Madrid, 20 March, 2013
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Sir/Madam,

Re: Exposure Draft ED/2012/3 Equity Method: Share of Other Net Asset Changes

Repsol is very pleased to provide comments on the Exposure Draft (ED/2012/3) *Equity Method: Share of Other Net Asset Changes (proposed amendments to IAS 28)*, issued by the IASB on 22 November 2012.

Further information about the Repsol Group and its activities is available on our Website: www.repsol.com.

If you would like to discuss any of the points described in this letter, please do not hesitate to contact us by e-mail to normativacontable@repsol.com.

Thank you for your attention.

Yours sincerely,

Emilio Linares-Rivas Balius

Accounting Policy and Compliance Manager

Question 1

IASB proposes to amend IAS 28 so that an investor should recognise in the investor's equity its share of the changes in the net assets of the investee that are not recognised in profit or loss or OCI of the investee, and that are not distributions received. Do you agree? Why or why not?

We agree that if diversity in practice exists on how investors should recognise their share of the changes in the net assets of an investee that are not recognised in profit or loss or other comprehensive income of the investee, and are not distributions received ('other net asset changes'), we support the IASB's efforts to address this issue. However, we do not think that the short-term solution included in the Exposure Draft is the best way to solve that diversity in practice.

In this sense, we believe that the short-term solution included in the Exposure Draft, would not improve financial reporting as the proposed amendment is inconsistent with concepts of other IFRSs. This circumstance is pointed out in paragraphs AV3 to AV6 within the Exposure Draft.

We do not agree with the view presented in paragraph BC6 that the equity method of accounting can be viewed as a one-line proportionate consolidation. We think that under the equity method of accounting, the investment should be only adjusted for the post-acquisition changes in the investor's share of the investee's net assets. In this sense, IAS 1 *Presentation of Financial Statements* states that all non-owner changes in equity are required to be presented in the statement of comprehensive income.

We also disagree with reasoning set out in paragraph BC5, as we do not think that recognising a nil impact for a share-based payment transaction should be considered as an anomalous result, because from the investor's perspective a share-based payment transaction has no economic impact on the value of the investment.

For similar reasons, we do not agree with reasoning provided in paragraph BC4. We do not believe that recognising an associate's equity transactions in profit or loss gives a misleading representation of the investee's performance. Instead, we think that if an associate made a successful capital increase, the value of the investment would increase and vice versa. In addition, we believe that recognising an associate's equity transactions in profit or loss at the time the transaction occurs would avoid any possible delay in the recognition of an impairment loss.

In our opinion, in all the above situations it would be more appropriate to recognise any associate's equity transactions in profit or loss at the time the transaction occurs, and when relevant, to provide the disclosures needed for a proper understanding of the effects of these transactions by the users of the investor´s financial statements.

We believe that the equity method of accounting does not represent a one-line proportionate consolidation at the time of acquisition or disposal of the investment and that it would be more adequate that the investor accounts for the investee's other net asset changes that result in indirect decreases and increases in the investor's ownership interest, in the same way as actual disposals and acquisitions of interest in the investee, i.e. as an increase or decrease in value in the investor's profit or loss.

Question 2

The IASB also proposes that an investor shall reclassify to profit or loss the cumulative amount of equity that the investor had previously recognised when the investor discontinues the use of the equity method. Do you agree? Why or why not?

We believe that reclassifying to profit or loss the cumulative amount of equity that the investor had previously recognised when the investor discontinues the use of the equity method, would not provide useful and meaningful information about the investor's performance on a timely basis. In addition, it would add complexity about the distinction between OCI and equity and, as we have noted previously, it would fail to recognise in profit or loss on a timely basis impairments of the investee.

As indicated in the response to Question 1, we believe that an investor should account for an investee's other net asset changes as deemed acquisitions and disposals when such changes result in indirect increases and increases in the investor's ownership interest. This means that any gain or loss would be reported in profit or loss in the period in which the net asset change occurs at the investee level.

Question 3

Do you have any other comments on the IASB's proposals?

We do not have any other comments on the IASB´s proposals.