity commission and a success commission for the Preference Shares of which EUR 4,111,000 were paid in 2013 to "Caja de Ahorros y Pensiones de Barcelona" (EUR 8,000,000 in 2012).

Note 13 Subsequent events

There have been no subsequent events after December 31, 2013, up to the date these financial statements were available to be issued.

REPSOL INTERNATIONAL CAPITAL LIMITED

Notes to the financial statements for the year ended December 31, 2013 – continued

Note 14: Statutory and Supervisory Board

The Statutory Directors do not receive any remuneration. The Company does not have supervisory directors as at and for the year ended December 31, 2013.

The financial statements 2012 were approved by the Board of Directors and authorized for issue on May 23, 2013. The financial statements 2013 were approved by the Board of Directors on April 25, 2014.

George Town, Cayman Islands

April 25, 2014

STATUTORY DIRECTORS:

Richard McMillan

Rafael Guerrero Mendoza

Javier Nogales Aranguéz

Javier Sanz Cedrón

STATEMENT

The members of the Board of Directors of Repsol International Capital Limited (the Company) state that, to the best of our knowledge, the Financial Statements for the fiscal year ended on the 31 December 2013, approved by the Board on the 25 April 2014, are prepared in accordance with applicable accounting principles, give a true and fair view of the net worth, of the financial situation and results of the Company, and that the Management Report includes a fair analysis of the Company's performance, results and position, as well as a description of the principal risks and uncertainties facing it.

Francisco Javier Nogales Aranguez

Rafael Guerrero Mendoza

Richard McMillan

Javier Sanz Cedrón