

# REPSOL INTERNATIONAL CAPITAL Ltd.

## Management Report– For the half year ended June 2013

### 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 The net loss for the half year ended June 30<sup>th</sup>, 2013 was EUR 10.1 million compared with a net loss of EUR 16.8 million for the half year ended June 30<sup>th</sup>, 2012. The decrease in loss is mainly caused by the decrease in financial expenses due to a lower effective rate on the Preference Shares compared to prior period on each of Series B and C. This effect was partially offset by the interest rate swap related to the Preference Shares.
- 1.3 On May 31st, 2013, the board of Directors of the Company, and Repsol, S.A. 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 were admitted to trading on the AIAF fixed income market on July 2, 2013.

As a result of the acceptance of tenders from holders, as of June 30th, 2013 the Preference Shares subject to the repurchase agreement have been registered at fair value in accordance with the conditions of such offers and it has registered a net loss of EUR 1.6 million including the effect of hedging derivative financial discontinued instruments.

### 2. Main activities performed during the first half of 2013

- Tenants of Preference Share B have accrued a dividend of EUR 18,5 million.
- Tenants of Preference Share C have accrued a dividend of EUR 37 million.
- During the first six months of 2013 Repsol International Capital Ltd. continues to grant loans to Repsol Netherlands Finance BV. As per June 30, 2013 the amount granted to RNF reached EUR 3,047.4 million, all of them denominated in EUR at an interest rate of 4.4%.

### **3. Financial risk management**

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.

Note 11 of year ended 2012 annual accounts provides a detailed description of the nature and extent of risk arising from the financial instruments to which the entity 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.

### **4. 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 CNMV Circular 1/2004, of March 17<sup>th</sup> (as amended by the CMNV Circular 4/2007, of December 27<sup>th</sup>) a reference is made to the Corporate Governance Report for the year 2012 prepared by the parent Company, Repsol S.A., which was duly registered with the CMNV last February 28<sup>th</sup>, 2013 (registration number 183016).

### **5. Research and development activities**

The Company has not carried out any research and development activities during 2013.

### **6. Operations with treasury shares**

The Company has not carried out neither any own shares operations nor any parent company share operations in 2013.