

Repsol shareholders back the agreement between the Government of Argentina and the company

REPSOL'S ANNUAL GENERAL MEETING APPROVES YPF COMPENSATION AGREEMENT

- **Repsol's Annual General Meeting today ratified the "Convenio de Solución Amigable y Avenimiento de Expropiación" which recognises the company's right to receive \$5 billion as compensation for the expropriation of the 51% shareholding in YPF and YPF GAS, together with payment guarantees.**
- **With the ratification of Repsol's Annual General Meeting, the agreement is subject to the approval by the National Congress of Argentina.**
- **Antonio Brufau: "We have worked very hard to obtain a just compensation. Our efforts have been rewarded with a guaranteed agreement that creates value for our shareholders and strengthens the company's financial position. Today we embark on a new phase, full of hope and growth prospects for Repsol.**
- **The AGM approved Repsol's 2013 earnings, during which the company posted a recurring net income of 1.823 billion euros at current cost of supply, increased hydrocarbons production by 4% and achieved a record reserve replacement ratio of 275%, the highest in the industry worldwide.**
- **Over the last year Repsol has continued to strengthen its international presence in OECD countries, acquiring exploration assets in the United States and Norway. The company also made nine important discoveries, achieving an exploration success rate which exceeded that of its peers.**
- **Repsol's market value gained 19.5% in 2013, beating the average rise of international oil companies (10.4%). In addition, the agreement reached in relation to YPF was applauded by international financial**

analysts, 94% of whom have “buy” or “hold” recommendations for Repsol shares.

- **Bearing in mind the dividends paid and the increase in share price, the returns for Repsol shareholders during the last year increased by 26%, considerably more than the industry’s average (15%.)**
- **In line with the policy that has been followed in recent years, the AGM approved two proposals for a paid-up capital increase to maintain the “Repsol Flexible Dividend” program as a way of remunerating shareholders, a program which is backed by the majority of shareholders.**
- **The AGM approved the re-election of Paulina Beato Blanco, Artur Carulla Font, Javier Echenique Landiribar, Henri Philippe Reichstul and Pemex Internacional España, S.A. as members of the Board of Directors.**
- **The AGM also voted to change the company’s bylaws and shareholders’ meeting regulations to incorporate measures that reinforce the necessary majority in key decisions and protect the integrated development of the company’s business units.**
- **Brufau highlighted that “the structural reforms adopted by the Government have been key to Spain’s changing economic situation, resulting in renewed trust from both foreign and domestic investors.”**

Repsol’s Executive Chairman, Antonio Brufau today presented the “Convenio de Solución Amigable y Avenimiento de Expropiación” to the company’s shareholders attending the Annual General Meeting which was unanimously approved by the Board of Directors on 25 February. The agreement reached with the Government of Argentina recognises the company’s right to receive \$5 billion in compensation for the expropriation of 51% of YPF and YPF GAS and stipulates guarantees for effective payment as well as the termination of current judicial and arbitration proceedings and the reciprocal waiver of future claims.

The Annual General Meeting overwhelmingly backed the agreement with Argentina, with the vast majority of its shareholders voting in favour. Thus, the agreement is definitively ratified by the company. The agreement now requires approval by the National Congress of Argentina.

Antonio Brufau, on behalf of the Board of Directors, thanked the shareholders for supporting the agreement reached with the Government of Argentina which he described as historic. "We have worked very hard to obtain a just compensation. Our efforts have been rewarded with an agreement that creates value for our shareholders and strengthens the company's financial position. Today we embark on a new phase, full of hope for future growth opportunities for Repsol."

The Annual General Meeting also approved the year-end results. The company posted a recurring net income of 1.823 billion euros at current cost of supply (CCS), and continued to increase its hydrocarbons production by 4% as a result of the start-up of three new strategic projects for the Group in Brazil, Russia and Bolivia. In 2013 Repsol also achieved a record reserve replacement ratio, of 275%, which was the highest in the industry worldwide.

During his presentation to the shareholders, Antonio Brufau highlighted the main achievements of 2013, a year in which Repsol has continued to strengthen its international presence in OECD countries with several acquisitions of exploration assets mainly in the United States and Norway. The company also made nine important hydrocarbon discoveries, achieving an exploration success rate which exceeds that of its international peers.

Nine discoveries with an exploration success rate exceeding that of its peers



The company led its European competitors in integrated refining and marketing margins, thanks to the excellent quality of its refining assets resulting from the historic investment made in the Cartagena and Bilbao refineries. The company has an excellence plan for its service stations which are a benchmark in Spain thanks to the quality and customer service they offer.

These results are part of a company strategy based on four pillars: profitable upstream growth, maximisation of profitability downstream, financial solidity and competitive remuneration for shareholders.

Amongst the highlights of 2013, Brufau referred to the sale of LNG (liquefied natural gas) assets to Shell which was completed in January and, previously, the sale to BP of Repsol's Bahía Bizkaia Electricidad stake. The transactions represented approximately \$4.3 billion of income as well as the liberation from financial obligations and unconsolidated debt and a reduction in the company's net debt of \$3.3 billion. With these transactions the company exceeded the divestment objectives outlined in its 2012-2016 Strategic Plan.

For 2014, Antonio Brufau noted that the total investment of the company will exceed 3.6 billion euros, destined mainly to exploration and production. The company anticipates drilling 31 exploratory wells and it will continue to increase production at an annual average rate of 7%, thanks to the start-up of its projects in Kinteroni (Peru) and Perla (Venezuela,) and the increase in its production from assets in Russia, Brazil, United States and Bolivia.

Better outlook for the Spanish economy

As an introduction to his review on the company's progress, the Chairman of Repsol made reference to the recent developments and positive outlook of the Spanish economy, which in the third quarter of 2013 registered economic indications that confirm a recovery from the recession and improved prospects for 2014.

Brufau highlighted that the structural reforms adopted by the Government have been key to Spain's changing economic situation, resulting in greater confidence from both foreign and domestic investors.

"The efforts of the Government and of companies such as our own should be directed at reducing the unemployment rate, society's main concern and one of the pillars for future economic growth," said Brufau.

Competitive remuneration for shareholders

Repsol's Chairman explained to shareholders that the company will continue with the scrip dividend with an approximate value of one euro per share. Bearing in mind the dividends paid in 2013 and the increase in share value, the returns for the company's

shareholders are far higher than those offered by Repsol's competitors. Specifically, the total return for shareholders was 26%, compared to the sector's average of 15%.

The company's improved share-price performance was supported by the positive recommendations of international analysts: 94% have either "buy" or "hold" recommendations for Repsol shares.

As an addition to the shareholder remuneration, the AGM approved a reduction of the company's share capital through a share buyback program representative of up to 2.05% of the total, which will then be amortised as part of a repurchase programme.

Compensation agreement for the expropriation of YPF

The Executive Chairman of Repsol gave a detailed explanation of the "Convenio de Solución Amigable y Avenimiento de Expropiación," which recognises the company's right to receive \$5 billion in compensation for the expropriation of 51% of YPF and YPF GAS and stipulates guarantees for effective payment as well as an agreement to desist from legal action and arbitration claims and a waiver of any new claims.

The agreement stipulates that the Government of Argentina will transfer to Repsol dollar-denominated public debt, through a fixed income portfolio for a nominal value of \$5 billion plus an additional \$500 million in capitalised interest comprised of the following bonds: Bonar X (\$500 million), Discount 33 (\$1.25 billion) and Bonar 2024 (\$3.25 billion); and a complementary portfolio for a maximum nominal value of \$1 billion made up of the following bonds: Boden 2015 (\$400 million), Bonar X (\$300 million) and Bonar 2024 (\$300 million). The transferral of the complementary bonds will be adjusted so that the market value of the bonds is no less than \$4.670 billion and up to a maximum nominal value of \$6 billion.

Brufau explained that since the expropriation, Repsol worked on two different approaches in its attempt to recover the value of the expropriation. One was an intense international judicial strategy, including an appeal to the international arbitration of the ICSID, and the other, to seek possible avenues for dialogue to reach an agreement that would remove inherent uncertainties inherent to any judicial proceeding.

Having obtained the ratification by Repsol's Annual General Meeting, the agreement remains subject, amongst others, to approval of a law especially sanctioned by the National Congress of Argentina. The transaction will be complete upon the delivery of bonds in Repsol's favour with full guarantees in their deposit through an international financial clearing entity. Repsol is free to sell these bonds. If the sale proceeds were to exceed \$5 billion (excluding costs and interest), the excess would revert to the Republic of Argentina.

The Republic of Argentina's debt will be transferred to Repsol "pro solvendo," that is that the debt will not be considered to be extinguished until full payment, be it through the sale of bonds or through ordinary payment through the bonds' maturity. As an additional guarantee, the Republic of Argentina recognises that if the debt were restructured or there were a failure to pay, Repsol has the right to accelerate debt payment and seek payment of the outstanding amount up to \$5 billion through UNCITRAL (United Nations Commission on International Trade Law). The compensation agreement is protected by the Bilateral Treaty between Spain and Argentina for the Protection of Investments (Acuerdo de Promoción y Protección de Inversiones entre España y Argentina).

Board renewal

The Annual General Meeting approved the re-election of independent board members Paulina Beato Blanco, Artur Carulla Font, Javier Echenique Landiribar, Henri Philippe Reichstul and, as an institutional external director, Pemex Internacional España, S.A.

Shareholders voted in favour of changes to the bylaws and regulations of the annual general meeting to include measures that reinforce the majorities needed to approve key decisions that aim to protect the integrated nature of the company's business units.

To conclude his speech, Repsol's Chairman explained to shareholders the positive outlook of the company's main business units for 2014. This year, a 3.6 billion-euro investment plan will be executed to guarantee the company's future. Brufau assures shareholders that Repsol's strong financial and business position guarantees the company's growth and will continue creating value for the shareholder.