



REPSOL INTERNATIONAL FINANCE B.V.

(A private company with limited liability incorporated under the laws of The Netherlands and having its statutory seat (statutaire zetel) in The Hague)

**Issue of euro 750,000,000 4.375 per cent. Notes due 2018 (the Notes)
Guaranteed by**

REPSOL, S.A.

(formerly known as Repsol YPF, S.A.)

(A sociedad anónima organised under the laws of the Kingdom of Spain)

The Notes are issued under the Euro 10,000,000,000 Guaranteed Euro Medium Term Note Programme established by Repsol International Finance B.V. (the *Issuer*) and guaranteed by Repsol, S.A. (the *Guarantor*) (the *Programme*).

Application has been made to the Commission de Surveillance du Secteur Financier (*CSSF*), in its capacity as the competent authority under the Luxembourg Act dated 10 July 2005 relating to prospectuses for securities as amended by the Luxembourg Act dated 3 July 2012 on prospectuses for securities (the *Luxembourg Act*), for the approval of this Drawdown Prospectus as a prospectus for the purposes of Article 5.3 of Directive 2003/71/EC as amended (which includes the amendments made by Directive 2010/73/EU (the *2010 PD Amending Directive*) to the extent that such amendments have been implemented in a relevant Member State), (the *Prospectus Directive*). Application has also been made to the Luxembourg Stock Exchange for the Notes to be admitted to trading on the Luxembourg Stock Exchange's regulated market (which is a regulated market for the purposes of the Markets in Financial Instruments Directive 2004/39/EC) and to be listed on the official list of the Luxembourg Stock Exchange.

The Programme has been rated by Moody's Investors Service Limited (*Moody's*), by Standard & Poor's Credit Market Services Europe Limited (*Standard & Poor's*) and by Fitch Ratings España, S.A.U. (*Fitch*). Moody's, Standard & Poor's and Fitch are established in the European Union and are registered in accordance with Regulation (EC) No 1060/2009 on credit rating agencies (the *CRA Regulation*) and are included in the latest update (30 July 2012) of the ESMA List of Registered and Certified Credit Rating Agencies, available on the ESMA website (www.esma.europa.eu/page/List-registered-and-certified-CRAs). The Notes have been rated Baa3 by Moody's, BBB- by Standard & Poor's and BBB- by Fitch. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Prospective investors should have regard to the factors described under the section headed "Risk Factors" on page 8 of this Drawdown Prospectus.

Joint Lead Managers

Barclays

BNP PARIBAS

Deutsche Bank

HSBC

Morgan Stanley

UBS Investment
Bank

Co-Managers

Banca IMI

Banco Español de
Crédito, S.A.

The Royal Bank of Scotland

UniCredit Bank AG

The date of this Drawdown Prospectus is 27 September 2012.

Words and expressions used herein but not otherwise defined will have the same meaning given to them in the Base Prospectus dated 27 October 2011 (as supplemented by a Supplement dated 18 November 2011 (the *First Supplement*), a Supplement dated 11

April 2012 (the *Second Supplement*) and a Supplement dated 11 September 2012 (the *Third Supplement*) and as may be further supplemented from time to time) (the *Base Prospectus*).

Each of the Issuer and the Guarantor accepts responsibility for the information contained in this Drawdown Prospectus. To the best of the knowledge of each of the Issuer and the Guarantor (each having taken all reasonable care to ensure that such is the case), the information contained in this Drawdown Prospectus is in accordance with the facts and contains no omission likely to affect its import.

This Drawdown Prospectus constitutes a prospectus for the purposes of Article 5.3 of the Prospectus Directive.

This Drawdown Prospectus is to be read in conjunction with all the documents that are deemed to be incorporated by reference (see "Documents Incorporated by Reference" below.)

No person has been authorised to give any information or to make any representation other than those contained in this Drawdown Prospectus in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor or any of Barclays Bank PLC, BNP Paribas, Deutsche Bank AG London Branch, HSBC Bank plc, Morgan Stanley & Co. International plc and UBS Limited (the *Joint Lead Managers*) or any of Banca IMI S.P.A., Banco Español de Crédito, S.A., The Royal Bank of Scotland plc and UniCredit Bank AG (the *Co-Managers*). Neither the delivery of this Drawdown Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer, the Guarantor or the Group since the date hereof or the date upon which this Drawdown Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer, the Guarantor or the Group since the date hereof or the date upon which this Drawdown Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Drawdown Prospectus and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Drawdown Prospectus comes are required by the Issuer, the Guarantor, the Joint Lead Managers and the Co-Managers to inform themselves about and to observe any such restriction. The Notes have not been and will not be registered under the Securities Act and include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to U.S. persons. For a description of certain restrictions on offers and sales of the Notes and on the distribution of this Drawdown Prospectus, see "Subscription and Sale" on pages 76 to 80 of the Base Prospectus (both inclusive).

This Drawdown Prospectus may only be used for the purposes for which it has been published.

To the fullest extent permitted by law, none of the Joint Lead Managers, Co-Managers or the Trustee accept any responsibility for the contents of this Drawdown Prospectus or for any other statement, made or purported to be made by the Trustee, a Joint Lead Manager or a Dealer or on its behalf in connection with the Issuer, the Guarantor, or the issue and offering of the Notes. The Trustee and each Joint Lead Manager and Co-Manager accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Drawdown Prospectus or any such statement. Neither this Drawdown Prospectus nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation, offer or invitation by any of the Issuer, the Guarantor, the Joint Lead Managers or the Co-Managers to any recipient of this Drawdown Prospectus or any other financial statements to subscribe for or purchase the Notes. Each potential purchaser of the Notes should determine for itself the relevance of the information contained in this Drawdown Prospectus and its purchase of the Notes should be based upon such investigation as it deems necessary. None of the Joint Lead Managers or the Co-Managers undertakes to review the financial condition or affairs of the Issuer or the Guarantor during the life of the arrangements contemplated by this Drawdown Prospectus nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Joint Lead Managers or the Co-Managers.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have been filed with the CSSF, shall be deemed to be incorporated in, and to form part of, this Base Prospectus:

Document	Page reference
a) The sections listed below of the Base Prospectus	1-123
- Introductory paragraphs	1-3
- Supplements to the Base Prospectus	3
- Table of Contents	7
- General Description of the Programme	8-13

Document	<u>Page reference</u>
- Risk Factors	14-26
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b) The provisions of the First Supplement	1-3
c) The provisions of the Second Supplement	1-6
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e) Limited review Report - Condensed Consolidated Interim Financial Statements and Interim Management's Report for the Six-Month Period ended 30 June 2012 of Repsol, S.A. and its subsidiaries	1-3
- Repsol, S.A. and investees composing the Repsol Group Interim Condensed Consolidated Financial Statements for the Six-Month Period ended 30 June 2012	1-50
- Consolidated balance sheets at June 30, 2012 and 31 December 2011	2-3
- Consolidated income statements for the interim periods ended June 30, 2012 and 2011	4
- Consolidated statements of recognised income and expenses corresponding to the interim periods ended June 30, 2012 and 2011	5
- Consolidated statements of changes in equity corresponding to the interim periods ended June 30, 2012 and 2011	6
- Consolidated statement of cash flow corresponding to the interim periods ended June 30, 2012 and 2011	7
- Explanatory notes to the interim condensed consolidated financial statements for the six-month period ended June 30, 2012	8-48
- Appendix I – Changes in the scope of consolidation	49-50
- Business combinations, other acquisitions and acquisitions of interests in subsidiaries, joint ventures and/or associates	49
- Reduction in interests in subsidiaries, joint ventures and/or associates and similar transactions	50
- Interim Consolidated Management's Report for the Six-Month Period ended 30 June 2012	1-31
f) The sections listed below of the Annual Report 2011 of Repsol YPF, S.A., including the audited consolidated financial statements for the year ended 31 December 2011 together with the notes to such financial statements and the audit report thereon	
- Auditors' report on consolidated annual financial statements	1-2
- Consolidated financial statements	3-181
- Consolidated balance sheets at 31 December 2011 and 2010	4-5
- Consolidated income statements for the years ended 31 December 2011 and 2010	6
- Consolidated statements of recognised income and expenses for the years ended 31 December	7

Document	<u>Page reference</u>
2011 and 2010	
- Consolidated statements of changes in equity for the years ended 31 December 2011 and 2010	8
- Consolidated cash flow statements for the years ended 31 December 2011 and 2010	9
- Notes to the 2011 consolidated financial statements	10-167
- Appendix I - Investees comprising the Repsol YPF Group for the year ended December 31, 2011	168-173
- Appendix 1b- Changes in the scope of consolidation for the year ended December 31, 2011	174
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- Management Structure of the Company	295-329
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- Risk Control Systems	336-341
- General Meeting	341-349
- Extent of Compliance with the Corporate Governance Recommendations	349-364
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- Annex to Repsol YPF, S.A. 2011 Corporate Governance Annual Report	373-393
- Auditor's Report on the System of the Internal Control over Financial Reporting	394-396
g) The sections listed below of the Annual Report 2010 of Repsol YPF, S.A., including the audited consolidated financial statements for the year ended 31 December 2010 together with the notes to such financial statements and the audit report thereon:	
- Auditors' report on consolidated annual financial statements	1-3
- Consolidated financial statements of Repsol YPF, S.A. and Investees comprising the Repsol YPF, S.A. Group for the financial year 2010	
- Consolidated balance sheets at 31 December 2010 and 2009	6-7
- Consolidated income statements for the years ended 31 December 2010 and 2009	8
- Consolidated statements of recognised income and expenses for the years ended 31 December 2010 and 2009	9
- Consolidated statements of changes in equity for the years ended 31 December 2010 and 2009	10
- Consolidated cash flow statements for the years ended 31 December 2010 and 2009	11
- Notes to the consolidated financial statements	12-156
- Appendix I – Principal investees comprising the Repsol YPF Group for the year ended December 31, 2010	157-168
- Appendix Ib - Changes in the scope of consolidation for the year ended December 31, 2010	169

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- Appendix Ib - Changes in the scope of consolidation for the year ended December 31, 2009	171-174
- Appendix II - Assets and Jointly controlled operations for the year ended December 31, 2010	175
- Appendix II - Assets and Jointly controlled operations for the year ended December 31, 2009	177
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- Consolidated Management Report 2010:	
- General and Economic-Financial Information	183-199
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- Supplementary content of the Management Report	271-276
- Annual Report on Corporate Governance:	
- Ownership Structure	278-282
- Management Structure of the Company	283-314
- Related Party Transactions	314-318
- Risk Control Systems	318-322
- General Meeting	322-329
- Extent of Compliance with Corporate Governance Recommendations	329-345
- Other Information of Interest	345-349
h) The audited non-consolidated financial statements of the Issuer, including the notes to such financial statements and the audit reports thereon, for the financial year ended 31 December 2011:	
- Management Report 2011	1-2
- Balance Sheet at 31 December 2011	3-4
- Income Statement for the year ended 31 December 2011	5
- Notes to Financial Statements at 31 December 2011	6-13
- Additional Information	14
- Auditors' Report	15-17
i) The audited non-consolidated financial statements of the Issuer, including the notes to such financial statements and the audit reports thereon, for the financial year ended 31 December 2010:	
- Management Report 2010	1
- Balance sheet as at 31 December 2010	3-4
- Statement of income for the year ended 31 December 2010	5
- Notes to financial statements at 31 December 2010	6-13
- Additional information	14
- Auditors' report	15-16
j) Supplementary information on oil and gas exploration and production activities (unaudited information) for 2011, 2010 and 2009:	1-11
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Document	<u>Page reference</u>
- Estimated proved net developed and underdeveloped oil and gas reserves	5-8
- Standardised measure of discounted future net cash flows and changes therein relating to proved oil and gas reserves	9-10
- Changes in Standardised measure of discounted future net cash flows relating to proved oil and gas reserves	10-11

The Base Prospectus, First Supplement, Second Supplement and Third Supplement shall be deemed to be incorporated into and form part of this Drawdown Prospectus in their entirety.

This Drawdown Prospectus must be read in conjunction with the Base Prospectus, the First Supplement, the Second Supplement and the Third Supplement and full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of the provisions set out within this Drawdown Prospectus, the Base Prospectus the First Supplement, the Second Supplement and the Third Supplement.

Any documents incorporated by reference in the Base Prospectus, First Supplement, Second Supplement and Third Supplement shall not constitute part of this Drawdown Prospectus.

As long as any of the Notes are outstanding, this Drawdown Prospectus and each document incorporated by reference into this Drawdown Prospectus will be available for inspection, free of charge, at the offices of the Issuer at Koningskade 30, 2596 AA The Hague, The Netherlands during normal business hours, and on the website of the Luxembourg Stock Exchange at "www.bourse.lu". In addition, copies of the documents incorporated by reference referred to above can be obtained from the website of the Guarantor at http://www.repsol.com/es_en/corporacion/accionistas-inversores/informacion-financiera/financiacion/repsol-international-finance/programa-emision-continua.aspx.

Any statement contained in a document that is incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Drawdown Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement.

Any information not listed in, or specifically excluded from, the cross-reference list set out above but included within the documents incorporated by reference is given for information purposes.

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RISK FACTORS

Prospective investors should carefully consider all the information set forth under the heading "Risk Factors" on pages 14 to 26 (both inclusive) of the Base Prospectus, as well as their own personal circumstances, before deciding to invest in any Notes.

The Issuer and the Guarantor believe that these factors, many of which are beyond the control of the Issuer and the Guarantor, may affect their ability to fulfil their obligations under the Notes. Neither the Issuer nor the Guarantor is in a position to express a view on the likelihood of any such contingency occurring. In addition, factors that are material for the purpose of assessing the market risks associated with the Notes are also described in the Base Prospectus under the heading "Risk Factors" on pages 14 to 26 (both inclusive) of the Base Prospectus.

Each of the Issuer and the Guarantor believes that the factors described in the Base Prospectus, represent the principal risks inherent in investing in the Notes, but the inability of the Issuer or the Guarantor to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons and the Issuer and the Guarantor do not represent that the statements in the Base Prospectus regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in the Base Prospectus, First Supplement, Second Supplement and Third Supplement, including the descriptions of the Issuer and the Guarantor, and reach their own views prior to making any investment decisions.

Before making an investment decision with respect to any Notes, prospective investors should consult their own stockbroker, bank manager, lawyer, accountant or other financial, legal and tax advisors and carefully review the risks entailed by an investment in the Notes and consider such an investment decision in the light of the prospective investor's personal circumstances.

TERMS AND CONDITIONS OF THE NOTES

The terms and conditions of the Notes shall consist of the "terms and conditions of the Notes" set out on pages 81 to 100 (both inclusive) of the Base Prospectus (the **General Conditions**), as completed and/or varied in accordance with the provisions of the terms and conditions issued in respect of the Notes (including the Annex thereto), the form of which is set out below (the ***Terms and Conditions of the Notes***). References in the Base Prospectus to ***Final Terms*** shall be deemed to refer to the Terms and Conditions of the Notes. All capitalised terms that are not defined herein will have the meanings given to them in the Base Prospectus. References to Conditions or to a numbered Condition shall be to the General Conditions or the relevant numbered Condition of the General Conditions.

REPSOL INTERNATIONAL FINANCE B.V.
Issue of €750,000,000 4.375 per cent. Guaranteed Notes due 20 February 2018
Guaranteed by Repsol , S.A.
under the Euro 10,000,000,000 Guaranteed Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 27 October 2011 and the Supplements to the Base Prospectus dated 18 November 2011, 11 April 2012 and 11 September 2012 which together constitute a base prospectus for the purposes of the Prospectus Directive (*Directive 2003/71/EC*) as amended (which includes amendments made by Directive 2010/73/EU (the **2010 PD Amending Directive**)) (the **Prospectus Directive**). Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of these Terms and Conditions of the Notes and the Base Prospectus as so supplemented. The Base Prospectus, Supplement to the Base Prospectus are available for viewing at http://www.repsol.com/es_en/corporacion/accionistas-inversores/informacion-financiera/financiacion/repsol-international-finance/programa-emision-continua.aspx and copies may be obtained during normal business hours from:

Repsol International Finance B.V.,
 B.V. Koningskade 30
 2596 AA The Hague
 The Netherlands

1	(a) Issuer:	Repsol International Finance B.V.
	(b) Guarantor:	Repsol, S.A.
2	(a) Series Number:	11
	(b) Tranche Number:	1
3	Specified Currency or Currencies:	Euro (€)
4	Aggregate Nominal Amount:	
	(a) Series:	€750,000,000
	(b) Tranche:	€750,000,000
5	Issue Price:	99.654 per cent. of the Aggregate Nominal Amount
6	(a) Specified Denomination:	€100,000
	(b) Calculation Amount	€100,000
7	(a) Issue Date:	20 September 2012
	(b) Interest Commencement Date	Issue Date
8	Maturity Date:	20 February 2018
9	Interest Basis:	4.375 per cent. Fixed Rate
10	Redemption/Payment Basis:	Redemption at par
11	Change of Interest or Redemption/Payment Basis:	Not Applicable
12	Put/Call Options:	Investor Put (further particulars specified below)
13	(a) Status of the Notes:	Senior, unsecured and unsubordinated
	(b) Status of the Guarantee:	Senior, unsecured and unsubordinated
	(c) Date of Board approval for issuance	13 September 2012 and 28 September 2011, respectively

of Notes and Guarantee obtained:

14 Method of distribution: Syndicated

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- 15 **Fixed Rate Note Provisions** Applicable
- (a) Rate of Interest: 4.375 per cent. per annum payable annually in arrear
- (b) Interest Payment Date(s): 20 February in each year commencing on 20 February 2013 and ending on 20 February 2018
- (c) Fixed Coupon Amount: €4,375 per Calculation Amount
- (d) Broken Amount(s): €1,833.90 per Calculation Amount, payable on 20 February 2013 in respect of the period from and including the Issue Date to, but excluding, 20 February 2013
- (e) Day Count Fraction: Actual/Actual (ICMA)
- (f) Determination Dates: 20 February in each year
- (g) Other terms relating to the method of calculating interest for Fixed Rate Notes: Not Applicable
- 16 **Floating Rate Note Provisions** Not Applicable
- 17 **Zero Coupon Note Provisions** Not Applicable
- 18 **Index-Linked Interest Note/other variable-linked interest Note Provisions** Not Applicable
- 19 **Dual Currency Note Provisions** Not Applicable

PROVISIONS RELATING TO REDEMPTION

- 20 **Call Option** Not Applicable
- 21 **Put Option** Applicable
- Condition 5(e) applies as modified by Annex A hereto
- (a) Optional Redemption Date(s): As defined in Annex A
- (b) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): As defined in Annex A
- (c) Notice period As set out in Annex A
- 22 **Final Redemption Amount of each Note** €100,000 per Calculation Amount
- 23 **Early Redemption Amount**
- Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions): As set out in the Conditions

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24 Form of Notes: **Bearer Notes**

		Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note
25	New Global Note:	Yes
26	Financial Centre(s) or other special provisions relating to Payment Dates:	TARGET, London
27	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	No
28	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	Not Applicable
29	Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:	Not Applicable
30	Redenomination, renominalisation and reconventioning provisions:	Not Applicable
31	Consolidation provisions:	Not Applicable
32	Other terms:	Not Applicable
DISTRIBUTION		
33	(a) If syndicated, names of Managers:	<p>Joint Lead Managers: Barclays Bank PLC BNP PARIBAS Deutsche Bank AG, London Branch HSBC Bank plc Morgan Stanley & Co. International plc UBS Limited</p> <p>Co-Managers: Banca IMI S.p.A. Banco Español de Crédito, S.A. The Royal Bank of Scotland plc UniCredit Bank AG</p>
	(b) Stabilising Manager(s) (if any):	Not Applicable
34	If non-syndicated, name of relevant Dealer:	Not Applicable
35	US Selling Restrictions:	Reg. S Compliance Category 2/TEFRA D
36	Additional selling restrictions:	Not Applicable

PART B – OTHER INFORMATION

1 ADMISSION TO TRADING AND LISTING

(a) Admission to trading and listing: Application is being made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the regulated market of the Luxembourg Stock Exchange with effect from 20 September 2012 or as soon as possible thereafter.

Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to listing on the official list of the Luxembourg Stock Exchange with effect from 20 September 2012 or as soon as possible thereafter.

(b) Estimate of total expenses related to admission to trading: €6,020

2 RATINGS

Ratings:

The Notes have been rated:

Moody's: Baa3

S&P: BBB-

Fitch: BBB-

Each of Moody's Investors Service Limited, Standard & Poor's Credit Market Services Europe Limited and Fitch Ratings España, S.A.U. is established in the European Union and is registered under Regulation (EU) No 1060/2009.

3 INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER

Save as discussed in the section headed "Subscription and Sale" on pages 76 to 80 (both inclusive) of the Base Prospectus, so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer.

4 YIELD

(a) Indication of yield: 4.453 per cent. per annum

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

5 OPERATIONAL INFORMATION

(a) ISIN Code: XS0831370613

(b) Common Code: 083137061

(c) Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): Not Applicable

(d) Delivery: Delivery against payment

(e) Names and addresses of initial Paying Agent(s): Citibank, N.A., London Branch, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB

(f) Names and addresses of additional Dexia Banque Internationale à Luxembourg, société

Paying Agent(s) (if any):	anonyme, 69 route d'Esch, L-2953 Luxembourg
(g) Intended to be held in a manner which would allow Eurosystem eligibility:	<p>Yes</p> <p>Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the International Central Securities Depositories (ICSDs) as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any and all times during their life. Such recognition will depend upon the ECB being satisfied that the Eurosystem eligibility criteria have been met.</p>

Annex A

For the purpose of this Series of Notes only, the Conditions shall be deemed to be amended by the deletion of the existing paragraphs of Condition 5(e) (Redemption at the Option of the Noteholders) and by the insertion of the provisions set out below. In addition, the paragraph entitled "Noteholders' Option" under "Summary of Provisions Relating to the Notes while in Global Form" on page 104 of the Base Prospectus shall be deemed to be amended and construed in accordance with the provisions set out below:

Redemption at the option of the Noteholders upon a Change of Control

At any time while any Note remains outstanding, each holder of Notes will have the option (the "**Put Option**") to require the Issuer to redeem or, at the Issuer's option, to procure the purchase of such Notes on the Optional Redemption Date at the Optional Redemption Amount (both terms as defined below) if a Change of Control occurs and, during the Change of Control Period, a Rating Downgrade occurs (together, a "**Put Event**").

A "**Change of Control**" shall be deemed to have occurred at each time that any person or persons acting in concert ("**Relevant Persons**") or any person or persons acting on behalf of such Relevant Persons, acquire(s) control, directly or indirectly, of the Guarantor.

"**control**" means: (a) the acquisition or control of more than 50 per cent. of the voting rights of the issued share capital of the Guarantor; or (b) the right to appoint and/or remove all or the majority of the members of the Guarantor's Board of Directors or other governing body, whether obtained directly or indirectly, whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise.

"**Change of Control Period**" means the period commencing on the date on which the relevant Change of Control occurs or the date of the first relevant Potential Change of Control Announcement, whichever is the earlier, and ending on the date which is 90 days after the date of the occurrence of the relevant Change of Control.

"**Potential Change of Control Announcement**" means any public announcement or statement by the Issuer or any actual or bona fide potential bidder relating to any potential Change of Control.

"**Rating Agency**" means any of the following: (a) Standard & Poor's Rating Services, a division of The McGraw Hill Companies, Inc. ("**S&P**"); (b) Moody's Investors Service Limited ("**Moody's**"); (c) Fitch Ratings Ltd ("**Fitch Ratings**"); or (d) any other credit rating agency of equivalent international standing specified from time to time by the Issuer and, in each case, their respective successors or affiliates.

A "**Rating Downgrade**" shall be deemed to have occurred in respect of a Change of Control if, within the Change of Control Period, the rating previously assigned to the Guarantor is lowered by at least two full rating notches (by way of example, BB+ to BB-, in the case of S&P) (a "**downgrade**") or withdrawn, in each case, by the requisite number of Rating Agencies (as defined below), and is not, within the Change of Control Period, subsequently upgraded (in the case of a downgrade) or reinstated (in the case of a withdrawal) to its earlier credit rating or better, such that there is no longer a downgrade or withdrawal by the requisite number of Rating Agencies. For these purposes, the "**requisite number of Rating Agencies**" shall mean (i) at least two Rating Agencies, if, at the time of the rating downgrade or withdrawal, three or more Rating Agencies have assigned a credit rating to the Guarantor, or (ii) at least one Rating Agency if, at the time of the rating downgrade or withdrawal, fewer than three Rating Agencies have assigned a credit rating to the Guarantor.

Notwithstanding the foregoing, no Rating Downgrade shall be deemed to have occurred in respect of a particular Change of Control if (a) following such a downgrade, the Guarantor is still assigned an Investment Grade Rating by one or more of the Rating Agencies effecting the downgrade, or (b) the Rating Agencies lowering or withdrawing their rating do not publicly announce or otherwise confirm in writing to the Issuer that such reduction or withdrawal was the result, in whole or part, of any event or circumstance comprised in, or arising as a result of, or in respect of, the applicable Change of Control.

“Investment Grade Rating” means: (1) with respect to S&P, any of the categories from and including AAA to and including BBB- (or equivalent successor categories); (2) with respect to Moody’s, any of the categories from and including Aaa to and including Baa3 (or equivalent successor categories); (3) with respect to Fitch Ratings, any of the categories from and including AAA to and including BBB- (or equivalent successor categories); and (4) with respect to any other credit rating agency of equivalent international standing specified from time to time by the Issuer, a rating that is equivalent to, or better than, the foregoing.

“Optional Redemption Amount” means an amount equal to par plus interest accrued to but excluding the Optional Redemption Date.

Promptly upon the Issuer becoming aware that a Put Event has occurred, the Issuer shall give notice (a **“Put Event Notice”**) to the Issuing and Paying Agent, the Paying Agents and the Noteholders in accordance with Condition 15 specifying the nature of the Put Event and the circumstances giving rise to it and the procedure for exercising the Put Option, as well as the date upon which the Put Period (as defined below) will end and the Optional Redemption Date (as defined below).

To exercise the Put Option to require redemption or, as the case may be, purchase of a Note under this section, the holder of that Note must transfer or cause to be transferred its Notes to be so redeemed or purchased to the account of the Fiscal Agent specified in the Put Option Notice for the account of the Issuer within the period (the **“Put Period”**) of 45 days after the Put Event Notice is given together with a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the specified office of any Paying Agent (a **“Put Option Notice”**) and in which the holder may specify a bank account to which payment is to be made under this section.

The Issuer shall redeem or, at the option of the Issuer, procure the purchase of the Notes in respect of which the Put Option has been validly exercised as provided above, and subject to the transfer of such Notes to the account of the Issuing and Paying Agent for the account of the Issuer as described above on the date which is the fifth Business Day following the end of the Put Period (the **“Optional Redemption Date”**). Payment in respect of any Note so transferred will be made in Euro to the holder to the specified Euro denominated bank account in the Put Option Notice on the Optional Redemption Date via the relevant account holders.

GENERAL INFORMATION

- (1) Application has been made to the CSSF, in its capacity as the competent authority under the Luxembourg Act, for the approval of this Drawdown Prospectus as a prospectus for the purposes of Article 5.3 of Prospectus Directive. Application has also been made to the Luxembourg Stock Exchange for the Notes to be admitted to trading on the Luxembourg Stock Exchange's regulated market (which is a regulated market for the purposes of the Markets in Financial Instruments Directive 2004/39/EC) and to be listed on the official list of the Luxembourg Stock Exchange.
- (2) Save for any effect that could arise from the expropriation process of the shares of the Repsol Group in the share capital of YPF, S.A. and Respol YPF Gas, S.A. (as described in the section headed "*Expropriation of the Repsol Group shares in YPF, S.A. and Respol YPF Gas, S.A.*" on pages 1 to 4 (both inclusive) of the Third Supplement), to the best of the knowledge of the Issuer, there has been no material adverse change in its prospects since 31 December 2011 (being the date of the last published audited financial statements) nor has there been any significant change in the financial or trading position of the Issuer and its consolidated subsidiaries since 31 December 2011.

Save for any effect that could arise from the expropriation process of the shares of the Repsol Group in the share capital of YPF, S.A. and Respol YPF Gas, S.A. (as described in the section headed "*Expropriation of the Repsol Group shares in YPF, S.A. and Respol YPF Gas, S.A.*" on pages 1 to 4 (both inclusive) of the Third Supplement), to the best of the knowledge of the Guarantor, there has been no material adverse change in its prospects since 31 December 2011 (being the date of the last published audited financial statements) nor has there been any significant change in the financial or trading position of the Group since 30 June 2012.

- (3) The Notes have been accepted for clearance through Euroclear and Clearstream Luxembourg. The Common Code for the Notes is 083137061 and the ISIN for the Notes is XS0831370613.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue J.F. Kennedy, L-1855 Luxembourg.

- (4) Copies of this Drawdown Prospectus will be available during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the office of DEXIA Banque Internationale à Luxembourg, S.A.

REGISTERED OFFICE OF THE ISSUER	REGISTERED OFFICE OF THE GUARANTOR
Koningskade 30 2596 AA The Hague	Calle Mendez Alvaro 44 Madrid
TRUSTEE	
Citicorp Trustee Company Limited	
Agency & Trust, 14th Floor	
Citicorp Centre, Canada Square	
Canary Wharf, London E14 5LB	
LISTING AGENT AND PAYING AGENT	ISSUING AND PAYING AGENT AND CALCULATION AGENT
Dexia Banque Internationale à Luxembourg, société anonyme	Citibank, N.A., London Branch
69 route d'Esch L-2953 Luxembourg	Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB
AUDITORS OF THE ISSUER	AUDITORS OF THE GUARANTOR
Deloitte Accountants B.V.	Deloitte, S.L.
Wilhelminakade 1, 3072 AP Rotterdam	Plaza Pablo Ruiz de Picasso, 1 Torre Picasso 28020 Madrid
JOINT LEAD MANAGERS	
Barclays Bank PLC 5 The North Colonnade Canary Wharf London E14 4BB	BNP Paribas 10 Harewood Avenue London NW1 6AA
Deutsche Bank AG London Branch Winchester House 1 Great Winchester Street London EC2N 2DB	HSBC Bank plc 8 Canada Square London E14 5HQ
Morgan Stanley & co. International plc 25 Cabot Square Canary Wharf London E14 4QA	UBS Limited 1 Finsbury Avenue London EC2M 2PP
CO-MANAGERS	
Banca IMI S.P.A. Largo Mattioli 3 20121 Milan	Banco Español de Crédito, S.A. Avda. Gran vía de Hortaleza, 3 28033 Madrid
The Royal Bank of Scotland plc 135 Bishopsgate London EC2M 3UR	UniCredit Bank AG Arabellastrasse 12 81925 Munich





REPSOL INTERNATIONAL FINANCE B.V.

(A private company with limited liability incorporated under the laws of The Netherlands and having its statutory seat in The Hague)

EURO 10,000,000,000 Guaranteed Euro Medium Term Note Programme Guaranteed by REPSOL YPF, S.A.

(A sociedad anónima organised under the laws of the Kingdom of Spain)

On 5 October 2001, Repsol International Finance B.V. and Repsol YPF, S.A. entered into a euro 5,000,000,000 Guaranteed Euro Medium Term Note Programme (the **Programme**) and issued an Offering Circular in respect thereof. Further Offering Circulars describing the Programme were issued on 21 October 2002, 4 November 2003, 10 November 2004, 2 February 2007, 28 October 2008, 23 October 2009 and 25 October 2010. With effect from the date hereof, the Programme has been updated. Any Notes (as defined below) to be issued on or after the date hereof under the Programme are issued subject to the provisions set out herein, save that Notes which are to be consolidated and form a single series with Notes issued prior to the date hereof will be issued subject to the Conditions of the Notes applicable on the date of issue for the first tranche of Notes of such series. Subject as aforesaid, this does not affect any Notes issued prior to the date hereof.

Under the Programme, Repsol International Finance B.V. (the **Issuer**), subject to compliance with all relevant laws, regulations and directives, may from time to time issue Guaranteed Euro Medium Term Notes guaranteed by Repsol YPF, S.A. (the **Guarantor**) (the **Notes**). The aggregate nominal amount of Notes outstanding will not at any time exceed euro 10,000,000,000 (or the equivalent in other currencies), subject to increase as provided herein.

Application has been made to the Commission de Surveillance du Secteur Financier (**CSSF**), in its capacity as the competent authority under the Luxembourg Act dated 10 July 2005 relating to prospectuses for securities (the **Luxembourg Act**), for the approval of this Base Prospectus as a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC as amended (which includes the amendments made by Directive 2010/73/EU (the **2010 PD Amending Directive**) to the extent that such amendments have been implemented in a relevant Member State), (the **Prospectus Directive**). Application has also been made to the Luxembourg Stock Exchange for the Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange's regulated market (which is a regulated market for the purposes of the Markets in Financial Instruments Directive 2004/39/EC) and to be listed on the official list of the Luxembourg Stock Exchange. Application may also be made to list such Notes on the AIAF Mercado de Renta Fija. Unlisted Notes and Notes to be listed and admitted to trading on other or additional regulated markets may also be issued pursuant to the Programme. According to the Luxembourg Act, the CSSF is not competent for approving prospectuses for the listing of money market instruments having a maturity at issue of less than 12 months and complying with the definition of securities. The relevant Final Terms (as defined in "General Description of the Programme" below) in respect of the issue of any Notes will specify whether or not such Notes will be listed on the official list of the Luxembourg Stock Exchange (or any other regulated market) and admitted to trading on the regulated market thereof (or any such other regulated market).

For the purposes of the Transparency Directive 2004/109/EC, the Issuer has selected Luxembourg as its 'home member state'. The 'home member state' of the Guarantor for such purposes is Spain.

Notes will not be issued in the United States of America (the **United States** or **U.S.**) or to U.S. persons or for the account or benefit of a U.S. person (as such term is defined in Regulation S of the United States Securities Act of 1933, as amended (the **Securities Act**)) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Each Series (as defined in "General Description of the Programme" below) of Notes will be represented on issue by a temporary global note in bearer form (each a **Temporary Global Note**) or a permanent global note in bearer form (each a **Permanent Global Note** and together with the Temporary Global Note, the **Global Notes**). If the Global Notes are stated in the applicable Final Terms to be issued in new global note (**NGN**) form, they are intended to be eligible collateral for Eurosystem monetary policy and will be delivered on or prior to the original issue date of the Tranche (as defined in "General Description of the Programme" below) to a common safekeeper (the **Common Safekeeper**) for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking SA (**Clearstream, Luxembourg**). Global Notes that are not issued in NGN form (**Classic Global Notes** or **CGNs**) may (or, in the case of Notes listed on the official list of the Luxembourg Stock Exchange, will) be deposited on the issue date of the Tranche to a common depository on behalf of Euroclear and Clearstream, Luxembourg (the **Common Depository**). The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in "Summary of Provisions Relating to the Notes while in Global Form" below.

The Programme has been rated by Moody's Investors Service Limited (**Moody's**), by Standard & Poor's Credit Market Services Europe Limited (**Standard & Poor's**) and by Fitch Ratings España, S.A.U. (**Fitch**). **Moody's, Standard & Poor's and Fitch are established in the European Union and have applied for registration under Regulation (EC) No 1060/2009 on credit rating agencies (the CRA Regulation), although no notification of any registration decision has yet been provided.** Tranches of Notes issued under the Programme may be rated or unrated. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the ratings assigned to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Whether or not a rating in relation to any Tranche of Notes will be treated as having been issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the relevant Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless (1) the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused or (2) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (3) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation.

Prospective investors should have regard to the factors described under the section headed "Risk Factors" on pages 14 to 26 in this Base Prospectus.

Arranger
BoA Merrill Lynch
Dealers

Banco Bilbao Vizcaya Argentaria, S.A.
Bankia, S.A.
Barclays Capital
BNP PARIBAS
BoA Merrill Lynch
Caixabank S.A.

Citigroup
Crédit Agricole CIB
Deutsche Bank
Goldman Sachs International
ING Commerical Banking
J.P. Morgan

Santander Global Banking & Markets
Société Générale Corporate and Investment
Banking
The Royal Bank of Scotland
UBS Investment Bank

The date of this Base Prospectus is 27 October 2011.

Each of the Issuer and the Guarantor accepts responsibility for the information contained in this Base Prospectus. To the best of the knowledge of each of the Issuer and the Guarantor (each having taken all reasonable care to ensure that such is the case), the information contained in this Base Prospectus is in accordance with the facts and contains no omissions likely to affect its import.

In this Base Prospectus, *Repsol YPF*, the *Repsol YPF Group*, the *Group* and *the Company* refers to Repsol YPF, S.A. together with its consolidated subsidiaries, unless otherwise specified or the context otherwise requires, and the *Guarantor* refers to Repsol YPF, S.A. only.

This Base Prospectus is to be read in conjunction with all the documents that are deemed to be incorporated herein by reference (see “Documents Incorporated by Reference” below).

No person has been authorised to give any information or to make any representation other than those contained in this Base Prospectus in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor or any of the Dealers or the Arranger (each as defined in “General Description of the Programme”). Neither the delivery of this Base Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer, the Guarantor or Repsol YPF since the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer, the Guarantor or Repsol YPF since the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Base Prospectus and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Issuer, the Guarantor, the Dealers and the Arranger to inform themselves about and to observe any such restriction. The Notes have not been and will not be registered under the Securities Act and include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons. For a description of certain restrictions on offers and sales of Notes and on the distribution of this Base Prospectus, see “Subscription and Sale” below.

This Base Prospectus may only be used for the purposes for which it has been published.

To the fullest extent permitted by law, none of the Dealers, the Arranger or the Trustee accept any responsibility for the contents of this Prospectus or for any other statement, made or purported to be made by the Arranger, the Trustee or a Dealer or on its behalf in connection with the Issuer, the Guarantor, or the issue and offering of the Notes. The Arranger, the Trustee and each Dealer accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus or any such statement. Neither this Base Prospectus nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation, offer or invitation by any of the Issuer, the Guarantor, the Dealers or the Arranger to any recipient of this Base Prospectus or any other financial statements to subscribe for or purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Base Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers or the Arranger undertakes to review the financial condition or affairs of the Issuer or the Guarantor during the life of the arrangements contemplated by this Base Prospectus nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers or the Arranger.

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of the Stabilising Manager(s)) in the applicable Final

Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or person(s) acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

In this Base Prospectus, unless otherwise specified or the context otherwise requires, references to *Ps.* are to the lawful currency/units of currency of Argentina, references to *U.S.\$* and *U.S. dollars* are to the lawful currency/units of currency of the United States and references to *€* and *euro* are to the lawful currency/units of currency of the member states of the European Union that adopt the single currency in accordance with the Treaty on the Functioning of the European Union, as amended. Where U.S. dollar and Argentine Peso amounts are converted into euro, the conversion rate applied is U.S.\$1.34: €1.00 and Ps.5.29: €1.00 respectively.

SUPPLEMENTS TO THE BASE PROSPECTUS

If at any time the Issuer shall be required to prepare a supplement to this Base Prospectus pursuant to Article 13 of the Luxembourg Act, the Issuer shall prepare and make available an appropriate amendment or supplement to this Base Prospectus or a further base prospectus, which, in respect of any subsequent issue of Notes to be listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the Luxembourg Stock Exchange's regulated market, shall constitute a *Supplement to the Base Prospectus*, as required by the Luxembourg Act.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have been filed with the CSSF, shall be deemed to be incorporated in, and to form part of, this Base Prospectus:

<u>Document</u>	<u>Page reference</u>
(a) The sections listed below of the Report for the six-month period ended 30 June 2011 of Repsol YPF, S.A., including the condensed consolidated interim financial statements together with the notes to such financial statements and interim management's report for the six-month period ended 30 June 2011:	
- Limited Review Report in respect of the Condensed Consolidated Interim Financial Statements and Interim Management's Report for the six-month period ended 30 June 2011	1-3
- Condensed consolidated interim financial statements of Repsol YPF and Investees comprising the Repsol Group for the six-month period ended 30 June 2011	
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- Notes to the Condensed Consolidated Interim Financial Statements for the six-month period ended 30 June 2011.....	11-40
- Consolidated Interim Management's Report of Repsol YPF and Investees composing the Repsol	41-60

<u>Document</u>	<u>Page reference</u>
Group for the six-month period ended 30 June 2011	
(b) The sections listed below of the Annual Report 2010 of Repsol YPF, S.A., including the audited consolidated financial statements for the year ended 31 December 2010 together with the notes to such financial statements and the audit report thereon:	
- Auditors' report on consolidated annual financial statements	1-3
- Consolidated financial statements of Repsol YPF, S.A. and Investees comprising the Repsol YPF, S.A. Group for the financial year 2010:.....	
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(c) The sections listed below of the Annual Report 2009 of Repsol YPF, S.A., including the audited consolidated financial statements for the year ended 31 December 2009 together with the notes to such financial statements and the audit report thereon:	
- Auditors' report on consolidated annual financial statements	1-5
- Consolidated financial statements of Repsol YPF, S.A. and Investees comprising the Repsol YPF,	

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(d) The audited non-consolidated financial statements of the Issuer, including the notes to such financial statements and the audit reports thereon, for the financial year ended 31 December 2010:	
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As long as any of the Notes are outstanding, this Base Prospectus, any Supplement to the Base Prospectus and each document incorporated by reference into this Base Prospectus will be available for inspection, free of charge, at the specified offices of the Issuer, at the specified office of the Luxembourg Paying Agent, during normal business hours, and on the website of the Luxembourg Stock Exchange at "www.bourse.lu". In addition, copies of the documents referred to in sub-paragraphs (a) to (c) and (f) above can be obtained from the website of Repsol YPF at "www.repsol.com" and copies of the documents referred to in sub-paragraphs (d) and (e) above can be obtained from the website of the Issuer at "www.repsolinternationalfinancebv.com".

Any statement contained in a document that is incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement. In addition, any statement contained herein or in a document that is incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained in any Supplement to the Base Prospectus, or in any document which is subsequently incorporated by reference herein by way of such supplement, modifies or supersedes such earlier statement. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

Any information not listed in, or specifically excluded from, the cross-reference list set out above but included within the documents incorporated by reference is given for information purposes.

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GENERAL DESCRIPTION OF THE PROGRAMME

Issuer:	Repsol International Finance B.V.
Guarantor:	Repsol YPF, S.A.
Description:	Guaranteed Euro Medium Term Note Programme
Size:	Up to €10,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time. The Issuer may increase the size of the Programme in accordance with the terms of the Dealer Agreement.
Arranger:	Merrill Lynch International
Dealers:	Banco Bilbao Vizcaya Argentaria, S.A. Banco Santander S.A. Bankia, S.A. Barclays Bank PLC BNP PARIBAS Caixabank S.A. Citigroup Global Markets Limited Crédit Agricole Corporate Investment Bank Deutsche Bank AG, London Branch Goldman Sachs International ING Bank N.V. J.P. Morgan Securities Ltd. Merrill Lynch International Société Générale The Royal Bank of Scotland plc UBS Limited
	The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Base Prospectus to Permanent Dealers are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and to Dealers are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.
Trustee:	Citicorp Trustee Company Limited

Issuing and Paying Agent:	Citibank, N.A., London Branch
Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see " <i>Subscription and Sale</i> ") including the following restrictions applicable at the date of this Base Prospectus.
Notes having a maturity of less than one year	Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see " <i>Subscription and Sale</i> ".
Method of Issue:	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a <i>Series</i>) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in one or more tranches (each a <i>Tranche</i>) on the same or different issue dates. The specific terms of each Tranche (which will be supplemented, where necessary, with supplemental terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be set out in a final terms supplement to this Base Prospectus (the <i>Final Terms</i>).
Issue Price:	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.
Form of Notes:	The Notes may be issued in bearer form only. Each Tranche of Notes will be represented on issue by a Temporary Global Note if (i) definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date or (ii) such Notes have an initial maturity of more than one year and are being issued in compliance with the D Rules (as defined in "Summary of the Programme – Selling Restrictions"), otherwise such Tranche will be represented by a Permanent Global Note.
Clearing Systems:	Clearstream, Luxembourg, Euroclear and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Guarantor, the Issuing and Paying Agent, the Trustee and the relevant Dealer.
Initial Delivery of Notes:	If the Global Note is intended to be issued in NGN form, the Global Note representing Notes will, on or before the issue date for each Tranche, be delivered to a Common Safekeeper for Euroclear and Clearstream, Luxembourg. If the Global Note is not

intended to be issued in NGN form, the Global Note representing Notes may (or, in the case of Notes listed on the official list of the Luxembourg Stock Exchange, will), on or before the issue date for each Tranche, be deposited with a common depository for Euroclear and/or Clearstream, Luxembourg. Global Notes relating to Notes that are not listed on the official list of the Luxembourg Stock Exchange may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Guarantor, the Issuing and Paying Agent, the Trustee and the relevant Dealer.

Currencies: Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer, the Guarantor and the relevant Dealer(s).

Maturities: Subject to compliance with all relevant laws, regulations and directives, any maturity from one month from the date of original issue.

Specified Denomination: Definitive Notes will be in such denominations as may be specified in the relevant Final Terms, save that: (i) the minimum denomination of each Note will be such amount as may be allowed or required, from time to time, by the relevant regulatory authority or any laws or regulations applicable to the relevant Specified Currency; and (ii) the minimum denomination of each Note admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which would otherwise require the publication of a prospectus under the Prospectus Directive will be €100,000 (or its equivalent in any other currency as at the date of issue of the Notes).

So long as the Notes are represented by a Temporary Global Note or Permanent Global Note and the relevant clearing system(s) so permit, the Notes will be tradeable as follows: (a) if the Specified Denomination stated in the relevant Final Terms is €100,000 (or its equivalent in another currency), in the authorised denomination of €100,000 (or its equivalent in another currency) and integral multiples of €100,000 (or its equivalent in another currency) thereafter, or (b) if the Specified Denomination stated in the relevant Final Terms is €100,000 (or its equivalent in another currency) and integral multiples of €1,000 (or its equivalent in another currency) in excess thereof, in the minimum authorised denomination of €100,000 (or its equivalent in another currency) and higher integral multiples of €1,000 (or its equivalent in another currency), notwithstanding that no definitive notes will be issued with a denomination above €199,000 (or its equivalent in another currency).

Fixed Rate Notes: Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms.

Floating Rate Notes: Floating Rate Notes will bear interest determined separately for each Series as follows:

- (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the issue date of the first Tranche of a Series; or
- (ii) by reference to LIBOR, LIBID, LIMEAN or EURIBOR (or such other benchmark as may be specified in the relevant Final Terms) as adjusted for any applicable margin.

Interest periods will be specified in the relevant Final Terms.

Zero Coupon Notes:

Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest.

Dual Currency Notes:

Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as may be specified in the relevant Final Terms.

Index-Linked Notes:

Payments of principal in respect of Index-Linked Redemption Notes or of interest in respect of Index-Linked Interest Notes will be calculated by reference to such index and/or formula as may be specified in the relevant Final Terms.

Interest Periods and Interest Rates:

The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Final Terms.

Redemption:

The relevant Final Terms will specify the basis for calculating the redemption amounts payable. Unless permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000, must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).

Redemption by Instalments:

The Final Terms issued in respect of each issue of Notes that are redeemable in two or more instalments will set out the dates on which, and the amounts in which, such Notes may be redeemed.

Other Notes:

Terms applicable to high interest Notes, low interest Notes, step-up Notes, step-down Notes, reverse dual currency Notes, optional dual currency Notes, partly paid Notes and any other type of Note that the Issuer, the Guarantor, the Trustee and the relevant Dealer(s) may agree to issue under the Programme will be set out in the relevant Final Terms.

Optional Redemption:	<p>The Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders, and if so the terms applicable to such redemption.</p> <p>For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, no selection of Notes to be redeemed will be required under the Conditions in the event that the Issuer exercises its option pursuant to Condition 5(d) in respect of less than the aggregate principal amount of the Notes outstanding at such time. In such event, the partial redemption will be effected in accordance with the rules and procedures of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion).</p>
Risk Factors:	<p>The section titled “Risk Factors” of this Base Prospectus sets out, among other things, certain factors that may affect the Issuer’s and/or the Guarantor’s ability to fulfil their respective obligations under Notes issued under the Programme and certain other factors that are material for the purpose of assessing the market risks associated with such Notes.</p>
Status of Notes:	<p>The Notes and the guarantee in respect of them will constitute unsubordinated and unsecured obligations of the Issuer and the Guarantor, respectively, all as described in “Terms and Conditions of the Notes – Guarantee and Status”.</p>
Negative Pledge:	<p>See “Terms and Conditions of the Notes – Negative Pledge” below.</p>
Cross Default:	<p>See “Terms and Conditions of the Notes – Events of Default”.</p>
Early Redemption:	<p>Except as provided in “Optional Redemption” above, Notes will be redeemable at the option of the Issuer prior to maturity only for tax reasons. See “Terms and Conditions of the Notes – Redemption, Purchase and Options”.</p>
Withholding Tax:	<p>All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of The Netherlands and the Kingdom of Spain, subject to customary exceptions (including the ICMA Standard EU Exceptions), all described in “Terms and Conditions of the Notes – Taxation”.</p>
Governing Law:	<p>English.</p>
Listing and Admission to Trading:	<p>Application has been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange’s regulated market and to be listed on the official list of the Luxembourg Stock Exchange or as otherwise specified in the relevant Final Terms. As specified in the relevant Final Terms, a Series of Notes may be unlisted.</p>
Selling Restrictions:	<p>United States, the European Economic Area, United Kingdom, Spain, The Netherlands and Japan. See “Subscription and Sale”.</p>

The Issuer and the Guarantor are Category 2 for the purposes of Regulation S under the Securities Act.

The Notes will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the **D Rules**) unless (i) the relevant Final Terms state that Notes are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the **C Rules**) or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute “registration required obligations” under the United States Tax Equity and Fiscal Responsibility Act of 1982 (**TEFRA**), which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable.

Rating:

The Programme has been assigned a senior unsecured rating of Baa1 by Moody’s, a rating of BBB by Standard & Poor’s and a rating of BBB+ by Fitch. Each of Moody’s, Standard & Poor’s and Fitch is established in the European Union and has applied for registration under the CRA Regulation, although no notification of any registration decision has yet been provided by the relevant competent authority. Tranches of Notes issued under the Programme will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the ratings assigned to the Programme and will be specified in the relevant Final Terms. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Whether or not each credit rating applied for in relation to any Tranche of Notes will be treated as having been issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the relevant Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless (1) the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused or (2) the rating is provided by a credit rating agency not established in the European Union but is endorsed by a credit rating agency established in the European Union and registered under the CRA Regulation or (3) the rating is provided by a credit rating agency not established in the European Union which is certified under the CRA Regulation.

RISK FACTORS

Prospective investors should carefully consider all the information set forth in this Base Prospectus, the applicable Final Terms and any documents incorporated by reference into this Base Prospectus, as well as their own personal circumstances, before deciding to invest in any Notes. Prospective investors should have particular regard to, among other matters, the considerations set out in this section of this Base Prospectus. The following is not intended as, and should not be construed as, an exhaustive list of relevant risk factors. There may be other risks that a prospective investor should consider that are relevant to its own particular circumstances or generally.

Each of the Issuer and the Guarantor believes that the following factors, many of which are beyond the control of the Issuer and the Guarantor, may affect its ability to fulfil its obligations under Notes issued under the Programme. Neither the Issuer nor the Guarantor is in a position to express a view on the likelihood of any such contingency occurring. In addition, factors that are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

Each of the Issuer and the Guarantor believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer or the Guarantor to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons and the Issuer and the Guarantor do not represent that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus, including the descriptions of the Issuer and the Guarantor, and reach their own views prior to making any investment decisions.

Before making an investment decision with respect to any Notes, prospective investors should consult their own stockbroker, bank manager, lawyer, accountant or other financial, legal and tax advisors and carefully review the risks entailed by an investment in the Notes and consider such an investment decision in the light of the prospective investor's personal circumstances.

Words and expressions defined in "Term and Conditions of the Notes" shall have the same meanings in this section.

1. Risk Factors relating to the Issuer and/or the Guarantor

Repsol YPF's operations and earnings are subject to risks as a result of changes in competitive, economic, political, legal, regulatory, social, industrial, business and financial conditions. Investors should carefully consider these risks.

OPERATION-RELATED RISKS

Uncertainty in the economic context

The recovery after the recent global economic-financial crisis is still subject to risks and uncertainty. The growth of the global economy has slowed in the first half of 2011, due to the phasing out of certain factors supporting the recovery, such as public anti-cyclical fiscal policies, higher inflation pressures, and the disruption of the international production chain caused by the earthquake and tsunami in Tohoku, Japan. Further deterioration of global growth path could threaten the company's current prices and margins, despite baseline expectations of a growing world demand for oil and gas, especially in emerging countries. The increase in public debt in nearly every country as a result of their anti-crisis policies, could lead to the introduction of changes in taxation and the regulatory framework applied to the oil and gas industry. In addition to this, there is deep financial reform underway, which could have significant consequences for the economy as a whole. Lastly, the economic and financial situation could negatively impact on third parties with whom Repsol YPF does, or may do, business. Any of these factors, together

with or independently of the other factors described below, may adversely affect Repsol YPF's business, financial condition and results of operations.

International reference crude oil prices and demand for crude oil may fluctuate due to factors beyond Repsol YPF's control

World oil prices have fluctuated widely over the last 10 years and are subject to international supply and demand factors over which Repsol YPF has no control. Political developments throughout the world (especially in the Middle East), the evolution of stocks of oil and products, the circumstantial effects of climate changes and meteorological phenomena, such as storms and hurricanes (which especially affect the Gulf of Mexico), the increase in demand in countries with strong economic growth, such as China and India, major world conflicts, as well as political instability and the threat of terrorism from which some producing areas suffer periodically, together with the risk that the supply of crude oil may become a political weapon, can particularly affect the world oil market and oil prices. In 2010, the average West Texas Intermediate (*WTI*) crude oil price was U.S.\$79.61 per barrel, compared to an average of U.S.\$56.13 per barrel for the period 2001-2010, with maximum and minimum annual averages of U.S.\$99.75 per barrel and U.S.\$25.96 per barrel in 2008 and 2001, respectively. In 2010, oil (*WTI*) was traded at a range of approximately U.S.\$68-92/barrel, and during the first half of 2011 at a range of approximately U.S.\$84-114/barrel.

International reference crude oil prices and demand for crude oil may also fluctuate significantly during economic cycles.

The fall in oil prices has had a negative impact on the profitability of Repsol YPF activities, impacting on the valuation of its assets and its plans for capital investment including projected capital expenditures related to exploration and development activities. A significant reduction of capital investments may negatively affect Repsol YPF's ability to replace oil reserves.

Regulation of Repsol YPF's operations

The oil industry is subject to extensive regulation and intervention by governments throughout the world in such matters as the award of exploration and production interest, the imposition of specific drilling and exploration obligations, restrictions on production, price controls, required divestments of assets and foreign currency controls over the development and nationalisation, expropriation or cancellation of contract rights. Such legislation and regulations apply to virtually all aspects of Repsol YPF's operations inside and outside Spain. In addition, certain countries contemplate in their legislation the imposition of sanctions on non-domestic companies which make certain types of investments in other countries.

In addition, the terms and conditions of the agreements under which Repsol YPF's oil and gas interests are held generally reflect negotiations with governmental authorities and vary significantly by country and even by field within a country. These agreements generally take the form of licenses or production sharing agreements. Under license agreements, the license holder provides financing and bears the risk of the exploration and production activities in exchange for resulting production, if any. Part of the production may have to be sold to the state or the state-owned oil company. License holders are generally required to make certain tax or royalty payments and pay income and production taxes which can be high when compared with the taxes paid by other businesses. Nevertheless, production sharing agreements generally require the contractor to finance exploration and production activities in exchange for the recovery of its costs from part of production (cost oil) and the remainder of production (profit oil) is shared with the state-owned oil company.

Repsol YPF cannot predict changes in the aforementioned regulation and legislation or the interpretation or implementation thereof.

Repsol YPF is subject to extensive environmental regulations and risks

Repsol YPF is subject to extensive environmental laws and regulations in the countries in which it operates, which regulate, among other matters affecting Repsol YPF's operations, environmental quality standards for products, air emissions and climate change, energy efficiency, water discharges, remediation of soil and groundwater and the generation, storage, transportation, treatment and disposal of waste materials.

In particular, due to concern over the risk of climate change, a number of countries have adopted, or are considering the adoption of, new regulatory requirements to reduce greenhouse gas emissions, such as carbon taxes, increased efficiency standards, or the adoption of trade regimes. These requirements could make Repsol YPF's products more expensive as well as shift hydrocarbon demand toward relatively lower-carbon sources such as renewable energies. In addition, compliance with greenhouse gas regulations may also require the Company to upgrade its facilities, monitor or sequester emissions or take other actions which may increase its compliance costs.

These laws and regulations have had and will continue to have an impact on Repsol YPF's business, financial condition and results of operations.

Operating risks related to exploration and exploitation of oil and gas, and reliance on the cost-effective acquisition or discovery of, and, thereafter, development of new oil and gas reserves

Oil and gas exploration and production activities are subject to particular risks, some of which are beyond the control of Repsol YPF. These activities are subject to risk related to production, facilities, transport, natural hazards and other uncertainties associated with the physical characteristics of oil and gas fields. Repsol YPF operations may be curtailed, delayed or cancelled as a result of weather conditions, technical difficulties, delays in the delivery of equipment or compliance with governmental requirements. In addition to this, some of our development projects are located in deep waters and other difficult environments, such as the Gulf of Mexico, Brazil and the Amazon rainforest or in challenging reservoirs, which could aggravate these risks. The offshore operations, in particular, are subject to sea risks, among them storms and other adverse climate conditions or shipwrecks. Also, the transportation of oil products, by any means, always has inherent risks: during transport by road, rail, sea, or pipeline, oil or other hazardous substances could leak. This is a significant risk, due to the impact a spill could potentially have on the environment and on people, especially considering the high volume of products that can be carried at any one time. If these risks materialize, Repsol YPF may suffer substantial losses, disruptions to its operations and harm to its reputation.

Moreover, Repsol YPF is dependent on the replacement of depleted oil and gas reserves with new proven reserves in a cost-effective manner that permits subsequent production to be economically viable. Repsol YPF's ability to acquire or discover new reserves, is subject to a number of risks. For example, drilling may involve unprofitable efforts, not only with respect to dry wells, but also with respect to wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs are taken into account. In addition, crude oil and natural gas production blocks are typically auctioned by governmental authorities and Repsol YPF faces intense competition in bidding for such production blocks, in particular those blocks with the most attractive potential reserves. Such competition may result in Repsol YPF's failing to obtain desirable production blocks or result in Repsol YPF acquiring such blocks at a higher price, which could mean that subsequent production would not be economically viable.

If Repsol YPF fails to acquire or discover, and, thereafter, develop new oil and gas reserves in a cost-effective manner, or if any of the aforementioned risks materialise, its business, results of operations and financial condition would be materially and adversely affected.

Location of Repsol YPF reserves

Part of the oil and gas reserves are located in countries that are or could be economically and politically unstable.

Reserves in these areas as well as related production operations may be subject to risks, including increases in taxes and royalties, the establishment of limits on production and export volumes, the compulsory renegotiation or cancellation of contracts, the nationalisation or denationalisation of assets, changes in local government regimes and policies, changes in business customs and practices, payment delays, currency exchange restrictions and losses and impairment of operations by actions of insurgent groups. In addition, political changes may lead to changes in the business environment. Economic downturns, political instability or civil disturbances may disrupt distribution logistics or limit sales in the markets affected by such events.

Libya is currently experiencing a period of unrest. As a consequence, the Group's production has been suspended in Libya since 5 March 2011. At 30 June 2011, 0.8% of Repsol YPF's total consolidated assets were located in Libya, mostly in relation to hydrocarbon exploration and production activities. In 2010, 4.5% of the Group's total annual hydrocarbon production was generated in Libya.

Oil and gas reserves are estimates

In order to calculate proved oil and gas reserves, Repsol YPF uses the guidelines and the conceptual framework for defining proved reserves issued by the SEC. Oil and gas proved reserves are estimated using geological and engineering data to determine with reasonable certainty whether the crude oil or natural gas located in known reservoirs can be recovered under existing economic and operating conditions.

The accuracy of proved reserves estimates depends on a number of factors, assumptions and variables, some of which are beyond our control. Factors susceptible to the company's control include drilling, testing and production after the date of the estimates, which may require substantial upward or downward revisions to reserves estimates; the quality of available geological, technical and economic data used and its interpretation thereof; the production performance of reservoirs and recovery rates, both of which depend in significant part on available technologies as well as the company's ability to implement such technologies and the relevant know-how; the selection of third parties with which Repsol YPF enters into business; and the accuracy of its estimates of initial hydrocarbons in place, which may prove to be incorrect or require substantial revisions. Factors mainly beyond Repsol YPF's control include changes in prevailing oil and natural gas prices, which could have an effect on the quantities of proved reserves (since the estimates of reserves are calculated under existing economic conditions when such estimates are made); changes in the prevailing tax rules, other government regulations and contractual conditions after the date estimates are made (which could make reserves no longer economically viable to exploit); certain actions of third parties, including the operators of fields in which the Group has an interest.

As a result of the foregoing, measures of reserves are not precise and are subject to revision. Any downward revision in estimated quantities of proved reserves could adversely impact financial results, leading to increased depreciation, depletion and amortisation charges and/or impairment charges, which would reduce earnings and shareholders' equity.

Repsol YPF's natural gas operations are subject to particular operational and market risks

Natural gas prices in the various regions in which Repsol YPF operates tend to vary from one to another as a result of significantly different supply, demand and regulatory circumstances, and such prices can also be lower than prevailing prices in other regions of the world. In addition, excess supply conditions that exist in some regions cannot be utilized in other regions due to a lack of infrastructure and difficulties in transporting natural gas.

Repsol YPF has entered into long-term contracts for purchase and supply of natural gas in various parts of the world. These contracts have different price formulas, which could result in higher purchase prices than the price at which such gas could be sold in increasingly liberalized markets. In addition, gas availability could be subject to risks of contract fulfilment from counterparties. Thus, it might be necessary to look for other sources of natural gas in the event of non-delivery from any of these sources, which could require payment of higher prices than those called for under such contracts.

Repsol YPF also has long-term contracts to sell and deliver gas, mainly to clients in Argentina, Bolivia, Brazil, Chile, Venezuela, Spain and Mexico. These contracts present additional types of risks to the company as they are linked to current proven reserves in Argentina, Bolivia, Venezuela, Trinidad and Tobago and Peru. If sufficient reserves in those countries were not available, Repsol YPF might not be able to satisfy its obligations under these contracts, several of which include penalty clauses for non-fulfilment.

Cyclical nature of the petrochemicals activity

The petrochemicals industry is subject to wide fluctuations in supply and demand, reflecting the cyclical nature of the chemicals market at regional and global levels. These fluctuations affect prices and profitability for petrochemicals companies, including Repsol YPF. Repsol YPF's petrochemicals business is also subject to extensive government regulation and intervention in such matters as safety and environmental controls.

Significant presence in Argentina

At 31 December 2010 and 30 June 2011 respectively, approximately 19% and 18% of Repsol YPF's assets primarily relating to exploration and production activities were located in Argentina. These assets essentially correspond to those of YPF, S.A. and its subsidiaries and equity method affiliates (hereinafter, *YPF*). At the date of this Base Prospectus, the Group's share in this company stood at 57.43%.

Following the economic crisis of 2001 and 2002, Argentina's GDP has grown at an average rate of approximately 8.5% from 2003 to 2008, slowing down in 2009 due to the international financial crisis. In 2010, after a recovery process and according to preliminary estimates, the growth rate achieved is in the region of 9.2%. The Argentinean economy is still sensitive to volatile commodities prices, the limited credit and international investment in infrastructure, the development of energy resources supporting economic growth and the rise in inflation rates, among other factors.

The main economic risks Repsol YPF faces due to its operations in Argentina include the following:

- limitations on its ability to pass on increases in international oil prices and other fuels, and exchange rate fluctuations and/or other costs affecting the operations to local prices;
- higher taxes on hydrocarbon exports;
- restrictions on hydrocarbon export volumes driven mainly by the requirement to satisfy domestic demand, thereby affecting the company's prior arrangements with its clients;
- the need to extend concessions, some of which expire in 2017;
- work disruptions and stoppages by the workforce;
- changes in the Argentinean peso exchange rate.

In recent years, new and increased duties have been imposed on exports (see note 2, "Argentina - Regulatory Framework" in the consolidated financial statements for 2010). As a result of these export tax increases, YPF could be, and on certain occasions has been, forced to renegotiate its export contracts

despite the Government's prior approval of them. The imposition of these export withholdings has had an adverse impact on the operating income of YPF.

In addition, YPF has been obliged to sell a part of its natural gas production previously destined for the export market in the local Argentine market and has not been able to meet its contractual gas export commitments in whole or, in some cases, in part, leading to disputes with its export clients and forcing YPF to declare force majeure under its export sales agreements. Repsol YPF believes that these actions from the government constitute force majeure events that relieve YPF from any contingent liability for the failure to comply with its contractual obligations.

Repsol YPF's current insurance coverage to all operational risks may not be sufficient.

As discussed in several of the risk factors mentioned in this document, Repsol YPF's operation are subject to extensive economic, operational, regulatory and legal risk. The company maintains insurance cover against certain risks inherent in the oil and gas industry in line with industry practice, including loss of or damage to property and equipment, control-of-well incidents, loss of production or income incidents, removal of debris, sudden and accidental seepage pollution, contamination and clean up and third-party liability claims, including personal injury and loss of life, among other business risks. However, the insurance cover is subject to deductibles and limits that in certain cases may be materially exceeded by its liabilities. In addition, Repsol YPF's insurance policies contain exclusions which could leave the Group with limited coverage in certain events. On the other hand, the company may not be able to maintain adequate insurance at rates or on terms that it considers reasonable or acceptable or be able to obtain insurance against certain risks that materialize in the future. If the company experiences an incident against which it is not insured, or the costs of which materially exceed its coverage, it could have a material adverse effect on its business, financial condition and results of operations.

FINANCIAL RISKS

Repsol YPF is exposed to liquidity risk associated with the Group's ability to finance its obligations at reasonable market prices as they come due, as well as to carry out its business plans with stable financing sources. Repsol YPF is also exposed to credit risk, defined as the possibility of a third party not complying with its contractual obligations, thus creating losses for the Group. Repsol YPF's results and equity are exposed to market risks due to fluctuations (i) in exchange rates of currencies in which it operates (ii) in interest rates and (iii) in commodity prices.

Liquidity risk

Liquidity risk is associated with the Group's ability to finance its obligations at reasonable market prices, and to carry out its business plans with stable financing sources.

Repsol YPF keeps, in line with its financial policy, at 30 June 2011, resources available to cover 80% of its entire gross debt and 66% of this debt when preference shares are included. Excluding Gas Natural Fenosa, these resources cover the entire gross debt and 82% of this debt when preference shares are included.

Credit risk

The Group's exposure to credit risk is mainly attributable to commercial debts from trading transactions, measured and controlled by individual clients or third parties. To this end, the Group has its own systems, aligned to best practices, for constantly monitoring the creditworthiness of all its debtors and for determining the risk limits of third parties.

As a general rule, the Group establishes a bank guarantee issued by financial entities as the most suitable instrument of protection from credit risk. In some cases, the Group has taken out credit insurance

policies whereby this transfers the credit risk related to the business activity of some of their businesses to third parties.

Market risks

Exchange rate risk

Repsol YPF is exposed to fluctuations in currency exchange rates since revenues and cash flows originating from the sale of crude oil, natural gas, and refined product are generally denominated in dollars or affected by the exchange rate. Operating income is also exposed to fluctuations in currency exchange rates in countries where Repsol YPF conducts its activities. In order to mitigate the exchange rate risk on results, and when it deems appropriate, Repsol YPF may use derivatives for those currencies for which there is a liquid market and where transaction costs are reasonable.

The company is also exposed to exchange rate risk in relation to the value of its assets and financial investments in dollars. Repsol YPF obtains financing in dollars and in other currencies, either directly or synthetically through currency derivatives.

In addition, Repsol YPF's financial statements are expressed in euro and, consequently, the assets and liabilities of investee companies with a different functional currency are translated into euro at the exchange rate prevailing on the balance sheet date. The revenues and expenses of each of these items in the profit and loss accounts are translated into euro by applying the exchange rate in force on the date of each transaction; for practical reasons, the exchange rate used is, in general, the average of the period in which the transactions were made. The fluctuations in the exchange rates applied in the process for converting the currencies into euro generates variations (gains or losses) which are recognised in the Repsol YPF Group consolidated financial statements and expressed in euro.

Commodity price risk

As a result of its trade operations and activities, the results of the Repsol YPF Group could be affected by volatility in the prices of oil, natural gas, and related derivative products (see "International reference crude oil prices and demand for crude oil may fluctuate due to factors beyond Repsol YPF's control" and "Operating risks related to exploration and exploitation of oil and gas, and reliance on the cost-effective acquisition or discovery of, and, thereafter, development of new oil and gas reserves" above).

Interest rate risk

The market value of the Group's net financing and net interest expenses could be affected by interest rates fluctuations.

In Note 20 "Financial risk and capital management" and Note 21 "Derivative transactions" to the consolidated financial statements of Repsol YPF for the year ended 31 December 2010, there is additional information on the financial risks described in this section.

2. Risk Factors relating to the Notes

Investors are Relying Solely on the Creditworthiness of the Issuer and the Guarantor

The Notes and the Guarantee will constitute unsubordinated and unsecured obligations of the Issuer and the Guarantor, respectively, and will rank equally among themselves and equally with all other unsubordinated and unsecured obligations of the Issuer and the Guarantor, respectively (other than obligations preferred by mandatory provisions of law). If you purchase Notes, you are relying on the creditworthiness of the Issuer and the Guarantor and no other person.

In addition, investment in the Notes involves the risk that subsequent changes in actual or perceived creditworthiness of the Issuer and the Guarantor may adversely affect the market value of the Notes.

Exchange Rate Risks and Exchange Controls

The principal of or any interest on Notes may be payable in, or determined by reference or indexed to, one or more Specified Currencies (including exchange rates and swap indices between currencies or currency units). For Noteholders whose financial activities are denominated principally in a currency or currency unit (the *Noteholder's Currency*) other than the Specified Currency in which the related Notes are denominated, or where principal or interest in respect of Notes is payable by reference to the value of one or more Specified Currencies other than by reference solely to the Noteholder's Currency, an investment in such Notes entails significant risks that are not associated with a similar investment in a Note denominated and payable in such Noteholder's Currency.

Such risks include, without limitation, the possibility of significant changes in the rate of exchange between the applicable Specified Currency and the Noteholder's Currency and the possibility of the imposition or modification of exchange controls by authorities with jurisdiction over such Specified Currency or the Noteholder's Currency. Such risks generally depend on a number of factors, including financial, economic and political events over which the Issuer has no control. In addition, if the formula used to determine the amount of principal or interest payable with respect to a Note contains a multiple or leverage factor, the effect of any change in the applicable Specified Currency, index or formula will be magnified.

Government or monetary authorities have imposed from time to time, and may in the future impose, exchange controls that could affect exchange rates as well as the availability of the Specified Currency in which a Note is payable at the time of payment of the principal or interest in respect of such Note.

Liquidity Risks

The Notes may not have an established trading market when issued. There can be no assurance of a secondary market for the Notes or the continued liquidity of such market if one develops. The secondary market for the Notes will be affected by a number of factors independent of the creditworthiness of the Issuer and the Guarantor and the value of any applicable index or indices, which may include the complexity and volatility of such index or indices, the method of calculating the principal or any interest to be paid in respect of such Notes, the time remaining to the maturity of such Notes, the outstanding amount of such Notes, any redemption features of such Notes, the amount of other securities linked to such index or indices and the level, direction and volatility of market interest rates generally. Such factors also will affect the market value of the Notes.

In addition, certain Notes may be designed for specific investment objectives or strategies, and may therefore have a more limited secondary market and experience more price volatility than conventional debt securities. Noteholders may not be able to sell Notes readily or at prices that will enable Noteholders to realise their anticipated yield. No investor should purchase Notes unless such investor understands and is able to bear the risk that certain Notes may not be readily saleable, that the value of Notes will fluctuate over time and that such fluctuations may be significant.

The prices at which Zero Coupon Notes, as well as other instruments issued at a substantial discount from their principal amount payable at maturity, trade in the secondary market tend to fluctuate more in relation to general changes in interest rates than do such prices for conventional interest-bearing securities of comparable maturities.

Investors whose investment activities are subject to legal investment laws and regulations or to review or regulation by certain authorities may be subject to restrictions on investments in certain types of debt securities. Investors should review and consider such restrictions prior to investing in the Notes.

The Issuer's and the Guarantor's (as applicable) credit rating are an assessment by the relevant rating agencies of each such company's ability to pay its debts when due. Consequently, real or anticipated changes in such credit ratings will generally affect the market value of the Notes. These credit ratings may not reflect the potential impact of risks relating to structure, market or other factors discussed in this Base Prospectus on the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Return on an investment in Notes will be affected by charges incurred by Investors

An investor's total return on an investment in any Notes will be affected by the level of fees charged by an agent, nominee service provider and/or clearing system used by the investor. Such a person or institution may charge fees for the opening and operation of an investment account, transfers of Notes, custody services and on payments of interest and principal. Potential investors are, therefore, advised to investigate the basis on which any such fees will be charged on the relevant Notes.

Tax consequences of holding the Notes

Potential investors should consider the tax consequences of investing in the Notes and consult their tax advisers about their own tax situation.

Change of Law

The structure of the Programme and, *inter alia*, the issue of Notes and ratings assigned to Notes are based on law (including tax law) and administrative practice in effect at the date of this Base Prospectus, and having due regard to the expected tax treatment of all relevant entities under such law and administrative practice. No assurance can be given that there will not be any change to such law, tax or administrative practice after the date of this Base Prospectus, which change might impact on the Notes and the expected payments of interest and repayment of principal.

Ratings of the Notes

The ratings ascribed to the Notes reflect only the views of the rating agencies and, in assigning the ratings, the rating agencies take into consideration the credit quality of the Issuer and the Guarantor and structural features and other aspects of the transaction.

A rating is not a recommendation to buy, sell or hold securities and will depend, among other things, on certain underlying characteristics of the business and financial condition of the Issuer.

There can be no assurance that any such ratings will continue for any period of time or that they will not be reviewed, revised, suspended or withdrawn entirely by the rating agencies (or any of them) as a result of changes in, or unavailability of, information or if, in the rating agencies' judgment, circumstances so warrant. If any rating assigned to the Notes is lowered or withdrawn, the market value of the Notes may be reduced. Future events, including events affecting the Issuer and/or Repsol YPF and/or circumstances relating to the oil industry generally, could have an adverse impact on the ratings of the Notes.

Risks Related to the Structure of a Particular Issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features that contain particular risks for potential investors. Set out below is a description of the most common features.

Notes Subject to Optional Redemption by the Issuer

An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when their cost of borrowing is lower than the interest rate on Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest range on Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Index-Linked Notes and Dual Currency Notes

The Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the price of securities or commodities, to movements in currency exchange rates or other factors (each, a **Relevant Factor**). In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies, which may be different from the currency in which Notes are denominated. Potential investors should be aware that:

- the market price of such Notes may be volatile;
- they may receive no interest;
- payment of principal or interest may occur at a different time or in a different currency than expected;
- they may lose all or a substantial portion of their principal;
- a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

Partly-paid Notes

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of its investment.

Variable Rate Notes with a Multiplier or Other Leverage Factor

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than Notes without such features.

Inverse Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Notes typically are more volatile than market

values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate applicable to the relevant Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than the prevailing rates on its Notes.

Notes Issued at a Substantial Discount or Premium

The market values of Notes issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing Notes. Generally, the longer the remaining term of Notes, the greater the price volatility as compared to conventional interest bearing Notes with comparable maturities.

Specified Denominations

In relation to any issue of Notes which under the Conditions have a minimum denomination of €100,000 plus a higher integral multiple of another smaller amount (or, where the relevant Specified Currency is not euro, its equivalent in the Specified Currency) (each, a ***Specified Denomination***), it is possible that Notes may be traded in the clearing systems in amounts in excess of €100,000 (or its equivalent in the Specified Currency). In such a case, should definitive Notes be required to be issued, a holder who, as a result of trading such amounts, holds a principal amount of less than €100,000 (or its equivalent in the Specified Currency) in his account with the relevant clearing system at the relevant time may not receive all of his entitlement in the form of definitive Notes, and consequently may not be able to receive interest or principal in respect of all of his entitlement, unless and until such time as his holding becomes an integral multiple of a Specified Denomination.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income (the **Savings Directive**), Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the Savings Directive, which included the Commission's advice on the need for changes to the Savings Directive. On 13 November 2008 the European Commission published a more detailed proposal for amendments to the Savings Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of those proposed changes are made in relation to the Savings Directive, they may amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system pursuant to the Savings Directive and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Savings Directive.

The European Commission has proposed certain amendments to the Savings Directive which may, if implemented, amend or broaden the scope of requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

The Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Modification, waivers and substitution

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The conditions of the Notes also provide that the Trustee may, without the consent of Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Notes or (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such or (iii) the substitution of another

company as principal debtor under any Notes in place of the Issuer, in the circumstances described in Condition 11.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

USE OF PROCEEDS

The net proceeds of the issue of Notes under the Programme will be on-lent by the Issuer to, or invested by the Issuer in, other companies within Repsol YPF for use by such companies for their general corporate purposes.

INFORMATION ON REPSOL INTERNATIONAL FINANCE B.V.

History

The Issuer, Repsol International Finance B.V., was incorporated in The Netherlands on 20 December 1990 as a limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) for an indefinite duration pursuant to the laws of The Netherlands, under which it now operates.

The Issuer is registered in the Commercial Register of the Hague Chamber of Commerce under number 24251372. The Issuer is domiciled in The Netherlands and its registered office and principal place of business is Koningskade 30, 2596 AA The Hague, the Netherlands and its telephone number is +31 70 3262133.

Principal activities

The principal activity of the Issuer is to finance the business operations of Repsol YPF. The Issuer may, from time to time, obtain financing (including through loans or issuing other securities), which may rank *pari passu* with the Notes.

Organisational structure

As its direct wholly-owned subsidiary, the Issuer is owned and controlled by the Guarantor.

As at the date of this Base Prospectus, the Issuer holds the following investments:

	Percentage ownership
	%
Gaviota RE, Luxembourg	99.88
Occidental de Colombia LLC., Delaware	25.00
Repsol LNG Port Spain, BV., The Hague	100.00
Repsol Netherlands Finance BV., The Hague	66.50
Repsol Investerings, BV., The Hague	100.00
Repsol International Capital, Ltd., Cayman Islands	100.00
Repsol YPF Capital, S.L., Madrid	99.99

Administrative, management and supervisory bodies

The directors of the Issuer are:

Name	Function	Principal activities outside Repsol YPF
Godfried Arthur Leonard Rupert Diepenhorst	Director	On the management board of two holding and finance companies in The Netherlands, DCC International Holdings B.V. and MKS Holding B.V. as well as on the Board of Directors of 7 subsidiaries of DCC Group. Honorary Consul of the Republic of Mauritius in The Netherlands.
Francisco Javier Sanz Cedrón	Director	N/A
Fernando Bonastre Capel	Director	N/A
José María Pérez Garrido	Director	N/A

The business address of each of the directors is Koningskade 30, 2596 AA The Hague, The Netherlands.

There are no conflicts of interest between any duties owed by the directors of the Issuer to the Issuer and their respective private interests and/or other duties.

The Board of Directors took into consideration the enactment into Dutch Law of the EU Directive 2006/43/EU by a Royal Decree of July 2008 and the obligation on the Issuer to establish an Audit Committee due to the fact that the Issuer is considered a "public interest organisation".

It was decided to delegate the public governance compliance obligations as regards the Issuer in respect of article 2, section 3, sub a to d of the Decree to the Audit and Control Committee of its parent company, Repsol YPF (see "Business Description - 5. Directors, Senior Management and Employees - Directors and Officers of Repsol YPF – Audit and Control Committee (Comisión de Auditoría y Control)"). As a result, the auditors of the Issuer report to the Audit and Control Committee, at least annually: (i) their key findings and the most important matters considered during the audit of the financial statements of the Issuer; (ii) any deficiency observed and possible improvements of internal control; (iii) a confirmation of their independence as auditors of the Issuer; and (iv) details of the fees received from the Issuer describing the nature of the services provided.

Selected non-consolidated financial information

The audited non-consolidated financial statements of the Issuer, including the notes to such financial statements and the auditors' reports thereon, for the years ended 31 December 2010 and 2009, have each been filed with the CSSF and are deemed to be incorporated in, and to form part of, this Base Prospectus (see "Documents Incorporated by Reference" above).

The selected non-consolidated financial data set forth below should be read in conjunction with such audited non-consolidated financial statements:

	2010 ⁽¹⁾		2009 ⁽¹⁾	
	(millions of euro)	(millions of U.S.\$)	(millions of euro)	(millions of U.S.\$)
Statements of Income				
Financial income and (expense).....	146	195	(199)	(287)
Income/(Loss) before provision for income taxes.....	141	188	(203)	(292)
Net income/(Loss).....	130	174	(214)	(308)
Balance Sheet				
Total non-current assets.....	5,491	7,337	5,271	7,594
Total current assets.....	2,560	3,421	2,179	3,139
Total assets.....	8,051	10,758	7,450	10,733
Long-term liabilities.....	4,637	6,196	4,682	6,745
Short-term liabilities.....	2,083	2,783	1,505	2,168
Shareholders' equity.....	1,331	1,779	1,263	1,820
Total liabilities and shareholders' equity.....	8,051	10,758	7,450	10,733

(1) *The financial information expressed in euro is presented for the convenience of the reader and is translated from U.S. dollars at the noon buying rates in New York City for cable transfers into euro as certified for customs purposes by the Federal Reserve Bank of New York on 31 December 2010 and 2009, which were €0.7484 and €0.6942 per U.S. dollar, respectively. The translated amounts should not be construed as a representation that U.S. dollars have been, could have been, or could be in the future, converted into euro at these or any other rates of exchange.*

The individual financial statements of the Issuer are prepared in accordance with Dutch GAAP.

Reconciliation between Dutch GAAP and EU-IFRS

Under generally accepted accounting principles in The Netherlands (**Dutch GAAP**), transaction costs that are directly attributable to the issue of notes are deferred and amortised using the straight-line method as opposed to the effective interest method used under International Financial Reporting Standards, as adopted by the European Union (**EU-IFRS**). As at 31 December 2010, the recognition of the notes at amortised cost, as required under IFRS, had the effect of increasing equity by approximately U.S.\$0.3 million.

As applied to the Issuer, there are no other material differences between Dutch GAAP and IFRS.

INFORMATION ON REPSOL YPF, S.A.

Overview

Repsol YPF is a limited liability company (*sociedad anónima*) duly organised on 12 November 1986, under the laws of the Kingdom of Spain.

Repsol YPF is registered with the Commercial Register of Madrid under the page number M-65289, and its tax identification number is A-78374725. Repsol YPF, S.A. is domiciled in Spain and its registered office and principal place of business is Paseo de la Castellana 278, 28046 Madrid, Spain and its telephone number is +34 91 753 8000.

Repsol YPF is an integrated oil and gas company engaged in all aspects of the petroleum business, including exploration, development and production of crude oil and natural gas, transportation of petroleum products, LPG and natural gas, petroleum refining, petrochemical production and marketing of petroleum products, petroleum derivatives, petrochemicals, LPG and natural gas. Repsol YPF is also engaged in the generation, transport, distribution and marketing of electricity.

Repsol YPF began operations in October 1987 as part of a reorganisation of the oil and gas businesses then owned by Instituto Nacional de Hidrocarburos, a Spanish government agency which acted as a holding company of government-owned oil and gas businesses. In April 1997, the Spanish government sold in a global public offering its entire remaining participation in Repsol YPF.

During 1999, and as part of its international growth strategy, Repsol YPF acquired, through a series of acquisitions, 99% of YPF, a leading Argentine petroleum company and the former state oil and gas monopolist in Argentina. In 2008, Repsol YPF agreed the sale of 14.9% of YPF to Petersen Energía, S.A. (*Petersen Energía*) and granted two purchase options for a total additional interest of 10.1% with a term of 4 years. Both of these purchase options have already been exercised by Petersen Energía, who holds a 25.46% stake in YPF following these transactions. During 2010 and 2011 Repsol YPF has sold additional stakes in YPF and as of the date of this Base Prospectus Repsol YPF holds a 57.43 % interest in YPF. For a more complete description of the transaction, please see “Business Description - 7. Material Contracts - Agreement between Repsol YPF and Petersen Energía, S.A. for the sale of up to 25% of YPF”.

On 22 February 2011, Repsol YPF formally sought delisting of its American Depositary Shares (*ADS*) from the New York Stock Exchange (*NYSE*) and on 4 March 2011 Repsol YPF's ADS ceased to be listed on this market. Subsequently, on 7 March 2011 Repsol YPF's deregistration with the Securities Exchange Commission (*SEC*) became effective. However, the Company maintains an ADS programme which began to trade on the OTCQX market on 9 March 2011. The shares of Repsol YPF are all admitted to trading on the Spanish Stock Exchanges (Madrid, Barcelona, Bilbao and Valencia) and the Buenos Aires Stock Exchange.

Principal activities

For a description of the principal activities of Repsol YPF, please refer to the section entitled “Business Description” in this Base Prospectus.

Business segments of Repsol YPF

Repsol YPF operates in the following business segments:

- *Upstream*, which is responsible for oil and gas exploration and production activities, except for those undertaken by YPF.

- *LNG*, which manages LNG midstream and marketing activities, except for those undertaken by YPF.
- *Downstream*, which is responsible for refining and marketing of oil, chemicals and LPG, except for activities undertaken by YPF.
- *YPF*, which is responsible for the integrated value chain activities (exploration, production, refining, logistics, marketing and chemicals) undertaken by YPF.
- *Gas Natural Fenosa*, which corresponds to Repsol YPF's stake in the Gas Natural Fenosa group.

Repsol YPF operates in over 48 countries, the most significant of which are Spain and Argentina. Repsol YPF has a unified global corporate structure with headquarters in Madrid, Spain and Buenos Aires, Argentina.

Below is a list of the significant investee companies of the Repsol YPF Group as at 30 June 2011, including the country of incorporation, main activities and the, direct or indirect, ownership interest of the Guarantor in such investee companies.

<u>Name</u>	<u>Country</u>	<u>Activity</u>	<u>Control % owned</u>
Repsol YPF, S.A.	Spain	Portfolio company	-
Repsol YPF Perú BV	Holland	Portfolio company	100.00
Repsol Sinopec Brasil, S.A.	Brasil	Operation and marketing of oil and gas	60.1
Repsol YPF Chile, S.A.	Chile	Administ. of investments of YPF in Chile	100.00
Repsol Exploración, S.A.	Spain	Exploration and production of oil and gas	100.00
Repsol Butano, S.A.	Spain	Marketing of LPG	100.00
Repsol Química, S.A.	Spain	Production and sale of petrochemicals	100.00
Repsol YPF Bolivia, S.A.	Bolivia	Portfolio company	100.00
Repsol YPF Trading y Transporte, S.A.	Spain	Trading of oil products	100.00
Repsol Lusitania, S.L.	Spain	Portfolio company	100.00
YPF, S.A. (1)	Argentina	Exploration and production of oil and gas	57.94
Repsol Petróleo, S.A.	Spain	Refining	99.97
Repsol Comercial Productos Petrolíferos, S.A.	Spain	Marketing of oil products	99.78
Petróleos del Norte, S.A.	Spain	Refining	85.98
Gas Natural SDG, S.A (2)	Spain	Distribution of gas and electricity	30.17
Repsol Int. Finance B.V.	Holland	Portfolio company	100.00
Repsol LNG, S.L.	Spain	Marketing of natural gas	100.00
Repsol Nuevas Energías, U.K., Ltd.	United Kingdom	Production, distribution and sales of all biofuels and other related activities	100.00

(1) As of the date of this Base Prospectus, Repsol YPF has a 57.43% interest in YPF.

(2) As of the date of this Base Prospectus, Repsol YPF has a 30.01% interest in Gas Natural Fenosa.

Selected consolidated financial information

The selected consolidated financial information set forth below should be read in conjunction with the audited consolidated financial statements as of and for the year ended 31 December 2010 and the condensed consolidated interim financial statements as of and for the six months ended 30 June 2011 (the interim financial statements have been the subject of a limited review by the Guarantor's auditors). Both the audited consolidated financial statements as of and for the year ended 31 December 2010 and the condensed consolidated interim financial statements as of and for the six months ended 30 June 2011 are incorporated by reference in, and form part of, this Base Prospectus.

	Year ended 31 December		Six months ended 30 June 2011 (unaudited) ⁽¹⁾
	2010	2009	
Consolidated income statement data			
Operating revenues	60,430	49,032	31,485
Operating income	7,621	3,244	2,722
Net income before tax ⁽²⁾	6,689	2,862	2,406
Net income attributable to the parent	4,693	1,559	1,344
Net income attributable to minority interests	(254)	(185)	(150)
Basic and diluted earnings per share ⁽³⁾	3.84	1.29	1.10
Consolidated balance sheet data			
Property, plant and equipment.....	33,585	31,900	32,620
Other non-current assets	12,168	11,410	12,397
Total current assets	21,878	14,773	21,812
Total assets	67,631	58,083	66,829
Non-current financial liabilities.....	14,940	15,411	14,268
Current financial liabilities	4,362	3,499	3,914
Equity attributable to the shareholders of the parent.....	24,140	19,951	24,307
Equity attributable to minority interest.....	1,846	1,440	3,144
Total equity	25,986	21,391	27,451
Share Capital	1,221	1,221	1,221
Consolidated cash flow data			
Cash flow from operating activities.....	5,642	4,765	2,036
Cash flow from investing activities	(73)	(7,854)	(241)
Cash flow (from) used in financing activities.....	(1,459)	2,505	(2,369)
Dividends per share (4)	0.425	1.475	0.525

(1) The condensed consolidated interim financial statements as of and for the six months ended 30 June 2011 have been the subject of a limited review by the Guarantor's auditors, as described in the auditors' limited review report, which was filed with the Spanish Securities Market Commission (CNMV) on 28 July 2011 and is incorporated by reference in this Base Prospectus.

(2) Comprises the items "Operating income", "Financial Results" and "Share of results of companies accounted for using the equity method" of the Consolidated Income Statement.

(3) Net income per share has been calculated taking into account the average number of shares outstanding, while also considering the Treasury shares held by the Company.

(4) Corresponds to the dividends paid during that fiscal year.

BUSINESS DESCRIPTION

1. Strategy of Repsol YPF

Repsol YPF's Strategic Plan for the period 2010-2014 was presented to analysts, institutional investors and employees on 29 April 2010.

Repsol YPF's main competitive strengths are as follows:

- **Company positioned for growth**
 - Executing the transformation of Repsol YPF's upstream activities into the Group's growth engine through key attractive current projects;
 - Leveraging on strong recent exploration track record to create value from current exploration pipeline; and
 - Benefiting from enhanced best-in-class downstream assets to capitalise market recovery.
- **Business portfolio with a strong optionality value**
 - The stakes maintained in YPF and Gas Natural Fenosa provide portfolio flexibility to Repsol YPF.
- **Sound financial position**
 - Strong balance sheet to fund future growth; and
 - Large and stable dividend stream from YPF and Gas Natural Fenosa.

The main strategic priorities for each of the divisions of Repsol YPF are:

- **Upstream and LNG.** Repsol YPF will seek to consolidate the transformation of its upstream activity into the Group's growth engine. Repsol YPF will pursue this goal by:
 - Delivering key growth development projects:
 - Seeking to achieve production annual growth of 3-4% until 2014 and higher production annual growth from 2015 to 2019; and
 - Around 90% of the estimated production increase through 2014 relates to projects already under development.
 - Leveraging successful exploration activity:
 - Repsol YPF is present in some of the most attractive upstream areas worldwide such as Brazil and the Gulf of Mexico.
 - Seeking to achieve a reserve replacement ratio of 110% for the 2010-2014 period.
- **Downstream.** Repsol YPF will seek to optimise its return on capital and improve competitiveness through targeted conversion expansion. Repsol YPF will pursue this goal by:

- Leveraging on its leading competitive position as an integrated player in Spain.
- Completing two key growth projects (in Cartagena and Bilbao) by the end of 2011:
 - Repsol YPF aims to be among the European companies with highest conversion ratios (63% FCC equivalent, after start up of these growth projects); and
 - Repsol YPF's downstream division expects to increase middle distillates production by 25% after the completion of these growth projects in order to serve the Spanish market, which is expected to maintain a structural gasoil deficit.
- From 2012 on, after the start up of certain key growth projects, Repsol YPF's Downstream business is expected to be well positioned to capitalise the upside, to generate solid cash flow; and to be in a premier position in the European downstream business.
- **YPF.** Repsol YPF will seek to capture the value of YPF, by:
 - Profiting from the resilience shown by YPF's business in a difficult economic environment;
 - Managing the transition into a more open energy market;
 - Pursuing a rigorous capital allocation to ensure value creation;
 - Sustaining crude production through enhanced oil recovery; and
 - Delivering results and dividends.
- **Gas Natural Fenosa.** By its acquisition of, and merger with, Unión Fenosa, Gas Natural Fenosa has created a vertically integrated leader in gas and electricity in Spain:
 - Gas Natural Fenosa is now a stronger less volatile company;
 - It has doubled its size and has anticipated the completion of Gas Natural's previous Strategic Plan; and
 - It enhances the potential of Repsol YPF's LNG business.

Additionally, Repsol YPF's Strategic Plan 2010-2014 establishes the following portfolio management goals:

- Divesting YPF and non-performing or non-core assets to rebalance its portfolio; and
- Pursuing options to materialise the value of its balance sheet through selective divestments.

2. Economic and Operating Information

Below are summaries of operating revenues of Repsol YPF by business segment and geographic area for the periods indicated:

	2010	2009
	(millions of euro)	
Operating revenue		
Upstream	6,913	2,988
North America and Brazil.....	3,747	614
North Africa.....	1,019	719
Rest of the World.....	2,209	1,748
Adjustments ⁽¹⁾	(62)	(93)
LNG	1,332	1,028
Downstream	36,363	32,838
Europe	33,624	30,493
Rest of the World.....	4,735	3,887
Adjustments ⁽¹⁾	(1,996)	(1,542)
YPF ⁽²⁾	11,102	8,678
Gas Natural Fenosa ⁽³⁾	6,161	4,652
Corporation, adjustments and other.....	(1,441)	(1,152)
	60,430	49,032

(1) To eliminate intra-group transactions.

(2) Mainly corresponds to Argentina.

(3) Corresponds to Gas Natural Fenosa's operations, which are mainly in Europe and Latin America.

Below is a summary of Repsol YPF's net proved reserves and production data.

	2010	2009
Reserves:		
Crude oil net proved reserves⁽¹⁾	908,037	883,272
Europe	6,573	6,288
South America	722,888	686,963
Argentina ⁽²⁾	531,140	538,452
Trinidad and Tobago	35,150	39,965
Rest of South America.....	156,598	108,546
North America	57,573	66,447
Africa.....	121,004	123,575
Gas net proved reserves⁽³⁾	6,642,912	6,744,265
Europe	952	2,869
South America	6,544,779	6,614,803
Argentina ⁽²⁾	2,578,145	2,718,968
Trinidad and Tobago	2,036,440	2,239,337
Rest of South America.....	1,930,194	1,656,498
North America	16,172	15,819
Africa.....	81,008	110,774
Oil equivalent net proved reserves⁽⁴⁾	2,091,103	2,084,388
Europe	6,740	6,797
South America	1,888,477	1,865,023
Argentina ⁽²⁾	990,292	1,022,684
Trinidad and Tobago	397,829	438,779
Rest of South America.....	500,356	403,560
North America	60,454	69,265
Africa.....	135,431	143,303

	2010	2009
Production:		
Hydrocarbon net production⁽⁵⁾	323	331
Europe	1	1
South America	292	301
Argentina ⁽²⁾	197	208
Trinidad and Tobago	56	55
Rest of South America	39	38
North America	12	10
Africa	18	19
Asia	—	—

(1) Thousand of barrels of crude oil (kbbbl).

(2) Repsol YPF held a 79.81% and 84.04% stake in YPF as of December 31, 2010 and 2009 respectively.

(3) Millions of cubic feet of gas (bcf).

(4) Thousands of barrels of oil equivalent (kboe).

(5) Millions of barrels of oil equivalent (Mboe).

Additional selected operating data of Repsol YPF is summarised in the following table (in which operating data of YPF and Gas Natural Fenosa is disclosed separately):

	2010	2009
Upstream operating data:		
Hydrocarbon net production⁽¹⁾	125,653	121,768
LNG operating data:		
Production of liquefaction trains ^{(2) (3)}	5.1	4.7
LNG sold ⁽³⁾	6.7	4.5
Downstream operating data:		
Refining capacity^{(4) (5)}	878	926
Europe ⁽⁶⁾	776	776
Rest of the World	102	156
Crude oil processed^{(7) (8)}	34.4	35.1
Europe	28.7	28.7
Rest of the World	5.7	6.5
Number of service stations	4,447	4,428
Europe	4,182	4,186
Rest of the World	265	242
Sales of petroleum products^{(7) (9)}	38,613	39,429
Europe	32,429	32,970
Rest of the World	6,184	6,459
Sales of petrochemical products⁽⁹⁾	2,618	2,306
<i>By region:</i>		
Europe	2,263	2,000
Rest of the World	355	306
<i>By product:</i>		
Basic	874	567
Derivative	1,744	1,739
LPG sales⁽⁹⁾	3,108	2,993
Europe	1,680	1,677
Rest of the World	1,428	1,316

	<u>2010</u>	<u>2009</u>
YPF operating data:		
Hydrocarbon net production⁽¹⁾⁽¹⁰⁾	197,442	208,708
Refining capacity ⁽⁴⁾⁽¹¹⁾	333	333
Crude oil processed ⁽⁸⁾⁽¹¹⁾	15.4	15.7
Number of service stations ⁽¹²⁾	1,653	1,668
Oil product sales ⁽⁹⁾⁽¹¹⁾	14,146	13,906
Petrochemical product sales ⁽¹⁰⁾	1,563	1,479
LPG Sales ⁽⁹⁾	340	362
Natural gas sales ⁽³⁾	14.0	15.9
Gas Natural Fenosa operating data:		
Natural gas distribution sales ⁽³⁾⁽¹³⁾	35.4	34.64
Electricity distribution sales ⁽¹³⁾⁽¹⁴⁾⁽¹⁵⁾	54,833	34,973

(1) Thousands of barrels of oil equivalent (kboe).

(2) Including liquefaction train production according to their shareholding. Trinidad (Train 1 (20%), Trains 2 and 3 (25%), Train 4 (22.22%)); Peru LNG (20%). From this production, 1.4 bcm in 2010 and 0.8 bcm in 2009 belong to companies consolidated in the Repsol Group through the equity method.

(3) Billions of cubic metres (bcm).

(4) Thousand barrels per day (kbbbl/d).

(5) The 2010 information does not include Refap's 30% (Brazil), since it was sold in December 2010

(6) The reported capacity includes the shareholding in ASES.A.

(7) The 2009 and 2010 information includes Refap's 30% (Brazil), up to the date it was sold in December 2010

(8) Millions of tons.

(9) Thousands of tons

(10) Corresponds to Argentina, except the net hydrocarbon production of 777 and 977 thousands of barrels of oil equivalent (kboe) in 2010 and 2009, respectively, which correspond to the United States.

(11) Including 50% shareholding in Refinerías del Norte, S.A. ("Refinor").

(12) Including 50% of "Refinor" service stations.

(13) Including 100% of reported Gas Natural Fenosa sales although Repsol YPF had a 30.01% share in Gas Natural by 31 December 2009 and 30.13% by 31 December 2010, accounted for through proportional consolidation.

(14) Gigawatts per hour (GWh).

(15) In 2009 corresponds to Gas Natural operations since the acquisition of Unión Fenosa in April (see "Operations Gas Natural Fenosa")

3. Operations

Following is a description of Repsol YPF's principal activities by business segment:

Upstream

Upstream includes the exploration and production of crude oil and natural gas in different parts of the world, except for the exploration and production activities undertaken by YPF. Upstream's oil and gas reserves are located in South America (mainly in Trinidad and Tobago, Peru, Venezuela, Brazil and Colombia), North Africa (Libya and Algeria), Spain and the United States. Repsol YPF reports the activities of YPF under a separate segment.

Upstream accounted for approximately 54% and 24.1% of Repsol YPF's operating income in 2010 and 2009, respectively.

At 31 June 2011, Repsol YPF, through its Upstream segment, had oil and gas exploration and/or production interests in 28 countries, either directly or through its subsidiaries, and Repsol YPF acted as operator in 21 of these countries.

LNG

LNG activities include the liquefaction, transportation, commercialisation and regasification activities of liquid natural gas (LNG). It also comprises power generation activities in Spain not performed by Gas

Natural Fenosa, and natural gas commercialisation in North America. Repsol YPF reports the activities of YPF under a separate segment.

LNG accounted for approximately 1.4% and -1.9% of Repsol YPF's operating income in 2010 and 2009, respectively.

Downstream

Repsol YPF's Downstream businesses engage in supply and trading, refining, marketing and transportation of crude oil and petroleum products, LPG, chemicals and electricity. Repsol YPF reports the activities of YPF under a separate segment.

Downstream operations contributed 17.1% and 31.5% of the total operating income of Repsol YPF in 2010 and 2009, respectively.

Repsol YPF is the leader in the Spanish market and conducts refining activities in two countries and distribution and marketing activities through its own staff and facilities in four countries. At 31 December 2010, Repsol YPF's worldwide refining capacity was 878 thousand barrels per day and Repsol YPF's marketing network consisted of 4,447 retail stations worldwide.

YPF

YPF is engaged in all business within the integrated value chain of oil and gas activities: exploration, production, refining, logistics, marketing and chemicals, which are undertaken by YPF. Substantially all of YPF's operations, properties and customers are located in Argentina.

YPF's activities accounted for approximately 19.1% and 31.5% of Repsol YPF's operating income in 2010 and 2009, respectively.

YPF's upstream activities includes the exploration and production of crude oil and natural gas mainly in Argentina and United States and its activities in the downstream businesses engage in supply and trading, refining, marketing and transportation of crude oil and petroleum products in Argentina.

Gas Natural Fenosa

Repsol YPF reports activities undertaken by Gas Natural Fenosa and its affiliates under a separate segment.

Repsol YPF is involved, through Gas Natural Fenosa, in the natural gas and electricity sectors, operating in more than 25 countries. In the natural gas sector, Gas Natural Fenosa is engaged in the supply, storage, transportation, distribution and marketing of natural gas. In the electricity sector, it is engaged in electricity generation, commercialization and distribution sector. Gas Natural Fenosa activities contributed 11.6% of Repsol YPF's operating income in 2010 and 23.1% in 2009.

Prior to May 2002, Repsol YPF had a 47.04% stake in Gas Natural and consolidated this interest using the full consolidation method. In May 2002, Repsol YPF sold 23% of Gas Natural. Since the date of that sale, Repsol YPF has consolidated its remaining interest in Gas Natural by the proportional integration method.

In connection with Repsol YPF's sale of 23% of Gas Natural, on 16 May 2002, Repsol YPF amended the agreement entered into with Caja de Ahorros y Pensiones de Barcelona ("La Caixa") on 11 January 2000 with respect to Gas Natural through the execution of a Novation Agreement, which was then further amended through the execution of two Addenda, dated 16 December 2002 and 20 June 2003, respectively. In 2004, Repsol YPF increased its stake in Gas Natural to 30.85%. In 2009, following the merger between

Gas Natural and Unión Fenosa, it decreased to 30.01%. As of the date of this Base Prospectus Repsol YPF has a 30.01% interest in Gas Natural Fenosa.

As a result of various acquisitions and a tender offer Gas Natural achieved a total stake in Unión Fenosa of 95.22% and since 30 April 2009 has been consolidating Unión Fenosa within its financial statements. By September 2009, Gas Natural completed the merger by acquisition of Unión Fenosa. As a result of the acquisition of Unión Fenosa, as of 31 December 2010, Gas Natural Fenosa had over 21 million gas and electricity customers worldwide, 10 million of which were in Spain.

Since the 2002 sale, Repsol YPF has been cooperating with Gas Natural Fenosa to coordinate the “midstream” business through the creation of separate legal entities for those activities that require a separate corporate entity (such as integrated projects) or through specific collaboration agreements where mutual assistance and cooperation in carrying out midstream activities can give rise to synergies and other benefits for both parties.

In April 2005, Repsol YPF reached an agreement with Gas Natural pursuant to which both companies would intensify their collaboration in the LNG business areas of exploration, production, transportation, trading and wholesale marketing. In the area of exploration, production and liquefaction (upstream), the agreement contemplates a partnership to develop new projects where Repsol YPF will be the operator and holder of 60% of the assets. Gas Natural Fenosa will hold the remaining 40%. In the area of transportation, trading and wholesale marketing (midstream), the agreement contemplates the creation of a joint venture between both companies aimed at the wholesale marketing and transportation of LNG. Each company will hold a 50% stake in this joint venture. The chairman of the joint venture will be elected on a rotational basis, and Gas Natural Fenosa will nominate the Chief Executive Officer. Pursuant to the agreement, Gas Natural Fenosa and Repsol YPF will also develop in a coordinated manner diverse regasification plant projects where Gas Natural Fenosa will be the operator and the regasification rights will be allocated to the new joint venture. The initial term of this collaboration agreement is 10 years.

4. Performance of the Business during the Six Months Ended 30 June 2011

Repsol YPF’s consolidated reported net income for the first half of 2011 amounted to €1,344 million in line with the net income posted for the same period in 2010.

Operating income for the first six months of 2011 was €2,722 million, compared with €3,004 million generated in the first half of 2010. EBITDA (earnings before interest, taxes, depreciation and amortisation) was €4,473 million, compared with the €4,869 million obtained during the first half of 2010. Operating income was affected by the fall in production in Argentina resulting from social unrest, by the suspension of production in Libya since 5 March 2011, and by lower refining margins, despite the improvement in oil and gas prices, better results in the LNG division and the recovery of the chemical business.

The condensed interim consolidated financial statements of Repsol YPF for the six-month period ended 30 June 2011, which incorporate the income statement of Repsol YPF for the six months ended 30 June 2011, have been filed with the *CNMV* and are incorporated by reference in, and form part of, this Base Prospectus.

Performance by Business Segment during the Six Months Ended 30 June 2011

Upstream

At €806 million, income from upstream operations in the first six months of 2011 was 10.3% higher than the €731 million reported for the same period in 2010.

The period of unrest in Libya has had an adverse impact on Repsol YPF's results for the six months ended 30 June 2011, but despite this, income from upstream operations in the first half of 2011 has increased when compared with the same period in 2010. This was largely due to the rise in oil and gas

realisation prices, which offset lower production volume (mainly in Libya and the United States) and the effect of depreciation in the dollar exchange rate. Additionally, the result for the first six months of 2010 included the effects of discontinuing the Persian LNG Project.

Production in the six months ended 30 June 2011 (310 thousand barrels of oil equivalent per day (*Kboepd*)) was 10.1% down on the same period in 2010 (345 Kboepd), primarily due to the suspension of operations in Libya and lower production at Shenzi due to the moratorium on drilling in the US Gulf of Mexico that was imposed in 2010. These were partially offset by the start-up of Peru LNG in June 2010.

In the six months ended 30 June 2011, investments in the upstream business segment reached €790 million, of which investments under development represented 47% of the total amount invested. The investments under development were principally made in the United States (24%), Bolivia (16%), Venezuela (14%), Trinidad and Tobago (11%), Peru (10%) and Brazil (10%). Investments in exploration accounted for 45% of the total and were mainly earmarked for the United States (64%) and Brazil (19%).

LNG

At €168 million, income from LNG operations in the first six months of 2011 represents a substantial increase on the €11 million reported for the same period in 2010.

The increase is mainly due to higher LNG volumes (with the Peru LNG plant being in operation since June 2010) and marketing margins, as well as increased marketing volumes from the Canaport LNG project. Results from the first half of 2010 also include the effects of discontinuing the Persian LNG project.

For the six months ended 30 June 2011, investments in the LNG business segment were €7 million. For the same period in 2010, investments reached €49 million, primarily for the construction of the third tank at the Canaport LNG terminal.

Downstream

At €756 million, income from downstream operations in the first six months of 2011 was lower than the €928 million reported for the same period in 2010.

This decrease can largely be explained by the weakness of refining margins and lower volumes in marketing activities, despite recovery of the chemical business.

For the six months ended 30 June 2011, investments in the downstream business segment reached €652 million, being principally devoted to the enlargement of the Cartagena facilities and to the fuel oil reductor unit in Bilbao.

YPF

At €601 million, the operating income of YPF in the first six months of 2011 was lower than the €831 million reported for the same period in 2010. This decrease is primarily the result of social unrest in areas of oil production and the impact of inflationary cost. Greater revenues derived from the increase in fuel prices at petrol stations, and from products linked to international prices sold in Argentina's domestic market, were unable to offset the negative impact of the social unrest and inflation referred to previously.

Total production in the six months ended 30 June 2011 fell by 12.0% year-on-year to 485 Kboepd, when compared with the same period in 2010. The drop was 10.5% in gas and 13.3% in liquids. The larger fall in the production of crude oil is the result of the impact of social unrest on production.

For the six months ended 30 June 2011, investments in the YPF business segment reached €741 million, of which €582 million was earmarked for Exploration and Production and 72% of this amount to development projects.

Gas Natural Fenosa

At €512 million, the operating income of Gas Natural Fenosa in the first six months of 2011 was lower than the €551 million reported for the same period in 2010.

In both 2010 and 2011, the result includes capital gains obtained from the divestment process following the acquisition of, and merger with, Unión Fenosa. Without taking into account this divestment, the operating income is similar in both years, as a consequence of better results in electricity distribution in Spain and increased wholesale gas marketing margins, offset by lower income from electricity in Spain and power distribution in Latin America.

For the six months ended 30 June 2011, accumulated investment in the Gas Natural Fenosa business segment reached €406 million. Investments in fixed assets mainly corresponded to the gas and power distribution activities in Spain and Latin America. This figure also includes financial investments.

Corporate

This segment comprises corporate operating expenses and income and expenses not attributable to any of the above segments as well as inter-segment consolidation adjustments.

In the first half of 2011 a loss of €121 million was recorded, against the €48 million loss in 2010. In 2010 this figure included €133 million gains due to the sale of certain interest in CLH.

5. Directors, Senior Management and Employees

Directors and Officers of Repsol YPF

Board of Directors

As of the date of this Base Prospectus, the members of the Board of Directors of Repsol YPF were as follows:

	Position	Year First Appointed	Current Term Expires
Antonio Brufau Niubó ⁽¹⁾⁽²⁾	Chairman and Director	1996	2015
Isidro Fainé Casas ⁽¹⁾⁽⁵⁾	Vice-Chairman and Director	2007	2012
Juan Abelló Gallo ⁽¹⁾⁽⁶⁾⁽¹²⁾	Vice-Chairman and Director	2006	2015
Paulina Beato Blanco ⁽³⁾⁽⁸⁾	Director	2005	2014
Artur Carulla Font ⁽¹⁾⁽³⁾⁽⁹⁾⁽¹³⁾	Director	2006	2014
Luis Carlos Croissier Batista ⁽³⁾⁽¹²⁾	Director	2007	2015
Ángel Duráñez Adeva ⁽³⁾⁽⁷⁾	Director	2007	2015
Javier Echenique Landiribar ⁽¹⁾⁽³⁾⁽⁸⁾	Director	2006	2014
Mario Fernández Pelaz ⁽³⁾⁽¹⁰⁾	Director	2011	2015
María Isabel Gabarró Miquel ⁽³⁾⁽¹⁰⁾⁽¹²⁾	Director	2009	2013
Jose Manuel Loureda Mantiñán ⁽⁶⁾⁽¹⁰⁾⁽¹²⁾	Director	2007	2015
Juan María Nin Génova ⁽⁵⁾⁽¹⁰⁾⁽¹¹⁾	Director	2007	2012
PEMEX Internacional España, S.A. ⁽¹⁾⁽⁴⁾⁽¹²⁾	Director	2004	2014
Henri Philippe Reichstul ⁽¹⁾⁽³⁾	Director	2005	2014
Luis Fernando del Rivero Asensio ⁽⁶⁾	Director	2006	2015

	Position	Year First Appointed	Current Term Expires
Luis Suárez de Lezo Mantilla ⁽¹⁾⁽²⁾	Director and Secretary	2005	2013

- (1) *Member of the Delegate Committee (Comisión Delegada).*
- (2) *Executive Director.*
- (3) *Independent outside director as determined in accordance with the Bylaws and the Regulations of the Board of Directors.*
- (4) *Jose Manuel Carrera Panizzo serves as representative of PEMEX Internacional España, S.A. (a related company of PEMEX) on the Board of Directors of Repsol YPF Spanish law permits joint stock companies to serve as members of the Board of Directors. A company serving in such a capacity must appoint a natural person to represent it at the meetings of the Board of Directors.*
- (5) *Nominated for membership by Caixa Bank (previously named Criteria CaixaCorp, S.A.), , member of la Caixa Group.*
- (6) *Nominated for membership by Sacyr Vallehermoso, S.A.*
- (7) *Chairman of the Audit and Control Committee.*
- (8) *Member of the Audit and Control Committee.*
- (9) *Chairman of the Nomination and Compensation Committee.*
- (10) *Member of the Nomination and Compensation Committee.*
- (11) *Chairman of the Strategy, Investment and Corporate Social Responsibility Committee.*
- (12) *Member of the Strategy, Investment and Corporate Social Responsibility Committee.*
- (13) *By resolution of the Board of Directors, Mr. Artur Carulla has been appointed Lead Independent Director with the following functions: (i) to request the Chairman of the Board of Directors to convene that body where deemed appropriate; (ii) to request the inclusion of items in the agenda for the meetings of the Board of Directors; (iii) to coordinate and voice the opinions of the external Directors; (iv) to direct the Board's evaluation of its Chairman's performance; and (v) to call and chair meetings of the independent Directors where deemed necessary or appropriate.*

Following is a summary description of the experience and principal business activities of the Directors of Repsol YPF:

Antonio Brufau Niubó. Mollerussa (Lérida), 1948. Graduate in Economics by the University of Barcelona and Master by the IESE. He began his professional career at Arthur Andersen, where he became Partner and Director of Auditing. In 1988, he joined la Caixa as Deputy Managing Director. From 1999 to 2004, he held the position of Managing Director for the la Caixa Group and from 1997 to 2004 he was Chairman of Gas Natural Group. During his extensive business career, Antonio Brufau has served on the Board of Directors of several companies, including Enagás, Abertis, Aguas de Barcelona, Colonial, Suez, Caixa Holding, the CaixaBank France and CaixaBank Andorra. Until December 2005, he was the only Spanish member in the Executive Committee of the International Chamber of Commerce (ICC). In July 2002, he was appointed president of Circulo de Economía de Barcelona, a position that he occupied until July 2005. Currently, he is Chief Executive Officer of Repsol YPF, Vice-Chairman of Gas Natural SDG, S.A., and Chairman of YPF, S.A. and Fundación Repsol. He is also member of the European Round Table of Industrialists (ERT), Advisory Board of CEIM Confederación Empresarial de Madrid-CEOE, Asociación Española de Directivos, Círculo de Economía, Fundación Privada Instituto Ildefons Cerdà, Fundación CEDE (Confederación Española de Directivos y Ejecutivos) and Chairman of Consorcio Interinstitucional GLOBALleida.

Isidro Fainé Casas. Manresa (Barcelona), 1942. He holds a Doctorate in Economic Sciences and an ISMP in Business Administration from Harvard University, and likewise holds a Diploma in Senior Management from the IESE Business School. He is a member of the Royal Academy of Economics and Finance and of the Royal Academy of Doctors. He began his professional banking career as Investment manager for Banco Atlántico in 1964, later becoming General Manager of Banco de Asunción in Paraguay in 1969. On his return to Barcelona, he held various managerial posts in financial entities: Head of Personnel at Banca Riva y García (1973), Director and General Manager of Banca Jover (1974) and General Manager of Banco Unión, S. A. (1978). In 1982 he joined "la Caixa", and was appointed Deputy Executive General Manager and in 1999 General Manager of the entity. Currently he is Chairman of Caixa

d'Estalvis i Pensions de Barcelona, Vice chairman of Abertis Infraestructuras, S.A., Vice chairman of Telefónica, S.A., Chairman of Caixabank, S.A., Chairman of CECA (Confederación española de Cajas de Ahorros) and Chairman of Foundation "la Caixa". He is also Vicechairman of Sociedad General de Aguas de Barcelona, Director of The Bank East of Asia, Limited and Caixaholding, S.A. Sociedad Unipersonal.

Juan Abelló Gallo. Madrid, 1941. BSc in Pharmacy, Doctor and Permanent Member of the Royal Academy of Pharmacy. Formerly Chairman of Fábrica de Productos Químicos y Farmacéuticos Abelló, S.A., Antibióticos, S.A., La Unión y el Fénix Español and Airtel (now Vodafone); Vice-Chairman of Banco Español de Crédito, SCH and Unión Fenosa, S.A.; and Director of Banco Central. Currently Chairman of Torreal, S.A. and Alcaliber, S.A (representing Nueva Compañía de Inversiones, S.A.); Vice-Chairman of Sacyr Vallehermoso, S.A. (representing Nueva Compañía de Inversiones, S.A.) and CVNE (representing Austral, B.V.). Awarded the Great Cross of the Order of Civil Merit, the Juan Lladó Prize, and named Entrepreneur of the Year by the Chamber of Commerce and Industry of Madrid in 1997.

Paulina Beato Blanco. Córdoba, 1946. Phd Economics, University of Minnesota, Professor of Economic Analysis, Commercial Expert and Economist of the State. Former Executive Chairperson of Red Eléctrica de España, Director of CAMPSA and major financial institutions. Formerly Chief Economist in the Sustainable Development Department of Inter-American Development Bank and Consultant in the Banking Supervision and Regulation Division of the International Monetary Fund. Currently she is advisor to the Iberoamerican Secretary General (Secretaría General Iberoamericana), professor for Economic Analysis in various universities and member of a special Board for promoting Knowledge Society in Andalusia.

Artur Carulla Font. Barcelona, 1948. Degree in Business Administration. His professional activity began in Arbora & Ausonia, S.L. in 1972, where he held several positions until he was appointed Executive Director. In 1988 he joined Agrolimen, S.A. as Strategy Director. In 2001 he was appointed Managing Director of Agrolimen, S.A. Currently, he is Chairman of Agrolimen, S.A. and its affiliated companies; Affinity Petcare, S.A., Preparados Alimenticios, S.A. (Gallina Blanca Star), Biocentury, S.L., The Eat Out Group, S.L. and Reserva Mont-Ferrat, S.A.; Director and Secretary of Arbora & Ausonia, S.L. and Consorcio de Jabugo, S.A.; Member of the Regional Board of Telefónica in Catalonia, member of Advisory Board of EXEA Empresarial, S.L. and member of Advisory Board of Roca Junyent. He is also Vice-Chairman of Círculo de Economía, Vice-Chairman of Foundation ESADE, Member of Foundation Lluís Carulla and Foundation MACBA (Museo de Arte Contemporáneo de Barcelona), Member of IAB (International Advisory Board) of the Generalitat de Catalunya, Member of the Management Board of Instituto de la Empresa Familiar and Member of FUOC (Fundació per a la Universitat Oberta de Catalunya).

Luis Carlos Croissier Batista. Arucas (Las Palmas), 1950. He has been the profesor in charge of economic policy of the Universidad Complutense of Madrid. During his long professional tenure, amongst other positions, he was Subsecretary of the Ministry of Industry and Energy, President of the National Institute of Industry (Instituto Nacional de Industria, I.N.I.), Minister of Industry and Energy and President of Spanish Securities Market Commission (Comisión Nacional del Mercado de Valores). Currently he is Director of Adolfo Dominguez, S.A., Testa Inmuebles en Renta, S.A., Eolia Renovables de Inversiones SCR, S.A., Grupo Copo de Inversiones, S.A., and Sole Director of Eurofocus Consultores, S.L.

Ángel Durández Adeva. Madrid, 1943. BA Economics, Profesor of Commerce, chartered accountant and founding member of the Registry of Economic Auditors. He joined Arthur Andersen in 1965 where he was Partner from 1976 to 2000. Up to March, 2004 he headed the Euroamerica Foundation, of which he was founder, entity dedicated to the development of business, political and cultural relationships between the European Union and the different Latin American Countries. Currently he is Director of Mediaset España, S.A., Quántica Producciones, S.L., Arcadia Capital S.L. and Ideas4all, S.A., Member of the Advisory Board of Ambers & Co and FRIDE (Foundation for the international relations and the foreign development), Chairman of Información y Control de Publicaciones, S.A., Member of Foundation Germán Sánchez Ruipérez and Foundation Independiente and Vicepresident of Foundation Euroamérica

Javier Echenique Landiribar. Pamplona (Navarra), 1951. Ba Economics and Actuarial Science. Former Director-General Manager of Allianz-Ercos and General Manager of BBVA Group. Currently Chairman of Banco Guipuzcoano, Vice-Chairman of Banco Sabadell, Director of Telefónica Móviles México, Actividades de Construcción y Servicios (ACS), S.A., Grupo Empresarial Ence, S.A. and Celistics, L.L.C., Delegate of the Board of Telefónica, S.A. in the Basque region, Member of the Advisory Board of Telefónica Spain, Member of Foundation Novia Salcedo and Member of the *Círculo de Empresarios Vascos*.

Mario Fernández Pelaz. Bilbao, 1943. Graduate in Law at Deusto University in 1965. He has been Professor of Mercantile Law in the Faculty of Law of Deusto University and in the Faculty of Business Science at the same University, and Professor of different Masters at Deusto University. In his long professional career, he has served, among other charges, as Minister and later Vice-president of the Basque Government, Chairman of the Central Administration-Basque Government Transfers Mixed Committee, Chairman of the Basque Financial Council, Chairman of the Economic Committee of the Basque Government, Member of the Arbitration Committee of the Basque Autonomous Community. He was also Executive Director of Grupo BBVA and member of the Executive Committee from 1997 to 2002, and Main Partner of Uría Menéndez from that date to June 2009. Currently he is Chairman of BBK (Bilbao Bizkaia Kutxa) and author of different publications on mercantile and financial matters.

María Isabel Gabarró Miquel. Barcelona, 1954. Obtained a degree in Law at the University of Barcelona in 1976. In 1979 she joined the Bar of Notaries. She has been a board member of important entities in different sectors: financial, energy, telecommunications, infrastructure and also property, where she was also a member of the Nomination and Compensation Committee and of the Audit and Control Committee. Currently, she is registered on the Bar of Notaries of Barcelona, since 1986, and is a member of the *Sociedad Económica Barcelonesa de Amigos del País*.

José Manuel Loureda Mantiñán. Betanzos (La Coruña), 1939. Civil Engineer. In 1965 he began his career in Ferrovial, where he held several positions. Founder of Sacyr, where he was Managing Director up to 2000 and Chairman up to 2003. From 2003 to 2004, following the merger of Sacyr and Vallehermoso, he was Chairman of the Sacyr Vallehermoso Group. Currently he is Director of Sacyr Vallehermoso, S.A. (as representative of Prilou, S.L.), Chairman of Valoriza Gestión, S.A.U. and Director of Vallehermoso División Promoción, S.A.U., Testa Inmuebles en Renta, S.A., Sacyr, S.A.U., Somague S.G.P.S., S.A. and Hoteles Bisnet.

Juan María Nin Génova. Barcelona, 1953. He holds a degree in Economics and Law from the University of Deusto and a Masters in Law from the London School of Economics and Political Sciences. He began his career in the financial sector in 1980 when he became International Director of Banco Hispano Americano. In 1992, he moved to Banco Central Hispano, where he was appointed General Manager for Catalonia and, two years later, worked as General Manager of Commercial Banking, where he also served on the Management Committee. After the merger with Banco Santander, Juan María Nin took over the post of General Manager of Commercial Banking and was later appointed General Manager of the Companies Division of Santander Central Hispano, on whose Management Committee he also served. He was appointed CEO of Banco Sabadell in 2002, a position that he doesn't hold now. He has a longstanding career in commercial, international and corporate banking, as well as a great deal of experience in managing mergers and acquisitions of banks. He has served on the Board of Directors of various industrial and services companies. Currently he is President and CEO of "la Caixa", Vice-chairman of Foundation "la Caixa", Vice chairman of CaixaBank, S.A., Vice-chairman of Criteria CaixaHolding, S.A., Director of VidaCaixa Grupo, S.A., Gas Natural SDG, S.A., Banco BPI, S.A., Erste Group Bank, A.G. and Grupo Financiero Inbursa, S.A.B. de C.V., member of the Board of Directors of Deusto University and Deusto Business School, member of the Board of Directors of *Círculo Ecuestre* and member of the Academic Board of APD (Association for the Advancement of Management), member of Foundation Esade Business School, Foundation Federico García Lorca, Foundation Consejo España-Estados Unidos, CEDE Foundation (Spanish Confederation of Directors and Executives) and Aspen Institute Spain Foundation, member of the Global Strategy Council of FUOC (Foundation for the Open University of Catalonia),

Deputy Chairman of Foundation Consejo España-India and member of the Economic Group of Foro España-China.

José Manuel Carrera Panizzo (representative of *Pemex International España, S.A.*)- Villahermosa (Mexico), 1969. Graduate in Economics by the Autonomous Technological Institute of Mexico, Master in Business Administration by the University of Rochester and Phd Finance by the University of Lancaster. He has been Chief Risk Officer of *Petróleos Mexicanos* and Manager of Foreign Exchange, Metals, Bullion and International Agreements of *Banco de México*. Currently, he is Chief Administrative and Financial Officer of *P.M.I. Comercio Internacional, S.A. de C.V.* and Director of several companies within the Pemex Group.

Henri Philippe Reichstul. Paris (France), 1949. Ba Economics, University of São Paulo and post graduate work at Hertford College, Oxford. Former Secretary of the State Business Budget Office and Deputy Minister of Planning in Brazil. From 1988 to 1999 he held the position of Executive Vice President of *Banco Inter American Express, S.A.* From 1999 to 2001 he was Chairman of Brazilian State Oil Company *Petrobrás*. He is Member of the Strategic Board of *ABDIB*, Member of *Coinfra*, Member of the Advisory Board of *Lhoist do Brasil Ltda.*, Member of the Supervisory Board of *Peugeot Citroen, S.A.*, Member of the International Advisory Board of *Group Credit Agricole* and Vice-Chairman of the Board of the Brazilian Foundation for Sustainable Development.

Luis Fernando del Rivero Asensio. Murcia 1949. Civil Engineer (Santander – 1972). General Management Programme at *IESE* in 1986. From 1972 to 1974, Technical Manager of *HICEOSA*. From 1974 to 1987, Works Manager, Delegate and Head of Department in *Ferrovial, S.A.* Cofounder of *SACYR*, Delegate from 1987 to 1996, Corporate Development Manager from 1996 to 2000, Managing Director from 2000 to 2004. Currently Chairman of *Vallehermoso División Promoción, S.A.* and Director of *Testa Inmuebles en Renta, S.A.*, *Valoriza Gestión, S.A.* He is also Medal of Honour from School of Civil Engineers in 2006.

Luis Suárez de Lezo Mantilla. Madrid, 1951. Graduate in Law at the *Universidad Complutense* (Madrid), and Counsel of the State (not practising). An attorney specialized in mercantile and administrative law, he was Director of Legal Affairs for *CAMPSA* until the end of the oil monopoly, and has exercised as attorney at law, singularly in the energy industry. Currently he is Director of *Gas Natural SDG, S.A.*, *YPF, S.A.* and *Repsol - Gas Natural LNG, S.L.*, Vice Chairman of *Foundation Repsol* and member of the Environment and Energy Commission of the *International Chamber of Commerce (ICC)*.

On 29 August, 2011, *Sacyr Vallehermoso Participaciones Mobiliarias, S.L.* ("Sacyr"), *Petróleos Mexicanos* and *P.M.I. Holdings, B.V.* (hereinafter, *Petróleos Mexicanos* and *P.M.I. Holdings B.V.*, shall be referred to as "*Pemex Group*") entered into a voting syndication agreement (the "*Syndication Agreement*"). The purpose of the *Syndication Agreement* is to, *inter alia*: (a) regulate the exercise of the voting rights of the syndicated shareholders in respect of certain matters; and (b) set conditions for the disposal of their stake. Since that date, *Pemex Group* has increased its stake in *Repsol YPF* up to 9.492% of the share capital. Therefore the total stake of the syndicated shareholders is currently 29.502% of the issued share capital of *Repsol YPF*. The *Syndication Agreement* has been notified to the *CNMV* and to *Repsol YPF* in accordance with the applicable Spanish regulations and its full content can be found at the web page of the *CNMV* (www.cnmv.es) and at the *Repsol YPF* Web page (www.repsol.com).

The Guarantor has not been notified of any conflict of interest between any duties owed by its directors and their respective private interests and/or other duties, as prescribed by art. 229 of the *Stock Companies Act*. The Board of Directors of the Guarantor, at a meeting held on September 28, 2011, agreed to instruct the *Nomination and Compensation Committee* to conduct a full analysis of the competition situation and potential conflict of interest that may arise from the *Syndication Agreement* described above and attendant circumstances and all the legal consequences arising therefrom, and the corresponding measures to be adopted by the Guarantor.

The business address of each of the directors is Paseo de la Castellana, 278, 28046, Madrid, Spain.

Delegate Committee (Comisión Delegada)

The Delegate Committee has been permanently delegated all the powers of the Board of Directors, except those which cannot by law be delegated and those considered as such by the Regulations of the Board of Directors. The Delegate Committee meets when it is summoned by the Chairman or when requested by a majority of its members in accordance with the Regulations of the Board of Directors. The Chairman of the Board of Directors serves as the Chairman of the Delegate Committee and the Secretary of the Board serves as Secretary to the Committee.

Whenever the issue is of sufficient importance, in the opinion of the Chairman or three members of the Delegate Committee, the resolutions adopted by the Delegate Committee shall be submitted to the full Board for ratification. The same shall be applicable in any business referred by the Board to be studied by the Delegate Committee, while reserving the ultimate decision to the Board. In all other cases, the resolutions adopted by the Delegate Committee shall be valid and binding with no need for subsequent ratification by the Board. The Delegate Committee is composed of the Chairman and a maximum of seven directors, who are appointed from among the executive directors, institutional outside directors and independent outside directors, based upon the relative weight of each type of director in the current composition of the Board of Directors. The favourable vote of at least two-thirds of the members of the Board of Directors currently in office shall be required to appoint members of the Delegate Committee. The Regulations that govern the Delegate Committee are set out in Repsol YPF's Bylaws and the Regulations of the Board of Directors.

Audit and Control Committee (Comisión de Auditoría y Control)

The Audit and Control Committee of the Board of Directors of Repsol YPF was established on 27 February 1995.

The Audit and Control Committee carries out supervision, reporting, advising and proposal functions, supports the Board in its supervisory duties, including the periodic review of the preparation of economic and financial information of Repsol YPF, executive controls, supervision of the internal audit department and the independence of the external auditors, as well as the review of compliance with all the legal provisions and internal regulations applicable to Repsol YPF. This Committee is competent to formulate and submit proposals to the Board regarding the appointment of external auditors, extension of their appointment, their removal and the terms of their engagement. It also informs the General Meeting, through its Chairman, of any issues raised by shareholders regarding matters within its competence.

Moreover, the Audit and Control Committee is also responsible for supervising the procedures and systems for recording and internal controls over the Group's hydrocarbon reserves and steers the environmental and work safety policies, guidelines and objectives of the Repsol YPF Group.

To ensure the adequate performance of its duties, the Audit and Control Committee may obtain advice from lawyers or other independent professionals who report their findings directly to the Audit and Control Committee.

The Audit and Control Committee is composed of a minimum of three directors appointed by the Board for a four-year term. Its members shall have the necessary time commitment, capability and experience to perform their function. In addition, the Audit and Control Committee shall appoint one of its members to be Chairman, who must be an independent outside director and have experience in business management and familiarity with the accounting procedures; in any event, one of the Audit and Control Committee's members must have the financial experience required by the market regulatory agencies. Executive Directors may not sit on the Audit and Control Committee.

The Regulations that govern the Audit and Control Committee are set out in Repsol YPF's Bylaws and in the Regulations of the Board of Directors.

Activities of the Audit and Control Committee during 2010

The Audit and Control Committee held nine meetings during 2010 and, among other activities, has performed: (i) the periodic review of the financial information; (ii) the monitoring of the annual corporate audit plan; (iii) the supervision of the internal control systems; (iv) the supervision of the efficiency and the effective operation of the registry and internal control systems and procedures in the measurement, valuation, classification and accounting of the oil and gas reserves; and (v) the oversight of the independence of the external auditors.

The Audit and Control Committee adopted in 2005 certain procedures for the receipt, retention and treatment of complaints received by Repsol YPF regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission of concerns regarding questionable accounting or auditing matters. Communications on these matters can be sent to the Audit and Control Committee via Repsol YPF's corporate website (www.repsol.com), and intranet (repsol.net).

Nomination and Compensation Committee (Comisión de Nombramientos y Retribuciones)

The Nomination and Compensation Committee of the Board of Directors, established on 27 February 1995, is composed of a minimum of three Non-Executive Directors appointed by the Board of Directors for a four-year term. The Committee shall appoint one of its members to be Chairman, who must be an independent outside director.

The Nomination and Compensation Committee advises and reports to the Board of Directors on the selection, nomination, re-election and termination of Directors, the Managing Director, the Chairman, the Vice-Chairmen, the Secretary, the Assistant Secretary, and Directors appointed as members of Board committees. The Committee submits proposals on the Board's compensation policy and, in the case of the Executive Directors, the additional compensation for their executive duties and the other terms of their contracts. The Committee also reports on the appointment of Repsol YPF's senior executives and their general compensation and incentive policy.

The Regulations that govern the Nomination and Compensation Committee are set out in the Regulations of the Board of Directors.

Strategy, Investment and Corporate Social Responsibility Committee (Comisión de Estrategia, Inversiones y Responsabilidad Social Corporativa)

The Strategy, Investment and Corporate Social Responsibility Committee is composed of a minimum of three directors appointed by the Board of Directors for a four-year term. The majority of the members of the Committee and its Chairman, who shall be appointed by the Committee from one of its members, must be Non-Executive Directors.

The Strategy, Investment and Corporate Social Responsibility Committee reports on the major figures, goals, and revisions of Repsol YPF's Strategic Plan, strategic decisions of significance to Repsol YPF and investments in or divestments of assets which have been identified by the CEO as requiring the Committee's review due to their size or strategic significance.

The Committee also provides guidance on the policy, objectives and guidelines of Repsol YPF in the area of corporate social responsibility and informs the Board of Directors on such matters.

The Regulations that govern the Strategy, Investment and Corporate Social Responsibility are set out in the Regulations of the Board of Directors.

Executive Committee (Comité de Dirección)

Repsol YPF has an Executive Committee (“*Comité de Dirección*”), which is charged with the tasks of defining the Group’s strategy and managing the Group’s operations and whose members, as of the date of this Base Prospectus, are as follows:

Name	Position
Antonio Brufau Niubó	Chairman and Chief Executive Officer
Miguel Martínez San Martín.....	Chief Financial Officer and Director of Affiliated Companies
Nemesio Fernández-Cuesta Luca de Tena.....	Executive Managing Director of Upstream
Pedro Fernández Frial	Executive Managing Director of Downstream
Antonio Gomis Sáez	Executive Managing Director of YPF
Cristina Sanz Mendiola	Executive Managing Director of Human Resources and Organisation
Luis Suárez de Lezo Mantilla	General Counsel and Secretary of the Board
Begoña Elices García	Executive Director of Communication and Chairman’s Office

The following is a summary of the business experience of the members of the Executive Committee who are not also members of the Board of Directors.

Miguel Martínez San Martín: He holds a degree in Industrial Engineering from the Madrid School of Industrial Engineering and specialises in financial information systems. Miguel Martínez has been an audit manager at Arthur Andersen, and Chief Financial Officer of Elosua companies and Page Ibérica. He joined Repsol YPF as Finance Executive Director for Refining and Repsol Comercial, where he has also had executive responsibility for the CAMPSA Red proprietary network. He was Director of Repsol YPF Service Stations in Europe. He has also been a partner of Consultores Merchandising and Repsol – Gas Natural LNG, S.L., and he is currently a Director of Repsol Petróleo, S.A. In May 2007 he was appointed as the company's Chief Operating Officer and is a member of the Business Committee. Since June 2011 he has held the position of Chief Financial Officer and Director of Affiliated Companies.

Nemesio Fernández-Cuesta Luca de Tena: He holds a degree in Economics and Business Studies from the Universidad Autónoma de Madrid, and has been an official Trade Specialist and Economist since 1981. Nemesio Fernández-Cuesta has an extensive track record in the energy industry and in Repsol YPF in particular. He was involved in negotiations for Spain’s entry into the European Common Market, and in the reform of the State Oil Monopoly (CAMPSA) and in the Gas Protocol. He has been Secretary of State for Energy and Natural Resources, and he held the position of Repsol YPF Corporate Director for Shared Services. He has been Upstream ED since January 2005 and is a member of the Business Committee. He has also been a joint Director of Repsol LNG, S.L., and a Director of Alliance Oil Company Limited and Vocento. He is currently Vice Chairman of Repsol – Gas Natural LNG, S.L., Joint Director of Repsol Exploración Argelia, S.A., Repsol Exploración Guinea, S.A., Repsol Exploración Murzuq, S.A., Repsol Investigaciones Petrolíferas, S.A., Repsol YPF Oriente Medio, S.A. and Repsol Exploración Sierra Leona, S.L., a Director of Repsol Exploración, S.A., a Director of Eolia Renovables de Inversiones, S.C.R., S.A. and a Trustee of the Repsol Foundation.

Pedro Fernández Frial: He holds a degree in Industrial Engineering from the Madrid School of Industrial Engineering. Pedro Fernández began his career in 1980 in one of the companies that currently forms part of the Repsol Group, where he held various technical and management positions in the Refining area. He joined the Group Planning and Control Department in 1992 with responsibilities in planning of the gas business. He was appointed Director for Planning and Control in the Chemicals area in 1994, and in 2002 he attained maximum responsibility in this area. He has also held the position of Repsol YPF Corporate Planning and Control Director. He has been Downstream ED since January 2005 and is a member of the Business Committee. He has been Vice Chairman of the Association of Petroleum

Operators (AOP), Vice Chairman of the Spanish Committee of the World Energy Council, and a Member of the Boards of Directors of Europia and Concawe. He is currently Chairman of Repsol Petróleo, S.A., Chairman of Repsol Comercial de Productos Petrolíferos, S.A., Chairman of Repsol Butano, S.A., Chairman of Repsol Química, S.A., a Director of Petróleos del Norte, S.A. (Petronor), Director of CLH, second Vice Chairman of the Spanish Energy Club and Chairman of the Spanish Energy Club Hydrocarbons Chapter and a Trustee of the Repsol Foundation.

Antonio Gomis Sáez: Antonio Gomis began his professional career in 1974 in one of the companies that currently forms part of the Repsol YPF Group. In 1986 he became Director of International and Institutional Relations in Repsol, S.A., and he held this position until 1997 when he was co-opted into the Spanish Civil Service as Director General for Energy. He rejoined the Repsol YPF Group in 2000 as Corporate Director for External Relations. He was appointed Group Director of Chemicals for Europe and the Rest of the World in January 2005. He has been Chief Executive of Repsol Química, S.A., Director of Proyectos Integrados Energéticos, S.A., Manager of Repsol Polímeros, Lda, Sole Director of Repsol Lusitania, S.L., Vice Chairman of Dynasol Elastómeros, S.A., Dynasol Gestión, S.A., Dynasol Elastómeros, S.A. de CV and Dynasol, LLC., Chairman of the Spanish Committee of the World Oil Council and Vice Chairman of the Spanish Committee of the World Energy Council. He has been an ED at YPF since 2007. He is also currently a Director of YPF, S.A. and Caveant, S.A., and Chairman of Astra Evangelista, S.A. (AESAs).

Cristina Sanz Mendiola: She holds a degree in Industrial Engineering from the Madrid School of Industrial Engineering specialising in industrial organisation. Cristina Sanz spent the early years of her career in the steel industry in Pittsburgh (USA) as an associated professor of the Engineering and Public Policy Department of Carnegie-Mellon University. She then went on to become Sub-Director General for International Industrial Relations in the Spanish Ministry of Industry and Energy. In this period, she was involved in the negotiations for Spain's adhesion to the European Economic Community. She was afterwards appointed Sub-Director General for Energy Planning, Energy Industry Environmental and Research and Development. She joined the Repsol YPF Group in 1994 as Director of Environmental Affairs in Repsol YPF, from where she was promoted to Director of Environmental Affairs, Safety and Quality. In May 2007, she became Executive Director of Resources, a department in which she had already been Corporate Director since 2005 with responsibility for the Engineering, Technology, Insurance, Procurements and Contracting, Information Systems, and Environment and Safety Departments. She has been a Director of Gaviota RE, S.A. and a Director of Greenstone Assurance Ltd. She has been Executive Director of Human Resources and Organisation Executive since 2009. She is also currently a Director of Repsol Petróleo, S.A. and Euroforum Escorial, S.A., and she is a Trustee of the Repsol Foundation.

Begoña Elices García: She holds a degree in Information Sciences and Economics from the Complutense University of Madrid. She is currently an Executive Director of Communication and Chairman of Repsol YPF, directing dialogue with the Spanish and international media, including regional and sports press, as well as online communications (corporate website, etc.) and sports sponsorship, advertising and corporate identity actions. She also coordinates actions in the area of external relations at industrial complexes and in all of the companies where the Company maintains a presence. Before joining Repsol YPF, she was Assistant Director General and Director of Information Relations at Banco Santander Central Hispano, Director of Information Relations and Assistant Director General, and Information Relations Manager at Banco Central Hispano, and Information Relations Director at Banco Hispano Americano. Before entering the field of business commissions, Begoña worked for over ten years as a journalist on the international, national and economics desks of the EFE news agency.

Members of the Executive Committee of Repsol YPF do not serve for a predetermined term, but instead are employed for a period which is, in principle, indefinite until retirement, death or voluntary or involuntary termination.

Disclosure Committee (Comité Interno de Transparencia)

Repsol YPF's Disclosure Committee was created in November 2002 and performs, among others, the following functions:

- Supervision of the establishment and maintenance under the Chief Executive Officer and the Chief Financial Officer of procedures governing the preparation of information to be publicly released by Repsol YPF in accordance with applicable law and regulation or which are, in general, communicated to the markets, in addition to the supervision of certain controls and other procedures that are designed to ensure that (1) such information is recorded, processed, summarised and reported accurately and on a timely basis, and (2) such information is accumulated and communicated to management, including to the Chief Executive and the Chief Financial Officer, as appropriate to allow timely decisions regarding such requisite disclosure, making the improvement proposals it deems appropriate to the Chief Executive and Chief Financial Officer;
- Revision and evaluation of the accuracy, reliability, sufficiency and clarity of all information contained in documents designated for public release by Repsol YPF, including, in particular, communications made to the CNMV, the SEC, the Argentine National Securities Commission (CNI) and the other regulators and supervisory bodies of the stock markets on which shares of Repsol YPF are listed;
- Supervision of the Disclosure Committee established by YPF in connection with the listing of its shares in the United States; and
- Carrying out any other function which, in connection with the preparation and communication of financial information, is requested by the Board of Directors, the Audit and Control Committee, the Chief Executive Officer or the Chief Financial Officer.

The Disclosure Committee is composed of the Corporate Director of Economic and Fiscal Policy, who is the Chairman of the Committee, the Legal Services Corporate Director, who acts as the Secretary of the Committee, the Executive Managing Director of Communications and Chairman's Office, the Strategy and Corporate Development Corporate Director, the Audit and Control Director, the Administration and Economic Director, the Investor Relations Director, the Corporate Governance Affairs Director, the Reserves Control Director, the Management Control Director, a representative of the Group Managing Division of Human Resources and Organisation, a representative of the Executive Managing Division of Upstream, a representative of the Executive Managing Division of Downstream and a representative of the Executive Managing Division of YPF.

Share Ownership of Directors and Officers

The total number of shares owned individually by the members of the Board of Directors as of the date of this Base Prospectus is 425,428 which represents 0.034% of the capital stock of Repsol YPF.

	Number of shares owned	Number of shares		%Total shares outstanding	Nominating shareholders	Number of shares owned by nominating shareholders	
		indirectly held	Total shares			Number ⁽¹⁾	%
Antonio Brufau Niubó.....	237,602	—	237,602	0.019	—	—	—
Isidro Fainé Casas ⁽³⁾	242	—	242	0.000	CaixaBank Sacyr	156.794.359	12.843
Juan Abelló Gallo ⁽²⁾	1,000	81,926	82,926	0.007	Vallehermoso	244,294,779	20.01
Paulina Beato Blanco.....	100	—	100	0.000	—	—	—
Artur Carulla Font.....	31,979	—	31,979	0.003	—	—	—

	Number of shares owned	Number of shares		%Total shares outstanding	Nominating shareholders	Number of shares owned by nominating shareholders	
		indirectly held	Total shares				
Luis Carlos Croissier Batista	1,200	—	1,200	0.000	—	—	—
Ángel Durández Adeva.....	5,950	—	5,950	0.000	—	—	—
Javier Echenique Landiribar.....	—	17,200	17,200	0.001	—	—	—
Mario Fernández Pelaz	4,000	—	4,000	0.000	—	—	—
María Isabel Gabarró Miquel.....	5,816	1,832	7,648	0.001	—	—	—
					Sacyr		
José Manuel Loureda Mantiñán ⁽²⁾	50	27,200	27,250	0.002	Vallehermoso	244,294,779	20.01
Juan María Nin Génova ⁽³⁾	242	—	242	0.000	CaixaBank	156,794,359	12.843
PEMEX Internacional España, S.A. ⁽⁴⁾ ...	1	—	1	0.000	PEMEX	115,884,040	9.492
Henri Philippe Reichstul.....	50	—	50	0.000	—	—	—
					Sacyr		
Luis Fernando del Rivero Asensio ⁽²⁾	1,000	—	1,000	0.000	Vallehermoso	244,294,779	20.01
Luis Suárez de Lezo Mantilla	8,038	—	8,038	0.001	—	—	—

(1) According to the latest information available to Repsol YPF.

(2) Nominated for membership by Sacyr Vallehermoso.

(3) Nominated for membership by CaixaBank (previously named Criteria CaixaCorp, S.A.). (member of la Caixa Group).

(4) The beneficial owner of these shares is Petróleos Mexicanos, the sole shareholder of PEMEX Internacional España, S.A.

The current members of the Executive Committee of Repsol YPF together own less than 1% of the outstanding shares of Repsol YPF. As of the latest practicable date, the total amount of voting securities owned, directly or indirectly, by the directors and officers of Repsol YPF as a group was 553,849 ordinary shares or 0.045% of the total number of ordinary shares of Repsol YPF issued and outstanding.

6. Major Shareholders and Related Party Transactions

Major Shareholders of Repsol YPF

In accordance with the latest information available to Repsol YPF, Repsol YPF's major shareholders beneficially owned the following percentages of ordinary shares of Repsol YPF:

Shareholders	Percentage ownership (direct) %	Percentage ownership (indirect) %	Total number of shares	Total percentage ownership %
Sacyr Vallehermoso, S.A. ⁽¹⁾	—	20.01	244,294,779	20.01
Caixa Bank, S.A. ⁽²⁾	12,843	0.00	156,794,359	12.843
Petróleos Mexicanos ⁽³⁾	—	9.492	115,884,040	9.492

(1) Indirect ownership held through Sacyr Vallehermoso Participaciones Mobiliarias, S.A., a wholly-owned subsidiary, as a result of the acquisitions of Repsol YPF's shares made between October and December 2006.

(2) CaixaBank (previously named Criteria Caixa Corp., S.A.) is a member of la Caixa Group.

(3) Petróleos Mexicanos (Pemex) holds its stake through Pemex Internacional España, S.A., PMI Holdings, B.V. and through several financial instruments with certain financial entities which enable Pemex to exercise the economic and political rights of a percentage of up to 9.492% of the share capital of the Company.

On 29 August, 2011, Sacyr and Pemex Group entered into the Syndication Agreement described in Section 5 above and for the purposes stated therein. The Syndication Agreement has been notified to the CNMV and to Repsol in accordance with the applicable Spanish regulations and its full content can be found at the web page of the CNMV (www.cnmv.es) and at the Repsol Web page (www.repsol.com).

In January 2008, Barclays Global Investors, NA, Barclays Global Investors, Ltd., Barclays Global Fund Advisors and Barclays Global Investors (Deutschland) AG (collectively, the Barclays Global Investor), notified the CNMV that they had entered into an agreement for the joint exercise of voting rights representing a 3.22% stake in Repsol YPF. On 4 February 2010, Blackrock, Inc. notified the CNMV that, as a result of the acquisition of the business of Barclays Global Investors, on 1 December 2009, it had an indirect 3.539% stake (43,213,390 shares) of Repsol YPF through Blackrock Investment Management (UK). In March 2011, Blackrock, Inc. notified CNMV that it had an indirect 3,070% stake (37.475.651 shares) of Repsol YPF through Blackrock Investment Management (UK).

Each share entitles the holder to one vote. In accordance with the new regime for stock companies in Spain, the voting right cap currently included in Article 27 of Repsol YPF's Bylaws (providing that no shareholder or group of companies may vote more than 10% of Repsol YPF's capital stock at a General Meeting regardless of its individual or aggregate holding in Repsol YPF) has to be considered null and void since 1 July 2011.

Related Party Transactions

Information related to transactions between Repsol YPF and its related parties can be found at Note 8 to the condensed consolidated interim financial statements of Repsol YPF for the six-month period ended 30 June 2011, Note 32 and Note 33 to the consolidated financial statements for 2010 and 2009, all of which are incorporated by reference in, and form part of, this Base Prospectus. Additional information on this item is also contained in Section C of the Annual Corporate Governance Reports for 2010 and 2009, which are incorporated by reference and form part of this Base Prospectus.

Interest of Management in Certain Transactions

At 31 December 2010, loans by Repsol YPF to its Senior Management totalled approximately €0.226 million (€0.272 million at 1 January 2009) and bore interest at an average rate of 2.08%. All such loans were granted before 2003.

7. Material Contracts

The material contracts to which the Repsol YPF Group is party, aside from agreements entered into in the ordinary course of its business, are described below.

Agreement between Repsol YPF and Petersen Energía, S.A. for the sale of up to 25% of YPF

After signing a memorandum of understanding on 21 December 2007, Repsol YPF and Petersen Energía formalised a share purchase agreement on 21 February 2008 for the acquisition by Petersen Energía of 58,603,606 shares (Class D) of YPF represented by ADSs (American Depositary Shares) equal to 14.9% of YPF's share capital. The sale price was U.S.\$2,235 million (€1,768 million at an exchange rate of U.S.\$ 0.79 to €1.00), of which U.S.\$1,015 million (€803 million at an exchange rate of U.S.\$0.79 to €1.00) was lent by Repsol YPF to Petersen Energía under a guaranteed subordinated loan agreement.

Repsol YPF and Petersen Energía also entered into two additional agreements under which, within a maximum period of 4 years, Petersen Energía may exercise two purchase options over additional shareholdings equal to 0.1% and 10% of YPF's share capital, respectively, under financially equivalent terms and conditions. The first of these purchase options was exercised on 12 November 2008 through the

formalisation of a share purchase agreement for the acquisition by Petersen Energía of 393,313 shares (Class D) of YPF represented by ADSs (American Depositary Shares), equal to 0.1% of the company's share capital. The sale price was U.S.\$13 million (€10 million). These sales generated a consolidated profit before tax of €88 million (see Note 31– "Divestments" to the consolidated financial statements for 2009 incorporated by reference in this Base Prospectus).

Repsol YPF will have the right to appoint a majority of the members of YPF's Board of Directors while it retains a majority ownership interest in the share capital of YPF, and Petersen Energía will be entitled to representation on the Board of YPF, the composition of which shall reflect the ownership structure of the company. However, certain decisions regarding YPF require consensus between Repsol YPF and Petersen Energía.

Additionally, Repsol YPF and Petersen Energía provided for the possibility that Repsol YPF may make a public offer for the sale of shares in YPF representing no less than 10% of the total share capital of YPF.

In accordance with the articles of association of YPF regarding shareholders acquiring ownership interests equal to or greater than 15% of YPF's share capital, Petersen Energía Inversora, S.A. (PEISA) made a formal offer to acquire the rest of the share capital of YPF in the hands of third parties at a price of U.S.\$49.45 per share or ADS. As established in the first share purchase option formalised with Petersen Energía, Repsol YPF expressed its intention not to accept this bid. The acceptance period for the bid commenced on 11 September and expired on 20 October 2008. As a consequence of the bid, PEISA acquired a total of 1,816,879 shares and ADSs in YPF representing 0.462% of share capital.

In May 2011 PEISA exercised the second purchase option for 39,331,279 Class D ordinary registered shares of YPF, S.A. (in the form of American Depositary Shares) representing 10% of the share capital of YPF, in accordance with the agreements entered into on 21 February 2008, for a total net amount of U.S.\$1,302 million (€913 million). After this transaction above mentioned companies within the Petersen Group hold a total stake in YPF of 25.46%.

Agreement between Repsol YPF and la Caixa for joint control of Gas Natural Fenosa

Repsol YPF and la Caixa entered into an agreement in relation to Gas Natural on 11 January 2000, which was subsequently amended on 16 May 2002, 16 December 2002 and 20 June 2003.

The key terms of these agreements with la Caixa were as follows:

- Repsol YPF and la Caixa will control Gas Natural jointly in accordance with the principles of transparency, independence and professional diligence.
- The Board of Directors of Gas Natural shall be formed of 17 directors. Repsol YPF and la Caixa shall have the right to propose 5 directors each. Repsol YPF and la Caixa shall vote in favour of the directors proposed by the other party. One director shall be proposed by Caixa de Catalunya and the remaining 6 shall be independent directors.
- La Caixa shall propose the Chairman of Gas Natural's Board of Directors and Repsol YPF shall propose the Chief Executive. Both parties undertake that the directors proposed and appointed by each shall support appointments to these offices within the Board of Directors.
- The Delegate Committee of the Board of Directors of Gas Natural shall have 8 members, of whom 3 shall be proposed by Repsol YPF and 3 by la Caixa from among the directors proposed for the Board of Directors of Gas Natural, including the Chairman and the Chief Executive Officer. The remaining 2 executive directors shall be independent directors.

- Before presentation of the Board of Gas Natural, Repsol YPF and la Caixa shall jointly agree (i) Gas Natural's strategic plan, which shall include all decisions affecting the key strategies of Gas Natural; (ii) Gas Natural's organisational structure; (iii) Gas Natural's annual budget; (iv) concentration operations; and (v) any acquisition or disposal of material assets pertaining to any strategic lines of development of Gas Natural.

These agreements remain in effect while Repsol YPF and la Caixa hold minimum ownership interests equal to 15% of Gas Natural's share capital.

8. Recent Developments

On 14 October 2011 Repsol YPF announced the launch of the so called "Share Acquisition Plan 2011". This remuneration plan is addressed to Repsol YPF Group's employees in Spain who hold an employment contract with an indefinite term and qualify under the general conditions of the plan. The plan applies to those employees who voluntarily decide to opt for the same. It allows the beneficiaries to receive each month part of their year 2011 compensation in Repsol YPF, S.A. shares, with an annual cap of €12,000. This Plan started on 1 October 2011 and ends on 31 December 2011. Up to 1,508 employees may participate in the Plan with a total maximum amount to be paid in shares reaching approximately €2.17 million.

As far as Repsol YPF is aware, there have been no recent events particular to the Issuer or the Guarantor that are, to a material extent, relevant to the evaluation of the Issuer's or the Guarantor's solvency.

9. Available Information

Certain codes of conduct and other internal regulations, as well as certain corporate governance regulations applicable to and recommendations made for Spanish-listed companies are available on the Repsol YPF website www.repsol.com. Neither the contents of such website nor of other websites accessible through such website form part of this Base Prospectus.

LEGAL AND ARBITRATION PROCEEDINGS

The Repsol YPF Group considers that there are currently no lawsuits, disputes, or criminal, civil, administrative or arbitration proceedings involving the companies in the Group which, on account of their amount, may have or have had in the past significant effects on the financial position or profitability of the Repsol YPF Group considered as a whole.

However, some of the companies comprising the Group are parties in judicial and arbitration proceedings. The following is a summary of the most significant proceedings, as well as their current status at the closing date of the Financial Statements.

At 31 December 2010, Repsol YPF's consolidated balance sheet included a litigation provision amounting to €759 million (excluding tax risk provisions described in Note 24 "Tax situation - Other tax-related disclosures" to the consolidated financial statements for 2010 of Repsol YPF, which is incorporated in and form part of this Base Prospectus). This amount was recognised under the heading "Other provisions" in Note 17 to the consolidated financial statements for 2010 of Repsol YPF, which is incorporated in and forms part of this Base Prospectus, except for €102 million, relating to provisions recognised in connection with YPF Holding's litigations in United States as described below, and as noted under the heading "environmental provisions" in Notes 17 and 35 to the consolidated financial statements for 2010 of Repsol YPF, which are incorporated in and form part of this Base Prospectus.

United States of America

The following is a brief description of certain environmental and other liabilities related to YPF Holdings, Inc. (**YPF Holdings**), a subsidiary of YPF incorporated in Delaware (USA).

In connection with the sale of Maxus Energy Corporation's (**Maxus**) former chemical subsidiary, Diamond Shamrock Chemicals Company (**Chemicals**), to a subsidiary of Occidental Petroleum Corporation (**Occidental**), Maxus agreed to indemnify Chemicals and Occidental from and against certain liabilities relating to the business and activities of Chemicals prior to the 4 September 1986 closing date (the **Closing Date**), including certain environmental liabilities relating to certain chemical plants and waste disposal sites used by Chemicals prior to the Closing Date. In 1995, YPF acquired Maxus and in 1999, Repsol YPF acquired YPF.

As of 31 December 2010, YPF Holdings' reserves for environmental and other contingencies, including litigation, totalled approximately €111 million, of which €102 million was recognised under environmental provisions (Note 35 to the consolidated financial statements for 2010, which is incorporated in and form part of this Base Prospectus). YPF Holdings management believes it has adequately reserved for these and other probable contingencies that can be reasonably estimated based on information as of such time. However, many such contingencies are subject to significant uncertainties, including the completion of ongoing studies, the discovery of new facts and the issuance of orders by regulatory authorities, which could result in material additions to such reserves in the future. It is possible that additional claims will be made, and additional information about new or existing claims (such as results of ongoing investigations, the issuance of court decisions, or the signing of settlement agreements) is likely to develop over time. YPF Holdings' reserves for the environmental and other contingencies described below are substantial based solely on currently available information. As a result, YPF Holdings, Maxus and Tierra Solutions Inc. may have to incur substantial costs that may be material, in addition to the reserves already taken.

In the following discussion of the key litigation proceedings underway in the US, references to YPF Holdings include, as appropriate, references to Maxus and Tierra Solutions Inc. (**Tierra**), a subsidiary of YPF Holdings, which has assumed certain of Maxus' environmental obligations.

Passaic River/Newark Bay, New Jersey.- Chemicals formerly operated an agricultural chemicals plant in Newark, New Jersey. This facility has been the subject of numerous claims of environmental contamination and other damages alleged to result from operations at the facility, at the plant site and surrounding property, including the adjacent water bodies, the Passaic River and Newark Bay. As a result of these claims, Occidental, as the successor to Chemicals, has entered into various agreements with the U.S. Environmental Protection Agency (*EPA*), the New Jersey Department of Environmental Protection (*DEP*), and third parties also alleged to have contributed contamination to the affected properties. These agreements include a 1990 consent order related to the remedy for the plant facility, a 1994 agreement under which Tierra conducted studies on behalf of Occidental in the lower six miles of the Passaic River, a 2004 agreement under which Tierra is presently conducting studies in Newark Bay, and a 2007 agreement under which Tierra and over 70 other parties are presently conducting studies in the lower 17 miles of the Passaic River.

The EPA's findings of fact in the 2007 Agreed Order on Consent (*AOC*), which amended the 1994 AOC, indicate that combined sewer overflow/storm water outfall discharges are an ongoing source of hazardous substances to the Lower Passaic River Study Area. For this reason, during the first half of 2011, Maxus and Tierra negotiated with the EPA, on behalf of Occidental, an Administrative Settlement Agreement and Order on Consent for Combined Sewer Overflow/Storm Water Outfall Investigation (*CSO AOC*), which was signed and became effective in September 2011. Besides providing for a study of combined sewer overflows in the Passaic River, the CSO AOC confirms that there will be no further obligations to be performed under the 1994 AOC. Tierra estimates that the total cost to implement the CSO AOC is approximately \$5 million (€4 million) and will take approximately 2 years to complete. Pursuant to an agreement with the cooperating parties group for the 2007 AOC, Tierra will be responsible for 50% of the cost of the CSO AOC.

In 2007, the EPA released a draft Focused Feasibility Study (*FFS*) that outlines several alternatives for remedial action in the lower eight miles of the Passaic River. These alternatives range from no action to extensive dredging and capping, and are described by the EPA as involving proven technologies that could be carried out in the near term. The total remediation costs, to be split among the 300 or more entities, including Maxus, which could end up being involved in the Passaic River lawsuit, could range (depending on the actions and measures taken) from zero (if no action is taken) to actions which could amount to approximately €1,500 million. Tierra, together with other parties involved in the Passaic River issues, submitted comments on the FFS to the EPA, which has elected to perform further investigation and estimates that a revised remedy proposal will be issued in the first half of 2012. Tierra plans to respond to any revised proposal as may be appropriate at that time.

In June 2008, Occidental and Tierra entered an agreement with the EPA, under which Tierra will undertake the removal of sediment from a portion of the Passaic River in the vicinity of the former Newark facility. This action will result in the removal of approximately 200,000 cubic yards of sediment, in two phases. The EPA required Tierra to provide financial assurance for both phases in the amount of U.S.\$80 million (€58 million), of which U.S.\$42 million (€30 million) has been paid into a trust account to fund the work. Notwithstanding the foregoing, during the first quarter of 2010 a credit letter was issued to replace the obligation of making additional deposits in the trust. During the 6 month period ended June 2011, a Removal Design Services and Construction Contract was signed with the supplier responsible for the removal action. During the removal work, certain contaminants not produced at Chemicals' former facility will also be removed. YPF Holdings may seek cost recovery from the parties responsible for such contaminants, but is unable at this time to predict the success of a cost recovery action.

In December 2005, the DEP and the New Jersey Spill Compensation Fund sued YPF Holdings, Tierra, Maxus and other affiliates, as well as Occidental, seeking damages in connection with the contamination allegedly emanating from the Newark facility and allegedly contaminating the Passaic River, Newark Bay, and other nearby water bodies and properties (the *Passaic River/Newark Bay litigation*). The plaintiffs have represented in court that this litigation should not be preempted by the remedial studies and activities taking place under EPA oversight because they are not seeking remediation,

only damages. The defendants have made responsive pleadings, and in February 2009, third-party claims were filed against approximately 300 companies and governmental entities (including certain municipalities) which could have responsibility for the conditions of the allegedly affected properties. The DEP did not quantify damages in its claims but it did:

(a) maintain that the U.S.\$50 million (€36 million) cap on damages under New Jersey legislation should not be applied;

(b) claim it had incurred approximately U.S.\$118 million (€86 million) in costs in the past in cleanup and removal work and that it is looking for additional damages of between U.S.\$10 and U.S.\$20 million (between €7 and €14 million) to finance a study to assess damages to the natural resources; and

(c) notify Maxus and Tierra that it is working on financial models outlining costs and other financial impacts.

In parallel to this lawsuit, a mediator had started to prepare a roadmap for agreeing an alternative solution to the dispute. However, this alternative was rejected as the various parties were unable to agree on certain basic matters at the heart of the matter.

In October 2010, some of the defendants presented several motions to sever and stay, which would have had the effect of allowing the New Jersey DEP to take their case against the direct defendants, and also presented motions to dismiss which were overruled in January 2011. These were however dismissed. Some of the entities have appealed this decision.

In May 2011, the court issued Case Management Order XVII (*CMO XVII*), which sets forth the trial plans and provides for the case management over the next phases of the litigation. The Trial Plan establishes two trial Phases (Liability and Damages) and nine Tracks.

Following the entry of CMO XVII, the State and Occidental filed motions for partial summary judgment. On these motions, the Court ruled as follows: (i) Occidental is the *legal* successor of any liabilities incurred by the corporation previously known as Diamond Alkali Corporation, Diamond Shamrock Corporation and Diamond Shamrock Chemicals Company; (ii) Occidental is a “discharger” of hazardous substances and is therefore “liable” to the State under the New Jersey Spill Act for any cleanup and removal costs associated with discharges from the Lister Avenue Site; (iii) the Court denied the State’s motion, without prejudice, insofar as it sought a ruling that factual findings made in the *Aetna* litigation should be binding in this case on Occidental and Maxus based on the doctrine of collateral estoppel; (iv) the Court ruled that Tierra has Spill Act liability to the State based merely on its current ownership of the Lister Avenue site; and (v) the Court ruled that Maxus has an obligation under the 1986 Stock Purchase Agreement to indemnify Occidental for any Spill Act liability arising from contaminants discharged from the Lister Avenue site.

As of the date of this Base Prospectus, YPF Holdings has accrued approximately \$108 million (€78 million) in connection with the foregoing matters related to the Passaic River, the Newark Bay and the surrounding area comprising the estimated costs for studies, estimated costs in connection with the removal action AOC, and certain other matters related to the Passaic River and Newark Bay.

Hudson and Essex Counties, New Jersey.- Until 1972, Chemicals operated a chromite ore processing facility in Kearny, New Jersey. Tierra, on behalf of Occidental, is conducting remedial work on this facility and surrounding properties where chromite ore processing residue (*COPR*) from the facility is believed to have become located, pursuant to an agreed consent order with the DEP. Tierra has provided financial assurance in the amount of U.S.\$20 million (€14 million) in connection with such work.

In May 2005, the DEP issued a directive to Maxus, Occidental, and two other chromium manufacturers, directing them to arrange for the cleanup of COPR at three sites in Jersey City, New Jersey, and for the conduct of a study by paying the DEP a total of U.S.\$20 million (€14 million). The DEP also filed a lawsuit (the Hudson County, New Jersey litigation) against the above parties seeking cleanup of COPR from various sites not addressed in the consent order described above, recovery of past costs, and treble damages. The parties have reached a tentative agreement to settle both matters, under which Tierra will pay U.S.\$5 million (€4 million) and will remediate three sites at an estimated cost of U.S.\$2 million (€1 million), subject to the terms of a draft Consent Judgement that became final and effective as of September 2011. Pursuant to the Consent Judgment, \$5 million (€4 million) payment will be made in October 2011 and a schedule for site remediation will be completed in the first quarter of 2012.

In addition, in March 2008, the DEP approved a provisional plan for the work to be performed by Tierra at the site of the Kearny plant and the work to be performed by Tierra together with other parties in the vicinity of the Kearny facility. This adjacent property was included by the EPA in its National Priorities List in 2007. In July 2010, the EPA notified Tierra and another three parties that it considered them potentially liable for this adjacent property, requesting a Remedial Investigation/Feasibility Study (RI/FS) for this site. The parties involved have submitted their response and are waiting to talk with the EPA about the scope of the work. At the date of authorising the accompanying Financial Statements for issue, it is not known whether work in addition to that already agreed with the DEP will be required.

Other Former Plant Sites and Third Party Sites.- Tierra and Maxus are participating, on behalf of Occidental, in environmental response and remediation activities at a variety of lesser sites, including Chemicals' former Painesville, Ohio site at which remediation is nearing completion, some smaller manufacturing facilities which Chemicals once owned or had an interest in, and waste disposal sites where Chemicals and other parties are alleged to have contributed waste materials.

Dallas Occidental vs. Maxus Litigation.- In 2002, Occidental sued Maxus and Tierra in a state court in Dallas, Texas, seeking a declaration that under the agreement by which Maxus sold Chemicals to Occidental in 1986, Maxus and Tierra have an obligation to defend and indemnify Occidental from certain historical obligations of Chemicals, including claims related to "Agent Orange" and vinyl chloride monomer (VCM). Tierra was dismissed as a party, but at trial in 2006, Maxus was found to be liable to indemnify Occidental for these claims. This decision was affirmed by the Court of Appeals, and Maxus will be required to reimburse Occidental for damages in connection with these claims. Maxus has reimbursed Occidental for the majority of these damages and has reserved for the remaining claims while resolving the final amounts with Occidental. Although this judgment does contain declaratory relief that Maxus must indemnify Occidental for certain types of future claims, YPF Holdings does not believe that these claims associated with the "Agent Orange" will be material to the financial condition of the company.

In developments related to the "Agent Orange litigation", which may be affected by this lawsuit, the U.S. district court granted the defendants' motions for summary judgment in a number of these cases. The plaintiffs appealed the judgments to the *Second Circuit Court of Appeals*, which affirmed the summary judgment; in March 2009, the U.S. Supreme Court declined to hear a further petition. All pending Agent Orange litigation was dismissed in December 2009, and although it is possible that further claims may be filed by unknown parties in the future, no further significant liability is anticipated.

In addition, the other claims filed, which have been dismissed, include claims relating to alleged side effects from exposure to VCM and other chemical products, although these claims are not expected to give rise to material liabilities. However, the declaration of legal liability does imply liability for future claims, if any, related to these effects. As a result, potential future claims, if any, could give rise to additional liability on the part of Maxus.

Argentina

Liabilities and contingencies assumed by the Argentine State.- The Privatisation Law provides that the Argentine State shall be responsible for any liabilities, obligations or other commitments existing as of

31 December 1990 that were not acknowledged as such in the financial statements of YPF's predecessor (Yacimientos Petrolíferos Fiscales, Sociedad del Estado) as of that date arising out of any transactions or events that had occurred as of that date, provided that any such liability, obligation or other commitment is established or verified by a final decision of a competent judicial authority. In certain lawsuits related to events or acts that took place before 31 December 1990, YPF has been required to advance the payment of amounts established in certain judicial decisions. YPF believes it has the right to be reimbursed for all such payments by the Argentine Government pursuant to the above-mentioned indemnity. YPF is required to keep the Argentine Government apprised of any claim against it arising from the obligations assumed by the Argentine Government.

Argentine National Commission for the Defense of Competition (Comisión Nacional de Defensa de la Competencia (CNDC)) - Liquefied Petroleum Gas Market.- Resolution No. 189/99 from the former Department of Industry, Commerce and Mining of Argentina imposed on YPF a fine based on the interpretation that YPF had purportedly abused its dominant position in the bulk LPG market due to the existence of different prices between the exports of LPG and the sales to the domestic market from 1993 through 1997. Additionally, the CNDC commenced an investigation in order to prove, among other things, whether the penalized behavior for the period from 1993 through 1997, (already settled), continued from October 1997 to March 1999. On 19 December 2003, the CNDC completed its investigation and charged YPF with abuse of dominant market position during this period. YPF has unsuccessfully appealed this decision in several courts. On 22 December 2009, the 4th Court of Appeals rejected one of the outstanding appeals filed by YPF, in which YPF had asserted a statute of limitations defense. YPF has filed an extraordinary appeal which is currently pending.

In addition, on 21 December 2009, YPF filed another appeal based on the statute of limitations with the CNDC, which was dismissed by the CNDC. On the basis of this last ruling, YPF lodged the corresponding appeal calling for the intervention of Room B of the White Collar Crime Chamber (*Sala B of the Cámara Penal Económico*), and the pertinent grievances briefing was filed on 7 October 2010.

On 22 December 2010, YPF was notified that Room B of the White Collar Crime Chamber had ruled in favour of YPF, with the effect of repealing the CNDC's ruling and closing the proceedings. As at the date of this Base Prospectus the deadline for the filing of an extraordinary appeal by CNDC has elapsed and therefore the ruling of Room B of the White Collar Crime Chamber is final.

Natural gas market. As a result of the restrictions on natural gas exports since 2004, YPF had been forced in many instances to partially or fully suspend natural gas export deliveries that are contemplated by its contracts with export customers. YPF has taken steps to appeal the Programme of Rationalisation of Gas Exports and the Use of Transportation Capacity, as well as the Permanent Additional Injection and the Additional Injection Requirements, as it believes that they are arbitrary and illegitimate, and has informed its customers that such measures constitute an event of force majeure which releases YPF from any responsibility and/or penalty deriving from the failure to deliver the volumes of gas stipulated under the relevant agreements. A number of YPF's customers, have rejected YPF's interpretation and have claimed damages and/or penalties for breach of supply undertakings, while at the same time reserving their rights to file additional claims in the future. YPF has opposed such claims.

AES Uruguaiiana Empreendimentos S.A. (AESU) has claimed damages in a total amount of U.S.\$28 million (€20 million) for missed deliveries of natural gas volumes during the period 16 September 2007 through 25 June 2008. On 16 July 2008, AESU also claimed damages in a total amount of U.S.\$3 million (€2 million) for missed deliveries of natural gas volumes during the period 18 January 2006 through 1 December 2006. YPF has contested both of these claims. By letter dated on 20 March 2009, AESU notified YPF that it was terminating the related contract unilaterally.

On 6 April 2009, YPF was notified by the International Chamber of Commerce (*ICC*) of an arbitration brought by AESU and Companhia de Gás do Estado do Rio Grande do Sul (*Sulgás*) against YPF claiming damages in an approximate amount of U.S.\$1,052 million (€762 million), which includes the amount referred to above, in connection with YPF's alleged liability resulting from the termination by

AESU and Sulgás of the natural gas export contract entered into in September 1998. YPF denies all liability arising from such termination. Moreover, YPF believes that AESU's damages assessment is far beyond any reasonable assessment, since it exceeds six-fold the maximum aggregate deliver-or-pay penalties that would have accrued in the event that YPF had breached its delivery obligations for the maximum daily quantity through the expiration of the term of the natural gas export contract, as set forth in the contract entered into in 1998. In addition, more than 90% of AESU's damages assessment relates to alleged loss of profits that may be strongly challenged on the basis that prior to the termination of the natural gas export contract, AESU voluntarily terminated all of its long term power purchase contracts. YPF's management considers that the claim brought by AESU is likely to be unsuccessful. On 1 October 2010, the terms of reference (*Acta de Misión*) were signed establishing the rules governing the proceedings and providing for the bifurcation of the proceedings for the purpose of deciding firstly the jurisdiction matters. YPF lodged its objections against the Arbitration Tribunal's jurisdiction on 29 October 2010 and AESU responded on 30 November 2010, dismissing the objections and affirming the Arbitration Tribunal's jurisdiction. The Tribunal decided that a jurisdiction hearing was not necessary, determining that it is in a position to rule on its jurisdiction in the matter.

Furthermore, on 6 April 2009 YPF registered at the ICC a request for arbitration against AESU, Sulgás and Transportadora de Gas del Mercosur S.A. (**TGM**), seeking an award from the Arbitral Tribunal which states, among other things, that AESU and Sulgás have repudiated and unilaterally and illegally terminated the natural gas export contract entered into in September 1998 and declaring AESU and Sulgás liable for any damages suffered by the parties because of such termination, including but not limited to the damages resulting from the termination of the natural gas transportation contracts associated with the natural gas export contract. A memorandum was signed on 11 October, 2010, setting out the claims submitted to arbitration by the parties and the procedural rules governing the arbitration proceedings.

With respect to the termination of the natural gas transportation contracts associated with this natural gas export contract, YPF was notified by the ICC of an arbitration brought by TGM against YPF claiming unpaid and outstanding payments for an approximate amount of U.S.\$10 million (€7 million) plus interests, in connection with the transportation fee established in the natural gas transportation contract entered into in September 1998 between YPF and TGM. YPF has requested the joinder of these two proceedings. On 10 July 2009, TGM increased its claim to U.S.\$17 million (€12 million) and claimed an additional U.S.\$366 million (€265 million) in alleged loss of profits. YPF considers that these claims will be unsuccessful. The relevant Arbitration Tribunal has been set up on 10 June 2010, YPF made its statements before the Tribunal, asking the Tribunal to acknowledge its lack of jurisdiction to rule on the claim. In the event that this motion is rejected, YPF has requested that the Arbitration Tribunal suspend these proceedings until the ongoing arbitration with TGM, AESU and Sulgás is settled. On 14 and 15 September 2010, the Arbitration Tribunal held hearings with both YPF and TGM to establish jurisdiction.

On 11 October 2010, the terms of reference (*Acta de misión*) were signed, establishing the parties' claims and the rules governing the arbitration proceedings and providing for the bifurcation of the proceedings for the purposes of firstly resolving jurisdiction. AESU and TGM filed their objections to the Arbitration Tribunal's jurisdiction on 22 November 2010, which were opposed by YPF, affirming the Arbitration Tribunal's jurisdiction to rule on all the issues posed on 20 December 2010. The Tribunal decided that it was not necessary to hold a hearing, determining that it is in a position to rule on its jurisdiction in the matter.

In addition, there are certain claims concerning payments tied to natural gas transportation contracts associated with exports. In this order, one of the parties involved attempted to mediate with a view to determining the merits of these claims. When this mediation effort finalised without agreement, YPF was notified of the instigation of a claim against it under which *Transportadora de Gas del Norte S.A. (TGN)* is seeking contract fulfilment and the cancellation of unpaid invoices, while reserving the right to claim damages. YPF has responded to all these claims. In addition, the plaintiff recently notified YPF the termination of the transportation contract alleging breach by YPF based on its alleged failure to settle the transport service invoices, reserving the right to seek damages. In addition Nación Fideicomisos S.A.

started a mediation proceeding against YPF claiming the payment of certain transportation fees. The mediation hearing ended without agreement. It is YPF's belief that the claims filed against it to date will not have a material adverse effect on its future results.

In addition, in accordance with the developments outlined in the preceding paragraph, on 8 January 2009, YPF also filed a complaint against TGN with the Argentine Natural Gas Regulatory Authority (*ENARGAS*), seeking the termination of the natural gas transportation contract with TGN for the transport of natural gas in connection with the natural gas export contract entered into with AESU and other parties. The request is based on (i) the termination of the referred natural gas export contract and the legal impossibility to assign the transportation contract to other shippers because of certain changes in law in effect since the year 2002; (ii) TGN's legal impossibility to render the transportation service on a firm basis because of certain changes in law in effect since the year 2004; and (iii) the "statutory hardship" exemption available under Argentine law when extraordinary events render a party's obligations excessively burdensome. On 21 September 2011, YPF was notified of the resolution of the Court of Appeal rejecting YPF's claims and declaring that ENARGAS is not the appropriate forum to decide on the matter and giving jurisdiction to the civil and commercial Federal forum to decide on the matter.

On 6 April 2011, the Arbitration Tribunal hearing the litigation between YPF and AESU upheld the legal question raised by YPF, ordering the joinder of all claims brought in all of the arbitration proceedings ("AESU vs. YPF", "TGN vs. YPF" and "YPF vs. AESU") in a single case, being the "YPF vs. AESU" arbitration proceedings, in which all parties and claims concerned in the arbitration proceedings so joined will be heard.

Compañía Mega S.A. Compañía Mega S.A. (company in which YPF S.A. has a 38% stake) has also claimed compensation from YPF for failure to deliver natural gas under the relevant contract. YPF invoked that natural gas deliveries to Compañía Mega S.A. pursuant to the contract were affected by decisions made by the Argentine Government. In relation to the arbitration proceedings for this matter, on 24 March 2011 the ICC approved the terms of reference (*Acta de Misión*), which were not signed by YPF. On 13 May 2011 YPF was notified of the Resolution of the Tribunal setting out the rules for the proceedings. In June 2011 YPF was notified of the Resolution of Arbitration Tribunal providing for the start of the evidence period.

On 15 August 2011, Compañía Mega S.A. served on YPF a written claim for the total sum of U.S.\$ 94 million (€68 million) corresponding to undelivered volumes for the years 2009, 2010 and 2011.

CNDC investigation. On 17 November 2003, within the framework of an official investigation pursuant to Article 29 of the Antitrust Act, the CNDC issued a request for explanations from a group of approximately 30 natural gas production companies, including YPF, with respect, among other things, to the following items: (i) the inclusion of clauses purportedly restraining trade in natural gas purchase/sale contracts; and (ii) gas imports from Bolivia, in particular (a) an expired contract signed by YPF, when it was state-owned, and YPFB (the Bolivian state-owned oil company), under which YPF allegedly sold Bolivian gas in Argentina at prices below the purchase price and (b) the unsuccessful attempts in 2001 by Duke and Distribuidora de Gas del Centro to import gas into Argentina from Bolivia. In January 2006, YPF received a notification of the CNDC ordering that preliminary proceedings be undertaken. YPF contested the complaint on the basis that no violation of the Act took place and that the charges are barred by the applicable statute of limitations. On 15 January 2007, the CNDC charged YPF and eight other producers with violations of Law 25,156. YPF presented evidence for its defense. In June 2007, without acknowledging any conduct in violation of the Antitrust Act, YPF filed with the CNDC a commitment according to Article 36 of the Antitrust Act in which YPF committed not to include the challenged clauses in future sales contracts of natural gas and requested that the CNDC approve the commitment, suspend the investigation and dismiss the proceedings. YPF is still awaiting a formal response. On 14 December 2007, the CNDC elevated the investigation to the Court of Appeals after YPF filed an appeal against the decision which rejected its statute of limitations defense.

YPF is also currently subject to an antitrust proceeding concerning alleged price discrimination practices in the sale of fuel.

La Plata refinery environmental disputes. Since 1999 several claims have been brought for ecological and environmental damages in relation to La Plata refinery, seeking compensation for both collective and individual damages (health, psychological damages, moral damages, property devaluation), as a consequence of environmental pollution purportedly caused by the operation of such refinery, and the remediation of alleged environmental damages in the west water canal to the refinery. These claims likewise demand the undertaking of various works by YPF, the installation of equipment and technology, and the specific performance by YPF of work necessary to stop any environmental damage. YPF believes that, due to the indemnity provided by Law No. 24,145, YPF shall be allowed to request reimbursement of the expenses for liabilities existing on or prior to 1 January 1991 (before its privatisation) from the Argentine Government. To the extent some of these claims partially overlap, YPF believes that they will need to be partially consolidated.

In relation to one of these claims, judgment was rendered at First Instance on 11 August 2011, in favour of the plaintiffs, rejecting the arguments put forward by YPF, and ordering YPF to make payment in the sum of approximately of U.S.\$4 million (€3 million), which when interest is added would add up to a total amount of U.S.\$7 million (€5 million). Moreover, the claim against the National State is dismissed. YPF has commenced an appeal against this judgment.

On this point, it should be noted that on 25 January 2010, YPF entered into an agreement with the Provincial Organism for Sustainable Development (OPDS for its initials in Spanish), which reports to the Buenos Aires Provincial Government, under the framework of the Programme for Controlling Environmental Remediation, Liabilities and Risk set up by virtue of Ruling No 88/10 issued by the executive body of the OPDS. Under this agreement, the parties agreed to jointly undertake work on the canals surrounding the La Plata Refinery over an eight-year period, work which implies risk analysis and profiling of canal sediment. The agreement stipulates that in the event that the risk analysis implies the need to undertake corrective action, the alternatives and technology to be deployed will be analysed at that time, establishing the steps required to execute the measures identified. The agreement also contemplates performing an analysis of the formation of the sediment in an attempt to establish liability on the part of the Argentine Government on the basis of its obligations to indemnify YPF S.A. pursuant to article 9 of Law 24,145 of YPF privatisation.

Sale of Electricidad Argentina S.A. and Empresa Distribuidora y Comercializadora Norte S.A. to EDF Internacional S.A. (EDF). In July 2002, EDF initiated an international arbitration proceeding under the Arbitration Regulations of the International Chamber of Commerce against YPF, among others, seeking damages from YPF under the Stock Purchase Agreement dated 30 March 2001 which entitled EDF to an adjustment in the purchase price due to changes in the exchange rate of the Argentine peso prior to 31 December 2001. The arbitration decision of 22 October 2007 upheld EDF's claim; nonetheless, it also accepted the counterclaim filed by YPF. The amount payable by YPF should the resulting award become final is U.S.\$29 million (€21 million). However, YPF has challenged the award by filing an extraordinary appeal before the Argentine Supreme Court and an appeal before the Argentine Federal Court of Appeals on Commercial Matters. In April 2008, the Argentine Federal Court of Appeals on Commercial Matters suspended the effects of the arbitral award pending its appeal. On 9 December 2009, the Argentine Federal Court of Appeals on Commercial Matters handed down a judgment on the parties' appeals in which it annulled the arbitration decision that condemned YPF to pay compensation for damages to EDF. It likewise annulled the decision which condemned EDF to pay compensation to YPF. On 8 February 2010, YPF was notified that EDF has filed an extraordinary appeal against the aforementioned court's judgment which has been dismissed by Argentina's Supreme Court. EDF filed an appeal against the dismissal, which has also been dismissed, as a result of which the ruling by the Federal Court of Appeals on Commercial Matters is now final.

Elsewhere, YPF has received notification of *exequatur* proceedings started by EDF in Paris requesting enforcement of the arbitration award in France. Notwithstanding the ruling handed down by the Argentine Supreme Court, a ruling in France enforcing execution of the arbitration award could be enforceable if YPF had any assets in that jurisdiction. In addition, on 2 December 2010, YPF received

notification of arbitration award enforcement proceedings in Chile and on 13 December 2010 it received notification of similar enforcement proceedings in Brazil. YPF has commenced proceedings opposing the enforcement proceedings in Chile and Brazil. The Supreme Court of Chile has rejected the *exequatur* proceedings brought by EDF against YPF and Endesa.

Notwithstanding the developments outlined in the preceding paragraph, in light of the fact that the ruling by the Argentine Federal Court of Appeals on Commercial Matters is final, as mentioned earlier, YPF believes that the final outcome of the controversy will not have a material adverse effect on the company.

Northwest basin reserves review. The effectiveness of natural gas export authorisations (related to production in the Northwest basin) granted to YPF pursuant to Resolutions SE Nos. 165/99, 576/99, 629/99 and 168/00, issued by the Secretariat of Energy, is subject to an analysis by the Secretariat of Energy to determine whether sufficient additional natural gas reserves have been discovered or developed by YPF in the Northwest basin. The result of this ongoing review is uncertain and may have an adverse impact upon the execution of the export gas sales agreements related to such export authorisations, and may imply significant costs and liabilities for YPF. YPF has submitted to the Secretariat of Energy documentation in order to allow for the continuation of the authorised exports in accordance with Resolutions SE No. 629/1999, 565/1999, and 576/1999 (the **Export Permits**). These Export Permits relate to the long-term natural gas export contracts with Gas Atacama Generación, Edelnor and Electroandina, which have been amended, as detailed in the section headed “Natural gas market” earlier in this Note, with the effect of rendering supply by YPF ‘interruptible’. YPF has not yet received a response from the Argentine Secretariat of Energy. The file is currently awaiting decision from the Argentine Secretariat of Energy. If the Argentine Secretariat of Energy were to determine that the reserves are not sufficient to continue to comply with our export commitments and other commitments, it could declare the expiration or suspension of one or more of the Export Permits, which would have a direct impact on the related export contracts.

On 11 August 2006, YPF received Note SE No. 1009 (the “Note”) from the Secretariat of Energy, which reviewed the progress of reserves in the Ramos Area in the Northwest basin, in relation to the export authorisation granted by Resolution SE No. 169/97 (the **Export Authorisation**). The Export Authorisation concerns the long-term natural gas export contract between YPF and Gas Atacama Generación for a maximum daily volume of 530,000 m³/day. The Note stated that as a result of the decrease in natural gas reserves supporting the Export Authorisation, the domestic market supply was at risk. The Note preventively provided that the maximum natural gas daily volumes authorised to be exported under the Export Authorisation was to be reduced to 20%, affecting the export contract. YPF filed an answer to the Note on 15 September 2006 stating YPF’s allegations and defenses. YPF and Gas Atacama have reached an agreement pursuant to which the export contract was substantially amended.

In order to close the file started in the year 2007, on 7 January 2011 the Secretariat of Energy asked YPF to present evidence of the reserves relating to clients Edelnor and Electroandina (whose contracts have been renegotiated as approved by said entity in January 2011). The closing of the file will be subject to due evidence being presented as to the availability of sufficient reserves to comply with all the contracts during the period in which the export authorisations are in force.

Patagonian Association of Landowners (ASSUPA). In August 2003, ASSUPA filed suit against several concession holders of the operation and permit holders of the exploration of the Neuquén River Basin, including YPF, requesting that they be ordered to remedy the collective environmental damage supposedly caused and to take the necessary measures to avoid environmental damage in the future. The amount claimed is U.S.\$548 million (€410 million). YPF and the other defendants filed a motion to dismiss for failure of the plaintiff to state a claim upon which relief may be granted. The court granted the motion, and ASSUPA had to file a supplementary complaint. YPF requested that the claim be rejected because the defects of the demand indicated by the Argentine Supreme Court had not been corrected but such request was denied. However, YPF has also requested that the claim be rejected for other reasons, and has impleaded the National Government, due to its obligation to indemnify YPF against any liability and hold YPF harmless for events and claims previous to 1 January 1991, according to Law No. 22,145 and Decree

546/1993. On 26 August 2008, the Argentine Supreme Court ruled that the plaintiff had rectified the defects of the demand. In compliance with a ruling of 23 January 2009 certain Argentine provinces, the Argentine State and the Argentine Federal Council for the Environment were impleaded. The proceeding has been deferred until such third parties appear before court. To date, the provinces of Río Negro, Buenos Aires, Neuquén, Mendoza and the Argentine State have appeared before court, although the company did not have access to the statements made. The provinces of Neuquén and La Pampa both made lack of jurisdiction (*excepción de incompetencia*) statements which have been opposed by the plaintiff, being currently pending for resolution.

On 16 March 2011 YPF and ASSUPA agreed to suspend the proceedings for a period of 120 days, in order to determine the feasibility of reaching an agreement without any legal or factual effect. The request for a suspension of the proceedings has not been accepted by the Supreme Court yet.

Dock Sud environmental claims. Residents of the Dock Sud area filed environmental claims against multiple respondents (up to 44) including YPF, the National Government, the Province of Buenos Aires, the Autonomous City of Buenos Aires and fourteen municipalities, seeking individual damage to their health and to their property, environmental remediation in the Dock Sud area and the indemnification of the environmental collective damage produced in the Matanza Riachuelo basin. On 8 July 2008, the Argentine Supreme Court decided that the Basin Authority (Law 26,168) will be in charge of performing a remediation plan as well as of taking preventive measures in the area, while the National Government, the Province of Buenos Aires and the Autonomous City of Buenos Aires shall be responsible for ensuring that such actions are taken, and also ruled that the proceedings to determine the liability for actions taken in the past would continue before the Supreme Court of Argentina.

Additionally, another group of residents of the Dock Sud area, have filed two other environmental lawsuits, one of which does not involve YPF, requesting that several companies located in that area, including YPF, the Province of Buenos Aires and several municipalities, remediate and, alternatively, indemnify the collective environmental damage of the Dock Sud area and any individual damage that has been suffered. YPF has the right of indemnity by the Argentine Government for events and claims prior to 1 January 1991, pursuant to Law No. 22,145 and Decree No. 546/1993.

On 1 June, 9 August and 24 August 2011, Resolutions 442/2011, 424/2011 and 772/2011 of the Cuenca Matanza Riachuelo Authority (Autoridad de Cuenca Matanza Riachuelo) (ACUMAR) were notified to YPF, by virtue of which YPF, S.A. has been requested to present an Industrial Reconversion Programme (Programa de Reversión Industrial) within 30 business days and an insurance policy which guarantees the objectives and deadlines set out in the programme, in connection with three distinct properties of YPF, S.A. The Programme has been presented nevertheless the Resolutions had been appealed by YPF, S.A.

Quilmes environmental claims. Citizens claiming to be residents living near Quilmes, in the province of Buenos Aires, have filed a lawsuit in which they have requested the remediation of environmental damages and the payment of Ps.47 million (€9 million) as compensation for alleged personal damages, plus interest. The plaintiffs base their claim mainly on a fuel leak that occurred in 1988 in a polduct running from La Plata to Dock Sud. The fuel leakage became perceptible in 2002, resulting in remediation that is now being performed by YPF in the affected area, supervised by the environmental authority of the province of Buenos Aires. YPF has notified the Argentine Government that it will implead the government when YPF answers the complaint in order to request that it indemnify YPF against any liability and hold YPF harmless in connection with this lawsuit, as provided by Law No. 24,145. The Argentine Government has denied any responsibility to indemnify YPF for this matter, and YPF has sued the Argentine Government to obtain a judicial award that annuls this decision. There are 30 other judicial claims that have been brought against YPF based on similar allegations, amounting to approximately Ps.17 million (€3 million).

Note number 245/08 issued by the Under-Secretariat of Mining and Hydrocarbons for the Province of Río Negro.- On 15 May 2008, YPF was notified of Resolution 433/08 concerning compliance with

certain obligations of YPF as exploitation concessionaire in the hydrocarbon bearing zones of Barranca de los Loros, Bajo del Piche, El Medanito and Los Caldenes, all located in Rio Negro Province. This resolution asserts that YPF, among others, in its capacity as a concessionaire, are liable for failing to meet certain concession and environmental obligations. If found liable, YPF could be at risk of termination of these concession contracts. In light of the above, and consistent with provisions of the Hydrocarbons Law, YPF was requested to submit a response. YPF submitted the documentation requested of it in December 2009.

Since the Hydrocarbons Law grants the concessionaire the right, prior to the declaration of termination of the concession, to cure any breach of the concession obligations within a certain period of time after receiving notice thereof, on 29 May 2008, YPF filed a request for nullification of Resolution 433/08 (“MP”), since this resolution failed to grant YPF such right. Additionally, YPF submitted a response denying the charges against it and on 12 November 2008, the Ministry of Production ordered the initiation of the evidence production period. On 28 November 2008, YPF filed a writ requesting the production of certain evidence and the appointment of YPF’s technical expert. YPF has challenged certain aspects related to the production of evidence. On 1 December 2009, the relevant informative evidence was presented, while certain issues related to the evidence raised by YPF are still pending resolution. Lastly, on 16 September 2010, termination of this suit was requested based on: (a) the amounts invested to comply with concession obligations between 2007 and 2010; and (b) the efforts made with respect to environmental obligations.

In April 2011 YPF made a new submission updating the information on investments made during 2010, informing of the investments contemplated for the year 2011 in development and for the period 2011-2016 in explorations, requesting that the Hydrocarbons Secretariat cease to investigate matters which are already being investigated by the environmental provincial authority (CODEMA) and reiterating the request that the investigation be closed.

Claim filed against Repsol YPF and YPF by the Union of Consumers and Users. The plaintiff claims the reimbursement of all the amounts allegedly charged in excess of the consumers of bottled LPG in the 1993-2001 period, corresponding to a surcharge for the aforementioned product. With respect to the period from 1993 to 1997, the claim is based on the fine imposed on YPF by the Secretariat of Industry and Commerce through its resolution of 19 March 1999. It should be noted that Repsol YPF has never participated in the LPG market in Argentina and that the fine for abusing a dominant position was imposed on YPF. In addition, YPF has alleged that charges are barred by the applicable statute of limitations. Hearings have commenced and are in process. The claim amounts to Ps.91 million (€17 million) for the 1993-1997 period. Adding interests, this amount would increase to Ps.355 million (€68 million), to which the amount corresponding to the 1997-2001 period should be added, as well as accrued interest and expenses.

Claims by ex-employees of YPF. A former employee of the Company before its privatisation (1992) who was excluded from the National YPF employee share ownership plan (PPP) set up by the Argentine Government has filed a claim in Bell Ville (Province of Cordoba, Argentina) against YPF, Repsol to seek recognition of his status as a shareholder of YPF. In addition, the “Federation of Former Employees of YPF” has joined the proceedings acting on behalf of other former employees excluded from the PPP. Repsol acquired its ownership interest in the capital of YPF in 1999.

Pursuant to the plaintiff’s request, the Bell Ville Federal Court of First Instance initially granted a preliminary injunction (the Preliminary Injunction), ordering that any sale of shares of YPF, or any other transaction involving the sale, assignment or transfer of shares of YPF, carried out either by Repsol or by YPF be suspended, unless the plaintiff and other beneficiaries of the PPP (organised in the Federation of Former Employees of YPF) are involved or participate in such transactions.

YPF and Repsol filed an appeal against this decision in the Cordoba Federal Court, requesting that the Preliminary Injunction be revoked. The Federal Court of First Instance allowed the appeal and suspended the effects of the Preliminary Injunction. In addition, in March 2011, the Federal Judge

responsible for the Buenos Aires Administrative Disputes Court reduced the Preliminary Measures to only 10% of the ownership interest held by Repsol in the capital of YPF. Accordingly, Repsol may freely dispose of its shares in YPF, provided that Repsol continues directly or indirectly to own at least 10% of the latter's share capital

Under the jurisprudence of the Federal Supreme Court of Argentina (upholding numerous decisions of the relevant Courts of Appeals), YPF and Repsol consider that neither company is likely to be held liable for claims of this nature related with the PPP. In accordance with Law 25,471, the National Government of Argentina assumed sole responsibility for the matter and for any compensation that may be payable to former employees of the Company who were excluded from the PPP under the procedure established in the said plan.

On 21 July 2011, the Judge of First Instance upheld the claim of lack of jurisdiction made by YPF S.A. and Repsol YPF S.A. and ordered the transfer of the case to the Federal courts in the city of Buenos Aires.

The appeal against this resolution brought by the plaintiff has been rejected. At present the file is with the Federal Court of Appeals to resolve the claim brought in relation to the rejection of the appeal.

Brazil

The Group is party to administrative claims instigated by the Brazilian authorities concerning the importation and circulation of industrial equipment for the exploration and production of hydrocarbons in fields that are not operated by the Group. The amount of such claims that could be allocated to the Repsol Group on account of its investments in non-operating consortia would total €342 million.

Spain

CNC Resolution of 30 July 2009: On 30 July 2009, the CNC Board passed a resolution holding RCPP, BP, and CEPSA liable for violating Article 1 of the LCD and Article 81 of the EC Treaty (current article 101 of the TFEU). The violation consisted of the indirect fixing of fuel prices in their respective gasoline stations. The resolution further imposed a fine of €5 million on RCPP. On 27 October 2009, RCPP filed an administrative appeal with the Sixth Section of the Contentious-Administrative Chamber of the Spanish National Court of Justice against the CNC resolution of 30 July 2009. This appeal was officially lodged on 29 December 2010. The Spanish National Court of Justice has agreed to an injunction against the monetary sanction. In addition, and on a parallel basis, the claim for jurisdictional protection of fundamental rights was officially lodged before the Administrative Appeals Court of the National Court of Justice.

Algeria

Gas Natural Fenosa v. Sonatrach (Gas supply contract litigation). Gas Natural Fenosa and Sonatrach were engaged in a dispute over the price review for the gas supply contracts received from Algeria through the Maghreb-Europe pipeline.

On 14 June 2011, Sonatrach and Gas Natural Fenosa signed an agreement to resolve all disputes over the prices applicable to the gas supply contracts held by Sagane, S.A. for the 2007-2009 period and as from 1 January 2010 to 31 May 2011. Both parties undertook to withdraw from all current legal proceedings.

The amount payable by Gas Natural Fenosa under this settlement is U.S.\$2 million (€1 million). The amount corresponding to Repsol, taking into account its ownership interest in Gas Natural Fenosa, is U.S.\$572 million (€414 million). This settlement did not have any impact on the consolidated income statement for the first six months of 2011 as the liability deriving from the lawsuit was already provisioned

under the heading "Provisions" and, therefore, this balance was accordingly transferred to "Trade and other accounts payable".

TAXATION

The Netherlands

The following is a general summary and the tax consequences as described here may not apply to a Holder of Notes (as defined below). Any potential investor should consult his tax adviser for more information about the tax consequences of acquiring, owning and disposing of Notes in his particular circumstances.

This taxation summary solely addresses the principal Dutch tax consequences of the acquisition, ownership and disposal of Notes issued on or after the date of this Base Prospectus. It does not consider every aspect of taxation that may be relevant to a particular Holder of Notes under special circumstances or who is subject to special treatment under applicable law. Where in this summary English terms and expressions are used to refer to Dutch concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Dutch concepts under Dutch tax law. Where in this taxation summary the terms "The Netherlands" and "Dutch" are used, these refer solely to the European part of the Kingdom of the Netherlands.

This summary is based on the tax law of The Netherlands (unpublished case law not included) as it stands at the date of this Base Prospectus. The law upon which this summary is based is subject to change, perhaps with retroactive effect. Any such change may invalidate the contents of this summary, which will not be updated to reflect such change. This summary assumes that each transaction with respect to Notes is at arm's length.

Where in this paragraph "TAXATION – The Netherlands" reference is made to a "Holder of Notes", that concept includes, without limitation:

1. an owner of one or more Notes who in addition to the title to such Notes has an economic interest in such Notes;
2. a person who or an entity that holds the entire economic interest in one or more Notes;
3. a person who or an entity that holds an interest in an entity, such as a partnership or a mutual fund, that is transparent for Dutch tax purposes, the assets of which comprise one or more Notes, within the meaning of 1. or 2. above; or
4. a person who is deemed to hold an interest in Notes, as referred to under 1. to 3., pursuant to the attribution rules of article 2.14a, of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*), with respect to property that has been segregated, for instance in a trust or a foundation.

Withholding tax

All payments under Notes may be made free from withholding or deduction of or for any taxes of whatever nature imposed, levied, withheld or assessed by The Netherlands or any political subdivision or taxing authority of or in The Netherlands, except where Notes are issued under such terms and conditions that such Notes are capable of being classified as equity of the Issuer for Dutch tax purposes or actually function as equity of the Issuer within the meaning of article 10, paragraph 1, letter d, of the Dutch Corporation Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*) and where Notes are issued that are redeemable in exchange for, convertible into or linked to shares or other equity instruments issued or to be issued by the Issuer or by any entity related to the Issuer.

Taxes on income and capital gains

The summary set out in this section “Taxes on income and capital gains” applies only to a Holder of Notes who is neither resident nor deemed to be resident in The Netherlands for the purposes of Dutch income tax or corporation tax, as the case may be, and who, in the case of an individual, has not elected to be treated as a resident of The Netherlands for Dutch income tax purposes (a ***Non-Resident Holder of Notes***).

Individuals

A Non-Resident Holder of Notes who is an individual will not be subject to any Dutch taxes on income or capital gains in respect of any benefits derived or deemed to be derived from Notes, including any payment under Notes and any gain realised on the disposal of Notes, except if:

1. he derives profits from an enterprise, whether as an entrepreneur (*ondernemer*) or pursuant to a co-entitlement to the net value of such enterprise, other than as a shareholder, such enterprise either being managed in The Netherlands or carried on, in whole or in part, through a permanent establishment or a permanent representative in The Netherlands and his Notes are attributable to such enterprise; or
2. he derives benefits or is deemed to derive benefits from Notes that are taxable as benefits from miscellaneous activities in The Netherlands (*resultaat uit overige werkzaamheden in Nederland*).

If a Holder of Notes is an individual who does not come under exception 1 above, and if he derives or is deemed to derive benefits from Notes, including any payment under such Notes and any gain realised on the disposal thereof, such benefits are taxable as benefits from miscellaneous activities in The Netherlands if he, or an individual who is a connected person in relation to him as meant by article 3.91, paragraph 2, letter b, or c, of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*), has a substantial interest (*aanmerkelijk belang*) in the Issuer.

Generally, a person has a substantial interest in the Issuer if such person – either alone or, in the case of an individual, together with his partner (*partner*), if any, or pursuant to article 2.14a, of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*) - owns or is deemed to own, directly or indirectly, either a number of shares representing five per cent or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of shares) of the Issuer, or rights to acquire, directly or indirectly, shares, whether or not already issued, representing five per cent or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of shares) of the Issuer, or profit participating certificates (*winstbewijzen*) relating to five per cent or more of the annual profit of the Issuer, or to five per cent or more of the liquidation proceeds of the Issuer.

A person who is entitled to the benefits from shares or profit participating certificates (for instance a holder of a right of usufruct) is deemed to be a holder of shares or profit participating certificates, as the case may be, and such person’s entitlement to such benefits is considered a share or a profit participating certificate, as the case may be.

Furthermore, a Holder of Notes who is an individual and who does not come under exception 1 above may, *inter alia*, derive, or be deemed to derive, benefits from Notes that are taxable as benefits from miscellaneous activities in the following circumstances, if such activities are performed or deemed to be performed in The Netherlands:

- a. if his investment activities go beyond the activities of an active portfolio investor, for instance in the case of use of insider knowledge (*voorkennis*) or comparable forms of special knowledge;

- b. if he makes Notes available or is deemed to make Notes available, legally or in fact, directly or indirectly, to certain parties as meant by articles 3.91 and 3.92 of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*) under circumstances described there, or
- c. if he holds Notes, whether directly or indirectly, and any benefits to be derived from such Notes are intended, in whole or in part, as remuneration for activities performed or deemed to be performed in the Netherlands by him or by a person who is a connected person in relation to him as meant by article 3.92b, paragraph 5, of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*).

Attribution rule

Benefits derived or deemed to be derived from certain miscellaneous activities by a child or a foster child who is under eighteen years of age are attributed to the parent who exercises, or the parents who exercise, authority over the child, irrespective of the country of residence of the child.

Entities

A Non-Resident Holder of Notes, other than an individual, will not be subject to any Dutch taxes on income or capital gains in respect of benefits derived or deemed to be derived from Notes, including any payment under Notes and any gain realised on the disposal of Notes, except if:

- (a) such Non-Resident Holder of Notes derives profits from an enterprise directly or pursuant to a co-entitlement to the net value of such enterprise, other than as a holder of securities, such enterprise either being managed in The Netherlands or carried on, in whole or in part, through a permanent establishment or a permanent representative in The Netherlands, and its Notes are attributable to such enterprise; or
- (b) such Non-Resident Holder of Notes has a substantial interest (as described above under Individuals) or a deemed substantial interest in the Issuer.

A deemed substantial interest may be present if shares, profit participating certificates or rights to acquire shares in the Issuer are held or deemed to be held following the application of a non-recognition provision.

General

Subject to the above, a Non-Resident Holder of Notes will not be subject to income taxation in The Netherlands by reason only of the execution (*ondertekening*), delivery (*overhandiging*) and/or enforcement of the documents relating to the issue of Notes or the performance by the Issuer of its obligations under such documents or under Notes.

Gift and inheritance taxes

If a Holder of Notes disposes of Notes by way of gift, in form or in substance, or if a Holder of Notes who is an individual dies, no Dutch gift tax or Dutch inheritance tax, as applicable, will be due, unless:

- (i) the donor is, or the deceased was resident or deemed to be resident in The Netherlands for purposes of Dutch gift tax or Dutch inheritance tax, as applicable; or
- (ii) the donor made a gift of Notes, then became a resident or deemed resident of The Netherlands, and died as a resident or deemed resident of The Netherlands within 180 days of the date of the gift.

For purposes of the above, a gift of Notes made under a condition precedent (*opshortende voorwaarde*) is deemed to be made at the time the condition precedent is satisfied.

Other taxes and duties

No Dutch registration tax, transfer tax, stamp duty or any other similar documentary tax or duty, other than court fees, is payable in The Netherlands in respect of or in connection with (i) the execution, delivery and/or enforcement by legal proceedings (including the enforcement of any foreign judgment in the courts of The Netherlands) of the documents relating to the issue of Notes, (ii) the performance by the Issuer or the Guarantor of its obligations under such documents or under Notes, or (iii) the transfer of Notes, except that Dutch real property transfer tax (*overdrachtsbelasting*) may be due by a Holder of Notes if in satisfaction of all or part of any of its rights under Notes, it acquires any asset, or an interest in any asset (*economische eigendom*), that qualifies as real property or as a right over real property situated in the Netherlands for the purposes of Dutch real property transfer tax (*overdrachtsbelasting*) or where Notes are issued under such terms and conditions that they represent an interest in assets (*economische eigendom*) that qualify as real property, or rights over real property, situated in the Netherlands, for the purposes of Dutch real property transfer tax.

The Kingdom of Spain

General

The following is a summary of the principal Spanish tax consequences of the ownership and disposition of Notes.

This summary is not a complete analysis or listing of all the possible tax consequences of the ownership or disposition of the Notes. Prospective investors should, therefore, consult their tax advisors with respect to the Spanish and other tax consequences taking into consideration the circumstances of each particular case. The statements regarding Spanish tax laws set out below are based on those laws in force at the date of this Base Prospectus.

In this respect regard should be had to certain government initiatives, pursuant to which amendments to the taxation regime described in this summary could potentially be made. Although the final terms of these initiatives are still unknown, a change to the tax consequences for individuals and companies described in this summary as a result of the coming into force of those government initiatives cannot be entirely ruled out.

Non-Resident Holder

This paragraph is of application to a non-resident of Spain, whose holding of Notes is not effectively connected to a permanent establishment in Spain through which such person or entity carries on a business or trade in Spain (***Non-Resident Holder***).

For Spanish tax purposes the holding of the Notes will not in and of itself cause a non-Spanish resident to be considered a resident of Spain nor to be considered to have a permanent establishment in Spain.

Payments made by the Issuer to a Non-Resident Holder will not be subject to Spanish tax.

Any payment by the Guarantor that could be made pursuant to the Guarantee to a Non-Resident Holder will not be subject to withholding tax levied by Spain, and such Holder will not, by virtue of receipt of such payment, become subject to other additional taxation in Spain.

A Non-Resident Holder will not be subject to any Spanish taxes on capital gains in respect of a gain realised on the disposal of a Note.

Residents

Spanish tax-residents are subject to Corporate or Individual Income Tax on a worldwide basis. Accordingly, income obtained from the Notes will be taxed in Spain when obtained by persons or entities that are considered residents in Spain for tax purposes. The fact that (i) a Spanish corporation pays interest, or (ii) interest is paid in Spain, will not lead an individual or entity being considered tax-resident in Spain.

As a general rule, non-Spanish taxes withheld at source on income obtained out of Spain are deducted when computing tax liability, provided that they do not exceed the corresponding Spanish tax. Specific rules may apply according to tax treaties.

It is to be noted that if Notes are traded in Spain, general rules governing advanced taxation at source (*retenciones*) will be applicable in connection with Spanish tax-resident holders of the Notes. The present rate of taxation at source is set at 19%. However when the income recipient is a corporation, certain exemptions have been established, so corporate holders are suggested to obtain independent tax advice. The advanced tax is credited against final Individual or Corporate Income Tax with no limit; hence, any excess entitles the taxpayer to a refund.

As at the date of this Base Prospectus the Income Tax rates applicable in Spain are:

- (i) for individual taxpayers 19% up to €6,000 and 21% on the excess over €6,000, as capital income, for individual taxpayers; and
- (ii) for corporate taxpayers 30%, though, under certain circumstances (small companies, non-profit entities, among others), a lower rate may apply.

Net Wealth Tax

This tax is only applicable to individuals (i.e. corporations and entities, either resident or non-resident, are not affected by this particular tax).

Non-residents

Net Wealth Tax may be levied in Spain on non-resident individuals only on those assets and rights that are located or that may be exercised or fulfilled within the Spanish territory. For the years 2011 and 2012, Central Government has repealed the 100% relief of this tax.

As the Notes are issued by a non-resident entity and are not payable in Spain, no tax liability would arise for those non-resident individual investors without a permanent establishment in Spain.

Residents

Net Wealth Tax may be levied in Spain on resident individuals, on a worldwide basis. Though for the years 2011 and 2012 the Spanish Central Government has repealed the 100% relief of this tax, the actual collection of this tax depends on the regulations of each Autonomous Community. Thus, investors should consult their tax advisers according to the particulars of their situation.

Inheritance and Gift Tax

This tax is only applicable to individuals (i.e. corporations and entities, either resident or non-resident, are not affected by this particular tax).

Non-residents

Inheritance and Gift Tax may be levied in Spain on non-resident individuals only on those assets and rights that are located or that may be exercised or fulfilled within the Spanish territory.

As the Notes are issued by a non-resident entity and are not payable in Spain, no tax liability would arise for those non-resident individual investors without a permanent establishment in Spain.

Residents

Inheritance and Gift Tax may be levied in Spain on resident individuals, on a worldwide basis. As the actual collection of this tax depends on the regulations of each Autonomous Community, investors should consult their tax advisers according to the particulars of their situation.

Luxembourg

The following is a general summary and the tax consequences as described here may not apply to a holder of Notes. Any potential investor should consult his own tax adviser for more information about the tax consequences of acquiring, owning and disposing of Notes in his particular circumstances.

This taxation summary solely addresses the principal Luxembourg tax consequences of the acquisition, ownership and disposition of Notes to be issued by the Issuer. It does not discuss every aspect of taxation that may be relevant to a particular holder of Notes under special circumstances or who is subject to special treatment under applicable law. Where in this summary English terms and expressions are used to refer to Luxembourg concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Luxembourg concepts under Luxembourg tax law.

This summary is based on the tax laws of Luxembourg (unpublished case law excluded) as it stands at the date of this Base Prospectus. The laws upon which this summary is based are subject to change, perhaps with retroactive effect. Any such change may invalidate the contents of this summary, which will not be updated to reflect any such change. This summary assumes that each transaction with respect to Notes is at arm's length.

Withholding tax

The Council of the European Union (the *EU*) has adopted the Savings Directive regarding the taxation of savings income. The Savings Directive requires Member States to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person to an individual in another Member State, except that Luxembourg will instead impose a withholding system for a transitional period unless during such period it elects otherwise.

Luxembourg implemented the Savings Directive in its domestic legislation. In the event of interest payments on the Notes being made or secured by paying agents located in Luxembourg for the immediate benefit of beneficial owners who are resident in an EU Member State other than Luxembourg, or in certain of the territories dependent or associated with an EU Member State, and being either (i) individuals or (ii) certain residual entities (generally entities other than legal entities, Undertakings for Collective Investments in Transferable Securities (*UCITS*) and entities taxed as enterprises) (the ***Residual Entities*** as defined under article 4-2 of the Savings Directive), such paying agent must withhold a withholding tax at a rate of 35%. Such beneficial owners and residual entities can avoid such withholding by either authorising the relevant paying agent to exchange information regarding the interest payment to the relevant tax authorities or providing it with a certificate issued by the latter.

Furthermore, in case interest payments on the Notes are made or secured by paying agents located in Luxembourg, such paying agent must withhold a withholding tax at a rate of 10% in the following cases:

- (i) if such payments are made for the immediate benefit of individuals resident in Luxembourg; or

- (ii) if such payments are made to the Residual Entities for the benefit of Luxembourg resident individuals. The withholding tax shall not apply if, for the purposes of the application of the Savings Directive, the residual entity elects to exchange information or elects to be treated as a UCITS.

No other Luxembourg withholding taxes are applicable on payments under the Notes.

Taxes on income, capital gains and net wealth

The summary set out in this section “Taxes on income, capital gains and net wealth” only applies to a holder of Notes who is neither resident nor deemed to be resident in Luxembourg for the purposes of Luxembourg income tax, corporation tax, or net wealth tax, as the case may be (a ***Non-Resident Holder of Notes***).

A Non-Resident Holder of Notes will not be subject to any Luxembourg taxes on income or capital gains in respect of any benefit derived or deemed to be derived from Notes, including any payment under Notes and any gain realised on the disposal of Notes, provided that the holding of Notes is not effectively connected to a permanent establishment in Luxembourg through which the Holder carries on a business or trade in Luxembourg. Similarly, such Non-Resident Holders of Notes will not be subject to any Luxembourg net wealth tax with regard to the Notes.

Luxembourg gift and inheritance taxes

Inheritance tax is levied in Luxembourg at progressive rates (depending on the value of the assets inherited and the degree of relationship). No Luxembourg inheritance tax will be due in respect of the Notes unless the Holder of Notes resides in Luxembourg at the time of his decease. No gift tax is due upon the donation of Notes unless such donation is registered in Luxembourg (which is generally not required).

SUBSCRIPTION AND SALE

Summary of Dealer Agreement

Subject to the terms and on the conditions contained in the Amended and Restated Dealer Agreement dated 27 October 2011 (as further amended and/or supplemented from time to time, the *Dealer Agreement*) between the Issuer, the Guarantor, the Permanent Dealers and the Arranger, the Notes will be offered on a continuous basis by the Issuer to the Permanent Dealers. However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse the Arranger for certain of its expenses incurred in connection with the Programme and the Dealers for certain of their activities in connection with the Programme. The commissions in respect of an issue of Notes on a syndicated basis will be stated in the relevant Final Terms.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

Selling Restrictions

United States

The Notes and the Guarantee have not been and will not be registered under the U.S. Securities Act of 1933 as amended (the *Securities Act*) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Notes having maturity of more than one year may not be offered, sold or delivered within the United States or its possessions or to United States persons.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, it has offered and sold the Notes of any identifiable tranche, and shall offer and sell the Notes of any identifiable Tranche, (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of such Tranche, as determined and certified to the Issuer and each relevant Dealer, by the Issuing and Paying Agent or, in the case of Notes issued on a syndicated basis, the Lead Manager, only in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes, and it and they have complied and shall comply with the offering restrictions requirement of Regulation S. Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, to notify the Issuing and Paying Agent or, in the case of Notes issued on a syndicated basis, the Lead Manager when it has completed the distribution of its portion of the Notes of any identifiable tranche so that the Issuing and Paying Agent or, in the case of a Notes issued on a syndicated basis, the Lead Manager may determine the completion of the distribution of all Notes of that tranche and notify the other relevant Dealers of the end of the distribution compliance period. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that at or prior to confirmation of sale of

Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it prior to the expiration of the 40-day distribution compliance period a confirmation or notice to substantially the following effect:

*“The Securities covered hereby have not been registered under the U.S. Securities Act of 1933 (the **Securities Act**) and may not be offered and sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of such tranche as determined, and certified to the Issuer and Relevant Dealers, by the Issuing and Paying Agent or, in the case of a Syndicated Issuer, the Lead Manager, except in either case in accordance with Regulation S under the Securities Act. Accordingly, neither you, your affiliates nor any person acting on your behalf or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes and if selling Notes to another dealer, distributor or person receiving a selling concession, fee or other remuneration in respect of the Notes sold prior to the expiration of the 40-day distribution compliance period, you will send a confirmation or other notice to the purchaser stating that such purchaser is subject to the same restrictions on offers and sales which apply to a distributor and which are set forth herein. Terms used above have the meanings given to them by Regulation S.”* Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after completion of the distribution of the Notes comprising any Tranche, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Unless the purchase information or the subscription agreement relating to one or more Tranches specifies that the applicable TEFRA exemption is either “C Rules” or “not applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, in relation to each Tranche of Notes:

- (a) except to the extent permitted under U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the **D Rules**):
 - (i) it has not offered or sold, and during the restricted period shall not offer or sell, Notes to a person who is within the United States or its possessions or to a United States person and
 - (ii) it has not delivered and shall not deliver within the United States or its possessions definitive Notes that are sold during the restricted period;
- (b) it has and throughout the restricted period shall have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;
- (c) if it is a United States person, it is acquiring the Notes for purposes of resale in connection with their original issuance and if it retains Notes for its own account, it shall only do so in accordance with the requirements of U.S. Treas. Reg. §1.163-5(c)(2)(i)(D)(6);
- (d) with respect to each affiliate that acquires from it Notes for the purpose of offering or selling such Notes during the restricted period, it either (a) repeats and confirms the representations set forth in sub-paragraphs (a), (b) and (c) above on behalf of such affiliate or (b) agrees that it shall obtain from such affiliate for the benefit of the Issuer the representations set forth in sub-paragraphs (a), (b) and (c) above; and
- (e) it has not and will not enter into any written contract (other than a confirmation or other notice of the transaction) pursuant to which any other party to the contract (other than with one of its affiliates or another Dealer) has offered or sold, or during the restricted period will offer or sell,

any Notes except where pursuant to the contract it has obtained or will obtain from that party, for the benefit of the Issuer and the several Dealers, the representations contained in, and the distributor's agreement to comply with, the provisions set forth in sub-paragraphs (a), (b), (c), (d) and (e).

Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder, including the D Rules.

In addition, to the extent that the purchase information or the subscription agreement relating to one or more Tranches of Notes specifies that the applicable TEFRA exemption is "C Rules", under U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the **C Rules**), Notes must be issued and delivered outside the United States and its possessions in connection with their original issuance. In relation to each such Tranche, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or delivered, and shall not offer, sell or deliver, directly or indirectly, Notes within the United States or its possessions in connection with their original issuance. Further, in connection with the original issuance of Notes, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not communicated, and shall not communicate, directly or indirectly, with a prospective purchaser if either such purchaser or it is within the United States or its possessions or otherwise involve any office in the United States or its possessions in the offer or sale of Notes. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder, including the C Rules.

Each issuance of Dual Currency Notes and Indexed Notes shall be subject to such additional U.S. selling restrictions as the relevant Dealer(s) shall agree with the Issuer as a term of the issuance and purchase or, as the case may be, subscription of such Notes (as indicated in the applicable Final Terms). Each relevant Dealer has represented and agreed, and each further relevant Dealer appointed under the Programme will be required to represent and agree, that it shall offer, sell and deliver such Notes only in compliance with such additional United States selling restrictions.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 100, or, if the Relevant Member State has implemented the relevant provisions of the 2010 PD Amending Directive, 150, natural or legal persons (other than "qualified investors" as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in subsections (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an *offer of Notes to the public* in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, and the expression *Prospectus Directive* means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State and the expression *2010 PD Amending Directive* means Directive 2010/73/EU.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000, as amended (the *FSMA*) by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

The Netherlands

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that Zero Coupon Notes in definitive bearer form and other Notes in definitive bearer form on which interest does not become due and payable during their term but only at maturity (savings certificates or *spaarbewijzen*, as defined in the Dutch Savings Certificates Act or *Wet inzake spaarbewijzen* (the *SCA*)) may only be transferred and accepted, directly or indirectly, within, from or into The Netherlands through the mediation of either the Issuer or a member firm of Euronext Amsterdam N.V. with due observance of the provisions of the SCA and its implementing regulations (which include registration requirements). No such mediation is required, however, in respect of (i) the initial issue of those Notes to the first holders thereof, (ii) the transfer and acceptance by individuals who do not act in the conduct of a business or profession, and (iii) the issue and trading of those Notes, if they are physically issued outside The Netherlands and are not distributed in The Netherlands in the course of primary trading or immediately thereafter.

Spain

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes have not been and will not be offered or sold in the Kingdom of Spain and represents and agrees that it has not and will not offer, promote (whether through information or dissemination in media directed at the public in general or through individual promotions)

or sell in the Kingdom of Spain any Note, save in compliance with the requirements of (i) the Spanish Securities Market Law 24/1988 of 28 July 1988 as amended; (ii) Royal Decree 1310/2005 of 4 November 2005, relating to issues and public offerings for the sale of securities; and (iii) any other regulations supplementing, completing, or amending such laws and decrees.

Japan

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended; the ***Financial Instruments and Exchange Act***). Accordingly, each Dealer has represented and agreed, and each further Dealer will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Control Law (Law No. 228 of 1949, as amended)) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Act and other relevant laws, regulations and ministerial guidelines of Japan.

General

These selling restrictions may be modified by the agreement of the Issuer, the Guarantor and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Final Terms issued in respect of the issue of Notes to which it relates or in a Supplement to the Base Prospectus.

Each Dealer has agreed, and each further Dealer will be required to agree, that it will comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes this Base Prospectus, any other offering material or any Final Terms, in all cases at its own expense.

Other than in Luxembourg, no action has been taken in any jurisdiction by the Issuer, the Guarantor or the Dealers that would permit a public offering of any of the Notes, or possession or distribution of this Base Prospectus or any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required.

None of the Issuer, the Guarantor, the Trustee or the Dealers represents that Notes may, at any time, lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Final Terms.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions that, save for the text in italics and subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Final Terms, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) representing each Series. Either (i) the full text of these terms and conditions together with the provisions of the relevant Final Terms or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Final Terms. Those definitions will be endorsed on the definitive Notes. References in the Conditions to ‘Notes’ are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

The Notes are constituted by the Amended and Restated Trust Deed as supplemented by the First Supplemental Trust Deed dated 27 October 2011 (as amended and/or supplemented as at the date of issue of the Notes (the **Issue Date**), the **Trust Deed**) dated 28 October 2008 between the Issuer, the Guarantor, and Citicorp Trustee Company Limited (the **Trustee**, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Notes, Receipts, Coupons and Talons referred to below. The Amended and Restated Agency Agreement (as amended and/or supplemented as at the Issue Date, the **Agency Agreement**) dated 28 October 2008 has been entered into in relation to the Notes between the Issuer, the Guarantor, the Trustee, Citibank, N.A., London Branch as initial issuing and paying agent and the other agents named in it. The issuing and paying agent, the paying agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the **Issuing and Paying Agent**, the **Paying Agents** (which expression shall include the Issuing and Paying Agent), and the **Calculation Agent(s)**. Copies of the Trust Deed and the Agency Agreement are available for inspection during usual business hours at the principal office of the Trustee (presently at Agency & Trust, 14th Floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB) and at the specified offices of the Paying Agents.

The Noteholders, the holders of the interest coupons (the **Coupons**) relating to interest bearing Notes and, where applicable in the case of such Notes, talons for further Coupons (the **Talons**) (the **Couponholders**) and the holders of the receipts for the payment of instalments of principal (the **Receipts**) relating to Notes of which the principal is payable in instalments are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement and the relevant Final Terms.

1. Form, Specified Denomination and Title

The Notes are issued in bearer form (**Notes**) in each case in the Specified Denomination(s) shown hereon, provided that in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum Specified Denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of those Notes). Notes of one Specified Denomination may not be exchanged for Notes of another denomination.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index-Linked Interest Note, an Index-Linked Redemption Note, an Instalment Note, a Dual Currency Note or a Partly Paid Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown hereon.

So long as the Notes are represented by a Temporary Global Note or Permanent Global Note and the relevant clearing system(s) so permit, the Notes will be tradeable only in (a) if the Specified Denomination

stated in the relevant Final Terms is €100,000 (or its equivalent in another currency), the authorised denomination of €100,000 (or its equivalent in another currency) and integral multiples of €100,000 (or its equivalent in another currency) thereafter, or (b) if the Specified Denomination stated in the relevant Final Terms is €100,000 (or its equivalent in another currency) and integral multiples of €1,000 (or its equivalent in another currency) in excess thereof, the minimum authorised denomination of €100,000 (or its equivalent in another currency) and higher integral multiples of €1,000 (or its equivalent in another currency), notwithstanding that no definitive notes will be issued with a denomination above €199,000 (or its equivalent in another currency).

Notes are serially numbered in the Specified Currency and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

Title to the Notes and the Receipts, Coupons and Talons shall pass by delivery. The holder (as defined below) of any Note, Receipt, Coupon or Talon shall (except as otherwise required by law) be deemed to be and may be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on it or its theft or loss) and no person shall be liable for so treating the holder.

In these Conditions, **Noteholder** means the bearer of any Note and the Receipts relating to it, **holder** (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Note, Receipt, Coupon or Talon and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

2. Guarantee and Status

- (a) **Guarantee:** The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Trust Deed, the Notes, Receipts and Coupons. Its obligations in that respect (the **Guarantee**) are contained in the Trust Deed.
- (b) **Status:** The Notes and the Receipts and Coupons relating to them constitute (subject to Condition 3) unsecured and unsubordinated obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Receipts and Coupons relating to them and of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by the laws of bankruptcy and other laws affecting the rights of creditors generally and subject to Condition 3, at all times rank at least equally with all their respective other present and future unsecured and unsubordinated obligations.

3. Negative Pledge

So long as any of the Notes, Receipts or Coupons remain outstanding (as defined in the Trust Deed), each of the Issuer and the Guarantor undertakes that it will not create or have outstanding any mortgage, charge, pledge, lien or other security interest (each a **Security Interest**) upon the whole or any part of its undertaking, assets or revenues (including any uncalled capital), present or future, in order to secure any Relevant Indebtedness (as defined below) or to secure any guarantee of or indemnity in respect of any Relevant Indebtedness unless (a) all amounts payable by the Issuer and/or the Guarantor under the Notes, the Receipts, the Coupons and the Trust Deed are equally and rateably secured therewith by such Security Interest to the satisfaction of the Trustee or (b) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided either (A) as the Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the Noteholders or (B) as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

In these Conditions, **Relevant Indebtedness** means any obligation in respect of present or future indebtedness in the form of, or represented or evidenced by, bonds, debentures, notes or other securities which are, or are intended to be (with the consent of the issuer thereof), quoted, listed, dealt in or traded on any stock exchange or over-the-counter market other than such indebtedness which by its terms will mature within a period of one year from its date of issue.

4. Interest and other Calculations

- (a) **Interest on Fixed Rate Notes:** Each Fixed Rate Note bears interest on its outstanding principal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 4(h).
- (b) **Interest on Floating Rate Notes and Index-Linked Interest Notes:**
- (i) *Interest Payment Dates:* Each Floating Rate Note and Index-Linked Interest Note bears interest on its outstanding principal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 4(h). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Specified Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.
- (ii) *Business Day Convention:* If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.
- (iii) *Rate of Interest for Floating Rate Notes:* The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate plus or minus (as indicated hereon) the Margin (if any). For the purposes of this sub-paragraph (A), **ISDA Rate** for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (x) the Floating Rate Option is as specified hereon;
- (y) the Designated Maturity is a period specified hereon; and
- (z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

For the purposes of this sub-paragraph (A), ***Floating Rate, Calculation Agent, Floating Rate Option, Designated Maturity, Reset Date*** and ***Swap Transaction*** have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

- (x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00a.m. (London time in the case of LIBOR or Brussels time in the case of EURIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified hereon as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided hereon.

- (y) if the Relevant Screen Page is not available or if sub-paragraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (x)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and
- (z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as

a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00a.m. (Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Trustee and the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

- (iv) *Rate of Interest for Index-Linked Interest Notes*: The Rate of Interest in respect of Index-Linked Interest Notes for each Interest Accrual Period shall be determined in the manner specified hereon and interest will accrue by reference to an Index or Formula as specified hereon.
- (c) **Zero Coupon Notes**: Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 5(b)(i)).
- (d) **Dual Currency Notes**: In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating the Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified hereon.
- (e) **Partly Paid Notes**: In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up principal amount of such Notes and otherwise as specified hereon.
- (f) **Accrual of Interest**: Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (as well after as before judgment) at the Rate of Interest in the manner provided in this Condition 4 to the Relevant Date.

(g) **Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts and Rounding:**

- (i) If any Margin is specified hereon (either (x) generally or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 4(b) above by adding (if a positive number) or subtracting (if a negative number) the absolute value of such Margin, subject always to the next paragraph.
 - (ii) If any Maximum or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified hereon, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.
 - (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes *unit* means the lowest amount of such currency that is available as legal tender in the country or countries (as appropriate) of such currency.
- (h) **Calculations:** The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.
- (i) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts:** The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Trustee, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange or other relevant authority of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment

pursuant to Condition 4(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 8, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

- (j) **Determination or Calculation by Trustee:** If the Calculation Agent does not at any time for any reason determine or calculate the Rate of Interest for an Interest Accrual Period or any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, the Trustee shall do so (or shall appoint an agent on its behalf to do so) and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee shall apply the foregoing provisions of this Condition, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.
- (k) **Definitions:** In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

Business Day means:

- (i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency and/or
- (ii) in the case of euro, a day on which the TARGET System is operating (a **TARGET Business Day**) and/or
- (iii) in the case of a currency and/or one or more Business Centres a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

Day Count Fraction means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or Interest Accrual Period, the **Calculation Period**):

- (i) if **Actual/Actual**, **Actual/Actual (ISDA)**, **Act/Act** or **Act/Act (ISDA)** is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (ii) if **Actual/Actual (ICMA)** or **Act/Act (ICMA)** is specified hereon, a fraction equal to “number of days accrued/number of days in year”, as such terms are used in Rule 251 of the statutes, by-laws, rules and recommendations of the International Capital Markets Association (the **ICMA Rule Book**), calculated in accordance with Rule 251 of the ICMA Rule Book as applied to non-US dollar denominated straight and convertible bonds issued after 31 December 1998, as though the interest coupon on a bond were being calculated for a coupon period corresponding to the Calculation Period;

- (iii) if *Actual/365 (Fixed)*, *Act/365 (Fixed)*, *A/365 (Fixed)* or *A/365F* is specified hereon, the actual number of days in the Calculation Period divided by 365;
- (iv) if *Actual/365 (Sterling)* is specified hereon, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (v) if *Actual/360*, *Act/360* or *A/360* is specified hereon, the actual number of days in the Calculation Period divided by 360;
- (vi) if *30/360*, *360/360* or *Bond Basis* is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

Y_1 is the year, expressed as a number, in which the first day of the Calculation Period falls;

Y_2 is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

M_1 is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

D_1 is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

- (vii) if *30E/360* or *Eurobond Basis* is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

Y_1 is the year, expressed as a number, in which the first day of the Calculation Period falls;

Y_2 is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

M_1 is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

D_1 is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D_2 will be 30;

(viii) if **30E/360 (ISDA)** is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

Y_1 is the year, expressed as a number, in which the first day of the Calculation Period falls;

Y_2 is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

M_1 is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

D_1 is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30.

Euro-zone means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty on the Functioning of the European Union, as amended from time to time.

Interest Accrual Period means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

Interest Amount means (i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and, in the case of Fixed Rate Notes and unless otherwise specified hereon, the Fixed Coupon Amount or Broken Amount, specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and (ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

Interest Commencement Date means the Issue Date or such other date as may be specified hereon.

Interest Determination Date means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro.

Interest Period means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

Interest Period Date means each Interest Payment Date unless otherwise specified hereon.

ISDA Definitions means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the issue date of the first Tranche (as defined in the Trust Deed) of the relevant Series of Notes, unless otherwise specified hereon.

Rate of Interest means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon.

Reference Banks means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Calculation Agent or as specified hereon.

Reference Rate means the rate specified as such hereon.

Relevant Date means whichever is the later of:

- (i) the date on which payment first becomes due and
- (ii) if the full amount payable has not been received by the Issuing and Paying Agent or the Trustee on or prior to such due date, the date on which the full amount having been so received, notice to that effect shall have been given to the Noteholders.

Any reference in these Conditions to **principal** and/or **interest** shall be deemed to include any additional amounts that may be payable under this Condition or any undertaking given in addition to or in substitution for it under the Trust Deed.

Relevant Screen Page means such page, section, caption, column or other part of a particular information service as may be specified hereon.

Specified Currency means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated.

TARGET System means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System, which was launched on 19 November 2007, or any successor thereto.

- (l) **Calculation Agent:** The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding (as defined in the Trust Deed). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent

performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall (with the prior approval of the Trustee) appoint a leading bank or investment banking firm engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

5. Redemption, Purchase and Options

(a) Redemption by Instalments and Final Redemption:

- (i) Unless previously redeemed, or purchased and cancelled, as provided in this Condition 5, each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified hereon. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.
- (ii) Unless previously redeemed, or purchased and cancelled, as provided below, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided hereon, is its nominal amount) or, in the case of a Note falling within sub-paragraph (i) above, its final Instalment Amount.

(b) Early Redemption:

(i) *Zero Coupon Notes:*

- (A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 5(c) or upon it becoming due and payable as provided in Condition 9 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.
- (B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.
- (C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 5(c) or upon it becoming due and payable as provided in Condition 8 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (as well after as before judgment) until the Relevant Date, unless the Relevant Date falls on or

after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 4(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

- (ii) *Other Notes*: The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 5(c) or upon it becoming due and payable as provided in Condition 8, shall be the Final Redemption Amount unless otherwise specified hereon.
- (c) **Redemption for Taxation Reasons**: The Notes (other than Notes in respect of which the Issuer shall have given a notice of redemption pursuant to Condition 5(d) or in respect of which a Noteholder shall have exercised its option under Condition 5(e) in each case prior to any notice being given under this Condition 5(c)) may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Note) or, at any time (if this Note is neither a Floating Rate Note or an Index Linked Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their Early Redemption Amount (as described in Condition 5(b) above) (together with interest accrued to the date fixed for redemption), if (i) the Issuer satisfies the Trustee immediately prior to the giving of such notice that it or (if the Guarantee were called) the Guarantor has or will become obliged to pay additional amounts as provided or referred to in Condition 7 as a result of any change in, or amendment to, the laws or regulations of The Netherlands or (in the case of a payment to be made by the Guarantor) the Kingdom of Spain, or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date, and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such additional amounts were a payment in respect of the Notes (or the Guarantee, as the case may be) then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee a certificate signed by two directors of the Issuer (or two authorised officers of the Guarantor, as the case may be) stating that the obligation referred to in (i) above cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above in which event it shall be conclusive and binding on Noteholders and Couponholders.
- (d) **Redemption at the Option of the Issuer**: If Call Option is specified hereon, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem all or, if so provided, some of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a principal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption, the notice to Noteholders shall also contain the certificate numbers of the Notes to be redeemed, which shall have been drawn up in such place as the Trustee may

approve and in such manner as it deems appropriate, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

- (e) **Redemption at the Option of Noteholders:** If Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued to the date fixed for redemption.

To exercise such option, the holder must deposit such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent, together with a duly completed option exercise notice (*Exercise Notice*) in the form obtainable from any Paying Agent, within the notice period. No Note so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

- (f) **Partly Paid Notes:** Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the provisions specified hereon.
- (g) **Purchases:** The Issuer, the Guarantor and any other Subsidiary may at any time purchase Notes in the open market or otherwise at any price (provided that they are purchased together with all unmatured Receipts and Coupons and unexchanged Talons relating to them). The Notes so purchased, while held by or on behalf of the Issuer, the Guarantor or any other Subsidiary, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Conditions 8, 11(a) and 12.

In these Conditions, *Subsidiary* means any entity of which the Guarantor has control and "control" for the purpose of this definition means the beneficial ownership whether direct or indirect of the majority of the issued share capital or the right to direct the management and policies of such entity, whether by the ownership of share capital, contract or otherwise. A certificate executed by any two authorised officers of the Guarantor listing the entities that are Subsidiaries at any time shall, in the absence of manifest error, be conclusive and binding on all parties.

- (h) **Cancellation:** All Notes so redeemed or purchased (other than, at the discretion of the Issuer, the Guarantor or any other Subsidiary, as applicable, those purchased pursuant to Condition 5(g) above) and any unmatured Receipts and Coupons and all unexchanged Talons attached to or surrendered with them will be surrendered for cancellation by surrendering to the Issuing and Paying Agent and may not be reissued or resold and the obligations of the Issuer and the Guarantor in respect of any such Notes shall be discharged.

6. Payments and Talons

- (a) **Payments of Principal and Interest:** Payments of principal and interest shall be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note) (or in the case of partial payment, endorsement thereof), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 6(e)(vi)) or Coupons (in the case of interest, save as specified in Condition 6(e)(ii)), as the case may be, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.
- (b) **Payments in the United States:** Notwithstanding the foregoing, if any Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in

New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States and its possessions with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

- (c) **Payments subject to Fiscal Laws:** All payments are subject in all cases to any applicable fiscal or other laws and regulations but without prejudice to the provisions of Condition 7. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (d) **Appointment of Agents:** The Issuing and Paying Agent, the Paying Agents and the Calculation Agent initially appointed by the Issuer and the Guarantor and their respective specified offices are listed below. The Issuing and Paying Agent, the Paying Agents and the Calculation Agent act solely as agents of the Issuer and the Guarantor and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer and the Guarantor reserve the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of the Issuing and Paying Agent, any other Paying Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents, provided that the Issuer shall at all times maintain (i) an Issuing and Paying Agent, (ii) one or more Calculation Agent(s) where the Conditions so require, (iii) Paying Agents having specified offices in at least two major European cities (including Luxembourg) so long as the Notes are listed on the Luxembourg Stock Exchange and (iv) such other agents as may be required by the rules of any other stock exchange on which the Notes may be listed in each case, as approved by the Trustee and (v) a Paying Agent with a specified office in a European Union member state other than The Netherlands or Spain (if any) that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council Meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

In addition, the Issuer and the Guarantor shall forthwith appoint a Paying Agent in New York City in respect of any Notes denominated in U.S. dollars in the circumstances described in paragraph (b) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

- (e) **Unmatured Coupons and Receipts and Unexchanged Talons:**
 - (i) Upon the due date for redemption of Notes which comprise Fixed Rate Notes (other than Dual Currency Notes or Index Linked Notes), they should be surrendered for payment together with all unexpired Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unexpired Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unexpired Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).

- (ii) Upon the due date for redemption of any Note comprising a Floating Rate Note, Dual Currency Interest Note or Index-Linked Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.
 - (iii) Upon the due date for redemption of any Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
 - (iv) Upon the due date for redemption of any Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.
 - (v) Where any Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
 - (vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Note. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note.
- (f) **Talons:** On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Paying Agents in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).
- (g) **Non-Business Days:** If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, *business day* means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as *Additional Financial Centres* hereon and:
- (i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency or
 - (ii) (in the case of a payment in euro) which is a TARGET Business Day.

7. Taxation

All payments of principal and interest by or on behalf of the Issuer or the Guarantor in respect of the Notes, the Receipts and the Coupons or under the Guarantee shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within The Netherlands or the Kingdom of Spain or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer or, as the case may be, the Guarantor shall pay such additional amounts as shall result in receipt by the Noteholders and Couponholders of such amounts as would have been received

by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon presented for payment:

- (a) in the case of a payment by or on behalf of the Issuer, in The Netherlands or, in the case of a payment by or on behalf of the Guarantor, in the Kingdom of Spain and/or
- (b) by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of his having some connection with The Netherlands or, in the case of payments made by the Guarantor, the Kingdom of Spain other than the mere holding of the Note or Coupon and/or
- (c) by or on behalf of a holder who could fully or partially avoid such withholding or deduction by (i) making a declaration of non-residence in a valid form but fails to do so or by (ii) authorising the relevant paying agent to report information in accordance with the procedure laid down by the relevant tax authority or by delivering, in the form required by the relevant tax authority, a declaration, claim, certificate, document or other evidence establishing the exemption, reduction or avoidance therefrom and/or
- (d) more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting such Note, Receipt or Coupon for payment on the last day of such period of 30 days (assuming the day to have been a business day for the purpose of Condition 6(g)) and/or
- (e) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council Meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive or law and/or
- (f) presented for payment by or on behalf of a holder who would have been able to fully or partially avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

8. Events of Default

If any of the following events (each an *Event of Default*) occurs and is continuing, the Trustee at its discretion may, and if so requested by holders of at least one-fifth in principal amount of the Notes then outstanding (as defined in the Trust Deed) or if so directed by an Extraordinary Resolution (as defined in the Trust Deed) shall, subject to its being indemnified to its satisfaction, give notice to the Issuer that the Notes are, and they shall immediately become, due and payable at their Early Redemption Amount together with accrued interest:

- (a) **Non-Payment:** the Issuer fails to pay any interest on any of the Notes when due and such failure continues for a period of 14 days; or
- (b) **Breach of Other Obligations:** the Issuer or the Guarantor does not perform or comply with any one or more of its other obligations in the Notes or the Trust Deed, which default is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not in the opinion of the Trustee remedied within 30 days after notice of such default shall have been given to the Issuer or the Guarantor by the Trustee; or
- (c) **Cross-Default:**

- (i) any Relevant Indebtedness of the Issuer or the Guarantor becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described); or
- (ii) any Relevant Indebtedness of the Issuer or the Guarantor is not paid when due or, as the case may be, within any applicable grace period; or
- (iii) the Issuer or the Guarantor fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any Relevant Indebtedness of any other person, provided that the aggregate of all such amounts which have become due and payable, as described in (c)(i) above, and/or have not been paid when due, as described in (c)(ii) and/or (c)(iii) above (as the case may be), equals or exceeds the greater of an amount equal to 0.25% of Total Shareholders Equity and U.S.\$50,000,000 or its equivalent (as reasonably determined by the Trustee); or
- (d) **Enforcement Proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against the whole or any substantial part of the property, assets or revenues of the Issuer or the Guarantor and is not discharged or stayed within 30 days; or
- (e) **Security Enforced:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or the Guarantor becomes enforceable against the whole or any substantial part of the assets or undertaking of the Issuer or the Guarantor and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person); or
- (f) **Insolvency:** the Issuer or the Guarantor is insolvent or bankrupt, stops, suspends or threatens to stop or suspend payment of all of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or substantially all of the debts of the Issuer or the Guarantor; or
- (g) **Winding-up:** an order is made or an effective resolution passed for the winding-up or dissolution of the Issuer or the Guarantor, or the Issuer or the Guarantor ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by the Trustee or by an Extraordinary Resolution of the Noteholders; or
- (h) **Illegality:** it is unlawful for the Issuer or the Guarantor to perform or comply with any one or more of its obligations under any of the Notes or the Trust Deed; or
- (i) **Analogous Events:** any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs; or
- (j) **Guarantee:** the Guarantee is not (or is claimed by the Guarantor not to be) in full force and effect, provided that in the case of an event falling within paragraphs (b) to (e) or (h) to (j) the Trustee shall have certified that in its opinion such event is materially prejudicial to the interests of the Noteholders.

For the purposes of this Condition:

Total Shareholders' Equity means the total shareholders equity of the Guarantor, as shown in the then latest audited consolidated accounts of the Guarantor.

9. Prescription

Claims in respect of principal and interest will become void unless presentation for payment is made as required by Condition 6 within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date.

10. Replacement of Notes, Receipts, Coupons and Talons

If any Note, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Issuing and Paying Agent in London or at the specified office of the Paying Agent in Luxembourg, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security and indemnity and otherwise as the Issuer and the Guarantor may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

11. Meetings of Noteholders, Modification, Waiver and Substitution

- (a) **Meetings of Noteholders:** The Trust Deed contains provisions for convening meetings of Noteholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Noteholders holding not less than 10% in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be one or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one person being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Notes, or the dates on which interest is payable in respect of the Notes, (ii) to reduce or cancel the nominal amount of, or interest on, the Notes, (iii) to change the currency of payment of the Notes or the Coupons, (iv) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution, or (v) to modify or cancel the Guarantee, in which case the necessary quorum shall be one person holding or representing not less than 75%, or at any adjourned meeting not less than 25%, in principal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders. The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 75% per cent. in nominal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of the Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one of more Noteholders.
- (b) **Modification and waiver:** The Trustee may agree, without the consent of the Noteholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed which in the opinion of the Trustee is of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed which is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Noteholders as soon as practicable.
- (c) **Substitution:** The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Noteholders or the Couponholders, to the substitution of certain other entities in place

of the Issuer or Guarantor, or of any previous substituted company, as principal debtor or Guarantor under the Trust Deed and the Notes. In the case of such a substitution the Trustee may agree, without the consent of the Noteholders or the Couponholders, to a change of the law governing the Notes, the Receipts, the Coupons, the Talons and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders.

- (d) **Entitlement of the Trustee:** In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer or the Guarantor any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders.

12. Enforcement

At any time after the Notes become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer and/or the Guarantor as it may think fit to enforce the terms of the Trust Deed, the Notes, the Receipts and the Coupons, but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least one-fifth in principal amount of the Notes outstanding, and (b) it shall have been indemnified to its satisfaction. No Noteholder, holder of Receipts or Couponholder may proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

13. Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee is entitled to enter into business transactions with the Issuer, the Guarantor and any other Subsidiary and any entity related to the Issuer or the Guarantor or any other Subsidiary without accounting for any profit.

14. Further Issues

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes. Any further securities forming a single series with the outstanding securities of any series (including the Notes) constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of securities of other series where the Trustee so decides.

15. Notices

Notices to Noteholders will be valid if published in a leading newspaper having general circulation in the United Kingdom (which is expected to be the *Financial Times*) and (so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that Stock Exchange so require), published either on the website of the Luxembourg Stock Exchange (www.bourse.lu) or in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, if in the opinion of the Trustee such publication shall not be practicable, in an English language newspaper of general circulation

in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made.

Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this Condition.

16. The Contracts (Rights of Third Parties) Act 1999

The Notes confer no rights on any person pursuant to the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Notes, but this does not affect right or remedy of the third party which exists or is available apart from that Act.

17. Governing Law

- (a) **Governing Law:** The Trust Deed, the Notes, the Receipts, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.
- (b) **Jurisdiction:** The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed, the Notes, Receipts, Coupons or Talons or the Guarantee and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed, the Notes, Receipts, Coupons or Talons or the Guarantee (*Proceedings*) may be brought in such courts. Each of the Issuer and the Guarantor has in the Trust Deed irrevocably submitted to the jurisdiction of such courts.
- (c) **Agent for Service of Process:** Each of the Issuer and the Guarantor has irrevocably appointed an agent in England to receive service of process in any Proceedings in England based on any of the Trust Deed, the Notes, Receipts, Coupons or Talons or the Guarantee.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Initial Issue of Notes

If the Global Notes are stated in the applicable Final Terms to be issued in NGN form, they are intended to be eligible collateral for Eurosystem monetary policy and will be delivered on or prior to the original issue date of the Tranche to the Common Safekeeper. Depositing the Global Notes with the Common Safekeeper does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any and all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

Global Notes that are issued in CGN form may be delivered on or prior to the original issue date of the Tranche to a Common Depository.

If the Global Note is a CGN, upon the initial deposit of a Global Note with a Common Depository, Euroclear or Clearstream, Luxembourg (the *Clearing Systems*) will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid. If the Global Note is an NGN, the nominal amount of the Notes represented by such Global Note shall be the aggregate amount from time to time entered in the records of both Clearing Systems. The records of such Clearing Systems shall be conclusive evidence of the nominal amount of Notes represented by such Global Note and, for these purposes, a statement issued by a Clearing System stating the nominal amount of Notes represented by such Global Note at any time shall be conclusive evidence of the records of the relevant Clearing System at the relevant time.

Notes that are initially deposited with the Common Depository may also (if indicated in the relevant Final Terms) be credited to the accounts of subscribers with other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system as the holder of a Note represented by a Global Note must look solely to Euroclear, Clearstream, Luxembourg or such clearing system (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note and in relation to all other rights arising under the Global Notes, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, or such clearing system (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes or so long as the Notes are represented by such Global Note and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note in respect of each amount so paid.

Exchange

Temporary Global Notes

Each Temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

- (i) if the relevant Final Terms indicates that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see “Summary of the Programme - Selling Restrictions”), in whole, but not in part, for the Definitive Notes (as defined and described below); and

- (ii) otherwise, in whole or in part, upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a Permanent Global Note or, if so provided in the relevant Final Terms, for Definitive Notes.

Permanent Global Notes

Each Permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under “Partial Exchange of Permanent Global Notes”, in part, for Definitive Notes:

- (i) if the Permanent Global Note is held on behalf of Euroclear, Clearstream, Luxembourg or any other clearing system (an ***Alternative Clearing System***) and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so; or
- (ii) if principal in respect of any Notes is not paid when due,

in each case by the holder giving notice to the Issuing and Paying Agent of its election for such exchange.

Partial Exchange of Permanent Global Notes

For so long as a Permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such Permanent Global Note will be exchangeable in part on one or more occasions for Definitive Notes (i) if principal in respect of any Notes is not paid when due or (ii) if so provided in, and in accordance with, the Conditions (which will be set out in the relevant Final Terms) relating to Partly Paid Notes.

Delivery of Notes

If the Note is a CGN, on or after any due date for exchange the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Issuing and Paying Agent.

In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a Temporary Global Note exchangeable for a Permanent Global Note, deliver, or procure the delivery of, a Permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a Temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a Permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes or (iii) if the Global Note is an NGN, procure that details of such exchange be entered *pro rata* in the records of the relevant Clearing System.

In this Base Prospectus, ***Definitive Notes*** means, in relation to any Global Note, the definitive Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Trust Deed. On exchange in full of each Permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

Exchange Date

Exchange Date means, in relation to a Temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a Permanent Global Note, a day falling not less than 60 days, or, in the case of failure to pay principal in respect of any Notes when due, 30 days after that on which the

notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Issuing and Paying Agent is located and in the city in which the relevant clearing system is located.

Amendment to Conditions

The Temporary Global Notes and Permanent Global Notes contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Base Prospectus. The following is a summary of some of those provisions:

Payments

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a Permanent Global Note or for Definitive Notes is improperly withheld or refused. Payments on any Temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note in CGN form will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Issuing and Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. If the Global Note is a CGN, a record of each payment so made will be endorsed on each Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes. If the Global Note is an NGN, the Issuer shall procure that details of such payment be entered *pro rata* on the records of the relevant Clearing System and, in the case of payments of principal, the nominal amount of the Notes recorded in the records of the relevant Clearing System and represented by the Global Note will be reduced accordingly. Payment under the NGN will be made to its holder. Each payment so made will discharge the Issuer's obligations in respect thereof. Any failure to make the entries in the records of the relevant Clearing System shall not affect such discharge. For the purpose of any payments made in respect of a Global Note, the relevant place of presentation shall be disregarded in the definition of "Business Day" set out in condition 6(g) ("*Non-Business Days*").

Prescription

Claims in respect of principal and interest will become void unless presentation for payment is made, as required by Condition 6, within a period of 10 years (in the case of principal) and 5 years (in the case of interest) from the appropriate Relevant Date as defined in Condition 7.

Meetings

The holder of a Permanent Global Note shall (unless such Permanent Global Note represents only one Note) be treated as being one person for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a Permanent Global Note shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes.

Cancellation

Cancellation of any Note represented by a Permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant Permanent Global Note.

Purchase

The Issuer, the Guarantor and any other Subsidiary may at any time purchase Notes in the open market or otherwise at any price (provided that they are purchased together with all unmatured Coupons relating to them). Any purchase by tender shall be made available to all Noteholders alike. The Notes so

purchased, while held by or on behalf of the Issuer, the Guarantor or any other Subsidiary, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of Noteholders or for the purposes of Conditions 8, 11(a) and 12.

Issuer's Option

Any option of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a Permanent Global Note shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of such clearing system (to be reflected in the records of such clearing system as either a pool factor or a reduction in nominal amount, at their discretion).

Noteholders' Options

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a Permanent Global Note may be exercised by the holder of the Permanent Global Note giving notice to the Issuing and Paying Agent within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time, where the Permanent Global Note is a CGN, presenting the Permanent Global Note to the Issuing and Paying Agent, or to a Paying Agent acting on behalf of the Issuing and Paying Agent, for notation. Where the Global Note is an NGN, the Issuer shall procure that details of such exercise shall be entered *pro rata* in the records of the relevant Clearing System and the nominal amount of the Notes recorded in those records will be reduced accordingly.

NGN Nominal Amount

Where the Global Note is an NGN, the Issuer shall procure that any exchange, payment, cancellation or exercise of any option or any right under the Notes, as the case may be, shall be entered in the records of the relevant clearing systems and, upon such entry being made, in respect of payments of principal, the nominal amount of the Notes represented by such Global Note shall be adjusted accordingly.

Trustee's Powers

In considering the interests of Noteholders while any Global Note is held on behalf of a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Note and may consider such interests as if such accountholders were the holders of the Notes represented by such Global Note.

Notices

So long as any Notes are represented by a Global Note and such Global Note is held on behalf of a clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note, except that so long as the Notes are listed on the official list of the Luxembourg Stock Exchange and the rules of that exchange so require, notices shall also be published in a leading newspaper having general circulation in Luxembourg (which is expected to be *Luxemburger Wort*).

Partly Paid Notes

The provisions relating to Partly Paid Notes are not set out in this Base Prospectus, but will be contained in the relevant Final Terms and thereby in the Global Notes. While any instalments of the subscription moneys due from a holder of Partly Paid Notes are overdue, no interest in a Global Note representing such Notes may be exchanged for an interest in a Permanent Global Note or for Definitive Notes (as the case may be). If any Noteholder fails to pay any instalment due on any Partly Paid Notes within the time specified, the Issuer may forfeit such Notes and shall have no further obligation to their holder in respect of them.

Specified Denominations

So long as the Notes are represented by a Temporary Global Note or Permanent Global Note and the relevant clearing system(s) so permit, the Notes will be tradeable as follows: (a) if the Specified Denomination stated in the relevant Final Terms is €100,000 (or its equivalent in another currency), in the authorised denomination of €100,000 (or its equivalent in another currency) and integral multiples of €100,000 (or its equivalent in another currency) thereafter, or (b) if the Specified Denomination stated in the relevant Final Terms is €100,000 (or its equivalent in another currency) and integral multiples of €1,000 (or its equivalent in another currency) in excess thereof, in the minimum authorised denomination of €100,000 (or its equivalent in another currency) and higher integral multiples of €1,000 (or its equivalent in another currency), notwithstanding that no definitive notes will be issued with a denomination above €199,000 (or its equivalent in another currency).

FORM OF FINAL TERMS

The form of Final Terms that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

Final Terms dated [●]

REPSOL INTERNATIONAL FINANCE B.V.
Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
Guaranteed by Repsol YPF, S.A.
under the Euro 10,000,000,000 Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated [●] 2011 [and the Supplement to the Base Prospectus dated [●]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (*Directive 2003/71/EC*) as amended (which includes amendments made by Directive 2010/73/EU (the **2010 PD Amending Directive**) to the extent that such amendments have been implemented in a relevant Member State) (the **Prospectus Directive**). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [and Supplement to the Base Prospectus] [is] [are] available for viewing at www.repsolinternationalfinancebv.com and copies may be obtained during normal business hours from:

Repsol International Finance, B.V.
Koningskade 30
2596 AA The Hague
The Netherlands

[The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.]

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Base Prospectus dated [original date] [and the Supplement to the Base Prospectus dated [●]]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (*Directive 2003/71/EC*) as amended (which includes amendments made by Directive 2010/73/EU (the **2010 PD Amending Directive**) to the extent that such amendments have been implemented in a relevant Member State) (the **Prospectus Directive**) and must be read in conjunction with the Base Prospectus dated [●] 2011 [and the Supplement to the Base Prospectus dated [●]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Base Prospectus dated [original date] [and the Supplement to the Base Prospectus dated [●]] and are attached hereto. Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectuses dated [original date] and [●] 2011 [and the Supplements to the Base Prospectuses dated [●] and [●]]. The Base Prospectuses [and Supplements to the Base Prospectuses] are available for viewing at www.repsolinternationalfinancebv.com and copies may be obtained during normal business hours from:

Repsol International Finance, B.V.
Koningskade 30
2596 AA The Hague

The Netherlands

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Final Terms.]

[When completing final terms or adding any other final terms or information consideration should be given as to whether such terms or information constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.]

1. (a) Issuer: Repsol International Finance B.V.
- (b) Guarantor: Repsol YPF, S.A.
2. (a) Series Number: []
- (b) Tranche Number: []
- (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)
3. Specified Currency or Currencies: []
4. Aggregate Nominal Amount: []
- (a) Series: []
- (b) Tranche: []
5. Issue Price: [] % of the Aggregate Nominal Amount [plus accrued interest from *[insert date]* (, *if applicable*)]
6. (a) Specified Denomination: [If the Specified Denomination is expressed to be € 100,000 or its equivalent and multiples of a lower principal amount (for example € 1,000) insert the following:

“€ 100,000 and integral multiples of [€ 1,000] in excess thereof up to and including [€ 199,000]. No definitive notes will be issued with a denomination above [€ 199,000]”.]

Notes (including Notes denominated in Sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of Section 19 FSMA and which have a maturity of less than one year must have a minimum redemption value of GBP 100,000 (or its equivalent in other currencies).
- (b) Calculation Amount *The applicable Calculation Amount (which is used for the calculation of interest and redemption amounts) will*

be (i) if there is only one Specified Denomination, the Specified Denomination of the relevant Notes or (ii) if there are several Specified Denominations or the circumstances referred to in 6(i) above apply (e.g. Specified Denominations of €100,000 and multiples of €1,000), the highest common factor of those Specified Denominations (note: there must be a common factor in the case of two or more Specified Denominations). Note that a Calculation Amount of less than 1,000 units of the relevant currency may result in impractical difficulties for paying agents and/or ICSDs who should be consulted if such an amount is proposed.

7. (a) Issue Date: []
- (b) Interest Commencement Date [Specify/Issue Date/Not Applicable][An Interest Commencement Date will not be relevant for certain types of Notes (e.g. Zero Coupon Notes)]
8. Maturity Date: [*Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year*]
9. Interest Basis: [● % Fixed Rate]
 [[*specify reference rate*] +/- ●% Floating Rate]
 [Zero Coupon]
 [Index Linked Interest]
 [Other (*specify*)]
 (further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]
 [Index-Linked Redemption]
 [Dual Currency]
 [Partly Paid]
 [Instalment]
 [Other (*specify*)]
- [If the Final Redemption Amount is an amount other than 100% of the nominal value, the Notes will constitute derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to Commission Regulation (EC) No. 809/2004 (the **Prospectus Directive Regulation**) will apply]*
11. Change of Interest or Redemption/Payment Basis: [*Specify details of any provision for convertibility of Notes into another interest or redemption/ payment basis*]
12. Put/Call Options: [Investor Put]
 [Issuer Call]
 [(further particulars specified below)]

13. (a) Status of the Notes: Senior
- (b) Status of the Guarantee: Senior
- (c) [Date [Board] approval for issuance of Notes [and Guarantee] obtained: [] [and []], respectively]]
(N.B Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee)
14. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. **Fixed Rate Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (a) Rate[(s)] of Interest: [% per annum [payable [annually / semi-annually / quarterly / monthly / other (specify)]] in arrear]
- (b) Interest Payment Date(s): [] in each year [adjusted in accordance with [specify Business Day Convention and any applicable Business Centre(s) for the definition of **Business Day**] / not adjusted]
- (c) Fixed Coupon Amount[(s)]: [] per Calculation Amount
- (d) Broken Amount(s): [] per Calculation Amount, payable on the Interest Payment Date falling [in/on] []
- (e) Day Count Fraction: [30/360 / Actual/Actual (ICMA/ISDA) / other]
- (f) Determination Dates: [] in each year *(insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual ([ICMA]))*
- (g) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/give details]
16. **Floating Rate Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (a) Interest Period(s) []
- (b) Specified Interest Payment Dates: []
- (c) First Interest Payment Date []

- (d) Business Day Convention: [Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/ other *(give details)*]
- (e) Business Centre(s): []
- (f) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/other *(give details)*]
- (g) Party, if any, responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent): []
- (h) Screen Rate Determination:
- Reference Rate: []
 - Interest Determination Date(s): []
 - Relevant Screen Page: []
- (i) ISDA Determination:
- Floating Rate Option: []
 - Designated Maturity: []
 - Reset Date: []
- (j) Margin(s): [+/-][] % per annum
- (k) Minimum Rate of Interest: [] % per annum
- (l) Maximum Rate of Interest: [] % per annum
- (m) Day Count Fraction: []
- (n) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: []

17. **Zero Coupon Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (a) [Amortisation/ Accrual] Yield: [] % per annum

- (b) Reference Price: []
- (c) Any other formula/basis of determining amount payable: []
18. **Index-Linked Interest Note/other variable-linked interest Note Provisions** [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (a) Index/Formula/other variable: [Give or annex details]
- (b) Party, if any, responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Calculation Agent): []
- (c) Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable: []
- (d) Determination Date(s): []
- (e) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: []
- (f) Interest or calculation period(s): []
- (g) Specified Interest Payment Dates: []
- (h) Business Day Convention: [Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/ other *(give details)*]
- (i) Business Centre(s): []
- (j) Minimum Rate/Amount of Interest: []% per annum
- (k) Maximum Rate/Amount of Interest: []% per annum
- (l) Day Count Fraction: []

19. **Dual Currency Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (a) Rate of Exchange/method of calculating Rate of Exchange: [Give details]
- (b) Party, if any, responsible for calculating the principal and/or interest due (if not the Calculation Agent): []
- (c) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: []
- (d) Person at whose option Specified Currency(ies) is/are payable: []

PROVISIONS RELATING TO REDEMPTION

20. **Call Option** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (a) Optional Redemption Date(s): []
- (b) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [] per Calculation Amount
- (c) If redeemable in part:
- (i) Minimum Redemption Amount: [] per Calculation Amount
- (ii) Maximum Redemption Amount: [] per Calculation Amount
- (d) Notice period []
- [If setting notice period is different from that provided in the terms and conditions, consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the issuer and its fiscal agent or any trustee.]*

21. **Put Option** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (a) Optional Redemption Date(s): []
- (b) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [] per Calculation Amount
- (c) Notice period []
- [If setting notice period is different from that provided in the terms and conditions, consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the issuer and its fiscal agent or any trustee.]*

22. **Final Redemption Amount of each Note** [] per Calculation Amount

[If the Final Redemption Amount is an amount other than 100% of the nominal value, the Notes will constitute derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply]

In cases where the Final Redemption Amount is Index-Linked or other variable-linked:

- (a) Index/ Formula/variable [Give or annex details]
- (b) Party, if any, responsible for calculating the Final Redemption Amount (if not the Calculation Agent): []
- (c) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable []
- (d) Determination Date(s): []
- (e) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or []

other variable is impossible or impracticable or otherwise disrupted:

- (f) Payment Date: []
- (g) Minimum Final Redemption Amount: [] per Calculation Amount
- (h) Maximum Final Redemption Amount: [] per Calculation Amount
23. **Early Redemption Amount** []
- Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions): []

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24. Form of Notes: **Bearer Notes**
- [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]
- [Temporary Global Note exchangeable for Definitive Notes on the “Exchange Date” (as specified and defined in the Temporary Global Note)]
- [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]
- [Notes shall not be physically delivered in Belgium, except to a clearing system, a depository or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian Law of 14 December 2005.][*Include for Notes that are to be offered in Belgium*]
25. New Global Note: [Yes] [No]
26. Financial Centre(s) or other special provisions relating to Payment Dates: [Not Applicable/*give details.*]
- [*Note that this item relates to the date and place of payment, and not interest period end dates, to which each of items 15(ii), 16(v) and 18(ix) relates.*]

27. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. *If yes, give details*]
28. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/*give details*]
29. Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made: [Not Applicable/*give details*]
30. Redenomination, renominatisation and reconventioning provisions: [Not Applicable/The provisions [in Condition ●] apply]
31. Consolidation provisions: [Not Applicable/The provisions [in Condition ●] apply]
32. Other final terms: [Not Applicable/*give details*]

[When adding any other final terms, consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive]

DISTRIBUTION

- 33.
- (a) If syndicated, names of Managers: [Not Applicable/*give name(s)*]
- (b) Stabilising Manager(s) (if any): [Not Applicable/*give name(s)*]
34. If non-syndicated, name of relevant Dealer: [Not Applicable/*give name*]
35. US Selling Restrictions: [Reg. S Compliance Category 2/ TEFRA C / TEFRA D / TEFRA not applicable]
36. Additional selling restrictions: [Not Applicable/*give details*]

PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue and admission to trading on the [*specify regulated market (e.g. Bourse de Luxembourg)*] of the Notes described herein pursuant to the €10,000,000,000 Euro Medium Term Note Programme of Repsol International Finance B.V.

RESPONSIBILITY

The Issuer and the Guarantor accept responsibility for the information contained in these Final Terms. [[*Relevant third party information*] has been extracted from [*specify source*]. Each of the Issuer and the Guarantor confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of Repsol International Finance B.V.:

By:
Duly authorised

Signed on behalf of Repsol YPF, S.A.:

By:
Duly authorised

PART B – OTHER INFORMATION

1. ADMISSION TO TRADING AND LISTING

(a) Admission to trading and listing: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [specify relevant regulated market] with effect from []]

[Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to listing on the official list of [specify relevant stock exchange] with effect from []]

[Not Applicable.]

[Where documenting a fungible issue need to indicate that original Notes are already admitted to trading.]

(b) Estimate of total expenses related to admission to trading: []

2. RATINGS

Ratings:

The Notes to be issued have been rated:

[S & P: []]
[Moody's: []]
[Fitch: []]
[[Other]: []]

(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)

[and endorsed by [insert details]]*

[[Insert credit rating agency] is established in the European Union and is registered under Regulation (EU) No 1060/2009 (the “CRA Regulation”).]

[[Insert credit rating agency] is not established in the European Union and has not applied for registration under Regulation (EU) No 1060/2009 (the “CRA Regulation”).]

[[Insert credit rating agency] is established in

* Insert this wording where one or more of the ratings included in the Final Terms has been endorsed by an EU registered credit rating agency for the purposes of Article 4(3) of the CRA Regulation.

the European Union and has applied for registration under Regulation (EU) No 1060/2009 (the “CRA Regulation”), although notification of the corresponding registration decision has not yet been provided by the relevant competent authority.]

[[*Insert credit rating agency*] is not established in the European Union and has not applied for registration under Regulation (EU) No 1060/2009 (the “CRA Regulation”) but the rating issued by it is endorsed by [insert endorsing credit rating agency] which is established in the European Union and [is registered under the CRA Regulation] [has applied for registration under the CRA Regulation, although notification of the corresponding registration decision has not yet been provided by the relevant competent authority].]

[[*Insert credit rating agency*] is not established in the European Union and has not applied for registration under Regulation (EU) No 1060/2009 (the “CRA Regulation”) but is certified in accordance with the CRA Regulation.]

[[*Insert Credit Rating Agency*] is not established in the European Union and is not certified under Regulation (EU) No. 1060/2009 (the “CRA Regulation”) and the rating given by it is not endorsed by a Credit Rating Agency established in the European Union and registered under the CRA Regulation.]]**

3. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER]

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

[Save as discussed in “Subscription and Sale”, so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer.]

[When adding any other description, consideration should be given as to whether such matters constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.]

** Insert for Notes which are admitted to trading on a regulated market within the EEA and which have been assigned a rating.

4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

(a) Reasons for the offer: []

(See “Use of Proceeds” wording in the Base Prospectus. If reasons for the offer differ from making profit and/or hedging certain risks, will need to include those reasons here.)

(b) Estimated net proceeds: []

(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses, state amount and sources of other funding.)

(c) Estimated total expenses: []

*[(If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include disclosure of net proceeds and total expenses at (b) and (c) above where disclosure is included at ((a) above.)]**

5. [Fixed Rate Notes only – YIELD

(a) Indication of yield: []

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6. [Index-Linked or other variable-linked Notes only - PERFORMANCE OF INDEX/ FORMULA/ OTHER VARIABLE AND OTHER INFORMATION CONCERNING THE UNDERLYING

*Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained. Where the underlying is an index, need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index, need to include equivalent information. Include other information concerning the underlying required by Paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.]**

[(When completing this paragraph, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]

The Issuer [intends to provide post-issuance information [specify what information will be reported and where it can be obtained]] [does not intend to provide post-issuance information]*.

7. Dual Currency Notes only - PERFORMANCE OF RATE[S] OF EXCHANGE

*Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained.**

[(When completing this paragraph, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]

8. OPERATIONAL INFORMATION

- (a) ISIN Code: []
- (b) Common Code: []
- (c) Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]
- (d) Delivery: Delivery [against/free of] payment
- (e) Names and addresses of initial Paying Agent(s): []
- (f) Names and addresses of additional Paying Agent(s) (if any): []
- (g) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes/No]
- [Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the International Central Securities Depositories (ICSDs) as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any and all times during their life. Such recognition will depend upon the ECB being satisfied that the Eurosystem eligibility criteria have been met.]
- [Include this text if “Yes” is selected in which case the Notes must be issued in NGN form.]*

Note

** Required for derivative securities to which Annex XII of the Prospectus Directive Regulation applies.*

GENERAL INFORMATION

- (1) In connection with the application to list the Notes issued under the Programme on the official list of the Luxembourg Stock Exchange, legal notice relating to the issue of the Notes and copies of the Articles of Association (*Statuten*) of the Issuer and the Bylaws (*Estatutos sociales*) of the Guarantor will be deposited with the Luxembourg Trade and Companies Register (*Registre de Commerce et des Sociétés a Luxembourg*), where such documents may be examined and copies obtained.
- (2) The Issuer and the Guarantor have obtained all necessary consents, approvals and authorisations in The Netherlands and the Kingdom of Spain, respectively, in connection with the establishment of the Programme and the guarantee relating to the Programme. The establishment of the Programme was authorised by resolutions of the Board of Managing Directors of the Issuer passed on 7 September 2001 and the update of the Programme was authorised by a resolution of the Board of Directors of the Issuer passed on 28 September 2011. The giving of the guarantee relating to the Programme by the Guarantor was authorised by a resolution of the Board of Directors of the Guarantor passed on 19 July 2001 and the update of the Programme was authorised by a resolution of the Board of Directors of the Guarantor passed on 28 September 2011.
- (3) There has been no material adverse change in the prospects of the Issuer since 31 December 2010 (being the date of the last published audited financial statements) nor has there been any significant change in the financial or trading position of the Issuer and its consolidated subsidiaries since 31 December 2010.

There has been no material adverse change in the prospects of the Guarantor since 31 December 2010 (being the date of the last published audited financial statements) nor has there been any significant change in the financial or trading position of the Group since 30 June 2011.

- (4) Each Note, Receipt, Coupon and Talon will bear the following legend: “Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code”.
- (5) Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems. The Common Code, the International Securities Identification Number (ISIN) and (where applicable) the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Final Terms.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy L-1855 Luxembourg. The address of any alternative clearing system will be specified in the applicable Final Terms.

- (6) For so long as Notes may be issued pursuant to this Base Prospectus, the following documents (or copies thereof) will be available (in the case of (iv), (v), (vi), (vii) and (ix) free of charge), during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the office of DEXIA Banque Internationale à Luxembourg, S.A.:
 - (i) the Trust Deed (which includes the guarantee relating to the Programme, the form of the Global Notes, the definitive Notes, the Coupons, the Receipts and the Talons);
 - (ii) the Articles of Association (*Statuten*) of the Issuer;
 - (iii) the Bylaws (*Estatutos sociales*) of the Guarantor;

- (iv) the audited non-consolidated financial statements of the Issuer, including the notes to such financial statements and the audit reports thereon, for each of the financial years ended 31 December 2010 and 2009 (each prepared in accordance with Dutch GAAP);
 - (v) the Annual Report 2010 of Repsol YPF, including the audited consolidated annual financial statements for the financial year ended 31 December 2010, which were prepared in accordance with IFRS, together with the notes to such financial statements and the audit report thereon;
 - (vi) the Annual Report 2009 of Repsol YPF, including the audited consolidated annual financial statements of Repsol YPF for the financial year ended 31 December 2009, which were prepared in accordance with IFRS, together with the notes to such financial statements and the audit report thereon;
 - (vii) the condensed consolidated interim financial statements and interim consolidated management's report of Repsol YPF for the six-month period ended 30 June 2011;
 - (viii) each Final Terms for Notes that are listed on the official list of the Luxembourg Stock Exchange or any other stock exchange;
 - (ix) copy of this Base Prospectus, together with any Supplement to the Base Prospectus or further Base Prospectus;
 - (x) copy of the subscription agreement for Notes issued on a syndicated basis that are listed on the official list of the Luxembourg Stock Exchange; and
 - (xi) all reports, letters, and other documents, historical financial information, valuations and statements prepared by any expert at the Issuer's request any part of which is included or referred to in this Base Prospectus.
- (7)
- (i) The consolidated financial statements of Repsol YPF for the years ended 31 December 2010 and 2009 have been audited by Deloitte, S.L., (members of the *Registro Oficial de Auditores de Cuentas*), Independent Auditors of Repsol YPF. The address of Deloitte, S.L. is Plaza Pablo Ruiz de Picasso, 1, Torre Picasso, 28020 Madrid, Spain.
 - (ii) The financial statements of the Issuer have been audited for the financial years ended 31 December 2010 and 2009 by Deloitte Accountants B.V. (members of *Koninklijk Nederlands Instituut van Registeraccountants*), Independent Auditors of the Issuer. The address of Deloitte Accountants B.V. is Wilhelminakade 1, 3072 AP, Rotterdam, The Netherlands or P.O. Box 2031 3000CA, Rotterdam, The Netherlands.
- (8) DLA Piper UK LLP and DLA Piper Spain S.L. have acted as legal adviser to the Issuer and the Guarantor as to English law and Spanish law (other than Spanish tax law); Linklaters LLP has acted as legal adviser to the Dealers as to English law and Spanish law; Van Doorne N.V. has acted as legal adviser to the Issuer as to Dutch law (other than Dutch tax law); Loyens & Loeff N.V. has acted as legal adviser to the Issuer as to Dutch tax law; Análisis Asesoramiento e Información, S.L. has acted as legal adviser to the Guarantor as to Spanish tax law; and Loyens & Loeff has acted as legal adviser to the Issuer as to Luxembourg tax law, in each case in relation to the update of the Programme.

REGISTERED OFFICE OF THE ISSUER

Koningskade 30
2596 AA The Hague

REGISTERED OFFICE OF THE GUARANTOR

Paseo de la Castellana 278-280
28046 Madrid

TRUSTEE**Citicorp Trustee Company Limited**

Agency & Trust, 14th Floor
Citicorp Centre, Canada Square
Canary Wharf, London E14 5LB

LISTING AGENT AND PAYING AGENT

Dexia Banque Internationale à Luxembourg, société anonyme
69 route d'Esch
L-2953 Luxembourg

ISSUING AND PAYING AGENT AND CALCULATION AGENT

Citibank, N.A., London Branch
Citigroup Centre, Canada Square,
Canary Wharf, London E14 5LB

AUDITORS OF THE ISSUER

Deloitte Accountants B.V.
Wilhelminakade 1,
3072 AP Rotterdam

AUDITORS OF THE GUARANTOR

Deloitte, S.L.
Plaza Pablo Ruiz de Picasso, 1
Torre Picasso
28020 Madrid

ARRANGER**Merrill Lynch International**

2 King Edward Street
London EC1A 1HQ

DEALERS**Banco Bilbao Vizcaya Argentaria S.A.**

Via los Poblados, 4th Floor
28033 Madrid

Banco Santander, S.A.

Ciudad Grupo Santander
Avenida de Cantabria, s/n
Boadilla del Monte
28660 Madrid

Bankia, S.A.

Calle Pintor Sorolla 8
46002 Valencia

Barclays Bank PLC

5 The North Colonnade
Canary Wharf
London E14 4BB

BNP Paribas

10 Harewood Avenue
London NW1 6AA

Caixabank S.A.

Av. Diagonal 621
08028 Barcelona

Citigroup Global Markets Limited

Citigroup Centre
Canada Square, Canary Wharf
London E14 5LB

Crédit Agricole Corporate and Investment Bank

9, Quai du Président Paul Doumer
92920 Paris la Défense Cedex

Deutsche Bank AG, London Branch

Winchester House
1 Great Winchester Street
London EC2N 2DB

Goldman Sachs International

Peterborough Court
133 Fleet Street
London EC4A 2BB

ING Bank N.V.

Foppingadreef 7
1102 BD Amsterdam
The Netherlands

J.P. Morgan Securities Ltd.

125 London Wall
London EC2Y 5AJ

Merrill Lynch International

2 King Edward Street
London EC1A 1HQ

Société Générale

29 Boulevard Haussmann
75009 Paris

The Royal Bank of Scotland plc

135 Bishopsgate
London EC2M 3UR

UBS Limited

1 Finsbury Avenue
London EC2M 2PP





REPSOL INTERNATIONAL FINANCE B.V.

(A private company with limited liability incorporated under the laws of The Netherlands and having its corporate seat (statutaire zetel) in The Hague)

EURO 10,000,000,000

Guaranteed Euro Medium Term Note Programme

Guaranteed by

REPSOL YPF, S.A.

(A sociedad anónima organised under the laws of the Kingdom of Spain)

This supplement (the *Supplement*) to the base prospectus (the *Base Prospectus*) dated 27 October 2011, which comprises a base prospectus, constitutes a supplement, for the purposes of Article 16 of the Prospectus Directive as implemented by Article 13 of Chapter I of Part II of the Luxembourg Act dated 10 July 2005 on prospectuses for securities (the *Luxembourg Law*), to the Base Prospectus and is prepared in connection with the euro 10,000,000,000 Guaranteed Euro Medium Term Note Programme established by Repsol International Finance B.V. (the *Issuer*) and guaranteed by Repsol YPF, S.A. (the *Guarantor*). Terms defined in the Base Prospectus have the same meaning when used in this Supplement.

This Supplement is supplemental to, and should be read in conjunction with, the Base Prospectus issued by the Issuer and the Guarantor.

Each of the Issuer and the Guarantor accepts responsibility for the information contained in this Supplement and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Supplement is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import. The information incorporated by reference to the Base Prospectus by virtue of this Supplement has been translated from the original Spanish. Each such translation is a direct, complete and accurate translation of the Spanish language text and each of the Issuer and the Guarantor accepts responsibility for the accuracy of such translations.

The Dealers and the Arranger have not separately verified the information contained in the Base Prospectus, as supplemented by this Supplement. None of the Dealers or the Arranger makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in the Base Prospectus, as supplemented by this Supplement.

After the approval of the Base Prospectus on 27 October 2011 by the Commission de Surveillance du Secteur Financier, it has been noticed a typing error relating to the information included in page 67, under the Section *Legal and Arbitration Proceedings, Algeria*, which the Issuer and the Guarantor consider advisable to amend according to article 16 of the Prospectus Directive as implemented by Article 13 of Chapter I of Part II of the Luxembourg Act dated 10 July 2005, in order to avoid any misunderstandings. The text under Section *Legal and Arbitration Proceedings, Algeria* should read as follows:

"Algeria

"Gas Natural Fenosa v. Sonatrach (Gas supply contract litigation). Gas Natural Fenosa and Sonatrach were engaged in a dispute over the price review for the gas supply contracts received from Algeria through the Maghreb-Europe pipeline.

"On 14 June 2011, Sonatrach and Gas Natural Fenosa signed an agreement to resolve all disputes over the prices applicable to the gas supply contracts held by Sagane, S.A. for the 2007-

2009 period and as from 1 January 2010 to 31 May 2011. Both parties undertook to withdraw from all current legal proceedings.

“The amount payable by Gas Natural Fenosa under this settlement is U.S.\$1,897 million (€1,374 million). The amount corresponding to Repsol, taking into account its ownership interest in Gas Natural Fenosa, is U.S.\$572 million (€414 million). This settlement did not have any impact on the consolidated income statement for the first six months of 2011 as the liability deriving from the lawsuit was already provisioned under the heading “Provisions” and, therefore, this balance was accordingly transferred to “Trade and other accounts payable”.”

On 10 November 2011, the Guarantor presented its non-audited consolidated preview of income statement for the period ended 30 September 2011 (the *Guarantor’s Preview of Income Statement 3Q2011*) to the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores*). An English-language translation of the Guarantor’s Preview of Income Statement 3Q2011 has been filed with the Luxembourg Financial Sector Surveillance Commission (*Commission de Surveillance du Secteur Financier* or *CSSF*) and, by virtue of this Supplement, is incorporated by reference in, and form part of, the Base Prospectus. This Supplement also incorporates by reference certain regulatory announcements released by the Guarantor since the date of the Base Prospectus.

To the extent there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Base Prospectus by this Supplement, and (b) any other statement, pre-dating this Supplement, in, or incorporated by reference in, the Base Prospectus, the statements in (a) above shall prevail.

Documents incorporated by reference

For ease of reference, the table below sets out the relevant page references for (i) the Guarantor’s Preview of Income Statement 3Q2011, and (ii) the regulatory announcements of the Guarantor incorporated by reference in the Base Prospectus via this Supplement. Any information not listed in the cross reference list but included in the documents incorporated by reference is given for information purposes only.

Information Incorporated by Reference	Page References
(A) Guarantor’s Preview of Income Statement 3Q2011	
(a) Third quarter 2011 main highlights and key financial figures.....	3
(b) Breakdown of results by business area.....	4-10
(c) Financial income/charges and debt.....	11-12
(d) Other captions in the profit and loss account.....	13
(e) Highlights.....	14-15
(f) Tables.....	16-30
(B) Regulatory announcements of the Guarantor	
- Announcement dated 7 November 2011 regarding the exploration results in the Vaca Muerta Shale Oil Play in Neuquén (Argentina).....	1-4
- Announcement dated 9 November 2011 regarding the presentation related to the exploration results in the Vaca Muerta Shale Oil Play in Neuquén (Argentina).....	5-32
- Announcement dated 10 November 2011 regarding the third quarter results 2011.....	33-42

As long as any of the Notes are outstanding, this Supplement and each document incorporated by reference into the Base Prospectus via this Supplement will be available for inspection, free of charge, at the offices of the Issuer at Koningskade 30, 2596 AA The Hague, The Netherlands during normal business hours and on the website of the

Luxembourg Stock Exchange at www.bourse.lu. In addition, copies of the documents incorporated by reference referred to above can be obtained from the website of the Guarantor at www.repsol.com.

Save as disclosed in this Supplement, no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus has been noted or, to the best of the knowledge of the Issuer and the Guarantor, has arisen, as the case may be, since the publication of the Base Prospectus.

In accordance with paragraph 2 of Article 13 of the Luxembourg Law, investors who have already agreed to purchase or subscribe for relevant securities before this Supplement is published have the right, exercisable during the two Luxembourg working days immediately following publication of this Supplement, to withdraw their acceptances.



REPSOL INTERNATIONAL FINANCE B.V.

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EURO 10,000,000,000

Guaranteed Euro Medium Term Note Programme

Guaranteed by

REPSOL YPF, S.A.

(A sociedad anónima organised under the laws of the Kingdom of Spain)

This supplement (the *Supplement*) to the base prospectus dated 27 October 2011 (as previously supplemented on 18 November 2011, the *Base Prospectus*), constitutes a supplement, for the purposes of Article 16 of the Prospectus Directive as implemented by Article 13 of Chapter I of Part II of the Luxembourg Act dated 10 July 2005 on prospectuses for securities (the *Luxembourg Law*), to the Base Prospectus and is prepared in connection with the EURO 10,000,000,000 Guaranteed Euro Medium Term Note Programme established by Repsol International Finance B.V. (the *Issuer*) and guaranteed by Repsol YPF, S.A. (the *Guarantor*). Terms defined in the Base Prospectus have the same meaning when used in this Supplement.

This Supplement is supplemental to, and should be read in conjunction with, the Base Prospectus issued by the Issuer and the Guarantor. To the extent there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Base Prospectus by this Supplement, and (b) any other statement, pre-dating this Supplement, in, or incorporated by reference in, the Base Prospectus, the statements in (a) above shall prevail.

Each of the Issuer and the Guarantor accepts responsibility for the information contained in this Supplement. To the best of the knowledge of each of the Issuer and the Guarantor (each having taken all reasonable care to ensure that such is the case), the information contained in this Supplement is in accordance with the facts and contains no omission likely to affect its import.

The Dealers and the Arranger have not separately verified the information contained in this Supplement. None of the Dealers or the Arranger makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Supplement.

Legal and Arbitration Proceedings - Argentina

Given certain developments in Argentina, both the Issuer and the Guarantor consider advisable pursuant to Article 16 of the Prospectus Directive as implemented by Article 13 of Chapter I of Part II of the Luxembourg Act dated 10 July 2005, to update the Section *Legal and Arbitration Proceedings, Argentina* by adding the following paragraphs on Page 67 of the Base Prospectus at the end of the Section *Argentina*:

"At the beginning of March 2012, the Provinces of Chubut, Santa Cruz, Mendoza and Neuquén commenced proceedings to have, based on alleged breaches of investment obligations of YPF, S.A., certain concessions for the exploitation of hydrocarbons of YPF S.A. cancelled. YPF S.A. has filed its corresponding defences to such proceedings, refuting any breach of applicable law, requesting that the proceedings be set aside and presenting a working plan for each of the affected areas. However, the Provinces have not accepted the defences presented to this date and they have declared the cancellation of the relevant concessions. In the opinion of YPF, S.A., the Provinces, in adopting this stance, are in violation of the right to a proper defence and the right to be treated with equality as regards other concessionaires located in the affected areas, and that the cancellation of the concessions are in contravention of applicable laws and the Argentine Constitution. YPF, S.A. has commenced

administrative and judicial proceedings to contest the cancellation of the relevant concessions and has requested interim protection orders. Additionally, the Provinces of Tierra del Fuego, Salta and Formosa have requested that YPF, S.A. increase its production in some concessions by 15%.

YPF, S.A. does not disregard the possibility that in the next weeks more Provinces will adopt similar measures against some of the concessions held by YPF, S.A. The response of YPF, S.A. to such actions will be the same as that set out in the preceding paragraph.

The authorities of the aforementioned Provinces and of other Provinces in Argentina where YPF has hydrocarbons concessions, have announced their intention to issue similar orders against YPF based on alleged breaches by YPF of its obligation to make investments, breaches which YPF denies. Given the difficulty of providing an up-to-date summary of the position regarding this ongoing issue and the impact that the different measures finally adopted by the authorities in Argentina may have on YPF, potential investors should refer to any public announcements made by the Issuer or the Guarantor in relation to this issue."

Spanish taxation

On 31 December 2011, the State Official Gazette (*Boletín Oficial del Estado* or "BOE" for its acronym in Spanish) published Royal Decree-Law 20/2011, of December 30, regarding urgent measures in, among other, taxation matters. Although the Base Prospectus already includes in the summary description of the Spanish taxation regime, references to certain government initiatives which could potentially amend the information contained therein, both the Issuer and the Guarantor consider advisable pursuant to Article 16 of the Prospectus Directive as implemented by Article 13 of Chapter I of Part II of the Luxembourg Act dated 10 July 2005, to partially update the Section **Taxation, The Kingdom of Spain, Residents**, of Page 73 of the Base Prospectus, in order to avoid any possible misunderstanding. The Section should read as follows:

"Residents

Spanish tax-residents are subject to Corporate or Individual Income Tax on a worldwide basis. Accordingly, income obtained from the Notes will be taxed in Spain when obtained by persons or entities that are considered residents in Spain for tax purposes. The fact that (i) a Spanish corporation pays interest, or (ii) interest is paid in Spain, will not lead an individual or entity being considered tax-resident in Spain.

As a general rule, non-Spanish taxes withheld at source on income obtained out of Spain are deducted when computing tax liability, provided that they do not exceed the corresponding Spanish tax. Specific rules may apply according to tax treaties.

It is to be noted that if Notes are traded in Spain, general rules governing advanced taxation at source (retenciones) will be applicable in connection with Spanish tax-resident holders of the Notes. The present rate of taxation at source is set at 21%. However when the income recipient is a corporation, certain exemptions have been established, so corporate holders are suggested to obtain independent tax advice. The advanced tax is credited against final Individual or Corporate Income Tax with no limit; hence, any excess entitles the taxpayer to a refund.

Pursuant to Royal Decree-Law 20/2011, of 30 December, as at 30 December 2011 the Income Tax rates applicable in Spain are:

- (i) for individual taxpayers 21% up to €6,000 and 25% from €6,000.01 to €24,000 and 27% on the excess over €24,000, as capital income, for individual taxpayers; and*
- (ii) for corporate taxpayers 30%, though, under certain circumstances (small companies, non-profit entities, among others), a lower rate may apply."*

Ratings

Pursuant to Article 16 of the Prospectus Directive as implemented by Article 13 of Chapter I of Part II of the Luxembourg Act dated 10 July 2005, both the Issuer and the Guarantor consider advisable to amend the information contained in the seventh paragraph of the front page of the Base Prospectus in connection with the Credit Rating Agencies that have rated the Programme. Such paragraph should read as follows:

"The Programme has been rated by Moody's Investors Service Limited (Moody's), by Standard & Poor's Credit Market Services Europe Limited (Standard & Poor's) and by Fitch Ratings España, S.A.U. (Fitch). Moody's, Standard & Poor's and Fitch are established in the European Union and are registered in accordance with Regulation (EC) No 1060/2009 on credit rating agencies (the CRA Regulation) and are included in the latest update (6 January 2012) of the ESMA List of Registered and Certified Credit Rating Agencies. Tranches of Notes issued under the Programme may be rated or unrated. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the ratings assigned to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating

agency. Whether or not a rating in relation to any Tranche of Notes will be treated as having been issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the relevant Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless (1) the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused or (2) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (3) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation.”

On 14 March 2012 Moody's Investors Service Limited has downgraded the long-term issuer rating of the Guarantor and the senior unsecured debt ratings of the Issuer to Baa2 from Baa1. Moody's has also downgraded the preferred stock rating of Repsol International Capital Limited to Ba1 from Baa3. The Prime-2 commercial paper and short-term ratings are affirmed. The rating outlook is stable.

On 23 March 2012 Fitch Ratings Ltd. has downgraded the Guarantor's Long-term Issuer Default Rating (IDR) and senior unsecured rating to 'BBB' from 'BBB+' and Short-term IDR to 'F3' from 'F2'. The senior unsecured debt and short-term commercial paper issued by the Issuer, has also been downgraded to 'BBB' from 'BBB+' and to 'F3' from 'F2', respectively. Fitch has also downgraded the subordinated preference shares issued by Repsol International Capital Ltd. to 'BB' from 'BB+'. The Outlook for the Long-term IDR is Stable.

On 5 April 2012 Standard & Poor's has revised the Repsol YPF S.A. outlook to negative from positive. At the same time, the “BBB” long-term and “A-2” short term credit ratings on Repsol YPF S.A. are affirmed. **Annual Reports 2011 and regulatory announcements**

On 29 February 2012, the Guarantor presented its audited consolidated annual report as of and for the year ended 31 December 2011 (the *Guarantor's Annual Report 2011*) to the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores*). An English-language translation of the Guarantor's Annual Report 2011 and the related audit report have been filed with the Luxembourg Financial Sector Surveillance Commission (*Commission de Surveillance du Secteur Financier* or *CSSF*) and, by virtue of this Supplement, are incorporated by reference in, and form part of, the Base Prospectus. This Supplement also incorporates by reference certain regulatory announcements released by the Guarantor since the date of the Base Prospectus.

On 12 March 2012, the Board of directors of the Issuer approved its audited non-consolidated annual report as of and for the year ended 31 December 2011 (the *Issuer's Annual Report 2011*). The Issuer's Annual Report 2011 and the related audit report have been filed with the CSSF and, by virtue of this Supplement, are incorporated by reference in, and form part of, the Base Prospectus.

Documents incorporated by reference

For ease of reference, the table below sets out the relevant page references for (A) the Guarantor's Annual Report 2011, (B) the regulatory announcements of the Guarantor incorporated by reference in the Base Prospectus via this Supplement, (C) the Issuer's Annual Report 2011 and (D) Information on oil and gas exploration and production activities of the Repsol YPF Group 2011. Any information not listed in the cross reference list but included in the documents incorporated by reference is given for information purposes only.

Information Incorporated by Reference	Page References
(A) Guarantor's Annual Report 2011	
(a) Auditors' report on consolidated annual financial statements.....	1-2
(b) Consolidated financial statements of Repsol YPF, S.A. and Investees comprising the Repsol YPF S.A. Group for the financial year 2011:	3-181
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As long as any of the Notes are outstanding, this Supplement and each document incorporated by reference into the Base Prospectus via this Supplement will be available for inspection, free of charge, at the offices of the Issuer at Koningskade 30, 2596 AA, The Hague, The Netherlands during normal business hours and on the website of the Luxembourg Stock Exchange at www.bourse.lu. In addition, copies of the documents incorporated by reference referred to above can be obtained from the website of the Guarantor at www.repsol.com.

Save as disclosed in this Supplement, no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus has been noted or, to the best of the knowledge of the Issuer and the Guarantor, has arisen, as the case may be, since the publication of the Base Prospectus.

In accordance with paragraph 2 of Article 13 of the Luxembourg Law, investors who have already agreed to purchase or subscribe for relevant securities before this Supplement is published have the right, exercisable during the two Luxembourg working days immediately following publication of this Supplement, to withdraw their acceptances.



REPSOL INTERNATIONAL FINANCE B.V.

(A private company with limited liability incorporated under the laws of The Netherlands and having its statutory seat (statutaire zetel) in The Hague)

EURO 10,000,000,000

Guaranteed Euro Medium Term Note Programme

Guaranteed by

REPSOL, S.A.

(formerly known as Repsol YPF, S.A.)

(A sociedad anónima organised under the laws of the Kingdom of Spain)

This supplement (the *Supplement*) to the base prospectus (as previously supplemented on 18 November 2011 and 11 April 2012, the *Base Prospectus*) dated 27 October 2011, which comprises a base prospectus, constitutes a supplement, for the purposes of Article 16 of the Prospectus Directive as implemented by Article 13 of Chapter I of Part II of the Luxembourg Act dated 10 July 2005 on prospectuses for securities as amended by the Luxembourg Act dated 3 July 2012 on prospectuses for securities (the *Luxembourg Law*), to the Base Prospectus and is prepared in connection with the EURO 10,000,000,000 Guaranteed Euro Medium Term Note Programme established by Repsol International Finance B.V. (the *Issuer*) and guaranteed by Repsol, S.A. (the *Guarantor*). Terms defined in the Base Prospectus have the same meaning when used in this Supplement.

This Supplement is supplemental to, and should be read in conjunction with, the Base Prospectus issued by the Issuer and the Guarantor.

Each of the Issuer and the Guarantor accepts responsibility for the information contained in this Supplement and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Supplement is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import. The information incorporated by reference to the Base Prospectus by virtue of this Supplement has been translated from the original Spanish.

The Dealers and the Arranger have not separately verified the information contained in the Base Prospectus, as supplemented by this Supplement. None of the Dealers or the Arranger makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in the Base Prospectus, as supplemented by this Supplement.

Both the Issuer and the Guarantor consider advisable, pursuant to Article 16 of the Prospectus Directive as implemented by Article 13 of Chapter I of Part II of the Luxembourg Law, to amend the title of the Section "Information on Repsol YPF, S.A." to "Information on Repsol, S.A." and to complete and, where necessary, to amend such Section (pages 31 to 33 of the Base Prospectus) with the following information:

Name and corporate seat of the Guarantor

The General Shareholders' Meeting of the Guarantor held on 31 May 2012 approved the change of the name of the Company from Repsol YPF, S.A. to Repsol, S.A. On the same date, the Board of Directors of the Guarantor approved to move its corporate seat to Calle Méndez Álvaro 44, Madrid (Spain).

Expropriation of the Repsol Group shares in YPF, S.A. and Repsol YPF Gas, S.A.

YPF and Repsol YPF Gas Intervention Decree and Expropriation Law

On 16 April 2012, the National Executive Power of Argentina announced the submission to the legislative body of a draft bill on the sovereignty of the Republic of Argentina over its oil and gas resources, declaring of public interest and a priority the self-sufficiency in oil and gas and its exploitation, industrialization, transport and marketing; Section 7 of the draft bill declared of public utility and subject to expropriation 51% of YPF, S.A., represented by an equal percentage of Class D shares of YPF held, directly or indirectly, by Repsol and its subsidiaries. The stake held by the Repsol Group in YPF, S.A. on that day was 57.43%, of which a 6.67% was held directly or indirectly through Repsol Capital, S.L. (formerly known as Repsol YPF Capital S.L.), a subsidiary of the Issuer, and the remaining 50.76% was held directly through Repsol, S.A.

On that same date, 16 April 2012, the Argentinean Government enacted a Decree (Decreto de Necesidad y Urgencia), effective on the same day as its approval, which ordered the temporary intervention of YPF, S.A. for a 30-day period, appointing a Government minister as the Intervenor of YPF, S.A., who would be empowered with all the faculties of its Board of Directors.

Repsol communicated in an "official notice" filed with the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores*) (the *CNMV*) on 16 April 2012 its rejection of the Argentinean government's expropriation measures.

On 18 April 2012, the Argentinean Government passed a resolution which extended the scope of the aforementioned Decree to Repsol YPF Gas, S.A., an Argentinean company engaging in the fractioning, bottling, transportation, distribution, and marketing of LPG in which Repsol Butano, S.A. had an 84.997% shareholding.

On 23 April 2012, YPF, S.A.'s Intervenor agreed to suspend the General Shareholder's Meeting set for 25 April 2012, which had been called to review the 2011 financial statements of YPF, S.A., as well as the proposal of capitalizing accumulated results through a paid up share capital issue totaling 5,789,200,000 Argentinean pesos, approved by the Board of Directors on 21 March 2012.

After rapid parliamentary adoption proceeding, on 7 May 2012, Law 26,741 (the "YPF Expropriation Law") was published in Argentina's Official State Gazette, becoming effective immediately, and establishing the following:

- The self-supply, exploration, export, operation, industrialization, transportation, and commercialization of hydrocarbon are declared of "national public interest."
- In order to guarantee compliance with the objectives indicated above, 51% of YPF, S.A.'s equity, represented by an equivalent percentage of Class D shares in that company, held directly or indirectly by Repsol and its controlling or controlled companies, is declared of "national public interest" and subject to expropriation, together with, 51% of the equity of Repsol YPF Gas, equivalent to 60% of the Class A shares of Repsol Butano, S.A. and its controlling or controlled companies.
- The future distribution of the shares subject to expropriation was determined: 51% to the federal government and 49% to the governments of the provinces that compose the National Organization of Hydrocarbon Producing States, as established in the transfer conditions set out in regulatory framework stipulations. However, the National Executive Office, directly or through an appointed public entity, shall exercise all the voting rights associated with the shares subject to expropriation until the transfer of political and economic rights to the provinces that compose the National Organization of Hydrocarbon Producing States is completed.
- Independently or through the designated body, the executive branch of the Argentinean government will execute all the rights conferred by the shares subject to expropriation, in the terms established in Argentinean expropriation legislation for "temporary occupation".
- The expropriation process will be governed by Law 21,499 (the National Expropriations Act), with the Argentinean government acting as the expropriating authority. The price of the assets subject to expropriation is to be determined in conformity with Article 10 of the Law and its related provisions, based on the appraisal of the National Appraisal Board.

Repsol considers the expropriation to be clearly illicit and gravely discriminatory (as it only affected YPF, S.A. and Repsol YPF Gas, S.A. and no other gas companies in Argentina, while also only expropriating one of the shareholders of YPF, S.A. and Repsol YPF Gas, S.A., Repsol). It also views that the national public interest is

unjustified, and that the entire transaction blatantly fails to comply with Argentina's obligations in 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. Therefore, 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 shareholders' assets and interests under prevailing Argentinean law, standard rules and practices of securities markets in which YPF is present, and international law, including the Agreement between the Argentinean Republic and the Kingdom of Spain on the Reciprocal Promotion and Protection of Investments signed in 1991.

Accounting treatment

The financial impact of the developments in Argentina described above is disclosed in detail in the Condensed interim financial statements of the Group for the six-month period ended 30 June 2012. As a consequence of these events, Repsol has lost control of the management of YPF and Repsol YPF Gas; therefore, it must deconsolidate these shareholdings, effective as at 16 April 2012. This will involve:

- a) Derecognizing all relevant assets, liabilities, and minority interests, as well as translation differences as appropriate.

The net amount of this derecognition is €4,779 million, of which, €4,720 million relates to YPF, and the others to Repsol YPF Gas. This amount includes €605 million regarding to accumulated translation differences in net equity in the Group's ownership interest in YPF and Repsol YPF Gas generated until loss of control.

- b) Revaluing other assets and liabilities related to investments in YPF which have been affected by the change in control and the expropriation process. This includes the loans and guarantees granted for the Petersen Group's financing of the acquisition of its ownership interest in YPF.

The net value derecognised from the Repsol balance sheet as a result of the expropriation stands at €1,402 million, and is equal to the provision registered for the loan granted by Repsol that is not covered by a pledge of shares (5.38% of share capital of YPF). Meanwhile, provisions totalling €54 million have been recognised to cover the maximum liabilities undertaken by Repsol, as guarantor of Petersen, less the value of the shares pledged as a counter-guarantee (0.56% of share capital of YPF). The Group does not consider that these events will lead to other consequences for Repsol arising from the execution of the contracts with the Petersen Group.

- c) Recognizing the shareholding of Repsol Group in YPF and Repsol YPF Gas as a financial investment (shares), from the shares subject to expropriation (which still belong to the Group) and the remaining shares owned by Repsol Group (51% subject to expropriation of both companies and 6.43% and 33.997% with respect to YPF and Repsol YPF Gas, respectively, in other shares at the end of the period). These shares have been recognised for accounting purposes according to their fair or realisable value.

In the case of YPF shares not subject to expropriation, fair value will be the official price at which these shares are traded in the market. In the case of YPF shares that are subject to expropriation and cannot be traded in the share market, the fair value will be the value that the Group can expect to recover as a result of the expropriation process. This will require an estimate of the compensation the Argentinean Government will pay Repsol.

The price or compensation paid for the expropriation of the shares must be set as a function of the market value of the expropriated shareholding prior to expropriation, also considering the right of Repsol to apply the judgment specifically provided for in the YPF bylaws (articles 7 and 28) for the valuation of shares in the event of a change in control. In view of its legal force and objectivity, this provision constitutes a clear point of reference for estimating the minimum level of compensation to be received by Repsol. Using this reference, 100% of YPF would be valued in the worst-case scenario at not less than \$18.300 million.

However, the Group must bear in mind the risks and uncertainties inherent in valuation, which are inevitable when estimates must be made, for accounting purposes, regarding future events, particularly

when such events are beyond Repsol's control. Consequently, the company has applied prudent criteria when recognizing the shares subject to expropriation, to avoid a situation in which a higher valuation would require initial recognition of net profit from the expropriation process, which at this time is still of a contingent nature.

For the reasons stated above, Repsol Group's shares in YPF (51% subject to expropriation and 6.43% in other shares) have been initially valued at €5,623 million. Its shares in Repsol YPF Gas have been valued at €50 million.

Any amendment to the hypotheses considered reasonable in jurisdictional processes and the valuation of the rights expropriated could result in positive or negative changes in the amount which the shares in YPF, S.A. and Repsol YPF Gas, S.A. have been recognized and, therefore, could have an impact on the Group's financial statements.

- d) Registration of a deferred tax asset amounting to €524 million from tax impacts of the aforementioned operations.

The net effect recognized in the Group's income statement as a result of all the effects in connection with the expropriation process, amounts to a €38 million loss net of tax, recognized under "Net income after tax for the period from discontinued operations."

In accordance with International Financial Reporting Standards (IFRS), YPF and Repsol YPF Gas activities are considered discontinued operations and the results arising from these activities until the loss of control by Repsol, as well as results arising from the valuation of assets and liabilities related to the expropriation, have been recognized in discontinued operations sections of the income statement of Repsol as at 30 June 2012 and 2011. Additionally, YPF operations no longer comply with the segment definition. Furthermore, until the intervention date, investment in Repsol YPF Gas and loans granted to the Petersen Group were presented in Downstream and Corporation segments respectively, and are no longer included therein.

Additionally, both the Issuer and the Guarantor consider advisable, pursuant to Article 16 of the Prospectus Directive as implemented by Article 13 of Chapter I of Part II of the Luxembourg Law, to complete Section "Information on Repsol International Finance, B.V." (pages 28 to 30 of the Base Prospectus) with the following information:

Expropriation of the Repsol Group shares in YPF, S.A. and Repsol YPF Gas, S.A.

On 16 April 2012, the Issuer held 99.99% of Repsol Capital, S.L. (formerly known as Repsol YPF Capital, S.L.), company that directly and indirectly held on that date 6.67% of the share capital of YPF, S.A.

The Issuer registered the stake held in Repsol Capital S.L. as an investment which amounts to €375 million. The expected recoverable value of the Issuer's shares in Repsol Capital S.L. is higher than its carrying value and therefore no impact has been recognized in its financial statements due to the expropriation process of the shares of YPF, S.A. held by Repsol Group

Legal and arbitration proceedings

Given the developments in Argentina described above, the relevant information regarding legal proceedings included in the Base Prospectus must be revised to include only the legal proceedings currently underway in Argentina and in the United States of America naming Repsol as defendant, excluding procedures in which YPF, S.A. or YPF subsidiaries are named as defendants. Therefore, both the Issuer and the Guarantor consider advisable, pursuant to Article 16 of the Prospectus Directive as implemented by Article 13 of Chapter I of Part II of the Luxembourg Law, to update the Section Legal and Arbitration Proceedings, United States of America (pages 56 to 59 of the Base Prospectus) and Argentina (pages 59 to 67 of the Base Prospectus). Such Sections should read as follows:

"United States of America

The Passaic River and Newark Bay cleanup lawsuit

This section discusses certain environmental contingencies as well as the sale by Maxus Energy Corporation (“Maxus”) of its former chemicals subsidiary, Diamond Shamrock Chemical Company (“Chemicals”) to a subsidiary of Occidental Petroleum Corporation (“Occidental”). Maxus agreed to indemnify Chemicals and Occidental for certain liabilities relating to the business and activities of Chemicals prior to the 4 September 1986 (“Closing Date”), including certain environmental liabilities relating to certain chemical plants and waste disposal sites used by Chemicals prior to the Closing Date. In 1995, YPF, S.A. acquired Maxus and in 1999, Repsol acquired YPF.

In December 2005, the Department of Environmental Protection (DEP) and the New Jersey Spill Compensation Fund sued Repsol YPF S.A. (currently denominated Repsol S.A.), YPF S.A., YPF Holdings Inc., CLH Holdings Inc., Tierra Solutions Inc., Maxus Energy Corporation, as well as Occidental Chemical Corporation. In August 2010, the lawsuit was extended to YPF International S.A. and Maxus International Energy Company. This is a claim for damages in connection with the contamination allegedly emanating from former facility of Diamond Shamrock Chemical Company in and allegedly contaminating the Passaic River, Newark Bay, and other nearby water bodies and properties (the Passaic River/Newark Bay litigation).

In February 2009, Maxus and Tierra included another 300 companies in the suit (including certain municipalities) as third parties since they are potentially liable.

The DEP did not quantify damages in its claims but it did:

- a) maintain that the US\$50 million (€37 million) cap on damages under New Jersey legislation should not be applied;
- b) claim it had incurred approximately US\$113 million (€85 million) in costs in the past in cleanup and removal work and that it is looking for additional damages of between US\$10 and US\$20 million (between €7 and €15 million) to finance a study to assess damages to the natural resources (Natural Resources Damages Assessment); and
- c) indicate to Maxus and Tierra that it is working on financial models outlining costs and other financial impacts, unknown at the time of the claims.

In October 2010, some of the defendants presented several motions to sever and stay, which would have had the effect of allowing the New Jersey DEP to take their case against the direct defendants. However, these motions were dismissed. Furthermore, other third parties presented motions to dismiss to be excluded from the proceedings. However, these motions were also dismissed in January 2011.

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

In accordance with the expected Trial Plan, the State and Occidental filed the corresponding motions (“motions for summary judgment”). On these motions, the Court ruled as follows : (i) Occidental is the legal successor of any liabilities incurred by the corporation previously known as Diamond Alkali Corporation, Diamond Shamrock Corporation and Diamond Shamrock Chemicals Company; (ii) the Court denied the State’s motion, without prejudice, insofar as it sought a ruling that factual findings made in the Aetna litigation should be binding in this case on Occidental and Maxus based on the doctrine of collateral estoppel; (iii) the Court ruled that Tierra has Spill Act liability to the State based merely on its current ownership of the Lister Avenue site; and (iv) the Court ruled that Maxus has an obligation under the 1986 Stock Purchase Agreement to indemnify Occidental for any Spill Act liability arising from contaminants discharged from the Lister Avenue site.

Subsequently, and in accordance with the Trial Plan, the State and Occidental presented new motions for summary judgment against Maxus. On 21 May 2012, the Court ruled the following on these motions: (i) Maxus could not respond as successor to Old Diamond Shamrock. In its findings, the Court determined Occidental as the true successor; however, it is open to a subsequent analysis of succession, if the existence of punitive damages is determined later in the process; (ii) the terms of the Indemnity Agreement between Maxus and Occidental cannot be reinterpreted, and therefore, as the State of New Jersey is not a party in such Agreement, it may not claim indemnity directly from Maxus; and (iii) Maxus may be considered Tierra’s alter ego. In order to reach this conclusion, the Court pointed out that to all effects and purposes, Tierra is a corporate shell designed to avoid historical responsibility. Accordingly, since Maxus is considered Tierra’s alter ego, the Court determined Maxus as equally responsible as Tierra under the Spill Act.

Based on the best available information at the date of this Supplement, and considering the estimated time remaining for conclusion of the lawsuit and the results of investigations and/or proof obtained, it is not possible to reasonably estimate the amount of the eventual liabilities arising from the lawsuit.

Argentina

Claims brought by ex YPF employees (Share Ownership Plan)

A former employee of YPF before its privatization (1992) who was excluded from the National YPF employee share ownership plan (PPP its acronym in Spanish) set up by the Argentine Government has filed a claim in Bell Ville (Province of Cordoba, Argentina) against YPF, S.A. and Repsol to seek recognition of his status as a shareholder of YPF. In addition, the "Federation of Former Employees of YPF" has joined the proceedings acting on behalf of other former employees excluded from the PPP. Repsol acquired its ownership interest in the capital of YPF in 1999.

Pursuant to the plaintiff's request, the Bell Ville Federal Court of First Instance initially granted a preliminary injunction (the "Preliminary Injunction"), ordering that any sale of shares of YPF, or any other transaction involving the sale, assignment or transfer of shares of YPF, carried out either by Repsol or by YPF be suspended, unless the plaintiff and other beneficiaries of the PPP (organized in the Federation of Former Employees of YPF) are involved or participate in such transactions. YPF, S.A. and Repsol filed an appeal against this decision in the Cordoba Federal Court, requesting that the Preliminary Injunction be revoked. The Federal Court of First Instance allowed the appeal and suspended the effects of the Preliminary Injunction. In addition, in March 2011, the Federal Judge responsible for the Buenos Aires Administrative Disputes Court reduced the Preliminary Injunction to only 10% of the ownership interest held by Repsol in the capital of YPF. Accordingly, Repsol may freely dispose of its shares in YPF, provided that Repsol continues directly or indirectly to own at least 10% of the share capital of YPF. Under the jurisprudence of the Federal Supreme Court of Argentina (upholding numerous decisions of the relevant Courts of Appeals), neither company is likely to be held liable for claims of this nature related with the PPP. In accordance with Law 25,471, the National Government of Argentina assumed sole responsibility for the matter and for any compensation that may be payable to former employees of YPF, S.A. who were excluded from the PPP, under the procedure established in it. On 21 July 2011, the judge of the First Instance upheld the claim of lack of jurisdiction made by of YPF S.A. and Repsol and ordered to transfer the case to the Federal Courts in the autonomous city of Buenos Aires. This decision was confirmed by the Appeals Chamber on 15 December 2011. The aforementioned Chamber overruled the decision handed down by the judge in the Court of First Instance of Bell Ville, limiting it to only 10% of the shares controlled by Repsol, S.A. claimed by the plaintiffs. The sentence is final. In April 2012, the dossier was filed at the Federal Court 12 of Appeals on Commercial Matters, overseen by Dr. Guillermo Rossi.

Claim filed against Repsol and YPF by the Union of Consumers and Users.

The plaintiff claims the reimbursement of all the amounts the consumers of bottled LPG were allegedly charged in excess from 1993-2001, corresponding to a surcharge for said product. With respect to the period from 1993 to 1997, the claim is based on the fine imposed on YPF, S.A. by the Secretariat of Industry and Commerce through its resolution of 19 March 1999. It should be noted that Repsol has never participated in the LPG market in Argentina and that the fine for abusing a dominant position was imposed on YPF, S.A. In addition, YPF, S.A. has alleged that charges are barred by the applicable statute of limitations. Hearings have commenced and are in process. The claim amounts to Argentinean Ps.91 million (€17 million) for the 1993-1997 period. Adding interest, this amount would increase to Argentinean Ps.365 million (€66 million), to which the amount corresponding to the 1997-2001 period should be added, as well as accrued interest and expenses.

Preliminary injunction filed by López, Osvaldo Federico and others against Repsol, S.A. (Dossier # 4444).

Through receipt of a significant event notification published by YPF, S.A. on 26 April 2012, Repsol became aware of the existence of a preliminary injunction of no innovation regarding which YPF, S.A. received notification on 20 April 2012, filed before the Employment Court of First Instance of Rio Grande (Tierra de Fuego province). Under the aforementioned resolution, provided for the suspension of the exercise of the political and economic rights provided for in YPF S.A.'s bylaws with respect to the 45,215,888 ADSs, each of which represents one ordinary Class D share of YPF, S.A., sold by Repsol

during March 2011, is no longer in effect. On 30 May 2012, Repsol spontaneously filed a motion to reverse the injunction.

Subsequently, through a relevant event published by YPF on 1 June 2012, Repsol became aware of a sentence handed down on 14 May 2012 which modified the abovementioned injunction substituting it with another according to which Repsol may not dispose of the funds it could receive as payment from the expropriation of the shares of YPF, S.A. that may be awarded by the National Appraisal Tribunal. The ruling rendered the previous injunction null and void, and therefore, the shareholders are permitted to freely exercise their inherent rights. On 18 June 2012, Repsol filed a subsidiary appeal against the modification of the abovementioned injunction.

On 25 June 2012, Repsol received notification of the filed claim.”

Additionally, both the Issuer and the Guarantor consider advisable, pursuant to Article 16 of the Prospectus Directive as implemented by Article 13 of Chapter I of Part II of the Luxembourg Law, to update the Section Legal and Arbitration Proceedings, by adding the following paragraphs on Page 68 of the Base Prospectus after the Section Algeria:

“Ecuador

Complaint filed by Ecuador TLC (Petrobras)

On 14 May 2012, Ecuador TLC (Petrobras) filed with the International Centre for Dispute Resolution (ICDR) a claim against Repsol Ecuador S.A. (Ecuador Branch), Murphy Ecuador Ltd. (Amodaimi) and Canam Offshore Ltd, based on the following: (i) infringement of the Transportation Agreement between the plaintiff company and Murphy Ecuador Limited and Canam Offshore Ltd., for not comprising the total production; (ii) lack of compliance with payment of the tariff corresponding to said volume; and, (iii) disclosure of confidential information to Repsol related to the Oleoducto de Crudos Pesados de Ecuador pipeline.

Ecuador TLC S.A. requested that the arbitrators: a) rule in its favor and order the payment in its favor of damages arising from the Transportation Agreement, including interest and attorney fees; b) grant emergency assistance considering that Murphy and Canam are jointly and severally responsible for all the amounts claimed by Ecuador TLC in this arbitration proceeding, and that Repsol is likewise fully responsible for all the amounts incurred by Canam according to the petition filed by Ecuador TLC in this arbitration proceeding; Murphy exercised its right to extend the Transportation Agreement deadline to December 2018, and is therefore liable for the related damages, including interest and attorney fees incurred from February 2012 through December 2018; and c) pay any additional general or specific expenses or assistance costs, in law and equity, to which Ecuador TLC is entitled. The claim would amount to approximately \$82 million (€65 million).

Procedures initiated as a consequence of the expropriation of the Group's YPF shares.

On 16 April 2012, the Argentinean President announced the expropriation of 51% of YPF, S.A. Class D shares which were held by the Spanish company, Repsol. YPF, S.A. is Argentina's main oil company. Days later, the expropriation process was extended to 60% of Repsol's participation in the Argentinean Repsol YPF Gas, S.A., a butane and propane gas distribution company. This shareholding represents 51% of the share capital of Repsol YPF Gas, S.A. In addition, on 16 April 2012, the President ordered the intervention of YPF, S.A. and expelled by force the Directors and Members of the Management Committee, while the government took control of company management (530 and 557 Decrees). At the same time, an exceptional Law for the expropriation of YPF, S.A. and Repsol YPF Gas, S.A. shares held by the Repsol Group was passed in record time (21 days). Thus, the Argentinean State, via the National Executive Power, declared the aforementioned shares a public utility and subject to expropriation, while also temporarily seizing all the inherent rights associated with the shares held by Repsol and subject to expropriation without waiting for any court sentence, and without compensation for the value of the affected shares.

Said "temporary occupation" and the subsequent expropriation only affect YPF, S.A. and no other oil companies in Argentina. Furthermore, Repsol, with its 57.4% shareholding, is the only negatively affected shareholder of YPF, S.A. The same applies to Repsol YPF Gas, S.A.

Under the Agreement for the Reciprocal Promotion and Protection of Investments signed by Spain and Argentina in 1991, the Argentinean State agrees to protect investments made by investors from the other country, Spain (article III. Section -1), and not disrupt the management, maintenance, and use of such investments through unjustified or discriminatory measures. The Agreement further guaranteed fair and equitable treatment of investments made by Spanish investors (IV-1), obliging the Argentinean State not to act in a discriminatory manner against Spanish investors in the case of nationalization or expropriation and to pay the expropriated investor adequate compensation in convertible currency (V) without any delay. In addition, the Agreement obliged the Argentinean State to concede the Spanish investors the most favorable regulations it had applied to other foreign investors (IV-2; VII).

In addition, the Argentinean Constitution establishes in article 17 that "property is inviolable, and no inhabitant of the State can be deprived of it except by virtue of a sentence grounded in law. Expropriation for purposes of public utility must be qualified by law and compensated prior to the expropriation. ... No armed body may make requisitions, or demand assistance of any kind." Furthermore, article 20 states that "Foreigners enjoy in the territory of the Nation all the civil rights of a citizen; they may engage in their industry, trade or profession, own, purchase or transfer real estate property ..."

What is more, in 1993, for the purpose of attracting foreign investors at the time of the privatization of YPF, articles 7 and 28 of the Statutes of YPF, published in the prospectus of YPF filed at the US Securities and Exchange Commission (SEC), established the obligation for the Argentinean State, and concomitant right for shareholders, to repurchase shares at a price set in the Statutes in the event of renationalization. In addition, the repurchase would have to be verified by a takeover bid tendered by the Argentinean State for 100% of share capital. Should this not occur, the YPF Statutes establish that the Argentinean State's interest in YPF cannot be counted for purposes of reaching a quorum in the shareholder meetings of YPF, and that no voting or economic rights will accrue to the Argentinean State either.

Repsol considers the abovementioned expropriation process illegitimate and intends to take all corresponding and pertinent legal steps to defend its rights and interests as well as obtain full compensation for the grave damages suffered.

The most relevant legal steps taken are as follows:

1. Dispute under the jurisdiction of the Agreement for the Reciprocal Promotion and Protection of Investments.

On 10 May 2012, Repsol formally notified the President of the Argentinean Republic of a dispute and the start of a negotiation period for reaching an out-of-court settlement regarding the Agreement on the Reciprocal Promotion and Protection of Investments which took effect on 20 September 1992. This written notification was followed by another on 28 May 2012 in which Repsol invited the Argentinean government to initiate the negotiations foreseen in the Agreement. These letters were answered by the Procurator of the Argentinean Treasury presenting formal pretexts. Following the negotiation period, which should last at least 6 months, if the parties do not reach an agreement, the ICSID could be involved to settle the issue.

Repsol considers that it has solid legal arguments for its claims to be recognized and to be compensated by the Argentinean State.

2. Lawsuit claiming unconstitutionality of the intervention in YPF by the Argentinean government and the "temporary occupation" of rights over 51% of Class D YPF, S.A. shares held by Repsol.

On 1 June 2012 Repsol filed a lawsuit before the Argentinean Courts requesting the declaration of unconstitutionality: (i) of articles 13 and 14 of Law N° 26,741 (the "Expropriation Law") and any other regulation, resolution, act, investigation and/or action issued and/or performed under these regulations as being in clear violation of articles 14, 16, 17, 18, and 28 of the Argentinean Constitution; (ii) of NEP Decree N° 530/2012, NEP Decree N° 532/2012, and NEP Decree N° 732/2012 (taken together, the "Decrees"), and any other regulation, resolution, act, investigation and/or action issued and/or performed under the Decrees as standing in violation of articles 1, 14, 16, 17, 18, 28, 75, 99, and 109 of the Argentinean Constitution. Certain precautionary measures that were also requested were dismissed. The next stage with respect to this action is resolution of the conflict regarding competence, followed by the competent body ruling on the issue. With respect to the precautionary measures, the next stage is that the

Appeals Chamber decide upon the appeal filed by Repsol against the first instance dismissal of the requested precautionary measures.

Repsol considers it has solid arguments for the Buenos Aires courts to rule the intervention and temporary occupation of YPF unconstitutional.

3. *“Class Action Complaint” filed before the New York Southern District Court regarding the Argentinean State's failure to comply with its obligation to launch a tender offer for YPF shares before taking control of the company.*

On 15 May 2012, Repsol and Texas Yale Capital Corp. filed a class action complaint in the South District of New York (in defense of interests of holders of Class D YPF shares, excluding those shares subject to expropriation by the Argentinean State). The purpose of the lawsuit is: (i) to establish the obligation of the Argentinean State to launch a tender offer for Class D shares on the terms defined in the YPF Statutes, (ii) to declare that the shares seized without the tender offer are void of voting and economic rights; (iii) to order the Argentinean State to refrain from exercising voting or economic rights on the seized shares until it launches a tender offer; and (iv) that the Argentinean State indemnify the damages caused by failure to comply with its obligation to launch a tender offer (the damages claimed have not been quantified yet in the Proceedings).

This lawsuit against the Argentinean State is currently in the notification stage.

Repsol considers that it has solid arguments for the recognition of its corresponding rights to the YPF shares that have not been expropriated.

4. *Lawsuit filed with the New York Southern District Court for the failure of YPF to present form 13D as obliged by the Securities and Exchange Commission (SEC) due to intervention by the Argentinean State.*

On 12 May 2012 Repsol filed a lawsuit with the New York Southern District Court requesting that the Argentinean State be ordered to comply with its reporting requirements in conformity with section 13 (d) of the U.S. Securities Exchange Act. This section requires that whoever acquires direct or indirect control over more than 5% of a share class in a company listed in the USA, report certain information (through a 13D form) including the number of shares controlled; the source and amount of funds to be used for the acquisition of these shares; information on any contracts, agreements, or understandings with any third party regarding the shares of the company in question; and the business and governance plans the controlling entity has with respect to this company.

This lawsuit against the Argentinean State is currently in the notification stage.”

Ratings

Additionally, both the Issuer and the Guarantor consider advisable, pursuant to Article 16 of the Prospectus Directive as implemented by Article 13 of Chapter I of Part II of the Luxembourg Law, to update the information contained in seventh paragraph of the front page of the Base Prospectus in connection with the Credit Rating Agencies that have rated the Programme. Such paragraph should read as follows:

“The Programme has been rated by Moody’s Investors Service Limited (Moody’s), by Standard & Poor’s Credit Market Services Europe Limited (Standard & Poor’s) and by Fitch Ratings España, S.A.U. (Fitch). Moody’s, Standard & Poor’s and Fitch are established in the European Union and are registered in accordance with Regulation (EC) No 1060/2009 on credit rating agencies (the CRA Regulation) and are included in the latest update (30 July 2012) of the ESMA List of Registered and Certified Credit Rating Agencies, available on the ESMA website (www.esma.europa.eu/page/List-registered-and-certified-CRAs). Tranches of Notes issued under the Programme may be rated or unrated. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the ratings assigned to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Whether or not a rating in relation to any Tranche of Notes will be treated as having been issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the relevant Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless (1) the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused or (2) the rating is provided by a credit rating agency not established in the EEA but is

endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (3) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation.”

On 19 April 2012 Standard & Poor's Ratings Services downgraded the Guarantor's long-term corporate credit rating to 'BBB-' from 'BBB' and the short-term corporate credit rating to 'A3' from 'A2'. The senior unsecured debt and short-term commercial paper of Repsol International Finance B.V. has also been downgraded to 'BBB-' from 'BBB' and to 'A3' from 'A2', respectively. Standard & Poor's has also downgraded the preferred stock rating of Repsol International Capital Limited to 'BB' from 'BB+'. The outlook was negative. Later, on 22 June 2012 Standard & Poor's Ratings Services changed the outlook to stable from negative.

On 8 June 2012 Fitch Ratings Ltd. has downgraded the Guarantor's Long-term Issuer Default Rating (IDR) and senior unsecured rating to 'BBB-' from 'BBB'. Fitch Ratings Ltd. has affirmed Short-term IDR at 'F3'. The senior unsecured debt issued by the Issuer, has also been downgraded to 'BBB-' from 'BBB' and short-term commercial paper has been affirmed at 'F3'. Fitch has also downgraded the subordinated preference shares issued by Repsol International Capital Limited to 'BB-' from 'BB'. The Outlook for the Long-term IDR is negative.

On 12 June 2012 Moody's Investors Service Limited has downgraded the long-term issuer rating of the Guarantor to Baa3 from Baa2, the senior unsecured long-term rating of Repsol International Finance B.V. to Baa3 from Baa2 and its short-term rating to Prime-3 from Prime-2. Moody's has also downgraded the preferred stock rating of Repsol International Capital Limited to Ba2 from Ba1. The outlook on all ratings was stable. Later, on 29 June 2012 Moody's Investors Service Limited changed the outlook on all ratings to negative from stable.

Credit ratings affect the pricing and other conditions at which the Repsol Group could obtain financing. Any downgrade in the credit rating of Repsol, SA. could restrict or limit the Group's access to the financial markets, increase its borrowing costs and have a negative impact on its liquidity.

2012 Half year reports and regulatory announcements

Both the Issuer and the Guarantor consider advisable, pursuant to Article 16 of the Prospectus Directive as implemented by Article 13 of Chapter I of Part II of the Luxembourg Law, to complete and, where necessary, to amend Section “Information on Repsol, S.A.” (pages 31 to 33 of the Base Prospectus) with the following information:

On 26 July 2012, the Guarantor filed its unaudited condensed consolidated interim financial statements, prepared in accordance with the International Financial Reporting Standards, as adopted by the European Union (*IFRS-EU*), as of and for the six-month period ended 30 June 2012 (the *Interim Financial Statements*), its interim management report for the six-month period ended 30 June 2012 (the *Interim Management Report*) and the Limited Review Report with the CNMV. On the same date, the Guarantor also filed an unaudited preview of its income statement for the six-month period ended 30 June 2012, prepared in accordance with the IFRS-EU (the *Income Statement Preview*) with the CNMV. An English-language translation of the Interim Financial Statements, the Interim Management Report and the Income Statement Preview have been filed with the Luxembourg Financial Sector Surveillance Commission (*Commission de Surveillance du Secteur Financier* or *CSSF*) and, by virtue of this Supplement, are incorporated by reference in, and form part of, the Base Prospectus. This Supplement also incorporates by reference certain regulatory announcement released by the Guarantor since the date of the Base Prospectus.

To the extent there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Base Prospectus by this Supplement, and (b) any other statement, pre-dating this Supplement, in, or incorporated by reference in, the Base Prospectus, the statements in (a) above shall prevail.

Documents incorporated by reference

Both the Issuer and the Guarantor consider advisable, pursuant to Article 16 of the Prospectus Directive as implemented by Article 13 of Chapter I of Part II of the Luxembourg Law, to add the following documents to those mentioned in Section “Documents incorporated by reference” of pages 3 to 6 of the Base Prospectus.

For ease of reference, the table below sets out the relevant page references for (i) the Limited Review Report of the Interim Financial Statements and the Interim Management Report, (ii) the Interim Financial Statements, (iii) the Interim Management Report, (iv) the Income Statement Preview, and (v) the regulatory announcements of the Guarantor incorporated by reference in the Base Prospectus via this Supplement. Any information not listed in the cross-reference list below but included in the documents incorporated by reference is given for information purposes only.

Information Incorporated by Reference	Page References
(A) Limited Review Report – Condensed Consolidated Interim Financial Statements and Interim Management’s Report for the Six-Month Period ended 30 June 2012	1-3
(B) Repsol, S.A. and investees composing the Repsol Group Interim Condensed Consolidated Financial Statements for the Six-Month Period ended 30 June 2012	1-50
- Consolidated balance sheets at June 30, 2012 and 31 December 2011	2-3
- Consolidated income statements for the interim periods ended June 30, 2012 and 2011	4
- Consolidated statements of recognised income and expenses corresponding to the interim periods ended June 30, 2012 and 2011	5
- Consolidated statements of changes in equity corresponding to the interim periods ended June 30, 2012 and 2011	6
- Consolidated statement of cash flow corresponding to the interim periods ended June 30, 2012 and 2011	7
- Explanatory notes to the interim condensed consolidated financial statements for the six-month period ended June 30, 2012	8-48
- Appendix I – Changes in the scope of consolidation	49-50
a) Business combinations, other acquisitions and acquisitions of interests in subsidiaries, joint ventures and/or associates	49
b) Reduction in interests in subsidiaries, joint ventures and/or associates and similar transactions	50
(C) Interim Consolidated Management’s Report for the Six-Month Period ended 30 June 2012	1-31
(D) Preview of the 2Q2012 income statement of Repsol	1-29
- Index	2-3
- Second quarter 2012 main highlights and key financial figures	4-5
- Breakdown of results by business area	6-11
a) Upstream	6-7
b) LNG	8
c) Downstream	9-10
d) Gas Natural Fenosa	11
e) Corporate and others	11
- Financial income/charges and debt	12-13
- Other captions in the profit and loss account	14

- Highlights	15-16
- Tables 2Q2012 results	17-25
- Tables operating highlights 2Q2012	26-28
(E) Regulatory announcements of the Guarantor	1-226
- Announcement dated 16 April 2012, related to the measures announced by the Argentinean government in relation to YPF, S.A.	1
- Announcement dated 17 April 2012, related to the measures announced by the Argentinean Government in relation to YPF, S.A.	2-3
- Announcement dated 17 April 2012, related to the presentation of the press conference in relation to the activities of Repsol Group in Argentina	4-44
- Announcement dated 19 April 2012, related to the notice of call of the Annual General Shareholders Meeting of the Guarantor	45-57
- Announcement dated 24 May 2012, related to the estimation of hydrocarbon resources in BM-C-33 Block, in Campos Basin (Brazil)	58-62
- Announcement dated 28 May 2012, related to the approval of the Strategic Plan 2012-2016 and a new organizational structure	63-65
- Announcement dated 29 May 2012, related to the approval of the Strategic Plan 2012-2016 and a new organizational structure	66-71
- Announcement dated 29 May 2012, related to the presentation of the Strategic Plan 2012-2016	72-186
- Announcement dated 31 May 2012, related to the resolutions approved by the Annual General Shareholders Meeting of the Guarantor	187-209
- Announcement dated 31 May 2012, related to the early termination of the loans to the Petersen Group and to the enforcement of the related guarantees	210
- Announcement dated 19 June 2012, related to the Informative Document of the paid up capital increase approved by the Annual General Shareholders Meeting of the Guarantor (Repsol Flexible Dividend Program)	211-219
- Announcement dated 6 July 2012, related to the closing of the paid up capital increase approved by the Annual General Shareholders Meeting of the Guarantor (Repsol Flexible Dividend Program)	220
- Announcement dated 19 July 2012, related to the agreement for the sale of Repsol Butano Chile	221-222
- Announcement dated 19 July 2012, related to the closing of certain derivative financial instruments with Gas Natural SDG shares as underlying assets	223
- Announcement dated 6 September 2012, related to a gas find (Sagari well) in Peru	224-226

As long as any of the Notes are outstanding, this Supplement and each document incorporated by reference into the Base Prospectus via this Supplement will be available for inspection, free of charge, at the offices of the Issuer at Koningskade 30, 2596 AA The Hague, The Netherlands during normal business hours and on the website of the Luxembourg Stock Exchange at www.bourse.lu/application?&_flowId=SignEmetDocumentsFlow&numEmet=212141. In addition, copies of the documents incorporated by reference referred to above can be obtained from the website of the Issuer at www.repsol.com/es_en/corporacion/accionistas-inversores/informacion-financiera/financiacion/repsol-international-finance/programa-emision-continua.aspx.

The paragraph 3 in the "General Information" section on page 121 of the Base Prospectus shall be deleted and replaced with the following text to take into account the publication and incorporation by reference of the Interim Financial Statements:

“Save for any effects that could arise from the expropriation process of the shares of the Repsol Group in the share capital of YPF, S.A. and Repsol YPF Gas, S.A., to the best of the knowledge of the Issuer, there has been no material adverse change in its prospects since 31 December 2011 (being the date of the last published audited financial statements) nor has there been any significant change in the financial or trading position of the Issuer and its consolidated subsidiaries since 31 December 2011.

Save for any effects that could arise from the expropriation process of the shares of the Repsol Group in the share capital of YPF, S.A. and Repsol YPF Gas, S.A., to the best of the knowledge of the Guarantor, there has been no material adverse change in its prospects since 31 December 2011 (being the date of the last published audited financial statements) nor has there been any significant change in the financial or trading position of the Group since 30 June 2012.”

Save as disclosed in this Supplement, no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus has been noted or, to the best of the knowledge of the Issuer and the Guarantor, has arisen, as the case may be, since the publication of the Base Prospectus.

Repsol, S.A. and Subsidiaries

Report on Limited Review

Interim condensed consolidated
financial statements and interim
management's report for the six-month
period ended 30 June 2012

*Translation of a report originally issued in Spanish.
In the event of a discrepancy, the Spanish-language
version prevails.*

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

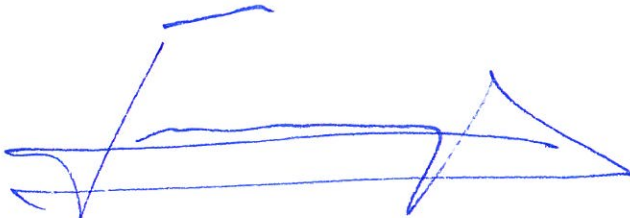
REPORT ON LIMITED REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Repsol, S.A.:

1. We have performed a limited review of the accompanying interim condensed consolidated financial statements (“the interim financial statements”) of Repsol, S.A. (“the Parent”) and Subsidiaries (“the Group”), which comprise the condensed consolidated balance sheet at 30 June 2012 and the related condensed consolidated income statement, condensed consolidated statement of recognized income and expenses, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and explanatory notes thereto for the six-month period then ended. The Parent’s directors are responsible for the preparation of these interim financial statements in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, for the preparation of interim condensed financial information, in conformity with Article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.
2. Our review was performed in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying certain analytical and other review procedures. A limited review is substantially less in scope than an audit and, consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the accompanying interim financial statements.
3. As a result of our limited review, which under no circumstances may be considered to be an audit of financial statements, nothing came to our attention that might cause us to believe that the accompanying interim financial statements for the six-month period ended 30 June 2012 have not been prepared, in all material respects, in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, pursuant to Article 12 of Royal Decree 1362/2007, for the preparation of interim condensed financial statements.
4. Without affecting our conclusion, we draw attention to the changes in the composition of the Group described in Note 3-a) to the accompanying interim financial statements, which indicates that the carrying amount at which the Group has recognised its 51% ownership interest in YPF, S.A. was calculated on the basis of the best estimates of the Company’s directors, taking into account the uncertainties concerning the outcome of the various lawsuits in progress or that might be initiated in the future. Also, as indicated in Note 2 to the accompanying interim financial statements, as a result of the aforementioned changes in the composition of the Group and pursuant to current accounting legislation, the comparative figures in the condensed consolidated income statement and condensed consolidated statement of cash flows for the six-month period ended 30 June 2011 differ from those contained in the Group’s interim condensed consolidated financial statements at that date.

5. Also, we draw attention to Note 2 to the accompanying interim condensed consolidated financial statements, which indicates that the aforementioned interim financial statements do not include all the information that would be required for a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and, therefore, the accompanying interim financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2011.
6. The accompanying interim consolidated management's report for the six-month period ended 30 June 2012 contains the explanations which the Parent's directors consider appropriate about the significant events which took place in that period and their effect on the interim financial statements presented, of which it does not form part, and about the information required under Article 15 of Royal Decree 1362/2007. We have checked that the accounting information in the interim consolidated management's report is consistent with that contained in the interim financial statements for the six-month period ended 30 June 2012. Our work was confined to checking the interim consolidated management's report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of the consolidated companies.
7. This report was prepared at the request of the Parent's directors in relation to the publication of the half-yearly financial report required by Article 35 of Securities Market Law 24/1988, of 28 July, implemented by Royal Decree 1362/2007, of 19 October.

DELOITTE, S.L.



Jorge Izquierdo Mazón

25 July 2012



**REPSOL S.A. and investees composing the
REPSOL GROUP**

INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
AND INTERIM MANAGEMENT REPORT FOR THE SIX-MONTH
PERIOD ENDED JUNE 30, 2012

This document is a translation of a report originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails.

Repsol, S.A. and investess composing the Repsol Group
Consolidated Balance Sheets at June 30, 2012 and December 31, 2011

ASSETS	Note	Millions of euros	
		06/30/2012	12/31/2011
Intangible assets:		5,798	7,783
a) Goodwill		2,684	4,645
b) Other intangible assets	4	3,114	3,138
Property, plant and equipment	4	28,070	36,759
Investment properties		25	24
Investments accounted for using the equity method		738	699
Non-current assets held for sale subject to expropriation	3	5,653	-
Non-current financial assets	6	1,269	2,450
Deferred tax assets		3,109	2,569
Other non-current assets	6	251	344
NON-CURRENT ASSETS		44,913	50,628
Non-current assets held for sale	4	464	258
Inventories		5,639	7,278
Trade and other receivables		7,815	9,222
a) Trade receivables		5,933	6,555
b) Other receivables		1,522	2,147
c) Income tax assets		360	520
Other current assets		120	220
Other current financial assets	6	473	674
Cash and cash equivalents	6	3,953	2,677
CURRENT ASSETS		18,464	20,329
TOTAL ASSETS		63,377	70,957

The accompanying explanatory notes 1 to 15 are an integral part of the Consolidated Balance Sheet at June 30, 2012.

Repsol, S.A. and investees composing the Repsol Group
Consolidated Balance Sheets at June 30, 2012 and December 31, 2011

EQUITY AND LIABILITIES	Note	Millions of euros	
		06/30/2012	12/31/2011
EQUITY			
Issued share capital	4	1,256	1,221
Share premium		6,428	6,428
Reserves		247	247
Treasury Shares and own equity investments	4	(1,338)	(2,572)
Retained earnings and other reserves	4	18,529	17,186
Net income attributable to the shareholders of the parent		1,036	2,193
Interim dividend		-	(635)
EQUITY		26,158	24,068
Financial assets available for sale		(41)	(4)
Other financial instruments		280	-
Hedge transactions		(205)	(181)
Translation differences		540	(345)
ADJUSTMENTS FOR CHANGES IN VALUE		574	(530)
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT		26,732	23,538
MINORITY INTERESTS		762	3,505
TOTAL EQUITY		27,494	27,043
Grants		72	118
Non-current provisions		2,193	3,826
Non-current financial liabilities	6	15,357	15,345
a) Bank borrowings, bonds and other securities		15,115	15,137
b) Other financial liabilities		242	208
Deferred tax liabilities		2,895	3,839
Other non-current liabilities		3,698	3,682
NON-CURRENT LIABILITIES		24,215	26,810
Liabilities related to non-current assets held for sale	4	107	32
Current provisions		183	452
Current financial liabilities:	6	3,020	4,985
a) Bank borrowings, bonds and other securities		2,967	4,902
b) Other financial liabilities		53	83
Trade and other accounts payables:		8,358	11,635
a) Trade payables		3,904	4,757
b) Other payables		4,131	6,522
c) Income tax liabilities		323	356
CURRENT LIABILITIES		11,668	17,104
TOTAL EQUITY AND LIABILITIES		63,377	70,957

The accompanying explanatory notes 1 to 15 are an integral part of the Consolidated Balance Sheet at June 30, 2012.

Repsol, S.A. and investees composing the Repsol Group
Consolidated Income Statements for the interim periods ended June 30, 2012 and 2011

	Note	Millions of euros	
		06/30/2012	06/30/2011 ⁽¹⁾
Sales	5	27,836	24,803
Services rendered and other income	5	869	547
Change in inventories of finished goods and work in progress inventories		(42)	356
Income from reversal of impairment losses and gain on disposal of non-current assets		14	95
Allocation of grants on non financial assets and other grants		2	6
Other operating income		399	523
OPERATING REVENUE	5	29,078	26,330
Supplies		(21,878)	(19,395)
Personnel expenses		(971)	(909)
Other operating expenses		(2,943)	(2,843)
Depreciation and amortization of non-current assets		(1,287)	(1,044)
Impairment losses recognized and losses on disposal of non-current assets		(33)	(30)
OPERATING EXPENSES		(27,112)	(24,221)
OPERATING INCOME	5	1,966	2,109
Finance income		68	82
Finance expense		(510)	(432)
Change in the fair value of financial instruments		139	(313)
Net exchange gains/ (losses)		(130)	289
Impairment losses and gain/(losses) on disposals of financial instruments		-	-
FINANCIAL RESULT		(433)	(374)
Share of results of companies accounted for using the equity method - net of tax		66	33
NET INCOME BEFORE TAX		1,599	1,768
Income Tax		(674)	(645)
Net income for the period from continuing operations		925	1,123
Net income for the period from continuing operations attributable to minority interests		(22)	(66)
NET INCOME FOR THE PERIOD FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE PARENT		903	1,057
Net income for the period from discontinued operations after taxes	3	242	371
Net income for the period from discontinued operations attributable to minority interests	3	(109)	(84)
NET INCOME FOR THE PERIOD FROM DISCONTINUED OPERATIONS ATTRIBUTABLE TO THE PARENT	3	133	287
TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT		1,036	1,344

EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
		Euros	Euros (2)
Basic	4	0.87	1.07
Diluted	4	0.87	1.07

(1) Includes de necessary modifications with respect to the interim condensed consolidated financial statements corresponding to the six-month period ended June 30, 2011 in connection with the expropriation process of YPF, S.A. and Repsol YPF Gas, S.A. shares in accordance with the contents of Note 2, *Comparison of information*.

(2) Includes the necessary modifications with respect to the interim condensed consolidated financial statements for the first six months of 2011 in connection with the capital increase carried out as a part of the shareholder compensation scheme known as "Flexible Repsol Dividend" described in Note 4.

The accompanying explanatory notes 1 to 15 are an integral part of the Consolidated Income Statement for the six-month period ended June 30, 2012.

Repsol, S.A. and investees composing the Repsol Group
Consolidated Statements of Recognized Income and Expenses corresponding to the interim
periods ended June 30, 2012 and 2011

	Millions of euros	
	<u>06/30/2012</u>	<u>06/30/2011</u>
CONSOLIDATED NET INCOME FOR THE INTERIM PERIOD		
(from the Income Statement) (1)	1,167	1,494
INCOME AND EXPENSES RECOGNIZED DIRECTLY IN EQUITY:		
From measurement of financial assets available for sale	(45)	1
From other financial instruments	280	-
From cash flows hedges	(39)	(22)
Translation differences	198	(1,520)
From actuarial gains and losses and other adjustments	-	(1)
Entities accounted for using the equity method	1	17
Tax effect	13	12
TOTAL	408	(1,513)
AMOUNT TRANSFERRED TO THE CONSOLIDATED INCOME STATEMENT:		
From measurement of financial assets available for sale	(2)	-
From cash flow hedges	15	44
Translation differences	605	3
Tax effect	-	(13)
TOTAL	618	34
TOTAL RECOGNIZED INCOME/ (EXPENSES)	2,193	15
a) Attributable to the parent company	2,140	17
b) Attributable to minority interests	53	(2)

(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 15 are an integral part of the Consolidated Statement of Recognized Income and Expenses corresponding to the six-month period ended June 30, 2012.

Repsol, S.A. and investees composing the Repsol Group

Consolidated Statements of Changes in Equity corresponding to the interim periods ended June 30, 2012 and 2011

Millions of euros

	Equity attributable to equity holders of the parent								
	Equity							Minority interests	Total equity
	Issued share capital	Share premium and reserves	Treasury shares and own equity investments	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			
Closing balance at 12/31/2010	1,221	19,343	-	4,693	(1,117)	24,140	1,846	25,986	
Adjustments	-	-	-	-	-	-	-	-	
Initial adjusted balance	1,221	19,343	-	4,693	(1,117)	24,140	1,846	25,986	
Total recognized income/ (expenses)	-	(1)	-	1,344	(1,326)	17	(2)	15	
Transactions with shareholders or owners									
Dividend payments	-	(641)	-	-	-	(641)	(177)	(818)	
Transactions with treasury shares or own equity instruments (net)	-	-	-	-	-	-	-	-	
Changes in the scope of consolidation	-	488	-	-	305	793	1,476	2,269	
Other changes in net equity									
Transfers between equity accounts	-	4,729	-	(4,693)	(36)	-	-	-	
Other changes	-	(2)	-	-	-	(2)	1	(1)	
Closing balance at 06/30/2011	1,221	23,916	-	1,344	(2,174)	24,307	3,144	27,451	
Total recognized income/ (expenses)	-	(9)	-	849	1,624	2,464	518	2,982	
Transactions with shareholders or owners									
Dividend payments	-	(635)	-	-	-	(635)	(227)	(862)	
Transactions with treasury shares or own equity instruments (net)	-	(12)	(2,572)	-	-	(2,584)	-	(2,584)	
Changes in the scope of consolidation	-	(10)	-	-	7	(3)	61	58	
Other changes in net equity									
Transfers between equity accounts	-	(22)	-	-	12	(10)	10	-	
Other changes	-	(2)	-	-	1	(1)	(1)	(2)	
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/ (expenses)	-	-	-	1,036	1,104	2,140	53	2,193	
Transactions with shareholders or owners									
Share capital increase/ (reduction)	35	(35)	-	-	-	-	-	-	
Dividend payments	-	(242)	-	-	-	(242)	(50)	(292)	
Transactions with treasury shares or own equity instruments (net)	-	65	1,234	-	-	1,299	-	1,299	
Changes in the scope of consolidation	-	-	-	-	-	-	-	-	
Other changes in net 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	

The accompanying explanatory notes 1 to 15 are an integral part of the Consolidated Statement of Changes in Equity corresponding to the six-month period ended June 30, 2012.

Repsol, S.A. and investees composing the Repsol Group

Consolidated Statement of Cash Flows corresponding to the interim periods ended June 30, 2012 and 2011

	Millions of euros	
	06/30/2012	06/30/2011 ⁽¹⁾
Net income before taxes	1,599	1,768
Adjustments to the income	1,732	1,321
Depreciation and amortization of non-current assets	1,287	1,044
Other adjustments to the result (net)	445	277
Changes in working capital	(139)	(1,060)
Other cash flows from operating activities:	(747)	(557)
Dividends received	37	17
Income tax received /(paid)	(637)	(488)
Other proceeds from/ (payments for) from operating activities	(147)	(86)
Cash Flows from Operating Activities (2)	2,445	1,472
Payments for investments activities:	(1,863)	(1,917)
Group companies, associates and business units	(57)	(90)
Property, plant and equipment, intangible assets and investment properties	(1,674)	(1,537)
Other financial assets	(132)	(290)
Proceeds form divestments:	395	589
Group companies, associates and business units	43	72
Property, plant and equipment, intangible assets and investment properties	19	221
Other financial assets	333	296
Other cash flows	2	(6)
Cash Flows used in Investment Activities (2)	(1,466)	(1,334)
Proceeds from/ (payments for) equity instruments	1,313	-
Acquisition	(56)	-
Disposal	1,369	-
Disposal in ownership interest in subsidiaries without loss of control	-	-
Proceeds from/(payments for) financial liabilities	108	(1,264)
Issues	5,443	2,738
Return and redemption	(5,335)	(4,002)
Payments for dividends and payments on other equity instruments	(685)	(671)
Other cash flows from financing activities	(110)	(702)
Interest payments	(413)	(419)
Other proceeds form/ (payments for) financing activities	303	(283)
Cash Flows used in/ (from) Financing Activities (2)	626	(2,637)
Effect of changes in exchange rates	15	(110)
Net Increase / (Decrease) in cash and cash equivalents	1,620	(2,609)
Cash Flows from Operating Activities from discontinued operations	874	564
Cash Flows Used in Investment Activities from discontinued operations	(872)	(738)
Cash Flows Used in Financing Activities from discontinued operations	(339)	2,099
Effect of changes in exchange rates from discontinued operations	(7)	(28)
Net Increase / (Decrease) in cash and cash equivalents from discontinued operations	(344)	1,897
Cash and cash equivalents at the beginning of the period	2,677	6,448
Cash and cash equivalents at the end of the period	3,953	5,736
COMPONENTS OF CASH AND CASH EQUIVALENT AT THE END OF THE PERIOD	06/30/2012	06/30/2011
(+) Cash and banks	1,271	3,986
(+) Other financial assets	2,682	1,750
TOTAL CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3,953	5,736

(1) Includes the necessary modifications with respect to the interim condensed consolidated financial statements corresponding to the six-month period ended June 30, 2011 in connection with the expropriation process of YPF, S.A and Repsol YPF Gas, S.A shares in accordance with the contents of Note 2, *Comparison Information*.

(2) Corresponds to the cash flows from continuing operations.

(3) In 2011 this includes the cash flows from the sale of YPF shares amounting to €1,831 million.

The accompanying explanatory notes 1 to 15 are an integral part of the Consolidated Statement of Cash Flows for the interim period ended June 30, 2012.

REPSOL, S.A. AND INVESTEEES COMPOSING THE REPSOL GROUP

Explanatory notes to the interim condensed consolidated financial statements for the six-month period ended June 30, 2012.

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(1) GENERAL INFORMATION

Repsol, S.A. (previously Repsol YPF, S.A.) and investees composing 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 Repsol YPF Gas. A significant part of the Group’s investment in these companies is subject to an expropriation process by the Argentinean Government (see section a) *Expropriation of Repsol Group shares in YPF, S.A. and Repsol YPF Gas, S.A.* of Note 3 *Changes in the structure of the Group*).

Repsol, S.A. is registered at the Madrid Mercantile Registry in volume 3893, folio 175, sheet no. M-65289, entry 63^a. Its Employer Identification Number is A-78/374725 and its National Classification of Economic Activities Number is 742.

The corporate name of the parent of the Group of companies that prepares and files these interim condensed consolidated financial statements is Repsol, S.A. The Ordinary General Shareholders Meeting held on May 31, 2012 voted to change the name of the company from Repsol YPF, S.A to Repsol, S.A. This change was registered at the Madrid Mercantile Registry on June 12, 2012.

The Ordinary General Shareholders Meeting held on May 31, 2012 also voted to move the Head Office to Calle Méndez Alvaro, 44, Madrid. This change was registered at the Madrid Mercantile Registry on July 4, 2012. The Shareholder’s Information Offices provisionally located at Paseo de la Castellana, 278 until it moves to the new Head Office. Its phone number is: 900.100.100.

Repsol, S.A. is a private-law entity incorporated in accordance with Spanish legislation, and is subject to the Revised Text of the Spanish Corporations Law approved by Legislative Royal Decree 1/2010 dated July 2, 2010 and to the legislation governing listed corporations.

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, 2012, the share capital of Repsol YPF comprised 1,220,863,463 shares with a par value of 1 euro each. In July, 2012 share capital was increased as a result of the capital increase approved by the Ordinary General Shareholders Meeting held on May 31, 2012 (point ten of the meeting agenda). It serves as an instrument for the shareholder remuneration scheme known as “Flexible Repsol Dividend”, included in Note 4 section d) *Equity-1. Share Capital and reserves*. In accordance with applicable accounting policies, this capital increase has been recognized in the Financial Statements at June 30, 2012.

These interim condensed consolidated financial statements for the six-month period ended June 30, 2012 were prepared by the Board of Directors of Repsol, S.A. at their meeting on July 25, 2012.

(2) BASIS OF PRESENTATION

The 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 and they are presented i) in accordance with International Financial Reporting Standards (IFRSs) as endorsed by the European Union at June 30, 2012, and particularly, pursuant to the requirements established in IAS 34 *Interim Financial Reporting* which established 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, 2012, 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 year 2011. 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 year 2011, which were approved by the General Shareholders' Meeting of Repsol, S.A., held on May 31, 2012.

Regulatory framework

Liquid Hydrocarbons, Oil and Petroleum Derivatives

On June 19, 2012, the Spanish Supreme Court rendered a sentence on the administrative appeal filed by the Spanish Association of Liquefied Petroleum Gas Operators (AOGLP by its acronym in Spanish) against Ministerial Order ITC/2608/2009 dated September 28. The Sentence partially confirmed the appeal filed and declared the invalidity of Ministerial Order ITC/2608/2009 dated September 28, which amended Ministerial Order ITC/1858/2008 dated June 26 on price updating for bottled LPG.

The declaration of invalidity of Ministerial Order ITC/2608/2009 is firm and determines its expulsion from the legislative system as from the notification of the ruling. The invalidity will force the Government to modify its currently used formula for setting the maximum before-tax sales prices for bottled LPG, within a period of 60 days from July 5, 2012 date of its notification to the Government.

Natural Gas

Royal Decree Law 13/2012, of March 30, transposes into Spanish law Directive 2009/73/EC of the Parliament and of the Council of July 13, 2009, which requires an amendment of Law 34/1998, of October 7, of the hydrocarbon sector and introduces the concept of separation of ownership of assets, understood to be a situation in which the network owner is appointed network controller and is separated from any company with interests in production and supply.

The abovementioned Royal Decree Law also transposes Directive 2009/28/EC of the Parliament and of the Council, of April 23, 2009, on the promotion of the use of energy from renewable sources and amends and repeals Directives 2001/77/EC and 2003/30/EC.

Electricity sector regulation in Spain

The aforementioned Royal Decree Law 13/2012, of March 30, transposes the directives on domestic electricity and gas markets and on electronic communications, adopting measures for the correction of deviations from deficit between the costs and revenues in the electricity and gas sectors. These amendments in said Royal Decree Law refer to a reduction of the electricity sector deficit.

Accounting policies: New standards, interpretations and amendments

- A) In relation with the accounting policies framework applicable at December 31, 2011, the IASB only issued one amendment that was endorsed by the European Union and which is mandatory applicable to the annual periods beginning on January 1, 2012: *IFRS 7 Disclosures: Transfers of financial assets (Amendments)*

Taking into account the transactions of the Group, at the date of authorizing these interim condensed consolidated financial statements, the Group do not foresee any significant impact in its annual consolidated financial statements disclosures as a consequence of applying IFRS 7 amendments.

- 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, 2012, whose mandatory first time application will be in the periods subsequent to 2012:

Mandatory application in 2013

- Amendments to IAS 1 *Presentation of Items of Other Comprehensive Income*
- Amendments to IAS 19 *Employee Benefits*

The Group estimates that the application of the above-listed amendments would not have a significant impact on the Group's Consolidated Financial Statements; however, certain additional disclosures may be included.

- C) Below there is a list of the standards, interpretations and amendments issued by the IASB and mandatorily applicable from January 1, 2012, but pending to be endorsed by the European Union at June 30, 2012:

- Amendments to IFRS 1 *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
- Amendments to IAS 12 *Deferred Tax: Recovery of Underlying Assets*

The application of the above above-listed amendments is not expected to have a significant impact on the Group's Consolidated Financial Statements.

- D) Below there is a list of the standards and amendments issued by the IASB at June 30, 2012, mandatorily applicable for the first time in reporting periods after 2012 and pending to be endorsed by the European Union.

Mandatory application in 2013

- IFRS 10 *Consolidated Financial Statements*(*)
- IFRS 11 *Joint Arrangements*(*)
- IFRS 12 *Disclosure of Interests in Other Entities* (*)
- Amendments to IFRS 10, 11 and 12 *Transition Guide*
- IFRS 13 *Fair Value Measurement*
- IAS 27 revised *Separate Financial Statements* (*)
- IAS 28 revised *Investments in Associates and Joint Ventures* (*)
- Improvements to IFRS 2009-2011
- Amendments to IFRS 1 *Government loans*
- Amendments to IFRS 7 *Offsetting Financial Assets and Financial Liabilities*
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*

Mandatory application in 2014:

- Amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities*

Mandatory application in 2015:

- IFRS 9 - *Financial Instruments* (**)

(*) These standards were issued by the IASB and they are effective for the annual periods beginning on or after January 1, 2013. However, the Accounting Regulatory Committee (ARC), in its meeting on June 1, 2012, decided to postpone the adoption of these standards by the European Union, until the first annual period beginning on or after 1 January 2014 although early application will be permitted. At the date of authorizing these financial statements for issue, these standards are pending to be endorsed by the European Union and accordingly, the terms of the final Regulation.

(**) This constitutes phase one of the three-phase project for the replacement of the prevailing IAS 39: *Financial Instruments - Recognition and Measurement*. Following the recent amendment issued by the IASB, the mandatory effective date for IFRS 9 has been deferred from January 1, 2013 to January 1, 2015.

In relation with IFRS 11 *Joint Arrangements*, , the Company is in the process of analyzing all its joint arrangements in order to determine and document their proper classification as either joint operations or joint ventures, according to IFRS 11 criteria. The recognition of operations under the new standard will not affect the Group's consolidated equity or net income. The application of this new, in the case of joint arrangements that will be classified as joint ventures, as they are currently accounted for by using the proportionate method of consolidation allowed in the prevailing IAS 31, will require the Group to reclassify the amounts currently integrated proportionately to the headings of the equity method of accounting of the balance sheet and the income statement.

In respect of the other standards and amendments detailed in the current section D), 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 2011, in the preparation of these interim condensed consolidated financial statements, Repsol has applied the same accounting policies applied in 2011.

The accounting criteria applied for recognition of the effects related to the expropriation process of Repsol Group shares in YPF, S.A. and in Repsol YPF, Gas, S.A. are stated in these interim condensed consolidated financial statements, in the corresponding section of

Note 3 *Changes in the structure of the Group.*

Comparison of information

As a result of the expropriation process of YPF, S.A. and Repsol YPF Gas, S.A. shares, the income statement and the statement of cash flows for the six-month period ended June 30, 2011 have been restated for comparative purposes with information from the first six-month period of 2012, with respect to the information published in the interim condensed consolidated financial statements for the first six-month period of 2011, as described in *Comparison of information* of section a) *Expropriation of shares of the Repsol Group in YPF, S.A. and Repsol YPF Gas, S.A.* in Note 3 *Changes in the structure of the Group*, and in Note 5 *Segment Reporting*.

The profit per share at June 30, 2011 has being modify compared with that stated in the interim condensed consolidated financial statements at June 30, 2011, 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 4, that has been recognized with accounting effects June 30, 2012.

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 4, section e);
- 3) The market value of certain financial instruments, among which is worth mentioning the financial instruments in the first six-month period of 2012 arising as a consequence of the expropriation process of YPF and Repsol YPF Gas (see Note 3);
- 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 2012 or in subsequent years.

During the six-month period ended June 30, 2012, not significant changes have being taken in the methodology for calculating the estimates made at year end 2011.

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.

(3) 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, 2011 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 2012.

The principal changes in the scope of consolidation that have taken place during the interim period ended at June 30, 2012 and their impact on the accompanying interim condensed consolidated financial statements are detailed below.

a) Expropriation of Repsol Group shares in YPF, S.A. and Repsol YPF Gas, S.A.

YPF and Repsol YPF Gas Intervention Decree and Expropriation Law

On April 16, 2012, the National Executive Power of Argentina announced the submission to the legislative body of a draft bill on the sovereignty of the Republic of Argentina over its oil and gas resources, declaring of public interest and a priority the self-sufficiency in oil and gas and its exploitation, industrialization, transport and marketing; Section 7 of the draft bill declared of public utility and subject to expropriation 51% of YPF, S.A., represented by an equal percentage of Class D shares of YPF held, directly or indirectly, by Repsol and its subsidiaries. The stake held by the Repsol Group in YPF, S.A. on that day was 57.43%.

On that same date, April 16, 2012, the Argentinean Government enacted a Decree ("Decreto de Necesidad y Urgencia"), effective on the same day as its approval, which ordered the temporary intervention of YPF, S.A. for a 30-day period, appointing a Government minister as the Intervenor of YPF, S.A., who would be empowered with all the faculties of its Board of Directors.

Repsol communicated in a "relevant event" filed with the Spanish CNMV on April 16, 2012 its rejection of the Argentinean government's expropriation measures. On April 18, 2012, the Argentinean Government passed a resolution which extended the scope of the aforementioned Decree to Repsol YPF Gas, S.A., an Argentinean company engaging in the fractioning, bottling, transportation, distribution, and marketing of LPG in which Repsol Butano, S.A. had an 84.997% shareholding.

On April 23, 2012, YPF, S.A.'s Intervenor agreed to suspend the General Shareholder's Meeting set for April 25, 2012 which had been called to review the 2011 financial statements of YPF, S.A., as well as the proposal of capitalizing accumulated results through a paid up share capital issue totaling 5,789,200,000 Argentinean pesos, approved by the Board of Directors on March 21, 2012.

After rapid parliamentary adoption proceeding, on May 7, 2012, Law 26,741 (the "YPF Expropriation Law") was published in Argentina's Official State Gazette, becoming effective immediately, and establishing the following:

- The self-supply, exploration, export, operation, industrialization, transportation, and commercialization of hydrocarbon are declared of "national public interest".
- In order to guarantee compliance with the objectives indicated above, 51% of YPF, S.A.'s equity, represented by an equivalent percentage of Class D shares in that company, held directly or indirectly by Repsol and its controlling or controlled companies, is declared of "national public interest" and subject to expropriation, together with, 51% of the equity of Repsol YPF Gas, equivalent to 60% of the Class A shares of Repsol Butano, S.A. and its controlling or controlled companies.
- The future distribution of the shares subject to expropriation was determined: 51% to the federal government and 49% to the governments of the provinces that compose the National Organization of Hydrocarbon Producing States, as established in the transfer conditions set out in regulatory framework stipulations. However, the National Executive Office, directly or through an appointed public entity, shall exercise all the voting rights associated with the shares subject to expropriation until the transfer of political and economic rights to the provinces that compose the National Organization of Hydrocarbon Producing States is completed.
- Independently or through the designated body, the executive branch of the Argentinean government will execute all the rights conferred by the shares subject to expropriation, in the terms established in Argentinean expropriation legislation for "temporary occupation".
- The expropriation process will be governed by Law 21,499 (the National Expropriations Act), with the Argentinean government acting as the expropriating authority. The price of the assets subject to expropriation is to be determined in conformity with Article 10 of the Law and its related provisions, based on the appraisal of the National Appraisal Board.

On May 7, 2012, the President of Argentina's securities market regulator (the CNV for its acronym in Spanish) called a General Meeting of YPF, S.A. shareholders to be held on June 4, 2012.

That same day, Mr. Miguel Matías Galuccio was appointed General Manager of the YPF, S.A. during the intervention by the Executive Branch of the Argentinean Government.

During the Shareholder's Meeting held on June 4, 2012, Mr. Galuccio was appointed Chairman of the Board, and was simultaneously ratified in the above position. During the Meeting, among other actions taken, all the Members and Alternate Members of the Board of Directors and the Supervisory Committee were removed, with their substitutes named. At Repsol's proposal, of the 17 new Board Members, the Shareholder's Meeting appointed an independent Board member.

On June 15, 2012, the suspension of the call to the Ordinary General Board Meeting of April 25, 2012, previously ordered by the Intervenor, was suspended and a new meeting called for July 17, 2012. Among others, the following agreements were reached at this meeting:

- a. To approve the financial statements and the Supervisory Committee's report for 2011;
- b. To not approve the management of the Members of the Board neither the Supervisory Committee for 2011, and exceptionally, approve the management of those members appointed by the Class A shares, corresponding to the Federal Government;
- c. To allocate (i) 5,751 million Argentinian pesos to an investment reserve; and (ii) 303 million Argentinian pesos to a dividend payment reserve, authorizing the Board of Directors to determine when such dividends would be distributed, in a period not to exceed December 31, 2012.

Repsol considers the expropriation to be clearly illicit and gravely discriminatory (as it only affected YPF, S.A. and Repsol YPF Gas, S.A. and no other gas companies in Argentina, while also only expropriating one of the shareholders of YPF, S.A. and Repsol YPF Gas, S.A., Repsol). It also views that the national public interest is unjustified, and that the entire transaction blatantly fails to comply with Argentina's obligations in 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. Therefore, 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 shareholders' assets and interests under prevailing Argentinean law, standard rules and practices of securities markets in which YPF is present, and international law, including the "Agreement between the Argentinean Republic and the Kingdom of Spain on the Reciprocal Promotion and Protection of Investments" signed in 1991.

Specifically, under the section *Procedures initiated as a consequence of the expropriation of the Group's YPF shares* in Note 10, Repsol began legal proceedings (i) based on the "Agreement between the Argentinean Republic and the Kingdom of Spain on the Reciprocal Promotion and Protection of Investments", (ii) based on the unconstitutional nature of the YPF Intervention, and the temporary occupation by the Argentinean government of the rights over 51% of Class D YPF shares held by Repsol (iii) based on the Argentinean government's lack of performance of its obligation to make a Tender Offer for the YPF, S.A. shares prior to taking control over the company.

Accounting treatment

According to the facts mentioned above, loss of control of YPF and Repsol YPF Gas from Repsol has taken place; consequently, it was deconsolidated; thus, Repsol's assets, liabilities, and minority interests were derecognized, as well as the corresponding translation differences.

In accordance with the prevailing accounting regulation, from the date of loss of control, the YPF and Repsol YPF Gas activities were considered discontinued operations, and therefore the results contributed to the Group from both companies were recognized under their specific headings. At June 30, 2012 the amounts contributed by YPF and Repsol YPF Gas to "*Net Income for the period attributable to the Parent from discontinued operations*" from the results net of taxes and minority interests, since the beginning of the current year until the loss of control date, amounted to €147 million and €2 million, respectively.

The following table includes a breakdown of the assets, liabilities, and minority interests of YPF and Repsol YPF Gas which formed part of the scope of Consolidated Balance Sheet and that were derecognized:

ASSETS	Millions of euros (1)		
	YPF	Repsol YPF Gas	Total
Intangible assets:	2,040	4	2,044
a) Goodwill	1,804	4	1,808
b) Other intangible assets	236		236
Property, plant and equipment	8,781	32	8,813
a) Investments in areas with reserves	5,886	-	5,886
b) Other exploration costs	120		120
c) Machinery and installations	1,085	7	1,092
d) Items for transportation	51	1	52
e) Other tangible assets	1,639	24	1,663
Investments accounted for using the equity method	33	1	34
Non-current financial assets	83	-	83
Deferred tax assets	210	3	213
Other non-current assets	97	-	97
NON-CURRENT ASSETS	11,244	40	11,284
Inventories	1,270	3	1,273
Trade and other receivables	1,120	29	1,149
Other current assets	73	-	73
Other current financial assets	12	-	12
Cash and cash equivalents	229	22	251
CURRENT ASSETS	2,704	54	2,758
TOTAL ASSETS	13,948	94	14,042
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT	(589)	(16)	(605)
MINORITY INTEREST	2,735	7	2,742
Grants	46	-	46
Non-current provisions	1,623	5	1,628
Non-current financial liabilities	741	-	741
Deferred tax liabilities	1,063	-	1,063
Other non-current liabilities	30	-	30
NON-CURRENT LIABILITIES	3,503	5	3,508
Current provisions	172		172
Current financial liabilities	1,250		1,250
Trade payables and other payables	2,157	39	2,196
CURRENT LIABILITIES	3,579	39	3,618
TOTAL LIABILITIES AND MINORITY INTEREST	9,228	35	9,263
NET VALUE	4,720	59	4,779

- (1) The assets, liabilities, and minority interests of each of the companies correspond to those recognized on the consolidated balance sheet at March 31, 2012.
- (2) They correspond to the accumulated translation differences in equity related to the Group's ownership interest in YPF and Repsol YPF Gas.

Accumulated translation differences in net equity in the Group's ownership interest in YPF and Repsol YPF Gas generated until loss of control were transferred to the headings related to discontinued operations on the accompanying income statement.

Other assets and liabilities related to investments in YPF have been identified as affected by the change in control and the expropriation process. This includes the loans and guarantees granted for the Petersen Group's financing of the acquisition of its ownership interest in YPF, S.A. The accounting effects of the valuation of these transactions were recognized in the income statement headings related to discontinued operations, since they are closely linked to the expropriation process of the Group's shares in YPF.

The Group granted the Petersen Group two loans, one granted in February 2008 for the 14.9% acquisition of YPF, S.A. and the other one for the acquisition of an additional 10% stake in May 2011; totaling at March 31, 2012 €1,518 million. These loans are guaranteed by pledged YPF Class D shares in the form of American Depositary Shares owned by the Petersen Group.

On May 30, 2012, Repsol, exercising its contractual rights, notified the Petersen group companies of the early termination of their loan agreements. In accordance with the terms of the guarantee, and in its condition of pledgee and through the collateral agent, Repsol may exercise the voting rights corresponding to YPF's pledge shares, amounting to 5.38% of YPF's share capital.

At June 30, 2012, the Group recognized a loss on the value of these loans net of the market value of the YPF pledge shares, totaling a gross amount of €1,402 million.

The Banco Santander granted a loan of up to \$198 million to Petersen, drawn down in the amount of \$109 million guaranteed by Repsol. As collateral of its obligation under the guarantee, the Petersen Group pledged 2,210,192 Clase D YPF shares, in the form of American Depositary Shares, in favor of Repsol. On March 31, 2012, the corresponding amount guaranteed by Repsol amounted to \$96 million (€72 million).

On May 18, 2012, the Banco Santander, sent a notice of partial default to the Petersen Group, stating that a partial default of the loan agreement had occurred resulting from the failure of Petersen to repay the May 15, 2012 installment; however, it did not accelerate the Petersen Group's obligations under the loan. By virtue of the guarantee, the Banco Santander demanded payment of the amount from Repsol as guarantor of the loan, Repsol paid \$4.6 million (€3.6 million).

On June 30, 2012 a provision for the associated risks and expenses was recognized for a gross amount of €4 million, that covers the maximum amount of the liabilities assumed by Repsol, less the amount corresponding to the realizable value of the securities pledged as guarantee, representing 0.56% of YPF S.A.'s capital.

The Group does not consider that these events will lead to other consequences for Repsol arising from the execution of the contracts with the Petersen Group.

Repsol Group's ownership interest in YPF, S.A. and Repsol 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 were initially recognized at the amount of €5,373 million under "*Non-current assets held for sale subject to expropriation*" (€5,343 million corresponding to YPF, S.A.'s shares subject to expropriation and €30 million corresponding to Repsol YPF Gas, S.A. shares); the

remaining shares, which were not included in the expropriation, were recognized as "Available-for-sale financial assets" at an initial amount of €300 million (€280 million corresponding to YPF and €20 million corresponding to Repsol YPF Gas).

Subsequently, changes in value of both shares classified as *Non-current assets held for sale subject to expropriation*, and those recognized in *Available-for-sale financial assets*, are recorded directly in equity as *Adjustments for changes in value*, until ownership of the shares is transferred or they are determined to be definitively impaired, at which time the accumulated profits or losses previously recognized in equity will be transferred to the income statement.

Shares' valuation, regarding recognition purposes, was held 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 amount as a consequence of the expropriation process, that is, the price or compensation that the Argentinean government would finally pay to Repsol. When estimating this value, Repsol took into account the valuation criteria it can reasonably expect to be applied by the state bodies and courts responsible for deciding on the price or indemnity relating to the shares subject to expropriation. Since this price or indemnity has yet to be set and may have to be decided through legal proceedings in which circumstances beyond control of the Group will influence the outcome, it should be borne in mind that the estimated recoverable amount is uncertain in terms of both quantity and the date and manner in which it will be settled. Any modifications to the hypotheses considered reasonable in terms of jurisdictional proceedings and valuation of rights subject to expropriation could generate positive and negative changes in the amount recognized for the interest in YPF, S.A. and Repsol YPF Gas, S.A. and hence in its impact on the Group's financial statements.

Repsol considers that there are solid and clear legal grounds to receive an indemnity from the Argentinean State for the damages suffered as a result of expropriation, amounting to the market value of the expropriated shares prior to expropriation. In addition, Repsol considers there are legal avenues to require compensation, which may be decided upon in the course of the expropriation procedure or through ICSID arbitration. The market value of the shareholdings can be determined for these purposes with valuation methods habitually accepted in the financial community (discounted cash flow, sum-of-the parts, multiple comparable transactions, etc.), providing results consistent with those arising from application of the stipulations included in the YPF, S.A. by-laws, which establish a precise and objective rule for determining the consideration required should the Argentinean State take control of the interest.

Articles 7 and 28 of the YPF, S.A. by-laws establish that if the Argentinean State takes control of the company, and the foreseen acquisition is equal to or greater than 15% of YPF share capital, the acquirer must launch a tender offer for all YPF, S.A. shares; which acquisition price will be paid in cash and calculated in accordance with a predetermined criteria. Application of these criteria results in a valuation of \$18,300 million (€14,535 million, as per the exchange rate at the closing of June 30, 2012) for 100% of YPF shares, and \$9,333 million (€7,413 million) for the 51% subject to expropriation. However, despite this reference, the Group must bear in mind the risks and uncertainties inherent in valuation, which are inevitable when estimates must be made regarding future events,

particularly when such events are beyond Repsol's control. Consequently, the Group has applied conservative criteria when recognizing the shares subject to expropriation, to avoid a situation in which a higher valuation would require initial recognition of net profit from the expropriation process which, at this time, is still of a contingent nature.

Regarding YPF, S.A. shares, recorded under "*Available-for-sale financial assets*" (included in the heading "*Non-current financial assets*" on the accompanying balance sheet), they were valued at their market value, which corresponds to their quoted price given that the shares are listed and actively traded.

Finally, since they are not traded on any active market, all Repsol YPF Gas, S.A. shares were valued using criteria analogous to those applied to the expropriated YPF, S.A. shares.

The income tax effect of all the facts described has originated the recognition of a deferred tax asset amounting to €24 million.

The net effect recognized in the Group's income statement as a result of all the effects described above in connection with the expropriation process, amounts to a loss of €38 million net of tax, recognized under "*Net income after tax for the period from discontinued operations.*"

Since initial recognition until June 30, 2012, "*Non-current assets held for sale subject to expropriation*" related to YPF and Repsol YPF Gas increased by €80 million, mainly due to appreciation of the US dollar against the euro, while "*Available-for-sale financial assets*" decreased by €1 million, mainly as a result of YPF share price performance. Both effects were recognized in equity under "*Adjustments for changes in value*" (in the first case under the heading "*Other financial assets*" and in the second case under "*Financial assets held for sale*").

Results from discontinued operations

In 2012 this caption recognizes the results of consolidating the operations of YPF, Repsol YPF Gas, and their Group companies up to the moment of losing control. In addition, this item also includes the impact in the income statement derived from the loss of control caused by the expropriation process.

A breakdown by nature of results corresponding to discontinued operations follows:

	Millions of euros	
	06/30/2012	06/30/2011
Operating Revenue	2,817	5,155
Operating Expense	(2,378)	(4,542)
Operating Income	439	613
Financial Result	1	22
Share of results of companies accounted for using the equity method	3	3
Income from discontinued operations before taxes	443	638
Income tax related to the results before taxes	(163)	(267)
Results after taxes from discontinued operations	280	371
Results after taxes of the valuation of the assets and liabilities related to the expropriation (2)	(38)	-
NET INCOME FOR THE PERIOD FROM DISCONTINUED OPERATIONS AFTER TAXES	242	371
Net income from discontinued operations attributable to minority interest (1)	(109)	(84)
NET INCOME FROM DISCONTINUED OPERATIONS ATTRIBUTABLE TO THE PARENT	133	287

- (1) These headings include results contributed by YPF and Repsol YPF Gas, as well as financial results related to the loan granted to the Petersen Group up to the moment of losing control.
- (2) Includes the effects of (i) derecognizing the assets, liabilities, and minority interests of YPF and Repsol YPF Gas, as well as translation differences corresponding to the companies subject to expropriation, totaling € 4,779, that includes €605 million of translation differences; (ii) a provision for loans and guarantees related to the financing granted to the Petersen group, amounting to €1,456 million, as indicated in the abovementioned paragraphs; (iii) recognizing a deferred tax asset amounting to €24 million; and (iv) recognizing the Group's ownership interest in YPF and Repsol YPF Gas consisting of both, the shares subject to expropriation and the remaining shares owned, as explained in the above paragraphs, amounting to €5,673 million.

Comparative information

The income statement for the six-month period ended June 30, 2011 was restated to make it comparable, with respect to the information published in the interim condensed consolidated financial statements for the six-month period ended June 30, 2011, classifying the operations affected by expropriation process of the YPF, S.A. and Repsol YPF Gas, S.A. shares held by the Group under the headings referring to discontinued operations, in accordance with IFRS 5 "*Non-current assets held for sale and discontinued operations.*"

In addition, the cash flow statement for the six-month period ended June 30, 2011 included in the accompanying interim condensed consolidated financial statements was restated to make it comparable, with respect to the information published in the interim condensed consolidated financial statements for the six-month period ended June 30, 2011. Thus, the cash flows corresponding to YPF, S.A. and Repsol YPF Gas, S.A. transactions were reclassified in accordance with prevailing accounting standards to specific line items showing the cash flows for discontinued operations as well as operating, investment, and financing activities.

b) Other changes in the scope of consolidation

In June 2012, Repsol acquired 30.95% of the Portuguese company Windplus, S.A. through a capital increase. This company was incorporated in 2009 in Portugal for development of WindFloat technology for the generation of eolic floating off-shore wind energy. €4 million was invested in this transaction and no goodwill was recognized.

This business combination has been accounted for on a provisional basis. The impact on net income at June 30, 2012 was not material. Had the operation taken place on January 1, 2012, it is estimated that the additional contribution to consolidated revenue and net income for six-month period would not have been material.

(4) DESCRIPTION OF TRANSACTIONS DURING THE PERIOD

Note 3 of these interim condensed consolidated financial statements describes in detail the effects of the expropriation process of the Repsol Group shares in YPF, S.A. and in Repsol YPF, Gas, S.A. Other significant changes recognized in the first six months of 2012 and the most significant changes which took place in the first six months of 2011 under headings in the consolidated balance sheet are described below.

Libya was immersed in a military conflict during 2011. Consequently, production has been suspended since March 5, 2011, and gradually resumed at the end of 2011. In 2011, 3.1% of the Group's total hydrocarbon production, excluding that of YPF, was generated in Libya. During the first six months of 2012 total production in Libya was 12.8% of the Group's production, excluding the part corresponding to YPF, reaching similar production levels prior to the conflict.

a) Other intangible assets

In the first quarter of 2012, the Group has reached an agreement with the US company SandRidge Energy to acquire approximately 1,500 Km² of mining acreage in the Mississippian Lime area, through a 16% stake in the area known as Original Mississippian and through a 25% stake in the Mississippian extension, both of which are located in the the producing areas of Oklahoma and Kansas (United States). The initial investment amounted to \$250 million (€194 million). The remainder will be paid over a three year period for a total amount investment of €1.000 million.

b) Property, plant and equipment

The main investments 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 (€96 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 also 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.

The main investments made in the first half of 2011 corresponded to exploration and production assets in United States (€107 million), Brazil (€105 million), Venezuela (€55 million), Trinidad & Tobago (€37 million), Bolivia (€68 million), Peru (€51 million) and Spain (€26 million). In addition, during this period, significant investments were made in refining assets in Spain (€481 million) corresponding to the increase-capacity at the

Cartagena Refinery, and the construction of the coke unit and other ancillary facilities at the Petronor refinery (in Bilbao). Investments made during this period by YPF and Repsol YPF Gas and its investees amounted to €741 million, which corresponded primarily to exploration and production assets in Argentina.

c) Non-current assets and liabilities held for sale

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

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

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

On June 30, 2011, Gas Natural Fenosa agreed to sell approximately 245,000 gas supply customers and associated contracts in the Madrid region for €1 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.

Assets classified as held for sale during the six-month period ended June 30, 2011 and associated liabilities

On February 7, 2011, Gas Natural Fenosa agreed to sell approximately 300,000 gas supply points in the Madrid region to a company of the Group Madrileña Red de Gas for €136 million. From the date this agreement was reached, these assets were classified as non-current assets held for sale. Upon receipt of the corresponding permits, the sale was closed on June 30, 2011, generating a pre-tax gain of €84 million. The amounts in millions of euros are stated at the Group's proportionate interest in Gas Natural Fenosa.

On August 2, 2010 Gas Natural Fenosa and Enel Green Power agreed to terminate the renewable energy venture held by both parties until that time through Enel Unión Fenosa Renovables, S.A. (EUFER). From that time the portion of the assets and liabilities recognized in Gas Natural Fenosa's consolidated balance sheet to be spun out to Enel Green Power were recognized as non-current assets and liabilities held for sale. Having secured all required permits, the transaction was closed on May 27, 2011. For accounting purposes this transaction was considered a swap between the assets and liabilities which were derecognized at their carrying amount in the consolidated balance sheet and the

business acquired which was recognized and measured at fair value, based on a valuation from independent third parties. This business combination generated a pre-tax accounting loss of €1 million in 2011. 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, 2012, The Ordinary General Shareholders' Meeting approved two capital increases for the instrumentation of the shareholders remuneration scheme called "Flexible Dividend Programme", which allows the shareholders to decide whether they will receive their compensation, in cash or in Repsol shares.

Subsequent to the general meeting held on May 31, the Board of Directors approved the execution of the first capital increase. Free-of-charge allocation rights were admitted to trading on Spanish Stock Exchanges between June 21, and July 5, 2012. Holders of 63.64% of the free-of-charge allocation rights (of a total of 776,935,821 rights) opted to receive new shares of Repsol in the proportion of one share per every 22 rights.

Moreover, during the period established for that purpose, the holders of 36.36% of the free-of-charge allocation rights (443,893,565 rights), accepted the irrevocable commitment to purchase rights assumed by Repsol at a fixed price of 0.545 euros (gross) per right. Accordingly, Repsol acquired the abovementioned rights for a total amount of €42 million and waived the shares corresponding to the free-of-charge allocation rights acquired by virtue of the mentioned commitment. As a consequence 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.

The final number of shares of 1 euro par value issued in the capital increase was 35,315,264, representing an increase of approximately 2.89% of the share capital of Repsol before the capital increase.

This capital increase was filed with the Madrid Mercantile Registry on July 10, 2012 and the new shares were listed on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges through the Spanish Automated Quotation System (*Mercado continuo*, by its name in Spanish) on July 13, 2012. Repsol will also apply 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 €1,256,178,727 fully subscribed and paid in, consisting of 1,256,178,727 shares with a nominal value of 1 euro each.

This capital increase was filed with the Mercantile Register prior to the authorization of these interim condensed consolidated financial statements for issue, and, accordingly, was recognized in the Group financial statements with accounting effects June 30, 2012, in compliance with prevailing accounting criteria.

2. *Treasury shares and own equity investments*

In January 2012, Repsol made a placement among professional and qualified investors of 61,043,173 of its own shares (treasury shares), representing 5% of Repsol share capital at a price of 22.35 euros per share for a total amount of €1,364 million. Repsol

agreed with the placing entities that the remaining 5% of the treasury shares that was still held on that date will have a lock up period of 90 days. At the date of authorizing this interim condensed consolidated financial statements for issue the lock up period was finalized.

Under the framework of the Share Acquisition Plan approved by the Ordinary General Shareholders' Meeting held on April 15, 2011, during the first six months of 2012, the Group acquired a total of 264,398 shares, representing 0.021% of share capital recognized at June 30, 2012 (amounting to 1,256,178,727 euros) at a cost of €4.4 million. These shares have been delivered to the employees of the Repsol Group who subscribed to the plan.

Additionally, during the first six months of 2012, the Group purchased 3,566,237 treasury shares, representing 0.28% of share capital recognized at June 30, 2012, with a nominal value of 1 euro per share, amounting to €2 million. At June 30, 2012 these shares had not been sold.

At June 30, 2012, the treasury shares held by Repsol or any of its Group companies, represented 5.1% of share capital recognized on that same date. In July 2012, the Group received a total of 2,936,791 new shares corresponding to treasury shares, representing 0.23% of Repsol share capital, as a result of the capital increase described in section 1. *Share Capital and reserves* above.

At December 31, 2011, the treasury shares held by Repsol or any of its Group companies, represented 10% of its share capital. At June 30, 2011 neither Repsol nor any of its Group companies held treasury shares.

3. *Earnings per share*

At June 30, 2012 and 2011 earnings per share were the following:

	<u>2012</u>	<u>2011</u>
Net income attributable to the parent company (millions of euros)	1,036	1,344
Net income attributable to the parent company from discontinued operations (millions of euros)	133	287
Weighted average number of outstanding shares at June, 30	1,190,466,357	1,256,178,727

EARNINGS PER SHARE ATTRIBUTABLE TO THE PARENT COMPANY

(Euros)

	<u>2012</u>	<u>2011</u>
Basic		
EPS attributable to the parent company	0.87	1.07
EPS attributable to the parent company from discontinued operations	0.11	0.23
Diluted		
EPS attributable to the parent company	0.87	1.07
EPS attributable to the parent company from discontinued operations	0.11	0.23

Issued Share Capital was increased in July 2012 as part of a shareholder compensation scheme, known as the "Flexible Dividend Programme", described in Section 1. *Share Capital and reserves* above, which was recognized with accounting effects as of June 30, and therefor issued share capital at that date consisted of 1,256,178,727 shares.

Outstanding issued shares at June 30, 2011 amounted to 1,220,863,463 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, 2011 to include the effect of this capital increase, in accordance with the applicable accounting regulations.

e) Impairment of assets

Repsol performs an impairment test of its intangible assets, its property, plant and equipment, and other fixed assets, as well as its goodwill, at least annually, or whenever any indicator of impairment exists, in order to determine whether there is an impairment of assets.

During the interim periods ended June 30, 2012 and 2011 no material asset impairment provisions have been registered.

(5) SEGMENT REPORTING

The Group's organizational structure is oriented at achieving the Group company's growth plans as well as setting the base for future developments.

As a result of the expropriation process, the portion of Repsol Group shares in YPF, S.A. and Repsol YPF Gas, S.A. subject to expropriation was classified as *Non-current assets held for sale subject to expropriation* and the share in both companies not subject to expropriation as *Available-for-sale financial assets*. The activities of both companies and others relating to the expropriation process were considered discontinued operations (see section *Results from discontinued operations* under section a) *Expropriation of Repsol Group shares in YPF, S.A. and Repsol YPF Gas, S.A.* of Note 3. *Changes in the structure of the Group*).

Accordingly, the YPF operations no longer comply with the segment definition. Furthermore, until the intervention date, investment in Repsol YPF Gas and loans granted to the Petersen Group were presented in Downstream and Corporation segments respectively, and are no longer included therein. The following information presented by segment relating to the first six months of 2011 has been restated with regard to that previously published in the six-month interim financial statements for the first six months of 2011 in compliance with IFRS 5, *Non-current assets held for sale and discontinued operations* and IFRS 8 *Operating Segments* without including the activities mentioned within the Operating Segments.

The Group's operating segments at June 30, 2012 were as follows:

- Upstream, corresponding to the exploration and development operations of crude oil and natural gas reserves;
- LNG, corresponding to the Liquid Natural Gas business;
- Downstream, corresponding to Refining & Marketing for oil products, Chemicals and LPG, and
- Gas Natural Fenosa, through its strategic participation in Gas Natural SDG, S.A., whose main activities are the marketing of natural gas and the generation, distribution, and marketing of electricity.

The principal figures of the Group's income statement attending to this organization are shown below:

Operating revenues by segment

Millions of euros SEGMENTS	Operating revenue from customers		Operating revenue among segments		Total operating revenue	
	06/30/2012	06/30/2011 (1)	06/30/2012	06/30/2011 (1)	06/30/2012	06/30/2011 (1)
Upstream	1,837	1,486	709	395	2,546	1,881
LNG	1,308	1,273	178	103	1,486	1,376
Downstream	22,305	20,428	55	77	22,360	20,505
Gas Natural Fenosa	3,620	3,139	165	85	3,785	3,224
Corporate	8	4	153	184	161	188
(-) Adjustments and eliminations of operating revenue among segments (2)			(1,260)	(844)	(1,260)	(844)
TOTAL	29,078	26,330	-	-	29,078	26,330

(1) The information relating to the first six months of 2011 has been restated to make it comparable with respect to the information published in the interim condensed consolidated financial statements for the period ended June 30, 2011, taking into account that YPF and Repsol YPF Gas do not form a part of Repsol's operating segments at June 30, 2012.

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

Results by segment

SEGMENTS	Millions of euros	
	06/30/2012	06/30/2011 (1)
Upstream	1,144	806
LNG	237	168
Downstream	277	744
Gas Natural Fenosa	475	512
Corporation	(167)	(121)
Total operating income related to reported	1,966	2,109
Results unassigned (Financial results)	(433)	(374)
Other results (Results of companies accounted for the equity method)	66	33
NET INCOME BEFORE TAX	1,599	1,768
Income Tax	(674)	(645)
Net income for the period from continuing operations	925	1,123
Net income from continuing operations attributable to minority interests	(22)	(66)
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO PARENT FROM CONTINUING	903	1,057
Net income for the period from discontinued operations after taxes	242	371
Net income from discontinued operations attributable to minority interests	(109)	(84)
NET INCOME FROM DISCONTINUED OPERATIONS ATTRIBUTABLE TO THE PARENT	133	287
TOTAL NET INCOME ATTRIBUTABLE TO THE COMPANY	1,036	1,344

(1) The information relating to the first six months of 2011 has been restated to make it comparable; with respect to the information published in the interim condensed consolidated financial statements for the period ended June 30, 2011, taking into account that YPF, Repsol YPF Gas and Petersen loans do not form a part of Repsol's operating segments at June 30, 2012.

The following table details total assets by segment:

Segments	Millions of euros	
	06/30/2012	06/30/2011⁽¹⁾
Upstream	12,078	11,025
LNG	4,380	4,425
Downstream	19,500	19,806
YPF	-	14,037
Gas Natural Fenosa	12,703	12,968
Corporate (2)	8,586	8,696
Total Assets by segment (3)	57,247	70,957
Assets from discontinued operations (See Note 3) (1) (4)	6,130	-
TOTAL ASSETS	63,377	70,957

- (1) At December 31, 2011 YPF was considered a business segment. Furthermore, the Downstream segment included €74 million of assets corresponding to Repsol YPF Gas, while the Corporate segment included €35 million corresponding to financial assets owned by YPF and Repsol YPF Gas. After loss of control (Note 3), the Group's assets in both companies are considered assets from discontinued operations.
- (2) At June 30, 2012 and December 31, 2011 this includes financial assets amounting to €4,785 million and €3,303 million, respectively.
- (3) Each segment includes its correspondent investments accounted for using the equity method.
- (4) Includes assets related to the YPF and Repsol YPF Gas expropriation process (Note 3).

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 depending on the markets to which they correspond, is as follows:

Geographic area	Millions of euros	
	06/30/2012	06/30/2011⁽¹⁾
Spain	15,230	14,196
Other in the European Union	4,254	3,452
Others in the O.E.C.D. countries	2,713	2,533
Other countries	6,508	5,169
TOTAL	28,705	25,350

- (1) The information relating to the first six months of 2011 has been restated to make it comparable with respect to the information published in the interim condensed consolidated financial statements for the period ended June 30, 2011, taking into account that YPF and Repsol YPF Gas are considered discontinued operations at June 30, 2012. At June 30, 2011 the contributions made by the aforementioned companies, excluded in the previous table, amounted to €31 million in Spain, €45 million in the rest of the European Union, €72 million in the rest of O.E.C.D countries, and €4,738 million in other countries.

(6) DISCLOSURE OF FINANCIAL INSTRUMENTS BY NATURE AND CATEGORY

a) Financial assets

This note discloses the following concepts included on the balance sheet headlines, as follows:

	Millions of euros	
	<u>06/30/2012</u>	<u>12/31/2011</u>
Non-current financial assets	1,269	2,450
Derivatives on non-current commercial transactions (1)	2	-
Other current financial assets	473	674
Derivatives on current commercial transactions (2)	69	68
Cash and cash equivalents	3,953	2,677
	<u>5,766</u>	<u>5,869</u>

(1) Recognized under “*Other non-current assets*” on the balance sheet.

(2) Recognized under the “*Other receivables*” on the balance sheet.

The detail of the Group's financial assets by categories at June 30, 2012 and December 31, 2011, is as follows:

Nature/Category	June 30, 2012						Total
	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	
Equity instruments	-	-	381	-	-	-	381
Derivatives	2	-	-	-	-	-	2
Other financial assets	-	65	-	813	10	-	888
Long Term / Non-current	2	65	381	813	10	-	1,271
Derivatives	101	-	-	-	-	-	101
Other financial assets	-	16	-	416	3,962	-	4,394
Short term / Current	101	16	-	416	3,962	-	4,495
TOTAL (1)	103	81	381	1,229	3,972	-	5,766

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	-	-	128	-	-	-	128
Derivatives	-	-	-	-	-	-	-
Other financial assets	-	65	-	2,212	45	-	2,322
Long Term / Non-current	-	65	128	2,212	45	-	2,450
Derivatives	176	-	-	-	-	58	234
Other financial assets	-	84	-	463	2,638	-	3,185
Short term / Current	176	84	-	463	2,638	58	3,419
TOTAL (1)	176	149	128	2,675	2,683	58	5,869

- (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 €49 million in the long term and €7,386 million short term. At December 31, 2011 the aforementioned long term and short term trade receivables amounted to €344 million and €8,634 million, respectively. At June 30, 2012 this likewise does not include €5,653 million classified under "Non-current assets held for sale subject to expropriation."

Heading "Equity instruments" in column "Financial assets available for sale", at June 30, 2012, includes €269 million corresponding to 6.43% of YPF, S.A. shares and 33.997% of Repsol YPF Gas, S.A. shares held by Repsol not subject to expropriation by the Argentinean government (Note 3).

At December 31, 2011, "Non-current loans and receivables" includes €1,542 million corresponding to the loans granted to the Petersen Group in February 2008 and May 2011 for the acquisition of their interest in YPF, S.A. An impairment loss of €1,402 million on these loans was recognized in the first six months of 2012. The net amount recognized in connection with these loans at June 30, 2012 amounted to €208 million, corresponding to the market value of the YPF, S.A. pledged shares which the Group is holding as a financial collateral guarantee for the loans (Note 3, Accounting treatment in section a) Expropriation of the Repsol Group shares in YPF, S.A. and Repsol YPF Gas, S.A.).

The column "Current loans and receivables" includes €320 million and €370 million at June 30, 2012 and December 31, 2011 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 2012, Spain's electricity tariff deficit securitization fund completed eleven issueances, with Gas Natural Fenosa collecting €10 million as a result. The figures stated correspond to the Repsol Group's proportionate interest in Gas Natural Fenosa.

In June 2012, Repsol Sinopec Brasil, in which the Group has a 60% stake, acquired Spanish sovereign debt amounting to €23 million and maturing in September 2012. This transaction was recognized at June 30, 2012 under "Cash and cash equivalents" and classified as "Other financial assets held to maturity" in the previous table.

b) Financial Liabilities

This note discloses the financial liabilities, included in the following headings of the consolidated balance sheet and that corresponds to:

	Millions of euros	
	<u>06/30/2012</u>	<u>12/31/2011</u>
Non-current financial liabilities (1)	15,357	15,345
Derivatives on non-current commercial transactions (2)	6	3
Current financial liabilities (1)	3,020	4,985
Derivatives on current commercial transactions (3)	27	42
	<u>18,410</u>	<u>20,375</u>

- (1) As a consequence of the expropriation process of YPF and Repsol YPF Gas shares held by the Group (Note 3, *Accounting treatment* in section *a) Expropriation of the Repsol Group shares in YPF, S.A. and Repsol YPF Gas, S.A.*), the non-current and current financial liabilities of both companies, amounting to €38 million and €1,468 million respectively at December 31, have been derecognized.
- (2) Recognized under the heading “*Other non-current liabilities*” on the balance sheet.
- (3) Recognized under the heading “*Other payables*” on the balance sheet.

The detail of the financial liabilities as of June 30, 2012 and December 31, 2011 is as follows:

Millions of euros	<u>June 30, 2012</u>			
	Financial liabilities held for trading	Debts and payable items	Hedging derivatives	Total
Bank borrowings	-	3,656	-	3,656
Bonds and other securities (1)	-	11,459	-	11,459
Derivates	13	-	235	248
Long term debts / Non-current financial liabilities	13	15,115	235	15,363
Bank borrowings	-	2,152	-	2,152
Bonds and other securities (1)	-	815	-	815
Derivates	71	-	9	80
Short term debts / Current financial liabilities	71	2,967	9	3,047
TOTAL (2)	84	18,082	244	18,410

Millions of euros

December 31, 2011

Nature/Category	Financial			Total
	liabilities held for trading	Debts and payable items	Hedging derivatives	
Bank borrowings	-	4,806	-	4,806
Bonds and other securities (1)	-	10,331	-	10,331
Derivatives	6	-	203	209
Long term debts / Non-current financial liabilities	6	15,137	203	15,346
Bank borrowings	-	2,896	-	2,896
Bonds and other securities (1)	-	2,006	-	2,006
Derivatives	115	-	12	127
Short term debts / Current financial liabilities	115	4,902	12	5,029
TOTAL (2)	121	20,039	215	20,375

- (1) Includes preference shares amounting to €3,211 million and €3,179 million at June 30, 2012 and December 31, 2011, respectively, of which €32 million were recognized as current financial liabilities at June 30, 2012.
- (2) At June 30, 2012 and December 31, 2011, €2,892 million and €2,864 million were shown in the balance sheet under “Other non-current liabilities”, and €230 million and €223 million, respectively under “Other payables” corresponding to finance leases recorded under the amortized cost method and not included in the above table.

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, recognized under “Bank borrowings, bonds, and other securities” in the Group’s balance sheet. The Group has granted financial collateral guarantees, regulated by Royal Decree Law 5/2005, for the payment obligations associated with the aforementioned derivative instruments. The guarantee is in the form of 78,135,484 Gas Natural SDG pledged shares held by the Repsol Group, representing 7.81% of said entity’s share capital. The abovementioned operations do not imply any transfer of ownership with respect to the Gas Natural SDG, S.A. shares, retaining Repsol the inherent voting and economic rights.

Below is a disclosure of issues, repurchases, and redemptions of debt securities (recognized under current and non-current “Bonds and other securities” in the previous table) which have taken place during the six-month periods ended June 30, 2012 and 2011:

Millions of euros	Balance at 12/31/2011	(+) Issues	(-) Repurchases or redemptions	(+/-) Exchange rate and other adjustments	(-) Deconsolidation of YPF and R. YPF Gas	Balance 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 of the European Union	501	-	-	5	(180)	326
TOTAL	12,337	3,916	(3,856)	57	(180)	12,274

Millions of euros	Balance at 12/31/2010	(+) Issues	(-) Repurchases or redemptions	(+/-) Exchange rate and other adjustments	Balance 06/30/2011
Bonds an other debt securities issued in the European Union with Prospectus	11,453	2,493	(2,846)	41	11,141
Bonds an other debt securities issued in the European Union without Prospectus	-	-	-	-	-
Bonds and other debt securities issued outside of the European Union	988	128	(578)	(31)	507
TOTAL	12,441	2,621	(3,424)	10	11,648

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

On January 29, 2012, the Group, through Repsol International Finance, B.V made a €750 million 7 year and 1 month bond issue at a fixed interest rate of 4.875%. This issue, was increased on February 7, 2012 with another bond issue amounting to €250 million, with the same interest rate and maturity. Both bond issues, guaranteed by Repsol, S.A. were consolidated in the same serie, 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 on October 27, 2011 and approved by the *Comission de Surveillance du Secteur Financier* (CSSF) of Luxemburg with a maximum amount of €10,000 million.

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 (€397 million at June 30, 2011) (amounts stated at the Group’s proportionate interest in Gas Natural Fenosa).

Since 2010, the Group held, through its subsidiary, Repsol International Finance, B.V, 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. During the first six months of 2011, ECP issues amounted to €1,748 million and \$25 million under this program. The effective balance outstanding under this program stood at €235 million and €765 million at June 30, 2012 and 2011, respectively.

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.

Other relevant debt issues and cancellations in the first six months of 2011

On February 8, 2011, the \$725 million of Series A preference shares issued by Repsol International Capital Ltd. and guaranteed by Repsol S.A. were redeemed.

On January 25 and May 10, 2011, Gas Natural Fenosa issued €180 million and €150 million of bonds in the euromarket under its *Euro Medium Term Notes* (EMTN) program which were due 6 and 8 years respectively, (amounts stated at the Group's proportionate interest in Gas Natural Fenosa).

In May 2011, Gas Natural Fenosa, through its subsidiary Gas Natural México, S.A. de C.V., registered a 3,001 million Mexican peso (€163 million) security issuance program (*certificados bursátiles*) with the Mexican Stock Exchange. In May 20, 2012, a total of 1,200 million Mexican pesos (€72 million) of four and seven year debt, secured by Gas Natural SDG, S.A., have been issued under this program (amounts stated at the Group's proportionate interest in Gas Natural Fenosa).

The amounts guaranteed by Group companies in the interim periods ending June 30, 2012 and 2011 for issues, repurchases, or redemptions made by associates, jointly controlled entities (for the percentage not included in the consolidation process) or non-Group companies, are detailed below:

GUARANTEED ISSUES

Millions of euros

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

	Balance at 12/31/2010	(+) Granted	(-) Cancelled	(+/-) Exchange rate and other	Balance at 06/30/2011
Debt security issues guaranteed by the Group (amount guaranteed)	30	-	-	(2)	28

(7) DIVIDENS PAID

Dividends paid by Repsol, S.A. in the six-month period ended June 30, 2012 and 2011 were as follows:

	06/30/2012			06/30/2011		
	% on nominal amount	Euros per share	Amount (1)	% on nominal amount	Euros per share	Amount (2)
Ordinary shares	57.75%	0.5775	635	52.50%	0.525	641
Remaining shares (without vote, redeemable, etc)	-	-	-	-	-	-
Total dividends paid						
a) Dividends charged to profits	57.75%	0.5775	635	52.50%	0.525	641
b) Dividends charged to reserves or share premium issues	-	-	-	-	-	-
c) Dividends in kind	-	-	-	-	-	-

(1) This amount relates to the 2011 interim dividend that has been paid on January 10, 2012. Corresponds to the payment for each of the Company's outstanding shares with remuneration rights.

(2) This amount relates to the 2010 interim dividend payment, paid to the shareholders on January 13, 2011.

Repsol implemented for the first time a shareholder compensation scheme known as "Flexible Dividend Programme" (Note 4, section *d*) *Equity – 1.Share Capital and reserves*) instead of the tradicional final dividend payment of 2011.

(8) 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 2012 applicable to continuing operations was estimated at 44%, which is over the estimate for the same period of the previous year (37.2%); this is mainly due to increased profits in areas with higher tax burdens, such as Upstream businesses, and especially the Libyan operation.

(9) RELATED PARTIES TRANSACTIONS

Repsol undertakes transactions with related parties under general market conditions. For purposes of presenting this information, related parties are considered to be the following:

- a. Major shareholders: according to the latest information available, the major shareholders in the company that are considered related parties of Repsol are:
 - Caixa Bank, S.A. (belonging to the Caixa Group) has a total direct and indirect interest of 12.53% in Repsol's share capital.
 - Sacyr Vallehermoso, S.A. which has a total interest of 9.73% in Repsol's share capital through its subsidiary Sacyr Vallehermoso Participaciones Mobiliarias, S.L.;
 - Petróleos Mexicanos (Pemex) has a total interest of 9.43% in Repsol's share capital, through PMI Holdings, B.V., Pemex Internacional España, S.A., through various financial instruments which entitle Pemex to exercise dividend and voting rights.

Repsol, S.A. shares are represented by the book entry method, and therefore it is not possible to ascertain its precise shareholder structure. As a result, the figures provided reflect the information in the hands of Repsol, S.A. at June 30, 2012 on the basis of the latest reports provided by Spain's central clearing house, IBERCLEAR (Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U.) and the information submitted by the Company's shareholders at General Shareholders' Meetings and to Spain's securities market regulator (the CNMV for its acronym in Spanish) in compliance with its transparency requirements.

- b. Directors and Executives: includes members of the Board of Directors and of the Executive Committee.
- c. Group companies for the part not owned by the Group: includes transactions with Group companies or entities for the part not eliminated in the consolidation process (corresponding to the part not owned in the proportionately consolidated companies and the transactions undertaken with companies accounted for using

the equity method). When control of YPF, S.A. and Repsol YPF Gas, S.A. was lost (see Note 3 a. *The Expropriation of Repsol Group Shares in YPF, S.A. and Repsol YPF Gas, S.A.*), they ceased to be considered Group companies.

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:

June 30, 2012				
EXPENSES AND INCOME:				
Thousands of euros				
	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

June 30, 2012				
OTHER TRANSACTIONS				
Thousands of euros				
	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 12 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, which 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.
- (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.

Income and expenses, as well as other transactions, recorded during the first half of 2011 in respect of transactions with related parties were as follows:

EXPENSES AND INCOME:	June 30, 2011			
	Thousands of euros	Major shareholders	Directors and executives (1)	Persons, companies or entities within the Group (2)
Finance expenses	7,148	-	281	7,429
Management or cooperation agreements	-	-	1,258	1,258
Transfer of R&D and licenses agreements	-	-	47	47
Operation leases (2)	271	-	16,639	16,910
Receipts from services (2)	1,298	-	181,326	182,624
Purchase of goods (finished or in progress) (2) (3)	1,251,341	-	2,755,374	4,006,715
Losses from the removal or sale of assets	-	-	202	202
Other expenses	7,398	-	7,389	14,787
EXPENSES	1,267,456	-	2,962,516	4,229,972
Finance income (2)	21,783	3	9,328	31,114
Management or cooperation agreements	-	-	2,135	2,135
Transfer of R&D and licenses agreements	-	-	522	522
Dividends received	-	-	-	-
Operations leases	2	-	-	2
Services rendered (2)	17,124	-	12,691	29,815
Sales of goods (finished or in progress) (2)	62,190	-	576,704	638,894
Profit from the removal or sales of assets	-	-	-	-
Other income (2)	17,134	-	39,908	57,042
INCOME	118,233	3	641,288	759,524

June 30, 2011

OTHER TRANSACTIONS

Thousands of euros

	Major shareholders	Directors and executives (1)	Persons, companies or entities within the Group (2)	Total
Purchase of tangible, intangible or other assets	47,216	-	117	47,333
Finance agreements: credits and capital contributions (lender) (2)	621	203	277,191	278,015
Amortization or cancellation of credits and lease agreements (lessor)	-	-	-	-
Sale of tangible, intangible or other assets	76,609	-	106	76,715
Finance agreements: credits and capital contributions (borrower) (2) (4)	662,772	-	5,774	668,546
Amortization or cancellation of loans and lease agreements (lessee)	-	-	-	-
Guarantees given (2)	114,744	-	605,688	720,432
Guarantees received	60,549	-	150	60,699
Commitments acquired (5)	558,193	-	19,415,211	19,973,404
Commitments/guaranties cancelled	14,393	-	666,562	680,955
Dividends and other profit distributed (6)	278,086	237	-	278,323
Other transactions (7)	2,632,113	-	-	2,632,113

- (1) Included those transactions with Directors and Executives not included in note 12 on Compensations received by Directors and Executives, which correspond to the outstanding balance of the loans granted to senior management and the corresponding interest accrued, as well as dividends received from holding shares in the Group.
- (2) Amounts corresponding to the transactions carried out with YPF, Repsol YPF Gas, and its group companies recognized under column "*Persons, companies or entities within the perimeter*" are: (i) Operating lease expenses: €6,636 thousand, (ii) Service-related expenses: €4,212 thousand, (iii) Purchase of goods: €22,749 thousand, (iv) Finance income: €1,054 thousand, (v) Revenue from services rendered: €2,186 thousand, (vi) Revenue from the sale of goods: €135,243 thousand, (vii) Other income: €1,460 thousand, (viii) Financing agreements as lender: €40,378 thousand, (ix) Financing agreements as borrower: €23 thousand, and (x) Guarantees and sureties provided by the Repsol Group backing companies consolidated using the equity method in the YPF Group amounting to €10,227 thousand. An additional €9,815 thousand corresponding to sales commitments net of firm purchase commitments were also recognized under Commitments with persons, companies or entities within the Group.
- (3) 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 2011 were fixed at 85,000 barrels per day.
- (4) This includes credit facilities for the maximum amount granted, totaling €462 million.
- (5) Corresponds to firm purchase commitments outstanding, net of sales commitments.
- (6) This includes 2010 interim dividends which were paid during January 2011.
- (7) Corresponds mainly to:
 - (a) Temporary financial investments: €1,337 million
 - (b) Exchange-rate hedging transactions: €312 million.
 - (c) Interest-rate hedging transactions: €705 million.

(10) CONTINGENT LIABILITIES

Litigation

The information herein updates the status of certain legal and arbitration proceedings having undergone relevant changes since the preparation of the 2011 consolidated financial statements, in which this information is included under Note 34 "Contingent liabilities and commitments".

Under the hedging YPF and Repsol YPF Gas Intervention Decree and Expropriation Decree in Note 3, section *a) The Expropriation of the Repsol Group Shares in YPF, S.A. and Repsol YPF Gas, S.A.* is discussed events taking place in Argentina; the relevant information regarding the abovementioned proceedings included in the 2011 consolidated

financial statements must be revised to include only the legal proceedings currently underway in Argentina and in the US naming Repsol as defendant (discussed in the following Sections A and B), excluding procedures in which YPF, S.A. or YPF subsidiaries are named as defendants.

A) Argentina

Claims brought by ex YPF employees (Share Ownership Plan)

A former employee of YPF before its privatization (1992) who was excluded from the National YPF employee share ownership plan (PPP its acronym in Spanish) set up by the Argentine Government has filed a claim in Bell Ville (Province of Cordoba, Argentina) against YPF, S.A. and Repsol to seek recognition of his status as a shareholder of YPF. In addition, the “Federation of Former Employees of YPF” has joined the proceedings acting on behalf of other former employees excluded from the PPP. Repsol acquired its ownership interest in the capital of YPF in 1999.

Pursuant to the plaintiff’s request, the Bell Ville Federal Court of First Instance initially granted a preliminary injunction (the “*Preliminary Injunction*”), ordering that any sale of shares of YPF or any other transaction involving the sale, assignment or transfer of shares of YPF, carried out either by Repsol or by YPF be suspended, unless the plaintiff and other beneficiaries of the PPP (organized in the Federation of Former Employees of YPF) are involved or participate in such transactions. YPF, S.A. and Repsol filed an appeal against this decision in the Cordoba Federal Court, requesting that the Preliminary Injunction be revoked. The Federal Court of First Instance allowed the appeal and suspended the effects of the Preliminary Injunction. In addition, in March 2011, the Federal Judge responsible for the Buenos Aires Administrative Disputes Court reduced the Preliminary Injunction to only 10% of the ownership interest held by Repsol in the capital of YPF. Accordingly, Repsol may freely dispose of its shares in YPF provided that Repsol continues directly or indirectly to own at least 10% of the share capital of YPF. Under the jurisprudence of the Federal Supreme Court of Argentina (upholding numerous decisions of the relevant Courts of Appeals), neither company is likely to be held liable for claims of this nature related with the PPP. In accordance with Law 25,471, the National Government of Argentina assumed sole responsibility for the matter and for any compensation that may be payable to former employees of YPF, S.A. who were excluded from the PPP under the procedure established in it. On 21, July 2011, the judge of the First Instance upheld the claim of lack of jurisdiction made by of YPF S.A. and Repsol and ordered to transfer the case to the Federal Courts in the autonomous city of Buenos Aires. This decision was confirmed by the Appeals Chamber on December 15, 2011. The aforementioned Chamber overruled the decision handed down by the judge in the Court of First Instance of Bell Ville, limiting it to only 10% of the shares controlled by Repsol, S.A. claimed by the plaintiffs. The sentence is final. In April 2012, the dossier was filed at the Federal Court n° 12 of Appeals on Commercial Matters, overseen by Dr. Guillermo Rossi.

Claim filed against Repsol and YPF by the Union of Consumers and Users

The plaintiff claims the reimbursement of all the amounts the consumers of bottled LPG were allegedly charged in excess from 1993-2001, corresponding to a surcharge for said product. With respect to the period from 1993 to 1997, the claim is based on the fine imposed on YPF by the Secretariat of Industry and Commerce through its resolution of March 19, 1999. It should be noted that Repsol has never participated in the LPG market in Argentina and that the fine for abusing a dominant position was imposed on YPF. In addition, YPF, S.A. has alleged that charges are barred by the applicable statute of limitations. Hearings have commenced and are in process. The claim amounts to

Argentinean Ps.91 million (€17 million) for the 1993-1997 period. Adding interest, this amount would increase to Argentinean Ps.365 million (€66 million), to which the amount corresponding to the 1997-2001 period should be added, as well as accrued interest and expenses.

Preliminary injunction filed by López, Osvaldo Federico and others against Repsol, S.A. (Dossier n° 4444)

Through receipt of a significant event notification published by YPF, S.A. on April 26, 2012, Repsol became aware of the existence of a preliminary injunction of no innovation regarding which YPF received notification on April 20, 2012, filed before the Employment Court of First Instance of Rio Grande (Tierra de Fuego province). Under the aforementioned resolution, provided for the suspension of the exercise of the political and economic rights provided for in YPF S.A.'s bylaws with respect to the 45,215,888 ADSs, each of which represents one ordinary Class D share of YPF, S.A., sold by Repsol during March 2011, is no longer in effect. On May 30, 2012, Repsol spontaneously filed a motion to reverse the injunction.

Subsequently, through a relevant event published by YPF on June 1, 2012, Repsol became aware of a sentence handed down on May 14, 2012 which modified the abovementioned injunction substituting it with another according to which Repsol may not dispose of the funds it could receive as payment from the expropriation of the shares of YPF, S.A. that may be awarded by the National Appraisal Tribunal. The ruling rendered the previous injunction null and void, and therefore, the shareholders are permitted to freely exercise their inherent rights. On June 18, 2012, Repsol filed a subsidy appeal against the modification of the abovementioned injunction.

On June 25, 2012, Repsol received notification of the filed claim.

B) The United States of America

The Passaic River and Newark Bay lawsuit

This section discusses certain environmental contingencies as well as the sale by Maxus Energy Corporation ("Maxus") of its former chemicals subsidiary, Diamond Shamrock Chemical Company ("Chemicals") to a subsidiary of Occidental Petroleum Corporation ("Occidental"). Maxus agreed to indemnify Chemicals and Occidental for certain liabilities relating to the business and activities of Chemicals prior to the September 4, 1986, Closing Date, including certain environmental liabilities relating to certain chemical plants and waste disposal sites used by Chemicals prior to the Closing Date. In 1995, YPF acquired Maxus, and in 1999, Repsol acquired YPF.

In December 2005, the Department of Environmental Protection (DEP) and the New Jersey Spill Compensation Fund sued Repsol YPF S.A. (currently denominated Repsol S.A.), YPF S.A., YPF Holdings Inc., CLH Holdings Inc., Tierra Solutions Inc., Maxus Energy Corporation, as well as Occidental Chemical Corporation. In August 2010, the lawsuit was extended to YPF International S.A. and Maxus International Energy Company. This is a claim for damages in connection with the contamination allegedly emanating from the former facility of Diamond Shamrock Chemical Company in Newark and allegedly contaminating the Passaic River, Newark Bay, and other nearby water bodies and properties (the Passaic River/Newark Bay litigation).

In February 2009, Maxus and Tierra included another 300 companies in the suit (including certain municipalities) as third parties since they are potentially liable.

The DEP did not quantify damages in its claims but it did:

- a) maintain that the US\$50 million (€37 million) cap on damages under New Jersey legislation should not be applied;
- b) claim it had incurred approximately US\$113 million (€85 million) in costs in the past in cleanup and removal work and that it is looking for additional compensation of between US\$10 and US\$20 million (between €7 and €15 million) to finance a study to assess damages to the natural resources (Natural Resources Damages Assessment); and
- c) indicate that it is working on financial models outlining costs and other financial impacts, unknown at the time of the claims.

In October 2010, some of the defendants presented several motions to sever and stay, which would have had the effect of allowing the New Jersey DEP to take their case against the direct defendants. However, these motions were dismissed. Furthermore, other third parties presented motions to dismiss to be excluded from the proceedings. However, these motions were also dismissed in January 2011.

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

In accordance with the expected Trial Plan, the State and Occidental filed the corresponding motions (“*motions for summary judgment*”). On these motions, the Court ruled as follows: (i) Occidental is the *legal* successor of any liabilities incurred by the corporation previously known as Diamond Alkali Corporation, Diamond Shamrock Corporation and Diamond Shamrock Chemicals Company; (ii) the Court denied the State’s motion, without prejudice, insofar as it sought a ruling that factual findings made in the *Aetna* litigation should be binding in this case on Occidental and Maxus based on the doctrine of *collateral estoppel*; (iii) the Court ruled that Tierra has *Spill Act* liability to the State based merely on its current ownership of the Lister Avenue site; and (iv) the Court ruled that Maxus has an obligation under the 1986 *Stock Purchase Agreement* to indemnify Occidental for any *Spill Act* liability arising from contaminants discharged from the Lister Avenue site.

Subsequently, and in accordance with the Trial Plan, the State and Occidental presented new motions for summary judgment against Maxus. On May 21, 2012, the Court ruled the following on these motions: (i) Maxus could not respond as successor to Old Diamond Shamrock. In its findings, the Court determined Occidental as the true successor; however, it is open to a subsequent analysis of succession, if the existence of punitive damages is determined later in the process; (ii) the terms of the Indemnity Agreement between Maxus and Occidental cannot be reinterpreted, and therefore, as the State of New Jersey is not a party in the contract such Agreement, it may not claim indemnity directly from Maxus; and (iii) Maxus may be considered Tierra's alter ego. In order to reach this conclusion, the Court pointed out that to all effects and purposes, Tierra is a corporate shell designed to avoid historical responsibility. Accordingly, since Maxus is considered Tierra's alter ego, the Court determined Maxus as equally responsible as Tierra under the Spill Act.

Based on the best available information at the date of these interim financial statements, and considering the estimated time remaining for conclusion of the lawsuit and the results

of investigations and/or proof obtained, it is not possible to reasonably estimate the amount of the eventual liabilities arising from the lawsuit.

C) Ecuador

Complaint filed by Ecuador TLC (Petrobras)

On May 14, 2012, Ecuador TLC (Petrobras) filed with the International Centre for Dispute Resolution (ICDR), a claim against Repsol Ecuador S.A. (Ecuador Branch), Murphy Ecuador Ltd. (Amodaimi) and Canam Offshore Ltd, based on the following: (i) infringement of the Transportation Agreement between the plaintiff company and Murphy Ecuador Limited and Canam Offshore Ltd., for not comprising the total production; (ii) lack of compliance with payment of the tariff corresponding to said volume; and, (iii) disclosure of confidential information to Repsol related to the Oleoducto de Crudos Pesados pipeline. Ecuador TLC S.A. requested that the arbitrators: a) rule in its favor and order the payment in its favour of damages arising from the Transportation Agreement, including interest and attorney fees; b) grant emergency assistance considering that Murphy and Canam are jointly and severally responsible for all the amounts claimed by Ecuador TLC in this arbitration proceeding, and that Repsol is likewise fully responsible for all the amounts incurred by Canam according to the petition filed by Ecuador TLC in this arbitration proceeding; Murphy exercised its right to extend the Transportation Agreement deadline to December 2018, and is therefore liable for the related damages, including interest and attorney fees incurred from February 2012 through December 2018; and c) pay any additional general or specific expenses or assistance costs, in law and equity, to which Ecuador TLC is entitled. The claim would amount to approximately \$82 million (€65 million).

D) Procedures initiated as a consequence of the expropriation of the Group's YPF shares

On April 16, 2012, the Argentinean President announced the expropriation of 51% of YPF, S.A. Class D shares which were held by the Spanish company, Repsol. YPF, S.A. is Argentina's main oil company. Days later, the expropriation process was extended to 60% of Repsol's participation in the Argentinean Repsol YPF Gas, S.A., a butane and propane gas distribution company. This shareholding represents 51% of the share capital of Repsol YPF Gas, S.A. In addition, on April 16, 2012 the President ordered the intervention of YPF, S.A. and expelled by force the Directors and Members of the Management Committee, while the government took control of company management (530 and 557 Decrees). At the same time, an exceptional Law for the expropriation of YPF, S.A. and Repsol YPF Gas, S.A. shares held by the Repsol Group was passed in record time (21 days). Thus, the Argentinean State, via the National Executive Power, declared the aforementioned shares a public utility and subject to expropriation, while also temporarily seizing all the inherent rights associated with the shares held by Repsol and subject to expropriation without waiting for any court sentence, and without compensation for the value of the affected shares.

Said "temporary occupation" and the subsequent expropriation only affect YPF, S.A. and no other oil companies in Argentina. Furthermore, Repsol, with its 57.4% shareholding, is the only damaged shareholder of YPF, S.A. The same applies to Repsol YPF Gas, S.A.

Under the Agreement for the Reciprocal Promotion and Protection of Investments signed by Spain and Argentina in 1991, the Argentinean State agrees to protect investments made by investors from the other country, Spain (article III - Section 1), and not disrupt

the management, maintenance, and use of such investments through unjustified or discriminatory measures. The Agreement further guaranteed fair and equitable treatment of investments made by Spanish investors (IV-1), obliging the Argentinean State not to act in a discriminatory manner against Spanish investors in the case of nationalization or expropriation and to pay the expropriated investor adequate compensation in convertible currency (V) without any delay. In addition, the Agreement obliged the Argentinean State to concede the Spanish investors the most favorable regulations it had applied to other foreign investors (IV-2; VII).

In addition, the Argentinean Constitution establishes in article 17 that "*property is inviolable, and no inhabitant of the State can be deprived of it except by virtue of a sentence grounded in law. Expropriation for purposes of public utility must be qualified by law and compensated prior to the expropriation. [...]. No armed body may make requisitions, or demand assistance of any kind.*" Furthermore, article 20 states that "*Foreigners enjoy in the territory of the Nation all the civil rights of a citizen; they may engage in their industry, trade or profession, own, purchase or transfer real estate property [...].*"

What is more, in 1993, for the purpose of attracting foreign investors at the time of the privatization of YPF, articles 7 and 28 of the Statutes of YPF, published in the prospectus of YPF filed at the US *Securities and Exchange Commission* (SEC), established the obligation for the Argentinean State, and concomitant right for shareholders, to repurchase shares at a price set in the Statutes in the event of renationalization. In addition, the repurchase would have to be verified by a takeover bid tendered by the Argentinean State for 100% of share capital. Should this not occur, the YPF Statutes establish that the Argentinean State's interest in YPF cannot be counted for purposes of reaching a quorum in the shareholder meetings of YPF and that no voting or economic rights will accrue to the Argentinean State either.

Repsol considers the abovementioned expropriation process illegitimate and intends to take all corresponding and pertinent legal steps to defend its rights and interests as well as obtain full compensation for the grave damages suffered.

The most relevant legal steps taken are as follows:

1. *Dispute under the jurisdiction of the Agreement for the Reciprocal Promotion and Protection of Investments.*

On May 10, 2012, Repsol formally notified the President of the Argentinean Republic of a dispute and the start of a negotiation period for reaching an out-of-court settlement regarding the Agreement on the Reciprocal Promotion and Protection of Investments which took effect on September 28, 1992. This written notification was followed by another on May 28, 2012 in which Repsol invited the Argentinean government to initiate the negotiations foreseen in the Agreement. These letters were answered by the Procurator of the Argentinean Treasury presenting formal pretexts. Following the negotiation period, which should last at least 6 months, if the parties do not reach an agreement, the ICSID could be involved to settle the issue.

Repsol considers that it has solid legal arguments for its claims to be recognized and to be compensated by the Argentinean State.

2. Lawsuit claiming unconstitutionality of the intervention in YPF by the Argentinean government and the "temporary occupation" of rights over 51% of Class D YPF, S.A. shares held by Repsol.

On June 1, 2012 Repsol filed a lawsuit before the Argentinean Courts requesting the declaration of unconstitutionality: (i) of articles 13 and 14 of Law N° 26,741 (the "Expropriation Law") and any other regulation, resolution, act, investigation and/or action issued and/or performed under these regulations as being in clear violation of articles 14, 16, 17, 18, and 28 of the Argentinean Constitution; (ii) of NEP Decree N° 530/2012, NEP Decree N° 532/2012, and NEP Decree N° 732/2012 (taken together, the "Decrees"), and any other regulation, resolution, act, investigation and/or action issued and/or performed under the Decrees as standing in violation of articles 1, 14, 16, 17, 18, 28, 75, 99, and 109 of the Argentinean Constitution. Certain precautionary measures that were also requested were dismissed. The next stage with respect to this action is resolution of the conflict regarding competence, followed by the competent body ruling on the issue. With respect to the precautionary measures, the next stage is that the Appeals Chamber decide upon the appeal filed by Repsol against the first instance dismissal of the requested precautionary measures.

Repsol considers it has solid arguments for the Buenos Aires courts to rule the intervention and temporary occupation of YPF unconstitutional.

3. "Class Action Complaint" filed before the New York Southern District Court regarding the Argentinean State's failure to comply with its obligation to launch a tender offer for YPF shares before taking control of the company.

On May 15, 2012, Repsol and Texas Yale Capital Corp filed a *class action complaint* in the South District of New York (in defense of interests of holders of Class D YPF shares, excluding those shares subject to expropriation by the Argentinean State). The purpose of the lawsuit is: (i) to establish the obligation of the Argentinean State to launch a tender offer for Class D shares on the terms defined in the YPF Statutes, (ii) to declare that the shares seized without the tender offer are void of voting and economic rights; (iii) to order the Argentinean State to refrain from exercising voting or economic rights on the seized shares until it launches a tender offer; and (iv) that the Argentinean State indemnify the damages caused by failure to comply with its obligation to launch a tender offer (the damages claimed have not been quantified yet in the Proceedings).

This lawsuit against the Argentinean State is currently in the notification stage.

Repsol considers that it has solid arguments for the recognition of its corresponding rights to the YPF shares that have not been expropriated.

4. Lawsuit filed with the New York Southern District Court for the failure of YPF to present form 13D as obliged by the Securities and Exchange Commission (SEC) due to intervention by the Argentinean State.

On May 12, 2012 Repsol filed a lawsuit with the New York Southern District Court requesting that the Argentinean State be ordered to comply with its reporting requirements in conformity with section 13 (d) of the U.S. *Securities Exchange Act*. This section requires that whoever acquires direct or indirect control over more than 5% of a share class in a company listed in the USA, report certain information (through a 13D form) including the number of shares controlled; the source and amount of funds to be used for the acquisition of these shares; information on any contracts, agreements, or

understandings with any third party regarding the shares of the company in question; and the business and governance plans the controlling entity has with respect to this company.

This lawsuit against the Argentinean State is currently in the notification stage.

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, the financial statements at June 30, 2012 recognize a provision of €54 million (Note 3 *section a) Expropriation of YPF, S.A. and Repsol YPF Gas, S.A. shares held by the Repsol Group*).

The Group has granted financial collateral guarantees, regulated by Royal Decree Law 5/2002, in the form of Gas Natural SDG shares owned by the Repsol Group, in connection with the financing received from various financial entities as described in the section on *Financial liabilities* in Note 6 and in Note 14 *Subsequent Events*.

(11) AVERAGE HEADCOUNT

The average employee headcount at June 30, 2012 and 2011 was:

	<u>06/30/2012</u>	<u>06/30/2011</u>
AVERAGE HEADCOUNT		
Men	20,925	33,717
Women	9,196	12,354
	<u>30,121</u>	<u>46,071</u>

The headcount at June 30, 2011 included employees from YPF and Repsol YPF Gas's companies, which totaled 12,926 men and 3,626 women.

(12) COMPENSATIONS

A) Directors' and executives' compensation

During the first half of 2012, the Board of Directors has being integrated by fifteen directors (two Executive Directors, five Institutional External Directors and eight Independent External Directors). A total of ten people were members of the Group's Executive Committee at some point 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 2012 to Board Members and executives who at some point, belonged to the Group's Executive Committee. For comparative purposes 2011 data is included, with similar criteria.

DIRECTORS:

Compensation:	Thousands of euros	
	06/30/2012	06/30/2011
Fixed compensation	1,936	1,982
Variable compensation (a)	1,538	5,941
Bylaw stipulated remunerations	2,406	2,509
Others (b)	29	28
TOTAL	5,909	10,460

EXECUTIVES: (c)

	Thousands of euros	
	06/30/2012	06/30/2011
Total compensation received by executives (a) (b)	5,669	11,394

- (a) The variable compensation corresponding to the first six months of 2011 includes a one-off bonus associated to 2010 profits, which was accrued and paid in full in the first half of 2011.
- (b) In-kind benefits and contributions to life insurance and pension plans include the corresponding tax payments on account.
- (c) The composition and number of members of the Executive Committee varied between 2011 and 2012.

In the first half of 2012 the accrued cost of the retirement, disability, and death insurance policies for Board members, including the corresponding tax payments on account, amounts to €184 thousand (€159 thousand in the first half of the previous year); and the contributions to pension plans and long-service bonuses amounts to €1,347 thousand (€1,325 thousand for the same period in the previous year).

The contributions made by the Group in the first half of 2012 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 €977 thousand (€1,012 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 2012 of Repsol, S.A.'s share-based payment scheme approved at the Ordinary General Meeting, and included in the 2011 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, 2012, 187 employees and executives took part in the Second Cycle of the Plan (2012-2015), having acquired a total of 294,689 shares representing 0.023% of the share capital recognized at June 30, 2012, with an average price of €12.2640 per share. The Group is committed to delivering 98,161 shares (representative of 0.008% of share capital) to those employees who fulfill the Plan requirements after the three-year vesting period ends.

During this Second Cycle, the current Board members had acquired a total of 131,395 shares. Considering the total number of shares acquired during the First Cycle, which amounted to 79,611 shares, Repsol would be committed to delivering 26,534 shares once the First Cycle's vesting period ends, and 43,795 shares when the second would

be finished. This commitment is subject to the compliance with the remaining Plan requirements.

At June 30, 2012, has been recognized expenses totaling €0.24 million under “*Personnel expenses*” with a counterbalancing entry under “*Retained earnings and other reserves*” in equity related to the First and Second Cycles.

ii.) “*2011-2012 Share Acquisition Plan*”

During the first half of 2012, and in accordance with in the information included in Note 4, section d) “*Equity - 2. Treasury shares*” the Group has purchased 264,398 treasury shares for €4.4 million, to be delivered to Group employees. These shares represented 0.021% of the shares issued by Repsol, S.A. at June 30, 2012.

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.

At the Ordinary General Shareholders Meeting held on May 31, 2012, the 2013-2015 Share Acquisition Plan was approved to cover Repsol Group management and other employees in Spain who voluntarily choose to participate. According to the Plan, beneficiaries may receive part of the compensation corresponding to all or any of 2013, 2014, and 2015 in Repsol shares, with a yearly limit equivalent to a maximum equivalent monetary amount established by tax legislation prevailing each of the years and for each territory, which is not subject to personal income tax withholdings. These shares will be valued at the closing price of the Repsol shares on the continuous market (SIBE) of the Spanish stock exchanges on the date they are delivered to the beneficiaries.

(13) OTHER INFORMATION

On February 28, 2012, Repsol, S.A. and Petróleos Mexicanos (“Pemex”) communicated their respective Boards’ approval of a strategic industrial alliance, which will allow to generate profits in the short and medium term and achieve positive synergies for both companies, and is to last 10 years. The Alliance covers the Upstream and LNG business areas in America, and the Downstream business area in America, Spain, and Portugal, as well as cooperation in joint training programs. Repsol or Pemex will respectively evaluate the business and cooperation opportunities that arise in the course of the Alliance. The constitutional and legal framework regulating the hydrocarbons sector in Mexico allows Pemex to count on Repsol as an ally, as per the Alliance, for evaluation and promotion of business opportunities that may be of mutual interest.

Pemex has ratified its commitment to stability and will not increase its interest in Repsol beyond 10% or reduce it to below 5%. Notwithstanding the above, after one year has elapsed from the Alliance signature date, Pemex can reduce its interest to below 5%. Should this occur, Repsol could dissolve the Alliance.

(14) SUBSEQUENT EVENTS

Repsol has reached an agreement with a consortium of Chilean investors for the sale of 100% of its subsidiary Repsol Butano Chile subsidiary for an approximate amount of \$540 million. Aside from other financial assets, Repsol Butano Chile owns a 45% stake in Lipigas, an LPG commercialization company in the Chilean market. The finalization of this transaction is contingent upon fulfilling the usual conditions for this type of transaction. At June 30, 2012, the assets and liabilities of companies that are going to be

sold were classified under *Non-current assets and liabilities held for sale* in the consolidated balance sheet (See Note 4.c).

A €250 million financing transaction via derivative instruments, maturing in 12 months, was implemented in July 2012. This transaction is independent of the two that were closed in June 2012, described in Note 6, section (b) *Financial Liabilities*. This third transaction is also accompanied by financial collateral guarantees regulated by Royal Decree Law 5/2005. Thus, at the date of preparation of the accompanying interim condensed consolidated financial statements the aforementioned guarantee is in the form of 104,762,387 Gas Natural SDG, S.A. pledged shares owned by Repsol, corresponding to 10.47% of said entity's share capital. The abovementioned transactions do not imply transfer of ownership with respect to the Gas Natural SDG, S.A. shares, retaining Repsol the inherent voting and economic rights.

(15) 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. Consequently, certain accounting practices applied by the Group may not conform with other generally accepted accounting principles.

APPENDIX 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)		% of voting rights acquired (2)	% of total voting rights acquired in the entity post - acquisition
			Consideration (net) paid + other costs directly attributable to the business combination	Fair value of the equity instruments issued to acquire the acquiree		
Capital Telecom Honduras, S.A. (1)	Acquisition	feb-12			100.0%	100.0%
Distribuidora de Electricidad del Norte, S.A. (1)	Acquisition	feb-12	2	-	11.4%	83.7%
Distribuidora de Electricidad del Sur, S.A. (1)	Acquisition	feb-12	0	-	10.0%	83.7%
Energías Especiales de Extremadura, S.A. (1)	Acquisition	mar-12	2	-	20.6%	99.0%
U.F. Telecomunicación El Salvador, S.A. de C.V. (1)	Acquisition	mar-12	-	-	100.0%	100.0%
Fenosa Wind, S.L. (1)	Acquisition	apr-12	-	-	15.0%	100.0%
Repsol Comercial de Productos Petrolíferos S.A.	Increase shareholding	may-12	-	-	0.0%	99.8%
Repsol Trading USA Corporation	Incorporation	jun-12	-	-	100.0%	100.0%
Windplus, S.A.	Acquisition	jun-12	4	-	31.0%	31.0%

(1) Investments held through Gas Natural Fenosa.

(2) Corresponds to the equity shareholding in the acquired company.

b) *Reduction in interests in subsidiaries, joint ventures and/or associates and other similar transactions (1)*

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)
Transnatural, SRL de CV (2)	Disposal	jan-12	50.00%	-	(1)
GEM Suministro de Gas, 3, S.L (2)	Disposal	feb-12	100.00%	-	6
GEM Suministro de Gas SUR 3, S.L (2)	Disposal	feb-12	100.00%	-	-
Eólica de Cordales, S.L.U. (2)	Disposal	apr-12	100.00%	-	-
Eólica de Cordales Bis, S.L.U. (2)	Disposal	apr-12	100.00%	-	-
Gas Natural International, Ltd. (2)	Liquidation	apr-12	100.00%	-	-
Eólicos Singulares 2005, S.A. (2)	Liquidation	may-12	49.00%	-	-
Andaluza de Energía Solar Cuarta, S.L. (2)	Liquidation	jun-12	76.00%	-	-
Zao Eurotek-Yamal	Disposal	may-12	100.00%	-	-
OOO Eurotek-ND	Disposal	may-12	100.00%	-	-

- (1) In this section is not included YPF or Repsol YPF Gas or the companies of their respective groups, which are no longer considered group companies (Note 3 *Expropriation of Repsol Group shares in YPF, S.A. and Repsol YPF Gas, S.A.*).
- (2) Investments held through Gas Natural.
- (3) Corresponds to recognized pre-tax profit.

Repsol, S.A. and Investees composing the Repsol Group

Interim management report for the six-month period ended 30 June 2012

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish language version prevails.

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GENERAL AND ECONOMIC-FINANCIAL INFORMATION

MACROECONOMIC ENVIRONMENT

Since the end of 2011, the world economy has experienced a slowdown in growth that for the most part has been linked to problems caused by the debt crisis in the Euro Zone. The financial costs of restructuring Greek debt and the threat of Greece leaving the single currency have deepened the Euro Zone crisis, putting further pressure on Spanish and Italian bond yields that is unsustainable in the long-term and pushing the region into recession for the second time in four years.

With the resulting fall in external demand and loss of global financial stability, this slide back into recession has had a negative effect on prospects for growth in other parts of the world. Over the course of 2012, growth rates have slowed and there has been a significant deterioration in consumer and business confidence indicators in countries from the USA to China.

The threat to global economic recovery has prompted major economies to implement new fiscal and monetary stimulus measures to encourage growth, where it has been possible to do so. The countries of the European Union have also been forced to accelerate their political, economic, banking and fiscal integration, surrendering elements of their sovereignty in order to contain systemic risk. New treaties, such as the Treaty Establishing the European Stability Mechanism and the Fiscal Compact, have emerged to complement the European institutional framework.

The Spanish economy played a central role in the Euro Zone crisis in the first half of the year. Heightened tensions in the markets – which had been very intense since the summer of 2011- and its direct implications for access to external sources of finance for public and private institutions increased the need for action by European authorities, given the possible contagion of the crisis to other member states.

In terms of activity, in the first quarter of 2012 Spanish GDP bore witness to the slowdown in Europe and the loss of confidence among foreign investors, falling 0.3% for the second consecutive quarter. The employment market continued to weaken, with the social security system losing 500,000 contributors with respect to the first half of 2011. Meanwhile, the loss of dynamism in economic activity and its repercussions on

tax revenues, together with the increase in the cost of sovereign debt, could see further adjustments to the accounts of the Government Departments to bring the budget deficit down as much as possible to the target for this year (-5.3% of GDP), but reducing the capacity for growth in the short and medium term.

In this regard, on 28 and 29 June the European Council of Heads of State and Government put a growth pact on the table, with plans for investment and short-term measures to reduce pressure on Spain and Italy. This Council authorised: (i) the direct recapitalisation of the banking sector using European funds; (ii) the absence of priority in the receipt of assistance channelled through the State; and (iii) the purchase by European stability mechanisms of government debt of countries whose risk premium is under pressure.

One of the positive consequences of the economic slowdown has been a reduction in inflationary pressures. Prices for raw materials, the changes in which are related to world economic growth, fell together with other risky investments. The CRB Raw Materials Index shows a negative trend that began in May 2011, and continued in the first half of 2012. Despite this fall, however, prices of raw materials remain at historic highs, near the all-time highs seen in 2008.

The European crisis has had important repercussions for countries such as the United States and China, which are key to global production of, and demand for, commodities. To the list of problems currently experienced by the United States as it attempts to reduce unemployment can be added the effect of the uncertainty created by the European crisis on US consumer confidence. In China, lower growth expectations can be explained to a large extent by a fall in its trade surplus as a result of a fall in exports, in particular to Europe.

Movements in oil prices in the first half of 2012 were marked by two clear trends. The first of these was an upward profile during the first two months of the year, which saw the price of Brent crude rise from \$109 per barrel at the end of 2011 to \$129.93 at the beginning of March. This was followed by a sharp correction, with the Price of Brent crude falling to a low of \$88.95 on 25 June. This abrupt fall of more than \$40 from the highest to the lowest price for the year (-32%) was closely related to the sharp increase in aversion to risk and a perception of a more pronounced slowdown in global economic activity. Nevertheless, at the end of June the price of Brent crude bucked this downward trend and recovered some of its losses for the quarter, rising to \$94.41,

following the meeting of European leaders and as a consequence of other geopolitical factors, such as the worsening situation in Iran and a strike by oil workers in the North Sea. Since then, oil prices have been on a downward trend due to geopolitical complications in Iran and Syria and an expectation of new monetary stimuli in the USA and China. In July, oil prices have recovered half of the losses recorded in the second quarter, rising to around \$106 per barrel at the date of this report.

2012-2016 STRATEGIC PLAN

Repsol has consolidated in the last few years its growth strategy which has enabled to develop new business areas, diversify its assets portfolio as well as incorporate key projects that currently support its positioning in the global energy sector.

After the publication of the Law by which shares held by Repsol Group in YPF, S.A. and in Repsol YPF Gas, S.A. are subject to expropriation (see section “Expropriation of the Repsol Group shares in YPF, S.A. and Repsol YPF Gas, S.A.”) Repsol presented on 29 May 2012 through the corresponding “relevant event”, the 2012-2016 Strategic Plan of the Repsol Group, based on the following strategy lines:

Strategy lines

The strategy of Repsol Group is based on four pillars:

- 1) Growth of Upstream area
- 2) Maximize return on capital Downstream and LNG (Liquefied Natural Gas)
- 3) Financial strength
- 4) Competitive shareholder compensation

- 1) Growth of Upstream area (Exploration and Production)

Exploration and Production area is the pillar of Repsol growth engine, with investments focused on the exploration and on 10 key projects, including some of the biggest exploratory successes obtained by Repsol in the recent years.

Repsol will focus its activity in these 10 projects in Brazil, USA, Russia, Spain, Venezuela, Peru, Bolivia and Algeria.

2) Maximize return on capital Downstream and LNG

The Downstream area (Refining, Marketing, Chemistry, and LPG) has become a cash generating business, following the completion, now operative, of enlargement of the refineries of Cartagena and Petronor in Bilbao which increased both the conversion capacity and the Repsol operative efficiency.

In addition, Repsol liquefied natural gas (LNG) business will take advantage of the integration across the entire value chain to maximize the profitability of Repsol portfolio in the Atlantic and Pacific basins.

3) Financial strength

Repsol financial position and the divestments of non-core assets will enable the company to self-finance the investments envisaged in the 2012-2016 Strategic Plan.

4) Competitive shareholder compensation

Last of Repsol strategic pillars is to establish a competitive shareholder compensation policy.

NEW ORGANIZATIONAL STRUCTURE

Also on 29 May 2012, the new organizational structure was presented with the aim of boosting the development of the 2012-2016 Strategic Plan with the focus on their vision for the future. The Board of Directors of Repsol approved the proposal of the President for a new organizational structure which reinforces both the corporate area and the business area.

To facilitate growth of the businesses, Repsol has concentrated its management in the Business General Direction (COO). In order to promote the active development of the Company's Strategy, based on the anticipation of opportunities, business management

and the growth of technology as a transformational engine the company has created a General Direction for Strategy and Control.

EXPROPRIATION OF THE REPSOL GROUP SHARES IN YPF, S.A. AND REPSOL YPF GAS, S.A.

On 16 April, the government of Argentina began proceedings for the expropriation of YPF to Repsol Group. That day, it decreed the intervention of the company, appointing an intervenor with all of the powers of its Board of Directors. This intervenor immediately assumed control of management.

After a fast passage through Congress, Law 26,741, which declares the 51% of Class D shares in YPF, S.A. and the 51% of shares in Repsol YPF Gas, S.A. owned by Repsol Group of public utility and subject to expropriation, entered into force on 7 May. Since that date, the Argentinean government has had the authority to exercise the rights conferred by the shares to be expropriated without any prior compensation.

From that point onwards, the appropriate expropriation process should be set in motion. In accordance with Argentine Expropriation Law, a fair and adequate compensation should be established –if necessary by a court ruling – and paid prior to the occupation and acquisition of the expropriated assets.

Repsol considers the expropriation to be clearly illicit and gravely discriminatory (it only affects one Argentinean oil company and one of its shareholders, Repsol) and it also views that the entire transaction blatantly fails to comply with Argentina's obligations in the privatization process of YPF.

For this reason, Repsol is determined to exercise all of its rights and courses of action open to it to preserve the value of all of its assets and the interests of its shareholders. Specifically, Repsol has begun legal proceedings (i) based on the "Agreement between the Argentinean Republic and the Kingdom of Spain on the Reciprocal Promotion and Protection of Investments", (ii) based on the unconstitutional nature of the YPF intervention, and the temporary occupation of shares subject to expropriation; and (iii) based on the Argentinean Government's lack of performance of the obligation to launch a Tender Offer for the YPF shares prior to taking control over the company.

Repsol is confident that such a flagrant violation of the most fundamental principles of legal certainty and respect for business done in good faith will not be ignored by the international investment community, and will receive the appropriate response from the courts and bodies for the settlement of international disputes.

The financial impact of these events is reflected in the financial statements of the Group for the first half of 2012. Repsol has lost control of the management of YPF and Repsol YPF Gas; therefore, it must deconsolidate these shareholdings, effective as at 16 April. This will involve:

- a) Derecognise all relevant assets, liabilities, and minority interests, as well as translation differences as appropriate.

The net amount of this derecognition is €4,779 million, of which, €4,720 million relates to YPF, and the others to Repsol YPF Gas. This amount includes €605 million regarding to accumulated translation differences in net equity in the Group's ownership interest in YPF and Repsol YPF Gas generated until loss of control.

- b) Revalue other assets and liabilities related to investments in YPF which have been affected by the change in control and the expropriation process. This includes the loans and guarantees granted for the Petersen Group's financing of the acquisition of its ownership interest in YPF.

The net value derecognised from the Repsol balance sheet as a result of the expropriation stands at €1,402 million, and is equal to the provision registered for the loan granted by Repsol that is not covered by a pledge of shares (5.38% of share capital of YPF). Meanwhile, provisions totalling €54 million have been recognised to cover the maximum liabilities undertaken by Repsol, as guarantor of Petersen, less the value of the shares pledged as a counter-guarantee (0.56% of share capital of YPF). The Group does not consider that these events will lead to other consequences for Repsol arising from the execution of the contracts with the Petersen Group.

- c) Recognise the shareholding of Repsol Group in YPF and Repsol YPF Gas as a financial investment (shares), from the shares subject to expropriation (which still belong to the Group) and the remaining shares owned by Repsol Group

(51% subject to expropriation of both companies and 6.43% and 33.997% with respect to YPF and Repsol YPF Gas, respectively, in other shares at the end of the period).

These shares have been recognised for accounting purposes according to their fair or realisable value.

In the case of YPF shares not subject to expropriation, fair value will be the official price at which these shares are traded in the market.

In the case of YPF shares that are subject to expropriation and cannot be traded in the share market, the fair value will be the value that the Group can expect to recover as a result of the expropriation process. This will require an estimate of the compensation the Argentinean Government will pay Repsol.

The price or compensation paid for the expropriation of the shares must be set as a function of the market value of the expropriated shareholding prior to expropriation, also considering the right of Repsol to apply the judgment specifically provided for in the YPF bylaws (articles 7 and 28) for the valuation of shares in the event of a change in control. In view of its legal force and objectivity, this provision constitutes a clear point of reference for estimating the minimum level of compensation to be received by Repsol. Using this reference, 100% of YPF would be valued in the worst-case scenario at not less than \$18,300 million.

However, the Group must bear in mind the risks and uncertainties inherent in valuation, which are inevitable when estimates must be made, for accounting purposes, regarding future events, particularly when such events are beyond Repsol's control. Consequently, the company has applied prudent criteria when recognizing the shares subject to expropriation, to avoid a situation in which a higher valuation would require initial recognition of net profit from the expropriation process, which at this time is still of a contingent nature.

For the reasons stated above, Repsol Group's shares in YPF (51% subject to expropriation and 6.43% in other shares) have been initially valued at €5,623 million. Its shares in Repsol YPF Gas have been valued at €50 million.

Any amendment to the hypotheses considered reasonable in jurisdictional processes and the valuation of the rights expropriated could result in positive or negative changes in the amount which the shares in YPF, S.A. and Repsol YPF Gas, S.A. have been recognized and, therefore, could have an impact on the Group's financial statements.

- d) Registration of a deferred tax asset amounting to €524 million from tax impacts of the aforementioned operations.

The net effect recognized in the Group's income statement as a result of all the effects in connection with the expropriation process, amounts to a €38 million loss net of tax, recognized under "Net income after tax for the period from discontinued operations."

In accordance with International Financial Reporting Standards (IFRS), YPF and Repsol YPF Gas activities are considered discontinued operations and the results arising from these activities until the loss of control by Repsol, as well as results arising from the valuation of assets and liabilities related to the expropriation, have been recognised in discontinued operations sections of the income statement of Repsol as at 30 June 2012 and 2011.

The table below contains certain aggregates of Repsol Group from the financial statements of 30 June 2011 which, pursuant to IFRS 5, "Non-current assets held for sale and discontinued operations" must have been restated to classify operations related to the expropriation at discontinued activities:

Repsol Group (according to IFRS)	(€ million)	
	Consolidated Group (restated) 30/06/2011	Consolidated Group Stated in 2011 30/06/2011
EBITDA (*)	3,089	4,473
Operating income (*)	2,109	2,722
Consolidated net income for the interim period from discontinued operations	371	--

(*) Related to continued operations

Note 3.a) of interim condensed consolidated financial statements *Expropriation of the Repsol Group shares in YPF, S.A. and Repsol YPF Gas, S.A.* contain additional information on the expropriation process in YPF and Repsol YPF Gas.

As at 31 December 2011, YPF had proven reserves of 1,013 million barrels of oil equivalent (585 million barrels of liquids and 2,399 billion cubic feet of gas), which represented 46% of proven reserves of the consolidated Group at this date. Since the loss of control by Repsol, said volumes do not constitute part of Repsol Group's proven reserves. Meanwhile, YPF production reached 181 million barrels of oil equivalent (100 million barrels of liquids and 453 billion cubic feet of natural gas) in 2011, which represented 62% of total production of the Group that year.

RESULTS

Operating income from continued operations in the first half of 2012 stood at €1,966 million, which represents a decrease of 6.8% on the first half of 2011 (€2,109 million). This difference is mainly due to the impact of the prices of the crude oil and the oil products on the inventories of the downstream unit which enabled earnings to be obtained in 2011 that have not continued in 2012. Without taking into account this effect, all the divisions show better results in 2012, specially Upstream and LNG, affected fundamentally by the resumption of the activity in Lybia and the improvement of volumes and margins, respectively, managing to compensate the decrease of the result associated with the fall of volumes and margins of the chemical business and, in minor measure, the sales in the marketing Europe business as consequence of the economic crisis.

Nevertheless, a notable improvement of the EBITDA for continued operations has taken place, which it reached €3,331 million in the first half of 2012, opposite to €3,089 million in the first half of 2011.

Repsol net income from continued operations attributable to the parent in the first half of 2012 ascended to €903 million, 14.6% lower than the amount in the same period of 2011.

The total net income attributable to the parent in the first half of 2012 amounted to €1,036 million, 22.9% lower than the first half of 2011. This result includes the income attributed to the discontinued operations, derived from YPF's operations and related investments, which was €133 million in the first half of 2012, opposite to €287 million in the first half of 2011.

The results of the Repsol Group during the first six months of 2012 and 2011 were as follows:

Figures in million euros

	JANUARY-JUNE		
	2012	2011 (*)	% variation
Upstream	1,144	806	41.9
LNG	237	168	41.1
Downstream	277	744	(62.8)
Gas Natural Fenosa	475	512	(7.2)
Corporate	(167)	(121)	(38.0)
Operating income	1,966	2,109	(6.8)
Financial result	(433)	(374)	(15.8)
Share of results of companies accounted for using the equity method-net of tax	66	33	100.0
Net income before tax	1,599	1,768	(9.6)
Income tax	(674)	(645)	(4.5)
Net income for the period from continuing operations	925	1,123	(17.6)
Net income for the period from continuing operations attributable to minority interests	(22)	(66)	66.7
Net income for the period from continuing operations attributable to the parent	903	1,057	(14.6)
Net income for the period from discontinued operations after taxes	242	371	(34.8)
Net income for the period from discontinued operations attributable to minority interests	(109)	(84)	(29.8)
Net income for the period from discontinued operations attributable to the parent	133	287	(53.7)
TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT	1,036	1,344	(22.9)

(*) It includes the necessary modifications with respect to the results corresponding to the period of six months finished on June 30, 2011 included in the interim management report, in relation with the expropriation process of YPF and Repsol YPF Gas, in accordance with the contents of the caption "Expropriation of the Repsol Group shares in YPF, S.A. and Repsol YPF Gas, S.A."

The main year-on-year differences are shown bellow:

UPSTREAM

Operating income in the first six months of 2012 totaled €1,144 million, 42% more than in the same year-ago quarter, due to greater production volumes, particularly in liquids, principally for the resumption of the activity in Lybia after the suspension between March and October 2011, higher oil and gas realization prices in the period (better performance than the international Brent and HH benchmarks), and the positive effect of the revaluation of the dollar against the euro.

Production in the first half of 2012 (322 Kboepd) was 4% higher than in the same period in 2011 (310 Kboepd) thanks mainly to the resumption of production in Libya after the suspension in March 2011 and increased production in the United States as a result of the development wells drilled after the drilling moratorium was lifted.

In the first half of the year, operating investments in this area amounted to 1,109 M€. Investments in development represented 54% of the total and were mainly spent in the USA (36%), Trinidad and Tobago (15%), Brazil (12%), Venezuela (10%), Bolivia (9%) and Peru (9%). Investments in exploration accounted for 24% of the total and were mainly made in the USA (43%), Brazil (14%), Peru (8%) and Sierra Leona (7%).

LNG

Operating income totalled €237 million in the first half of 2012, representing a substantial increase on the €168 million posted for the same period in 2011.

This increase is mainly due to higher LNG marketing margins and for the positive effect of the revaluation of the dollar.

In the first six months, operating investments in the LNG area stood at €17 million. In 2011 investments reached €7 million.

DOWNSTREAM

Operating income for the first half of 2012 was €227 million, down 63% on the €744 million for the same period in 2011. The most outstanding factors of these results are the impact of the evolution of the prices of the crude oil and the oil products on the

inventories, the lower margins and volumes in the chemical business and the lower Marketing Europe sales volume, as consequence of the economic crisis.

Operating investments in the Downstream during the first half of the year amounted to €295 million against €652 million than in the equivalent year-ago, mainly as a result of the completion of the enlargement and conversion projects in Cartagena refinery and the fuel oil reduction unit in Bilbao.

GAS NATURAL FENOSA

Operating income for the first half of 2012 was €475 million, compared with €512 million for the same period the previous year. Isolating the gain for the sale of points of gas supply in Madrid registered in 2011, this growth was mainly driven by wider marketing margins for wholesale gas sales and at Unión Fenosa Gas which partially offset the impact of the earnings performance of the power business following the enactment of Royal Decree-Law 13/2012 (implementing measures to correct the tariff deficit) and the effect of the divestments made in 2011 (gas distribution assets in Madrid and power distribution in Guatemala).

The operating investments accumulated during the semester have been €185 million. Material investments were mainly earmarked for Gas and Power Distribution activities in Spain and in Latin America.

CORPORATE

This section includes corporate operating costs and activities not attributable to operating areas, as well as inter-segment consolidation adjustments. A loss of €167 million was posted in 2012, against the €121 million in net expenses incurred in 2011.

FINANCIAL RESULT

Financial expenses for the first half of 2012 were €433 million, representing an increase in net expenditure of €59 million compared with the same period in the previous year, owed principally to the increase of the interest expenses.

The principal concepts included are the following:

Figures in million euros

	JANUARY-JUNE	
	2012	2011
Net interest expenses (including preference shares)	(325)	(260)
Hedging positions (income/expense)	8	(24)
Update of provisions	(30)	(45)
Capitalised interests	36	67
Other financial income/expenses	(122)	(112)
Total	(433)	(374)

INCOME TAX

The effective tax rate for the first half of 2012 applicable to continuing operations was estimated at 44%, which is over the estimate for the same period of the previous year (37.2%); this is mainly due to increased profits in areas with higher tax burdens, such as Upstream businesses, and especially the Libyan operation.

INCOME FROM DISCONTINUED OPERATIONS

Income from discontinued operations recognizes the results of consolidating the operations of YPF, Repsol YPF Gas, and their Group companies up to the moment of losing control (see section "Expropriation of the Repsol Group shares in YPF, S.A. and Repsol YPF Gas, S.A." and the note 3 of the interim condensed consolidated financial statements corresponding to the first half of 2012) and the effects registered by the valuation of assets and liabilities related to the expropriation process. The above mentioned result has amounted to €133 million in the first half of 2012 and to €287 million in the first half of 2011.

FINANCIAL OVERVIEW

At the end of the first half of 2012, the net financial debt of the consolidated Group stood at €9,960 million, down from €11,663 million at the end of 2011. The net debt figure for

the end of December 2011 included debts of YPF and Repsol YPF Gas totalling €1,939 million. Excluding these debts, total net debt of the Group as at said date would have been €9,724 million; thus, the net debt of the consolidated Group as at 30 June 2012 would have been €236 million higher than six months earlier. Debt levels during the period were affected by the loan of €1,402 million extended to the Petersen group for the acquisition of YPF (see *Expropriation of the Repsol Group shares in YPF, S.A. and Repsol YPF Gas* and Note 3 to the interim condensed consolidated financial statements for the first half of 2012).

Consolidated Group net debt to capital employed ratio stood at 24.5% as of first half 2012, 32.4% including preference shares. Excluding capital employed from discontinued operations these ratios would have stood at 28.6% and 37.9%, respectively.

The variation of the Consolidated Group's net debt during the first half of 2012 as well as the causes thereof are as follows:

Figures in million euros

Net debt at the beginning of the period	11,663
Elimination of YPF and RYPF Gas net debt at 31.12.11	(1,939)
Net debt at 31.12.2011 without YPF and RYPF Gas	9,724
EBITDA	(3,331)
Variation in trade working capital	139
Investments ⁽¹⁾	1,854
Divestments ⁽¹⁾	(200)
Dividends paid	685
Treasury stock transactions	(1,313)
Currency translation differences	(109)
Taxes paid	637
Interest and other movements	508
Associated effects to Petersen's loans ⁽²⁾	1,366
Net debt at 30.06.2012	9,960

(1) In the period January-June 2012, there are financial investments amounting to €9 million as well as financial divestments amounting to €195 million that do not appear in this table.

(2) Includes a €1,402 million provision.

EBITDA amounted to €3,331 million and made it possible to cover investments,

the slight increase on working capital, tax paid and interest of the period.

On 30 June 2012, Repsol financial net debt excluding Gas Natural Fenosa amounted to €5,170 million. This figure is only €334 million higher in comparison to debt reported at year-end 2011 excluding Gas Natural Fenosa and YPF despite it includes the impact of the provision regarding to the loan granted to Petersen Group. Including preference shares, financial net debt as of 30 June 2012 amounted to €8,203 million, €367 million higher than 2011 year-end figure, taking into account this standard.

On 30 June 2012, Consolidated Group net debt to capital employed ratio excluding Gas Natural Fenosa stood at 14.7%. The same ratio stood at 23.3% considering preference shares. If capital employed from discontinued operations were not considered, these ratios would have stood at 17.6% and 27.9%, respectively.

It is worth noting the placement among professional and qualified investors of 61,043,173 of its treasury shares in January 2012, representing 5% of Repsol share capital at a price of €22.35 per share for a total amount of €1,364 million (see note 4 in the interim condensed consolidated financial statements). These shares were part of the own shares acquired on 20 December 2011.

The main financing activities carried out by Repsol in the period are the following:

- On 29 January 2012, the Group, through Repsol International Finance, B.V made a €750 million 7 year and 1 month bond issue at a fixed interest rate of 4.875%. The emission price was 99.937%, which is equivalent to mid swap +292 basis points. These bonds are listed on the Luxemburg Stock Exchange.
- On 7 February 2012, the Group, through Repsol International Finance, B.V. made another bond issuance amounting to €250 million. The fixed interest rate was 4.875% and the emission price was 103.166%, which is equivalent to mid swap +241.5 basis points. This issue together with the aforementioned issue, guaranteed by Repsol, S.A. were consolidated in the same serie, amounting to €1,000 million.
- A €1,000 million financing transactions via derivative instruments, maturing in 12 months, was implemented between June and July 2012. Regarding to

the payment obligations of these derivative instruments, the Group has granted collateral guarantees, regulated by Royal Decree Law 5/2005, in the form of 104,762,387 Gas Natural SDG pledged shares held by Repsol Group representing 10.47% of said entity's share capital. The abovementioned transactions do not imply transfer of ownership with respect to the Gas Natural SDG, S.A. shares, retaining Repsol the inherent voting and economic rights. On 30 June 2012 the operations, which were registered in the caption "Bank borrowings" within the section "Bank borrowings, bonds, and other securities" in Group's balance sheet, amounted to €750 million. These operations implied guarantee for 78,135,484 shares, representing 7.81% of Gas Natural SDG share capital.

Regarding to Repsol credit rating, in the last months rating agencies Fitch, Standard & Poor's and Moody's Investors Service have announced downgrades of Repsol credit rating. Latest reviews by these agencies are detailed in section "Risk factors. Credit rating risk" in this interim management report.

RISK FACTORS

The earnings and operations of Repsol are subject to risks as a result of changes in competitive, economic, political, legal, regulatory, social, industrial, business and financial conditions.

The risks faced by the Group in the second half of 2012 are fundamentally the same as those detailed in the management report accompanying the financial statements for 2011. This information should therefore be read in conjunction with the description of the risk factors included in the Consolidated Management Report 2011, as well as with Note 20 – Financial risk and capital management – of the Consolidated Financial Statements for the same year. Additionally, new risks for the Group have arisen (Expropriation of the Repsol Group shares in YPF, S.A and Repsol YPF Gas, S.A. and Credit rating review) during the first half of 2012 mainly due to the expropriation process of the Repsol Group shares in YPF y and Repsol YPF Gas, S.A. by the Argentinean government (see both section "Expropriation of the Repsol Group shares in YPF, S.A. and Repsol YPF Gas, S.A." in this interim management report and Note 3 of the interim condensed consolidated financial statements). Existing risks in 31

December 2011 that remain as such for the remaining part of 2012 in summary form as well as new risks in more detailed form are shown below.

RISKS RELATING TO OPERATIONS

Expropriation of the Repsol Group shares in YPF, S.A. and Repsol YPF Gas, S.A.

For Repsol, the main risk arising from the illegal expropriation of shares held by Repsol Group in YPF, S.A. and Repsol YPF Gas, S.A. lies in the uncertainty that exists as to the final amount of compensation to be paid by the Argentinean government to Repsol for the appropriation of control of both companies, as well as the timing and manner in which the payment will be made. Repsol has been forced to assert its rights against the Argentinean state before the courts of Argentina and other jurisdictions, including the International Centre for Settlement of Investment Disputes (ICSID). Any amendment to the hypotheses considered reasonable in jurisdictional processes and the valuation of the rights expropriated could result in positive or negative changes in the amount for which the shares in YPF, S.A. and Repsol YPF Gas, S.A. have been recognised and, therefore, could have an impact on the Group's financial statements. The lower the price or compensation received per share in YPF, S.A. and Repsol YPF Gas, S.A., the greater the negative impact will be on Repsol results or financial position. Nevertheless, Repsol cannot foresee all consequences, uncertainties and risks; nor can it quantify the total future impact the expropriation could have on the financial position of Repsol Group.

The uncertainty of the economic context

Economic tensions are causing greater social tensions in various parts of the world, as well as an upsurge in protectionism. Within the euro zone, these tensions have resulted in questions related to the viability of the single currency in its current form, given the difficulties experienced by countries in the euro zone in stimulating growth and increasing competitiveness without their own currency. The focus of these doubts has moved from Greece to Spain and Italy, which, due to their size, represent a qualitative leap in the scale of the euro zone crisis. The spread between Spanish public debt and German public debt has risen to more than 500 basis points, and Spain's credit rating is only just above junk status. In this context, coordination between central banks and governments is required in order to prevent the recession of 2009 from becoming a great depression.

Persistent pressure on the sustainability of government finances in advanced economies has led to strong tensions in credit markets, and could prompt fiscal reforms or changes in the regulatory framework of the oil and gas industry. Finally, the economic-financial situation could have a negative impact on third parties with whom Repsol does or could do business. Any of the factors described above, whether in isolation or in combination with each other, could have an adverse effect on the financial position, businesses, or results from Repsol operations.

International benchmark crude oil prices and demand for crude oil may fluctuate due to factors beyond Repsol's control

World oil prices have fluctuated widely over the last 10 years and are subject to international supply and demand factors over which Repsol has no control. The fall in oil prices has a negative impact on the profitability of Repsol activities, on the valuation of its assets and on its investment plans. Likewise, a significant reduction of capital investments may negatively affect Repsol ability to replace oil reserves.

Repsol's operations are subject to regulation

The oil industry is subject to extensive regulation and intervention by governments in such matters as the award of exploration and production interest, the imposition of drilling and exploration obligations, restrictions on production, price controls, required divestment assets, foreign currency controls and nationalization, expropriation and the cancellation of contractual rights. As a general rule, license-holders are subject to the payment of royalties and income and production taxes, which can be high when compared with the taxes paid by other businesses.

Repsol is subject to extensive environmental regulations and risks

Repsol is subject to extensive environmental laws and regulations in practically all the countries in which it operates. These govern, among others matters, the Group's operations in the environmental quality standards for products, air emissions and climate change and energy efficiency, water discharges, the remediation of soil and groundwater, and the generation, storage, transport, treatment and final disposal of waste materials.

In particular, due to the concern over the risk of climate change, various countries have adopted or are considering the adoption of new regulatory requirements in order to reduce greenhouse gas emissions. These include the raising of taxes on carbon emissions, increased efficiency standards and the adoption of emissions trading systems. These requirements could increase the prices of Repsol products, as well as altering the demand for hydrocarbons towards relatively lower-carbon sources, such as renewable energies. In addition, compliance with greenhouse gas regulations may also require the company to upgrade the facilities, to monitor or sequester emissions, or to take other actions that may increase costs.

Operating risks related to exploration and exploitation of oil and gas, and reliance on the cost-effective acquisition or discovery of, and, thereafter, development of new oil and gas reserves

Oil and gas exploration and production activities are subject to particular risks, some of which are beyond the control of Repsol. These activities are exposed to production, equipment and transportation risks, natural hazards and other uncertainties relating to the physical characteristics of oil and natural gas fields. The operations of Repsol may be curtailed, delayed or cancelled as a result of weather conditions, technical difficulties, delays in the delivery of equipment or compliance with administrative requirements.

Moreover, Repsol must replace depleted oil and gas reserves with new proven reserves in a cost-effective manner that enables subsequent production to be economically viable.

Location of reserves

Part of the oil and gas reserves are located in countries that are or could be economically and politically unstable.

Oil and gas reserves estimation

In calculating proven oil and gas reserves, Repsol relies on the guidelines and the conceptual framework of the Securities and Exchange Commission's (SEC) definition of proven reserves and on the criteria established by the Petroleum Reserves Management System of the Society of Petroleum Engineers (PRMS-SPE). Under

these rules, proven oil and gas reserves are those reserves of crude oil, natural gas or natural gas liquids for which, after analyzing geological, geophysical and engineering data, have a reasonable certainty of being produced -from a given date, from known reservoirs and under existing economic conditions, existing technology and existing government regulation- prior to the termination of the contracts whereby the corresponding operational rights were awarded, and regardless of whether probabilistic or deterministic approaches were used to arrive at the estimate. The accuracy of these estimates depends on a number of different factors, assumptions and variables, some of which are beyond the company's control.

Repsol's natural gas operations are subject to particular operational and market risks

Natural gas prices tend to vary between the different regions in which Repsol operates, and can also be lower than prevailing prices in other regions of the world.

In addition, Repsol has entered into long-term contracts to purchase and supply natural gas in various parts of the world, which present different risks (i) of the agreed prices being higher than the price at which such gas could be sold in other markets, (ii) of counterparties failing to fulfill their contractual obligations, thus, it might be necessary to look for other sources of natural gas at higher prices than those called for under such contracts, and (iii) of there being insufficient reserves in the countries in which proven reserves are linked to certain contracts, meaning that Repsol might not be able to satisfy its obligations under these contracts, several of which include penalty clauses for non-fulfillment.

Conditions in the petrochemicals industry are cyclical

The petrochemicals industry is subject to wide fluctuations in supply and demand reflecting the cyclical nature of the regional and international petrochemicals market, as well as to extensive government regulation and intervention in such matters as safety and environmental controls.

Repsol's current insurance coverage for all the operational risks may not be sufficient

The company maintains insurance covering against certain risks inherent in the oil and gas industry, in line with industry practice. The insurance coverage is subject to deductibles and limits that in certain cases may be materially exceeded by its liabilities. They also contain exclusions which could leave the Group with limited coverage in certain events. On the other hand, the company may not be able to maintain adequate insurance at rates or on terms that it considers reasonable or acceptable, or be able to obtain insurance against certain risks that materialize in the future. If the company experiences an incident against which it is not insured, or the costs of which materially exceed its coverage, it could have a material adverse effect on its business, financial condition and results of operations.

FINANCIAL RISKS

The activities carried out by the Group entail various types of financial risk:

Liquidity risk. This is associated with the Group's ability to finance its obligations at reasonable market prices, and to carry out its business plans with stable financing sources.

Credit risk. The Group's exposure to credit risk is attributable, among others, to commercial debts from trading transactions, measured and controlled in relation to the customer or individual third party. Additionally, the Group is exposed to counterparty risk derived from non-commercial contractual transactions that may lead to defaults. In these cases, the Group analyzes the solvency of counterparties with which has or may have non-commercial contractual transactions.

Market risk

- **Exchange rate fluctuation risk:** Repsol is exposed to exchange rate risk because the revenues and cash flows originating from the sale of crude oil, natural gas and refined products are generally in dollars or are influenced by the dollar exchange rate. Likewise, the results of operations are exposed to exchange rate variations in

the currencies of countries in which Repsol has operations. Repsol is also exposed to exchange rate risk in relation to the value of its assets and financial investments.

- **Commodity price risk:** As a result of its trade operations and activities, the results of the Repsol Group could be affected by volatility in the prices of oil, natural gas and derivative products.
- **Interest rate risk:** The market value of the Group's net financing and net interest expenses could be affected by interest rates fluctuations.
- **Credit rating risk:** At present, the credit ratings assigned to Repsol, S.A. by ratings agencies are as follows:

TERM	STANDARD & POOR'S	MOODY'S	FITCH RATINGS
Long.....	BBB-	Baa3	BBB-
Short.....	A-3	P-3	F-3
Outlook	Stable	Negative	Negative
Date of last review	22 June 2012	29 June 2012	8 June 2012

Credit ratings affect the cost and other conditions under which Repsol Group is able to obtain finance. Any downgrade in Repsol S.A.'s credit rating could restrict or limit the access of the Group to financial markets, increase the cost of any new finance, and have a negative effect on its liquidity.

CORPORATE AREAS

PEOPLE MANAGEMENT

At the end of June 2012, the total Repsol workforce was made up of 30,849 employees in more than 30 countries, mainly concentrated in Spain, which account for 75% of the total. It is also worth noting the company's presence as an employer in countries such as Portugal, Brazil, Peru, Ecuador, Trinidad and Tobago, Chile and Bolivia, among others.

By business areas, 10.86% of employees work in the Upstream area, 0.71% in LNG, 64.51% in Downstream, 15.91 % in Gas Natural SDG and 8.01% in the Corporate Centre.

SAFETY AND THE ENVIRONMENT

The basis for managing safety and environmental at Repsol is the management system, which consists of an extensive body of standards, procedures, technical guides and management tools that are applicable to all company activities and which are constantly updated in line with industry best practices. The ISO 14001 and OHSAS 18001 certification has been promoted in the facilities as a way of encouraging continuous improvement and obtaining external validation of the management systems.

During the first six months of 2012, environmental investments were made to improve the environmental quality of oil products, to minimize air emissions, increase energy efficiency, optimize water consumption, reduce the pollutant load in water discharges and improve spill-prevention systems by applying available best practices and technological innovation. It is also worth emphasizing the efforts made to identify, appraise and correct possible polluting situations that may have occurred in the past.

Notable safety and environmental management milestones achieved in new projects include the project to expand the refinery in Cartagena, Spain, which has posed a major challenge for the company due to its scale. The largest-ever industrial investment in Spain has been carried out in an attempt to make Cartagena one of the best refineries in the world in terms of production technology, environmental sustainability, and employee

safety. From an environmental perspective, the new facilities produce clean fuel for transport, promoting the use of biofuels and maximizing energy efficiency in the production process. The new industrial complex in Cartagena is already a world leader in environmental sustainability. A new cogeneration plant will be joined by wastewater and sulphur recovery plants, which easily meet the most significant environmental requirements.

In terms of safety management, the accident rate for the whole expansion process has been one-fiftieth of the average for the Spanish construction sector, even if we include the industrial installation process, with specific risks during the testing and start-up of equipment. Overall, in the five years the project has been in progress and among the close to 20,000 persons who have worked on it, only minor injuries have been sustained on the site, such as twists and sprains.

Repsol's commitment to the environment, which comprises one of the basic principles of the company, has also been apparent in all phases of the project to build the main offices of the company, Campus Repsol. LEED® environmental certification has been chosen to independently and externally validate compliance with the most highly-regarded standards for sustainability in construction. This certification, which is endorsed by the United States Green Building Council (USGBC), analyses the whole life cycle of the building and is the most widely recognised international certification.

CORPORATE BRAND AND IDENTITY

Repsol has transformed and revitalized its corporate brand and identity with a twofold objective: to gain visibility in today's communication environments as well as reflecting the company's new vision.

This project was carried out by Repsol employees as well as external groups, providers, image experts, investors, journalists and opinion leaders and is the result of a rigorous process which began in 2011.

The rollout of the new brand, initiated with the new Strategic Plan, will be completed in the coming months, not only in group communications but also at service stations, products and services, company buildings and all areas inside and outside Spain.

The new company headquarters built to the most stringent sustainability criteria is one of the first examples of the application of the new brand.

HIGHLIGHTS

It is worth noting that the following events have taken place during this period:

UPSTREAM

On 14 February 2012, Repsol announced that Algerian authorities authorized the Development Plan for six fields in North Reggane Norte Project, situated in Algerian Sahara. Repsol holds 29.25% of the jointly operated consortium by Sonatrach (40%), RWE Dea (19.5%) and Edison (11.25%). Total development of the project foresees €2,225 million investments (approximately \$3,000 million), including the construction of support and operating buildings. The consortium foresees initiate the production by mid-2016 and reach a stable production rate of 8 million gas cubic meters per day for the first 12 years of production.

On 27 February, Repsol announced the oil discovery in Campos basin in Brazil. The well, named Pão de Açúcar has 500 meter-thick hydrocarbon reservoir, one of the largest ever discovered in Brazil. Pão de Açúcar is the third discovery in BM-C-33 block, where Seat and Gavea oilfields are located. This last oilfield has been called as one of the 10 largest discoveries in the world in 2011. Repsol Sinopec Brasil operates and participates through its 35% interest in the discoverer consortium, formed by Statoil (35%) and Petrobras (30%).

DOWNSTREAM

Repsol reached an agreement with a consortium of Chilean investors for the sale of 100% of its subsidiary Repsol Butano Chile for an approximate amount of \$540 million. Aside from other financial assets, Repsol Butano Chile owns a 45% stake in Lipigas, a company marketing LPG in the Chilean market. The finalization of this transaction is contingent upon fulfilling the usual conditions for this type of operation. On 30 June 2012, the assets and liabilities of companies that are going to be sold were classified under Non-current assets and liabilities held for sale in the consolidated balance sheet.

This operation is classified under non-core assets divestments objectives of the 2012-2016 Repsol Strategic Plan.

CORPORATE

On 16 January 2012, Repsol, S.A. implemented the 2012 Acquisition Plan to Repsol Group employees in Spain with permanent employment contract provided they comply with all requirements established in their general conditions and that decide voluntarily have recourse to said Plan. The beneficiaries of this Plan can receive part of their 2012 corresponding compensation through shares of Repsol, S.A. up to an annual maximum of €12,000. The Plan began on 1 January 2012 and will finish on 31 December 2012. The delivery of such shares to their beneficiaries will be monthly carried out.

On 25 February 2012, fulfilling the agreement adopted by the Board of Directors on 28 September 2011, the Board of Directors unanimously agreed to modify the Regulation of the Board of Directors and to propose to General Assembly the modification of the Articles of Association following the Appointments and Retributions Committee proposal in line with Corporate Government best practices and recommendations.

The main aspects of the reform are:

- Strengthening of the guarantees applicable to linked operations especially relevant between the company and its significant shareholders.
- Modification of the regulation of non-competence of the Directors obligation, allowing its dispensation under certain conditions. Also certain suppositions out of the prohibition of the competence are foreseen such as those companies Repsol maintains a strategic alliance with.
- Deletion of the limitation, included in Articles of Association, of the maximum number of votes a unique shareholder can cast.

On 28 February 2012, Repsol, S.A. and Petróleos Mexicanos ("Pemex") communicated their respective Boards' approval of a strategic industrial alliance, which will generate profits in the short and medium term and achieve positive synergies for both companies. Initially, the alliance is to last 10 years. The alliance covers the Upstream and LNG business areas in America, and the Downstream business area in America, Spain, and Portugal, as well as cooperation in joint training programs. Repsol or Pemex will respectively evaluate the business and cooperation opportunities that arise in the course of the alliance. The constitutional and legal framework regulating the

hydrocarbons sector in Mexico allows Pemex to count on Repsol as an ally, as per the alliance, for evaluation and promotion of business opportunities that may be of mutual interest.

Pemex has ratified its commitment to stability and will not increase its interest in Repsol beyond 10% or reduce it to below 5%. Notwithstanding the above, after one year has elapsed from the alliance signature date, Pemex can reduce its interest to below 5%. Should this occur, Repsol could dissolve the alliance.

On 6 June 2012, Repsol, S.A. implemented the Second Cycle of the Plan for Delivery of Shares addressed to the beneficiaries of the Pluri-annual Remuneration Program (the "Plan"). This Plan allows the beneficiaries of said schemes (including Executive Directors and the rest of the members of Repsol, S.A. Executive Committee) to invest in Repsol, S.A. shares up to 50% of the annual incentive gross amount. In case the beneficiary holds the acquired shares for a three-year-period from the initial investment and all conditions are fulfilled, the Company would deliver one additional share per three shares initially acquired.

On 31 May 2012, Annual General Meeting of Repsol was held in Madrid, which approved the change of the company name, Repsol, S.A. (formerly Repsol YPF, S.A.) and also two liberated capital increases as an instrument for the development of the shareholders' compensation system called "Flexible Dividend Programme" which allow the shareholders to decide its compensation in cash or in Company's shares. Also on 31 May 2012, after holding the Annual General Meeting, the Board of Directors adopted the implementation of the first capital increases aforementioned.

The period of free allocation rights negotiation corresponding to the capital increase was finished on 5 July 2012. A total of 63.64% of Repsol holders (totaling 776,935,821 rights) have opted for receiving the dividend in new Repsol shares in the proportion of one new share per 22 rights. Therefore, the number of ordinary shares with a nominal value of one euro issued in the capital increase is 35,315,264 and the nominal amount is €35,315,264, representing a 2.89% increase on the share capital of Repsol before the capital increase. The capital increase was filed in the Madrid Mercantile Registry on 10 July 2012 and the new shares were listed on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges through the Spanish Automated Quotation System (*Mercado Continuo* by its name in Spanish) on 13 July 2012. Repsol will also apply 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 €1,256,178,727 fully subscribed and paid in, consisting of 1,256,178,727 shares with a nominal value of 1 euro each. According to accounting criteria, the capital increase has been registered in Groups' Financial Statements with 30 June 2012 effect.

Moreover, during the period established for that purpose, the holders of 36.36% of the free-of-charge allocation rights (443,893,565 rights), accepted the irrevocable commitment to purchase rights assumed by Repsol at a fixed price of 0.545 euros (gross) per right. Accordingly, Repsol acquired the abovementioned rights for a total amount of €242 million and waived the shares corresponding to the free-of-charge allocation rights acquired by virtue of the mentioned commitment. As a consequence 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.

Repsol YPF, S.A. and Subsidiaries

Auditors' Report
Consolidated Financial
Statements for the year ended
December 31, 2011, and
Consolidated Management
Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Repsol YPF Group (see notes 3 and 38). In the event of a discrepancy, the Spanish-language version prevails.

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Repsol YPF Group (see notes 3 and 38). In the event of a discrepancy, the Spanish-language version prevails.

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

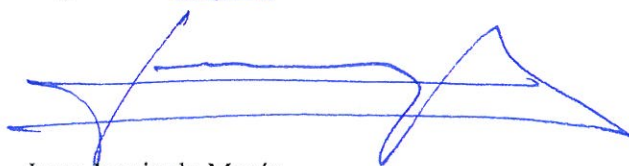
To the Shareholders of
Repsol YPF, S.A.:

We have audited the consolidated financial statements of Repsol YPF, S.A. and Subsidiaries ("the Repsol YPF Group"), which comprise the consolidated balance sheet at December 31, 2011, and the related consolidated income statement, consolidated statement of recognised income and expenses, consolidated statement of changes in equity, consolidated cash flow statement and notes to the consolidated financial statements for the year then ended. As indicated in note 3 to the accompanying consolidated financial statements, the directors are responsible for the preparation of the Repsol YPF Group's consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group. Our responsibility is to express an opinion on the consolidated financial statements taken as a whole based on our audit work performed in accordance with the audit regulations in force in Spain, which require examination, by means of selective tests, of the evidence supporting the consolidated financial statements and evaluation of whether their presentation, the accounting principles and policies applied and the estimates made comply with the applicable regulatory financial reporting framework.

In our opinion, the accompanying consolidated financial statements for 2011 present fairly, in all material respects, the consolidated equity and consolidated financial position of Repsol YPF, S.A. and Subsidiaries at December 31, 2011, and the consolidated results of their operations and their consolidated cash flows for the year then ended, in conformity with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group.

The accompanying consolidated management report for 2011 contains the explanations which the directors of Repsol YPF, S.A. consider appropriate about the situation of the Repsol YPF Group, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated management report is consistent with that contained in the consolidated financial statements for 2011. Our work as auditors was confined to checking the consolidated management report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Repsol YPF, S.A. and Subsidiaries.

DELOITTE, S.L.
Registered in ROAC under no. S0692



Jorge Izquierdo Mazón
28 February 2012

**CONSOLIDATED FINANCIAL STATEMENTS OF REPSOL YPF,
S.A. AND INVESTEEES COMPRISING THE REPSOL YPF, S.A.
GROUP FOR THE FINANCIAL YEAR 2011**

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish language version prevails.

REPSOL YPF, S.A : AND INVESTEEES COMPRISING THE REPSOL YPF GROUP
Consolidated Balance Sheets at December 31, 2011 and 2010

ASSETS	Note	Millions of euros	
		12/31/2011	12/31/2010
Intangible Assets:		7,783	7,453
a) Goodwill	5	4,645	4,617
b) Other intangible assets	6	3,138	2,836
Property, plant and equipment	7	36,759	33,585
Investment property	8	24	26
Investments accounted for using the equity method	10	699	585
Non-current financial assets	12	2,450	1,789
Deferred tax assets	24	2,569	1,993
Other non-current assets	12	344	322
NON-CURRENT ASSETS		50,628	45,753
Non current assets held for sale	11	258	340
Inventories	13	7,278	5,837
Trade and other receivables		9,222	8,398
a) Trade receivables	14	6,555	5,795
b) Other receivables	14	2,147	2,234
c) Income tax assets	14	520	369
Other current assets	12	220	171
Other current financial assets	12	674	684
Cash and cash equivalents	12	2,677	6,448
CURRENT ASSETS		20,329	21,878
TOTAL ASSETS		70,957	67,631

Notes 1 to 38 are an integral part of these consolidated balance sheets.

REPSOL YPF, S.A : AND INVESTEES COMPRISING THE REPSOL YPF GROUP
Consolidated Balance Sheets at December 31, 2011 and 2010

LIABILITIES AND EQUITY	Note	Millions of euros	
		12/31/2011	12/31/2010
Issued share capital		1,221	1,221
Share premium		6,428	6,428
Reserves		247	247
Treasury shares and own equity investments		(2,572)	-
Retained earnings and other reserves		17,186	13,309
Profit attributable to the equity holders of the parent		2,193	4,693
Dividends		(635)	(641)
EQUITY	15	24,068	25,257
Financial assets available for sale		(4)	6
Hedge transactions		(181)	(131)
Translation differences		(345)	(992)
ADJUSTMENTS FOR CHANGES IN VALUE	15	(530)	(1,117)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	15	23,538	24,140
MINORITY INTERESTS	15	3,505	1,846
TOTAL EQUITY		27,043	25,986
Grants	16	118	110
Non-current provisions for contingencies and expenses	17	3,826	3,772
Non-current financial liabilities	19	15,345	14,940
a) Bank borrowings, bonds and other securities		15,137	14,805
b) Other financial liabilities		208	135
Deferred tax liabilities	24	3,839	3,387
Other non-current liabilities	22	3,682	3,663
NON-CURRENT LIABILITIES		26,810	25,872
Liabilities related to non-current assets held for sale	11	32	153
Current provisions	17	452	404
Current financial liabilities:	19	4,985	4,362
a) Bank borrowings, bonds and other securities		4,902	4,224
b) Other financial liabilities		83	138
Trade payables and other payables:		11,635	10,854
a) Trade payables	23	4,757	4,539
b) Other payables	23	6,522	5,550
c) Income tax liabilities	23	356	765
CURRENT LIABILITIES		17,104	15,773
TOTAL EQUITY AND LIABILITIES		70,957	67,631

Notes 1 to 38 are an integral part of these consolidated balance sheets.

REPSOL YPF, S.A. AND INVESTEEES COMPRISING THE REPSOL YPF GROUP
Consolidated Income Statements for the years ended December 31, 2011 and 2010

	Note	Millions of euros	
		12/31/2011	12/31/2010
		Amount	Amount
Sales		60,122	53,663
Services rendered and other income		1,380	1,872
Changes in inventories of finished goods and work in progress inventories		1,004	517
Income from reversal of impairment losses and gains on disposal of non-current assets		208	3,188
Allocation of grants on non-financial assets and other grants	16	17	15
Other operating income		1,001	1,175
OPERATING REVENUE	26	63,732	60,430
Supplies		(42,904)	(36,184)
Personnel expenses		(2,579)	(2,411)
Other operating expenses		(9,740)	(9,916)
Depreciation and amortization of non-current assets		(3,519)	(3,947)
Impairment losses recognised and losses on disposal of non-current assets		(185)	(351)
OPERATING EXPENSES	26	(58,927)	(52,809)
OPERATING INCOME		4,805	7,621
Finance income		261	159
Finance expenses		(1,035)	(1,086)
Changes in the fair value of financial instruments		76	(255)
Net exchange gains/ (losses)		(125)	173
Impairment and gains/ (losses) on disposal of financial instruments		1	1
FINANCIAL RESULT	27	(822)	(1,008)
Share of results of companies accounted for using the equity method - net of taxes	10	75	76
NET INCOME BEFORE TAX		4,058	6,689
Income tax	24	(1,514)	(1,742)
CONSOLIDATED NET INCOME FOR THE YEAR		2,544	4,947
Net income attributable to minority interests		(351)	(254)
NET INCOME ATTRIBUTABLE TO THE PARENT		2,193	4,693
EARNINGS PER SHARE ATTRIBUTABLE TO THE PARENT			
Basic (euros)	15	1.80	3.84
Diluted (euros)		1.80	3.84

Notes 1 to 38 are an integral part of these consolidated income statements

Consolidated Statements of Recognised Income and Expense for the years ended December 31, 2011 and 2010

	Millions of euros	
	12/31/2011	12/31/2010
CONSOLIDATED NET INCOME FOR THE YEAR (from the Consolidated Income Statement)	2,544	4,947
INCOME AND EXPENSES RECOGNISED DIRECTLY IN EQUITY:		
From measurement of financial assets available for sale	(14)	6
From cash flow hedges	(124)	(73)
Translation differences	527	811
From actuarial gains and losses and other adjustments	(17)	(15)
Entities accounted for using the equity method	(3)	(25)
Tax effect	24	(96)
TOTAL	393	608
AMOUNTS TRANSFERRED TO THE CONSOLIDATED INCOME STATEMENT		
From measurement of financial assets available for sale	-	(1)
From cash flow hedges	77	93
Translation differences	3	(172)
Tax effect	(20)	(25)
TOTAL	60	(105)
TOTAL RECOGNISED INCOME/ (EXPENSE)	2,997	5,450
a) Attributable to the parent company	2,481	5,128
b) Attributable to minority interests	516	322

Notes 1 to 38 are an integral part of these consolidated statements of recognized income and expense

REPSOL YPF, S.A AND INVESTEEES COMPRISING THE REPSOL YPF GROUP

Consolidated statements of changes in equity for the years ended December 31, 2011 and 2010

Millions of euros	Equity attributable to equity holders of the parent							
	Capital and reserves							
	Issued share capital	Share premium and reserves	Treasury shares and own equity instruments	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 12/31/2009	1,221	18,775	-	1,559	(1,604)	19,951	1,440	21,391
Restatements	-	-	-	-	-	-	-	-
Restated opening balance	1,221	18,775	-	1,559	(1,604)	19,951	1,440	21,391
Total recognised income/ (expense)	-	(8)	-	4,693	443	5,128	322	5,450
Transactions with shareholders or owners								
Dividend payments	-	(1,160)	-	-	-	(1,160)	(225)	(1,385)
Transactions with treasury shares or own equity (net)	-	-	-	-	-	-	-	-
Changes in the scope of consolidation	-	180	-	-	44	224	312	536
Other changes in equity								
Equity-settled transactions	-	1,559	-	(1,559)	-	-	-	-
Other changes	-	(3)	-	-	-	(3)	(3)	(6)
Closing balance at 12/31/2010	1,221	19,343	-	4,693	(1,117)	24,140	1,846	25,986
Restatements	-	-	-	-	-	-	-	-
Restated opening balance	1,221	19,343	-	4,693	(1,117)	24,140	1,846	25,986
Total recognised income/ (expense)	-	(10)	-	2,193	298	2,481	516	2,997
Transactions with shareholders or owners								
Dividend payments	-	(1,276)	-	-	-	(1,276)	(404)	(1,680)
Transactions with treasury shares or own equity instruments (net)	-	(12)	(2,572)	-	-	(2,584)	-	(2,584)
Changes in the scope of consolidation	-	478	-	-	312	790	1,537	2,327
Other changes in equity								
Transfers between equity accounts	-	4,707	-	(4,693)	(24)	(10)	10	-
Other changes in equity	-	(4)	-	-	1	(3)	-	(3)
Closing balance at 12/31/2011	1,221	23,226	(2,572)	2,193	(530)	23,538	3,505	27,043

Notes 1 to 38 are an integral part of these consolidated statements of changes in equity.

REPSOL YPF, S.A : AND INVESTEES COMPRISING THE REPSOL YPF GROUP
Consolidated Cash Flow Statements for the years ended December 31, 2011 and 2010

Millions of euros

	Notes	12/31/2011	12/31/2010
Net income before tax	28	4,058	6,689
Adjustments to net income		4,382	2,507
Depreciation and amortization of assets	6 y 7	3,519	3,947
Other adjustments to results (net)		863	(1,440)
Changes in working capital		(2,239)	(1,693)
Other cash flows from operating activities		(2,081)	(1,861)
Dividends received		64	72
Income tax received / (paid)		(1,784)	(1,627)
Other proceeds from / (payments for) operating activities		(361)	(306)
Cash flows from operating activities		4,120	5,642
Payments for investing activities:	5-8 y 30	(6,255)	(5,106)
Group companies, associates and business units		(275)	(41)
Property, plant and equipment, intangible assets and investment properties		(5,516)	(4,858)
Other financial assets		(282)	(207)
Other assets		(182)	-
Proceeds from divestments:	31	949	4,571
Group companies, associates and business units		396	4,230
Property, plant and equipment, intangible assets and investment properties		116	171
Other financial assets		437	170
Other cash flows		2	(27)
Cash flows used in investing activities		(5,304)	(562)
Proceeds from/ (payments for) equity instruments	15	(2,557)	-
Acquisition		(2,703)	-
Disposal		146	-
Disposals in ownership interests in subsidiaries without loss of control	31	1,888	489
Proceeds from / (payments for) financial liabilities	19	857	488
Issues		11,337	11,200
Return and redemption		(10,480)	(10,712)
Payments for dividends and payments on other equity instruments	15	(1,686)	(806)
Other cash flows from financing activities		(1,005)	(1,141)
Interest payments		(948)	(962)
Other proceeds from/ (payments for) financing activities		(57)	(179)
Cash flows used in financing activities		(2,503)	(970)
Effect of changes in exchange rates		(84)	30
Net increase / (decrease) in cash and cash equivalents		(3,771)	4,140
Cash and cash equivalents at the beginning of the year	12	6,448	2,308
Cash and cash equivalents at the end of the year	12	2,677	6,448
COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		12/31/2011	12/31/2010
(+) Cash and banks		1,303	2,120
(+) Other financial assets		1,374	4,328
TOTAL CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		2,677	6,448

Notes 1 to 38 are an integral part of these consolidated statements of cash flow.

REPSOL YPF, S.A. AND INVESTEEES COMPRISING THE REPSOL YPF, S.A. GROUP

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1. GENERAL INFORMATION

Repsol YPF, S.A. and the investees comprising the Repsol YPF Group (hereinafter “Repsol YPF,” the “Repsol YPF Group” or the “Group”) constitute an integrated group of oil and gas companies which commenced operations in 1987. The main companies comprising the Group are listed in Appendix I.

The Repsol YPF 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, the transportation of oil products, liquid 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 retailing of electricity. The Group conducts its activities in a number of countries, primarily Spain and Argentina.

The corporate name of the parent of the Group of companies that prepares and files these Financial Statements is Repsol YPF, S.A.

Repsol YPF, S.A. is registered at the Madrid Commercial Register in volume 3893, page 175, sheet no. M-65289, entry no. 63°. 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, at Paseo de la Castellana, 278, where the Shareholder Information Office is also located, the telephone number of which is 900.100.100.

Repsol YPF, 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.

Repsol YPF, S.A.’s shares are represented by the book entry method and are fully 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*”).

Repsol YPF, S.A.’s shares were traded in the form of American Depositary Shares (ADSs) on the New York Stock Exchange (NYSE) until March 4, 2011. On March 9, 2011, the ADS program began to trade on the OTCQX market.

These consolidated Financial Statements for 2011, which were prepared by the Board of Directors of Repsol YPF, S.A. at a meeting held on February 28, 2012, and the Financial Statements of the investees will be submitted for approval by the shareholders at the respective General Shareholders’ Meetings, with no modifications expected.

The consolidated Financial Statements for 2010 were approved at the General Shareholders’ Meeting of Repsol YPF, S.A. held on April 15, 2011.

2. REGULATORY FRAMEWORK

The activities of Repsol YPF S.A. and its main subsidiaries are subject to extensive regulation, whose main aspects are described below

Spain

Spain currently has legislation which implements liberalization of the oil industry, a manifestation of which is the Hydrocarbons Sector Law 34/1998 of October 7, which has been amended by several provisions, including the Law 12/2007 of July 7, and implemented through numerous royal decrees and ministerial orders. This Law establishes the criteria for allocating powers among the Spanish Government and regional administrations.

The Spanish National Energy Commission ("*Comisión Nacional de Energía*" or "*CNE*" for its acronym in Spanish) is a public agency of the Ministry of Industry, Tourism and Commerce, with power as regulatory authority, which is in charge of ensuring effective competition, objectivity and transparency in the electricity and liquid and gaseous hydrocarbons markets, seeking the benefit of all market participants, including consumers.

Law 2/2011, of March 4, 2011, the Sustainable Economy Act, published in the State Official Gazette (Boletín Oficial del Estado or "BOE" for its acronym in Spanish) on March 5, 2011, amends Hydrocarbon Act extending the powers of the National Energy Commission towards operation of energy systems and in relation with competition matters.

The Act amends CNE function 14 on authorization of acquisitions of shares by companies and function 15 on CNE powers in competition matters thus CNE will have now the power to issue binding reports on files regarding mergers and acquisitions of companies that develop activities in the energy sector, according to article 17.2 c) of Law 15/2007, the Defensa de la Competencia Act.

Sector regulations establish and ascribe specific treatment to the so-called "main" and "dominant" operators. Royal Decree-Law 5/2005, of March 11, obliges the Spanish National Energy Commission (CNC) to publish a list of main and dominant operators in each market or sector.

Dominant operators are defined as those commanding a share of more than 10% of the corresponding benchmark market.

A main operator, on the other hand, is any operator ranked among the top five players by market share in the following markets or sectors: (i) the generation and supply of electric power within the Iberian Electricity Market (MIBEL); (ii) the production and distribution of fuels; (iii) the production and supply of liquid petroleum gas; (iv) the production and supply of natural gas; (v) wireless telephony; and (vi) fixed telephony.

Designation as a dominant operator, as far as prevailing legislation is concerned, simply implies certain regulatory restrictions in the electricity sector, specifically in relation to the generation of primary energy, importing of electricity into the MIBEL and acting as a representative agent of the special regime in the market.

However, the definition of main operators is, on the other hand, significant. Article 34 of the Royal Decree-Law 6/2000, of June 23, following the amendments introduced by Law 14/2000 of December 29, establishes a series of limitations related to the acquisition of voting rights in the equity of companies qualifying as main operators and serving on their boards of directors. Specifically, article 34 stipulates that any natural or legal person holding a 3% or higher equity interest in two or more companies qualifying as main operators in the same market, cannot exercise the voting rights in excess of this ownership threshold in more than one company. It further stipulates that such persons cannot appoint members of the governing bodies of another main operator either directly or indirectly.

Royal Decree-Law 6/2009 definitively repealed supplementary provision twenty-seven of Law 55/1999 (amended by Law 62/2003), which stipulated prior administrative authorization for the acquisition by public entities or entities majority-owned or controlled by public entities of shareholdings of 3% or more in energy companies (the so-called “energy golden share”). This rule had been questioned by the European Court of Justice in a ruling handed down on February 14, 2008.

Liquid hydrocarbons, oil and petroleum derivatives

In Spain, hydrocarbon deposits and underground storages existing on Spanish territory and in the territorial marine subsoil and ocean bottoms which are under Spanish sovereignty are considered public properties.

Also some of the activities falling within the scope of Law 34/1998 may be subject to authorizations, permits and/or concessions. Article 19 of Law 25/2009, of December 22, which amends several pieces of legislation for their adaption to the Law on free access to service activities and its exercise; modifies the Hydrocarbon Act, Law 34/1998 of October 7, implying, among other aspects, the elimination of the need to obtain authorization prior to acting as natural gas supplier, LPG wholesaler, bulk LPG retailer or petroleum product wholesaler, further establishing the obligation that interested parties must make a responsibility statement and issue notification prior to commencing its business operations. In addition, direct natural gas consumers are obliged to report the start of its business operations.

Construction and operation of refining, transportation and fixed storage facilities are subject to prior authorization, the granting of which requires meeting the relevant technical, financial, environmental and safety requirements.

Third parties may access transportation and fixed storage facilities of oil products, such as the facilities of Compañía Logística de Hidrocarburos S.A. (“CLH”), on conditions agreed on an objective and non-discriminatory basis. However, the Spanish Government has the discretion to establish access tolls for mainland territories and for those areas of the Spanish territory where alternative transport or storage facilities do not exist or are insufficient. As of the date of this annual report, the Spanish Government has not exercised this discretion.

Pursuant to Royal Decree Law 6/2000, no physical or legal person may hold, directly or indirectly, ownership of more than 25% of the capital stock of CLH. This same Royal Decree further provides that the aggregate ownership interest in CLH of entities with refining capacity in Spain may not exceed 45% of CLH’s capital.

Petroleum derivative prices have been liberalized, with the exception of LPG, which is subject, in some cases, to maximum retail prices. Prices of bulk LPG and LPG sold in bottles that are less than 8 kilograms or more than 20 kilograms have been liberalized.

By means of Ministerial Order ITC/2608/2009, of September 28, the Spanish Government updated the system for setting the quarterly maximum before-tax sales price for bottled LPG, affecting containers holding 8kilograms or more but less than 20kilograms, with the exception of containers of LPG blends for use as fuel, by modifying the formula for automatically setting the maximum sales prices indicated in the abovementioned order in an effort to uphold consumer interests in the face of international price volatility. Specifically, the changes introduced in the abovementioned Ministerial Order consist of introducing two new concepts to the formula: (i) a 0.25 weighting factor which means that price changes will only incorporate the 25% of the increase or decrease in international prices of reference; and (ii) a threshold of 2% for implementing the price revision mechanism so that prices are only increased or decreased if international prices increase or decrease by more than this threshold.

The retail marketing of LPG cylinders may be carried out freely by any natural or legal person.

Natural gas

Law 12/2007 of July 2, which amended Law 34/1998 on the hydrocarbon sector and incorporated into Spanish Law the European Parliament Directive 2003/55, incorporates measures for achieving a completely liberalized market which will be the basis for greater competition, price reduction and improvement in the quality of service to the end-user.

This legislation establishes the framework for eliminating the tariff system and creates the role of the supplier of last resort with ultimate liability for supplying customers lacking sufficient bargaining power. Moreover, these suppliers are subject to a price cap (“last resort tariff”), which is set by Spain’s Ministry of Industry, Tourism and Commerce. Royal Decree 104/2010, of February 5, regulates the start-up of last resort supply in the natural gas segment; while the Ministerial Order ITC/1506/2010 establishes the methodology for calculating this last resort tariff.

Business operations in the natural gas sector can be classified into: (i) regulated activities, essentially the transport (including storage, regasification and transport per se) and distribution of natural gas; and (ii) deregulated activities: production, acquisition and retailing of natural gas. The first ones require prior administrative authorization, their remuneration is regulated and are subject to specific obligations. On the contrary, the latter activities are not regulated and are therefore not subject to administrative intervention.

Prevailing legislation stipulates functional unbundling (separation) obligations which imply accounting unbundling, in order to prevent cross subsidies and increase toll royalty and tariff calculation transparency, legal unbundling, by means of separate companies, and also separation of regulated activities by requiring them to operate independently of the other companies in their consolidated groups.

In accordance with European Union directives (Directive 2003/55/EC, of June 26, and Directive 98/30/EC, of June 22), the distribution of natural gas is fully deregulated in Spain, which means that all Spanish consumers are qualified and are accordingly free to choose their natural gas provider since January 1, 2003. Sector deregulation was substantially reinforced by the elimination since July 1, 2008 of the regulated tariff supply by the distribution companies, which meant that all consumers are required to participate in the deregulated market.

The construction, operation, modification and closing of basic network and carrier network facilities require prior government authorizations.

Enagás, S.A., the Natural Gas System Operator, is responsible for the coordinating and ensuring that the system works properly. Law 12/2007 limits equity ownership interests in Enagás, S.A. to 5%, caps voting rights at 3% as a general rule, although this cap falls to 1% in the case of companies carrying out business activities related to the gas sector and; in any case, the aggregate ownership interest of shareholders whose business activities relate to the gas sector cannot exceed 40%.

Since January 1, 2003, no company or group of companies acting in the natural gas sector can collectively provide natural gas for consumption in Spain in an amount in excess of 70% of domestic consumption. The Spanish Government is authorized to modify that percentage based on changes in the sector and the sector's business structure.

In 2011, amendments to the Hydrocarbon Act were sent to the "Cortes Generales" (the Spanish Parliament). The purpose of the amendments is to incorporate into Spanish law Directive 2009/73/EC of the European Parliament and of the Council, of July 13, 2009, concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC.

Minimum safety stock

Royal Decree 1766/2007, partially amending Royal Decree 1716/2004, regulates the obligation to maintain a minimum stock in the oil and natural gas sectors, the obligation to diversify the natural gas provisions and the activities of the Corporation of Strategic Reserves of Petroleum Products (CORES).

The minimum safety stock requirement imposed on wholesalers in 2011 was equivalent to 92 days of sales calculated on the prior 12-month sales. Repsol YPF was obliged to directly maintain a stock corresponding to 50 days of sales, while the remaining stocks required to make up the difference with the abovementioned safety stock requirement are held by CORES on behalf of the various operators.

This obligation was temporarily reduced by virtue of resolution passed by the Spanish Government on June 24, 2011 (published in a Resolution issued by the Secretary of State for Energy on June 24, 2011), which released 2,274,000 million barrels of the safety stocks held by the parties bound by this requirement for a period of 30 days as a result of the 'Libya Collective Action' of the International Energy Agency. Subsequently, upon conclusion of the collective action, and by means of Ministerial Order ITC/3190/2011, of November 18, the minimum oil stock obligation was re-established on the terms and conditions laid down in Royal Decree 1716/2004, of July 23, 2004, with effect from midnight on June 1, 2012.

Spanish legislation does not require these reserves to be handled, measured or stored in any specific manner; indeed any products accounted for by the operators as part of their inventories in the ordinary course of their business operations qualify as strategic reserves to this end. Compliance with the safety stock rules implies regular reporting that minimum levels are held; however, the operators subject to these rules are free to use the inventories held for this purpose so long as the total balance does not fall below the minimum threshold.

Electricity sector regulation in Spain

The deregulation of the Spanish electricity sector began in 1997 with the passage of the Electricity Sector Act (Law 54/1997, of November 27), incorporating into Spanish law Directive 96/92/EC concerning common rules for the internal market of electricity, establishing the rules for sector deregulation across the European Union countries, and subsequent enacting regulations, noteworthy, among which are the Royal Decree 1955/2000, of December 1, that regulates power transmission, distribution, marketing and supply, and the procedures for authorization of electric power facilities, and Royal Decree 2019/1997, of December 26, organizing and regulating the Electricity Production Market. The Electricity Act was later amended by Law 17/2007, of July 4. Meanwhile, Royal Decree 661/2007, of May 25, amended the rules governing the production of electricity under the so-called special regime.

Business operations in the Spanish electricity sector can be classified into: (i) regulated activities – power transport and distribution; and (ii) deregulated activities – power generation and retailing.

The first ones require prior administrative authorization, their remuneration is regulated and are subject to specific obligations. In contrast, the second activities are not regulated and are therefore not subject to intervention by the authorities. The retail business in particular is based on the principles of freedom contracting and customer freedom to choose supplier. As a deregulated business, retail prices of electricity are established freely between the parties.

The electric power generation business comprises the generation of electric power under the called ‘ordinary’ and ‘special’ regimes. The latter regime is intended to stimulate the generation of power from renewable sources and cogeneration by establishing a specific and more attractive remuneration regime (Spanish Royal Decree 661/2007), whereas electricity generated under the ordinary regime is remunerated on the basis of market prices.

Spanish Royal Decree Law 1/2012, of January 27, 2012, eliminates the financial incentives for new special regime generation plants under special regime and for ordinary regime plants using technology akin to the technologies governed by the special regime. It further suppresses the process of remuneration based on pre-allocation auctions that entitled producers to the subsidized feed-in tariffs. These measures affect: (i) all generation facilities appropriate for coverage by the special electric power generation regime which, as of the date of effectiveness of Royal Decree Law 1/2012, had not yet qualified for inclusion in the pre-allocation remuneration register or on the special remuneration register in place for photovoltaic facilities; and (ii) ordinary regime facilities using technology akin to the special regime technologies which, as of the date of effectiveness of the Royal Decree Law 1/2012, had not obtained government authorization from the Spain’s General Directorate of Energy Policy and Mining. The provisions of this new legislation will not apply to facilities which have obtained government approval to make substantial plant changes prior to the date of effectiveness of this Royal Decree Law.

Installation of new generation facilities is deemed a deregulated activity, notwithstanding the pertinent administrative authorizations. Facilities with installed capacity of under 50 MW which fall into one of the categories itemized in the Electricity Act (co-generation installations and those producing power from a renewable primary source) are deemed Special Regime facilities. These facilities can choose between selling the power they produce to the network-owning distributor at a pre-defined feed-in tariff or selling the electricity produced freely to the market through a system managed by the market operator at the price established by this organized market (exchange mechanism) plus certain applicable incentives and/or premiums.

Companies engaged in regulated business activities according to the Law, must have as exclusive object the development of such activities and cannot develop deregulated activities. However, group companies within a consolidated group can engage in regulated and deregulated business activities so long as they are carried on by separate group companies.

The electricity system has been in deficit in recent years, a situation which has led to the accumulation of an annual tariff deficit or shortfall, which has had to be financed by the power utilities companies. To remedy this situation, Royal Decree-Law 6/2009, of April 30, established a series of measures designed to address the tariff deficit, creating a state-guaranteed securitization fund, as well as the introduction of a “social voucher” (an electricity tariff discount for household consumers meeting certain social, usage and income criteria which is to be financed by the power generators).

In Spain, the main duty of Spain’s Technical System Operator, Red Eléctrica de España, S.A. (REE), is to ensure power supply security and the correct functioning of the generation and transmission system. Spanish Law 17/2007 limits the interests in REE at 3% of share capital or voting rights with a general extent; this limit falls to 1% in the case of parties engaged in electricity sector business activities. Moreover and, in any case, the aggregate shareholding interests held by companies that participate in the electricity sector business cannot exceed 40%.

In 2011, the Spanish government sent the amendments to the Electricity Sector Act (Law 54/1997) to the “Cortes Generales” (the Spanish Parliament). The purpose of the amendments is to incorporate into Spanish law Directive 2009/72/EC of the European Parliament and of the Council, of July 13, 2009, concerning common rules for the internal power market and repealing Directive 2003/54/EC.

Other legislative regulation approved in 2011

The aforementioned Sustainable Economy Act (Spanish Law 2/2011), in addition to the legislative amendments outlined above, establishes binding guidelines for energy infrastructure planning under a criteria designed to contribute to the creation of a safe, cost-effective, economically-sustainable and environmentally-friendly energy system. It further establishes measures for reducing greenhouse gas emissions and foresee the creation of a fund for the purchase of carbon credits and, in general a broad spectrum of measures affecting nearly all segments of the energy sector.

Spanish Law 14/2011 regarding Science, Technology and Innovation is intended to provide the research and development system with the legal framework it was seeking and to address the significant challenges outlined by the scientific development. This legislation provides new support mechanisms and enhanced instruments to the system agents with the objective of making them gradually more efficient and effective.

Law 22/2011, regarding Wastes and Contaminated Land, incorporates into Spanish law Directive 2008/98/EC of the European Parliament and of the Council, of November 19, 2008, which establishes the new legal framework for the treatment of waste within the European Union.

Spanish Law 25/2011 partially amends the Companies Act, incorporating Directive 2007/36/EC of the European Parliament and Council of July 11, regarding the exercise of certain shareholders rights in listed companies. The Directive stipulates the elimination of the voting right restrictions, the promotion of the electronic participation in general shareholder meetings and equal treatment of shareholders no matter which European country they reside in. This law establishes especial provisions in relation with the General Meeting of listed companies.

With respect to the audit sector, Royal Legislative Decree 1/2011 approved the consolidated text of the Audit Act, giving effect to the provisions established in final provision number two of Law 12/2010, as subsequently developed by Royal Decree 1517/2011, by which the regulation is approved.

Argentina

The Argentine oil and gas industry is regulated by Argentine Law No. 17,319 (hereinafter “Hydrocarbons Law”), which was approved in 1967 and amended in 2007 by Law No. 26,197. The Hydrocarbons Law establishes the legal framework governing the oil and gas exploration and production. It is also regulated by Law No. 24,076 (thereafter “Natural Gas Law”), approved in 1992, which establishes the basis for the deregulation of the natural gas transport and distribution industry. The Argentine government, through the Energy Secretariat, issues complementary regulations. Argentine Law No. 26,197 granted significant powers to the provincial authorities, including the power to supervise and control exploration permits and production concessions and the power to manage the application of investment-related legal and contractual obligations, among others.

Exploration and Production

The regulatory framework of the 17,319 Law was established on the assumption that the reservoirs of hydrocarbons were national properties and Yacimientos Petrolíferos Fiscales Sociedad del Estado, YPF, S.A.’s predecessor, was responsible for their operation under a different framework than private companies.

In 1992, Law No. 24,145 (referred to as the “YPF Privatization Law,”) regulated the privatization of YPF and initiated a process for the transfer of hydrocarbon reservoirs from the Argentine Government to Provinces, in whose territories they were located. The YPF Privatization Law established that the exploration licenses and exploration concessions in force at the time this Law was passed would be transferred on expiration of the corresponding legal and/or contractual terms.

The YPF Privatization Law awarded YPF 24 exploration licenses and 50 exploration concessions and other transportation concessions. The Hydrocarbons Law limits the number and total surface area of the exploration licenses or exploration concessions which an entity may hold.

In October 2004, the Argentine Congress enacted Law No. 25,943 creating a new state-owned energy company, Energía Argentina S.A., (“ENARSA.”). The corporate purpose of ENARSA is the study, exploration and exploitation of solid, liquid or gas hydrocarbon deposits, the transport, storage, distribution and commercialization of these products and their derivatives products, as well as the transportation and distribution of natural gas, and the generation, transportation, distribution and sale of electricity. This Law granted ENARSA all exploration concessions with respect to offshore areas located beyond 12 nautical miles from the coastline up to the outer boundary of the continental shelf that were vacant at the time the Law went into effect in November 2004.

In October 2006, Law No. 26,154 created an incentive regime aimed at encouraging hydrocarbons exploration and operation and which applies to new exploration permits awarded in respect of offshore areas. Interested parties must go into partnership with ENARSA in order to avail themselves of the numerous benefits of this regime.

In accordance with the current legal system (new Article 124 of the Argentine Constitution, Decree 546/2003, Law No. 26,197) oil and gas regulation (both legislative and regulatory) falls under the jurisdiction of the National Government, whereas the application of the Hydrocarbons Law and its supplementary regulations will correspond to the Provinces or to the State, depending on where the fields are located. Nevertheless, the powers granted to the provincial authorities must be exercised under the framework of the Hydrocarbons Law and complementary regulations.

According to the Hydrocarbons Law, oil and gas exploration and production activities must be carried on through exploration permits, production concessions, operating concessions or partnership agreements. Under the Hydrocarbons Law, the use of land not covered by existing exploration permits or production concessions can be authorized by the Energy Secretariat or the competent provincial authorities.

Oil and gas production concessions are granted for terms of 25 years and can be extended for periods of up to 10 years. Upon expiration, the oil and gas wells and maintenance and production equipment revert to the Province where the related field is located or to the Argentine government, depending on the different cases.

Some of the production concessions held by YPF expire in 2017. YPF has reached specific agreements with the provincial authorities of Neuquén and Mendoza to renew these concessions until 2026 and 2027.

Pursuant to Energy Secretariat Resolution 324/2006, holders of oil and gas exploration permits and concessions are required to submit proven reserves reports, certified by external auditors.

In November 2008, by virtue of the Decree of the National Executive Power No. 2,014/2008, the program “Petróleo Plus” was set up and aimed to increase the production and stocks through new prospecting and exploitation investments. To this end, it establishes a system of tax incentives for those exploitation companies that increase their production and stocks within the provisions of the program. By Note 707/2012, issued by the Argentine Secretariat of Energy in February 2012, YPF was notified that the benefits granted under the Petr leo Plus program are temporarily suspended, this suspension being also applicable to new applications already filed by YPF with the Secretariat of Energy.

Secretariat of Energy Resolution 24/2008, amended by Resolution 1,031/2008, created an incentive program for the production of natural gas called "Gas Plus," designed with the objective of stimulating the production of natural gas deriving from new reserve findings, new fields, as well as the production of tight gas, etc. The natural gas produced under this program is carved out from the 2007-2011 Agreement (described in the Market Regulation section below) and therefore its commercial price is not subject to the price conditions provided for in the Natural Gas Producer Agreement 2007-2011.

Transport and Distribution of Natural Gas

The Natural Gas Law passed in June 1992 mandated the privatization of the company operator Gas del Estado Sociedad del Estado and established the regulatory framework governing the transport and distribution of natural gas, while also providing for the deregulation of natural gas prices. It also designated natural gas transport and distribution activities as national public services.

The regulatory framework applicable to the transport and distribution of natural gas establishes an open access system under which producers such as YPF have open access to the transport capacity available in the transport and distribution systems on a non-discriminatory basis.

Argentina has built cross-border gas pipelines to enable natural gas producers to export their output. However, in recent years, the Argentine authorities have adopted a series of measures to restrict natural gas exports from Argentina, including orders to supply the domestic market (Fuel Undersecretariat Ruling 27/04 and Resolution 265/04) that implements an export cutoff scheme of natural gas; Resolution 659/04, establishes a Program for Rationalizing Gas and the Use of Transport Capacity; and Resolution 752/05, creates a Permanent Additional Injection mechanism.

Oil refining and transport of liquid hydrocarbons

Crude oil refining activities are subject to authorization by the Argentine Government, and to compliance with national, provincial and municipal safety and environmental regulations. Oil companies must be registered in the registry of oil companies held by the Secretariat of Energy.

Decree 2,014/2008 created the “Refino Plus” program designed to encourage the production of diesel and petrol fuels. The decree entitles refineries that undertake construction of a new refinery, add capacity at an existing refinery and/or convert existing refineries to receive export credits. By Note 707/2012 complemented by Note 800/2012, both issued by the Argentine Secretariat of Energy in February 2012, YPF was notified that the benefits granted under the Refino Plus program are temporarily suspended, this suspension being also applicable to new applications already filed by YPF with the Secretariat of Energy.

The Hydrocarbons Law authorizes the Executive National Power of the Argentine Government to grant 35-year concessions for the transport of oil, gas and derivative products, subject to presentation of the pertinent competitive tenders. Law 26,197 vested Argentina’s provincial governments with the same power. Holders of operating concessions are entitled to receive a concession for transporting their production of oil, gas and derivatives thereof. The terms of these transport concessions can be extended for an additional period of 10 years.

Transport concession holders are obliged to transport third-party hydrocarbons on non-discriminatory terms, although this obligation applies only to oil and gas producers with excess of capacity.

Liquefied Petroleum Gas (LPG)

Law No. 26,020 establishes the basic regulatory framework for the industry and marketing of LPG. The authority established the volumes and sales prices of LPG through various resolutions. In October 2008 Argentina’s Secretariat of Energy ratified the Stability Agreement of LPG prices in the local market. The validity of the pact has been extended to December 31, 2011.

Market regulation

The Hydrocarbons Law authorizes the Executive National Power of the Argentine Government to regulate the Argentine oil and gas markets and prohibits the export of crude oil during periods in which the authorities determine domestic production to be insufficient to satisfy domestic demand. In the event of restrictions on the export of crude oil and derivatives or the free circulation of natural gas, the oil deregulation decrees entitle producers, refiners and operators to receive a price at least equal to the price of similar grades of imported crude oil and derivatives in the case of oil, and no less than 35% of international price of crude *Arabian Light Oil* in the Case of Natural Gas, quoted in cubic meters.

A significant number of rules concerning a broad range of issues affect the various markets, noteworthy among which are Energy Secretariat Resolution 1,102/04 regarding the creation of a register of fuel and hydrocarbon supply points, Energy Secretariat Resolution 1,104/04 regulating creation of a bulk sales price information module and Decree 652/02 enacting a gasoil supply stability regime for public bus transportation companies, a subsidy regime which has been regularly renewed by the Transportation Secretariat in the form of successive resolutions.

On this subject, on January 26, 2012, the Secretary for Domestic Commerce issued Resolution 6/2012, whereby (i) order five oil companies, including YPF (Note 35), to sell diesel oil to the public bus transportation companies at a price no higher than the retail price charged in its service station located in general terms nearest to the delivery point to the transportation company, while maintaining both historic volumes and delivery conditions; and (ii) it created a price monitoring scheme of both the retail and the bulk markets to be implemented by the Argentine anti-trust authority, (the CNDC by its Argentine acronym). YPF plans to appeal the resolution.

By the enactment of several rules, the Fuels Undersecretariat restored a record system for the hydrocarbons and derivatives exports and set forth some obligations concerning supply to the local market, including the obligation to import some products as allowances for export, when necessary to meet internal demand. On October 11, 2006, the Secretariat of Internal Commerce demanded refining companies and/or wholesalers and/or retailers that they must satisfy the fuel-oil demand in the whole territory of Argentina to meet market growth.

Resolution No. 394/07 of November 16 increased the taxes on crude and derivative exports in Argentina. According to the new scheme when the export price is fixed over the reference price (60.9 dollars/barrel), the producer shall have the right to collect US\$42 per barrel and the rest up to the reference price shall be withheld by the Argentine Government as an export tax. In the event that the export price is under the international reference price, but above US\$45 per barrel, a 45% withholding shall apply. In the event that the export price is under US\$45 per barrel, the withholding percentage shall be fixed within 90 days' term. This same method shall apply to the exports of other oil products and lubricants using different reference prices, withholding percentages and prices allowed for producers, depending on the cases.

As already indicated, the natural gas sector has been the subject of intense regulatory activity which has taken the form of resolutions establishing a number of mechanisms for restricting exports and prioritizing the domestic market.

On June 14, 2007 the Resolution No. 599/07 of the Secretariat of Energy passed a proposal in agreement with the natural gas producers concerning the supply of natural gas to the domestic market for the period 2007 to 2011 ("2007-2011 Agreement"). YPF signed the agreement. On January 5, 2012, the Secretariat of Energy published Resolution 172 in its Official Gazette extending the allocation rules and criteria established by means of Resolution 599/07 until such time as the latter are replaced by new regulations.

Resolution 127/2008 issued by Argentina's Ministry for the Economy increased the export duties levied on natural gas exports from 45% to 100% establishing the basis for the calculation of the value of the natural gas at the highest price provided for by contract to an Argentine natural gas importer.

In December 2008, Executive Decree 2,067/2008 created a trust fund for financing imports of natural gas into the national gas pipeline network, when required by the home market demand and established the mechanisms for making contributions to the fund. This was subsequently further developed by Resolution 1982, of November 14, 2011, which fine-tuned the load unit prices and increased the services included in the scope, such as residential services, gas processing and the electric power generation plants. These developments primarily affect the operations of certain companies under joint control by YPF, particularly Mega, which have lodged appeals against the abovementioned resolution.

In 2011, Decree 1722 re-established the requirement that all foreign currency generated from exports made by producers of crude oil and its derivatives, natural gas and liquefied gases and by companies whose core business is mining, should be entered into and traded in the Exchange Market, with effect from October 26, 2011 and in conformity with the provisions of article 1 of Decree No. 2,581/1964. From that day on, the foreign currency equivalent of exports of these national products up to their FOB or CIF values, depending on the case, must be brought into the country and traded on the Exchange Market within the deadlines established by the applicable law.

On January 5, 2012, the Argentine tax authorities (AFIP for the organism's acronym in Spanish) issued General Resolution No. 3,252, establishing a reporting mechanism, taking the form of a preliminary sworn statement (DJAI for its acronym in Spanish), which must be followed prior to issuance of the Order Receipt, the Purchase Order or any equivalent document used for arranging foreign purchases.

Venezuela

The Constitution of the Bolivarian Republic of Venezuela stipulates that the mines and oil and gas fields, irrespective of their nature, located on national territory, under the territorial sea, in the exclusive economic zone or on the continental platform, belong to the Republic, are public-domain goods and are, therefore, inalienable and imprescriptible.

By virtue of organic law and to protect national interests, the Venezuelan State has reserved the Venezuelan oil and gas activities for itself. For reasons of economic and political sovereignty and for national strategic purposes, the State holds all of the shares of *Petróleos de Venezuela, S.A.* (or the entity that may be set up to run the oil and gas industry).

Exploration and Production

Venezuela's Hydrocarbons Organic Law regulates all matters regarding the exploration, operation, refining, industrialization, transportation, storage, sale and conservation of hydrocarbons, including related refined products and the works required to perform these activities.

Activities relating to exploration for hydrocarbon fields, the extraction of hydrocarbons in their natural form, and their collection, transportation and initial storage are called primary activities.

The performance of primary activities is reserved to the State, either conducted directly by the National Executive Power or by wholly-owned State companies. The State may also conduct these activities through companies whose decision-making it ultimately controls by means of holding a majority equity interest (over 50%); these are called mixed-ownership enterprises. The companies dedicated to the performance of primary activities are known as operating companies.

The incorporation of mixed-ownership companies and the terms governing the performance of primary activities require prior approval from the National Assembly. Any subsequent amendment to these terms also requires the National Assembly approval. Accordingly, mixed-ownership enterprises are governed by law and specifically by the terms and conditions established by the Agreement approval of the National Assembly. These companies are also subject to the rules established in the Code of Commerce and other applicable regulations. Mixed-ownership enterprises can be functioning for a maximum term of 25 years; this term can be extended for a period agreed upon by the parties of no more than 15 years.

The State is entitled to a thirty per cent (30%) participation in the hydrocarbon volumes extracted from any of its fields, notwithstanding the companies' requirement to pay all other applicable taxes. In this respect it is worth highlighting the fact that in April 2011, Venezuela issued a decree law amending the so-called Special Contribution from Extraordinary Oil Prices in force in Venezuela since 2008. This tax entailed a significant payment obligation when average monthly international crude oil prices were higher than US\$70 per barrel. The amended text attempts to make the tax surcharge compatible with the strategy of stimulating new exploration and production investments. The main amendments are:

- i. Higher tax rates for existing exploitations;
- ii. A more favorable tax treatment for new developments or projects intended to boost production by exempting them from having to pay this contribution until the mixed-ownership enterprise recovers the value of the corresponding investments.

The sale and marketing of natural hydrocarbons and of any derivative products indicated by the National Executive Power by Decree, may only be performed by wholly-owned State companies. As a result, the mixed-ownership enterprises that engage in primary activities may only sell the natural hydrocarbons they produce to companies that are wholly-owned by the State.

Based on the foregoing, and respect to the activities performed by Repsol in Venezuela, it is worth noting the following:

On June 20, 2006, the Popular's Power for Energy and Petroleum Ministry (MPPPM for its acronym in Spanish) approved the incorporation of Mixed Enterprise Petroquiriquire, S.A., in which Repsol has a 40% ownership interest, while Corporación Venezuela del Petróleo, S.A. (CVP), a PDVSA subsidiary, holds a 60% stake. On September 2, 2009, Venezuela's National Assembly authorized Petroquiriquire, S.A. to pursue exploration and exploitation activities in Barúa-Motatán as part of its corporate purpose as mixed enterprise.

On February 10, 2010, the MPPPM awarded the operating concession for Carabobo 1 to the consortium incorporated by Repsol (11%), Petronas (11%), OVL (11%) and Indoil (7%), for a combined equity interest of 40%, and CVP, with a 60% stake. The Decree creating the Mixed Enterprise Petrocarabobo, S.A. and the MENPET Resolution delimiting its geographic area were published in the Official Gazette of the Bolivarian Republic of Venezuela on May 7, 2010.

On January 21, 2011, was incorporated Carabobo Ingeniería y Construcciones, S.A., the holding company held by the Class B Shareholders (Repsol 27.5%; Petronas 27.5%; OVL 27.5% and Indoil 17.5%), in order to comply with and perform the delegated management activities stipulated in article 4.1 and Appendix K of the Mixed-Ownership Enterprise Agreement.

Non-associated Natural Gas

Pursuant to the Organic Gaseous Hydrocarbons Law, the following activities may be carried out by the State either directly or through state-owned entities or by private national or foreign bodies, with or without state ownership: (i) activities consisting of exploration for non-associated gaseous hydrocarbons and operation of these fields; (ii) the extraction, storage and use of the non-associated natural gas found at these fields and the gas produced in association with oil or other fossil fuels; and (iii) the processing, industrialization, transportation, distribution and domestic and foreign trading of such gas.

The abovementioned legislation similarly encompasses liquid hydrocarbons and the non-hydrocarbonated components of the gaseous hydrocarbons as well as the gas deriving from the oil refining process.

Activities to be carried out by private national or foreign bodies, with or without state ownership, does require a license or permit and must be associated with specific projects or uses linked to national development objectives.

A single party may not simultaneously perform or control in a given region two or more production, transportation or distribution activities.

Based on the foregoing, and respect to the activities performed by Repsol in Venezuela, its worth noting the following:

On June 20, 2006, the MPPPM agreed to grant a Non-Associated Natural Gas Operating License to Quiriquire Gas, S.A., a company jointly owned by Repsol (60%) and PDVSA GAS, S.A. (40%). The Gas License was granted in March 2007.

On February 2, 2006, was published Resolution No. 011 granting a License for the Exploration and Operation of Non-Associated Gaseous Hydrocarbons in the Cardón IV area, located in the Gulf of Venezuela, to Cardón IV, S.A., a Company jointly owned by Repsol YPF Venezuela Gas, S.A (50%) and Eni Venezuela B.V. (50%). On November 1, 2008, Eni and Repsol signed a joint operating agreement (“JOA”). A preliminary agreement was signed with PDVSA GAS, S.A. on November 1, 2011 forming the basis for negotiations with respect to a 25-year Gas Supply Agreement with possibility of making exports. An agreement was ultimately signed off on December 23, 2011.

Bolivia

The Bolivian oil and gas industry is regulated by Law No. 3,058 of May 19, 2005 (the “Hydrocarbons Law”).

On May 1, 2006 Supreme Decree 28,701 (the “Nationalization Decree”) was published, which nationalized the country’s oil and gas and transferred the ownership and control thereof to the Bolivian state company Yacimientos Petrolíferos Fiscales Bolivianos (YPFB). Furthermore, the shares required to enable YPFB to control at least 50% plus one vote in different companies, among them Empresa Petrolera Andina, S.A., currently known as YPFB Andina S.A. (YPFB Andina), were nationalized.

As a result, Repsol signed a shareholders’ agreement that stipulates, among other provisions: (a) a two-year period of joint operation of YPFB Andina, during which time Repsol is entitled to appoint some executives in certain business areas; (b) mutual right of first refusal over any share sale; (c) certain “Mutually Agreed Decisions” to be taken jointly by the management and boards of Repsol and YPFB.

The joint operation period outlined in (a) above has terminated and therefor the “Appointment of Executive Personnel” clause applies. This clause stipulates that as minority shareholder, Repsol is entitled to propose the persons to be nominated by the Board to certain positions.

At the date of authorizing the accompanying Financial Statements for issue, the shareholders of YPFB Andina had agreed in an Extraordinary General Meeting held on September 19, 2011 to amend three articles: article 45 governing the composition and selection of the Board, article 61 regarding directors and executives incompatibilities and article 63 regarding executive and business management functions.

Operating contracts

According to the Hydrocarbons Law and the Nationalization Decree, Repsol YPF E&P Bolivia S.A. and its subsidiary YPFB Andina S.A. signed with YPFB the Operating Contracts establishing the conditions for the prospecting and production of hydrocarbons in Bolivia, effective as of May 2, 2007.

In compliance with the terms laid down in the Operating Contracts, on May 8, 2009, Repsol YPF E&P Bolivia S.A. signed the pertinent natural gas and liquid Hydrocarbon Delivery Agreements (Delivery Agreements) with YPFB for the various operating areas in which it operates, as well as the Payment Method Agreement, which regulate the terms of Operating Contract Holder Remuneration.

In relation with these Operating Contracts, significant legislation was issued in 2008 and 2009 which had the effect of: (i) setting the conditions and parameters for the recognition and approval by YPFB of the Recoverable Costs within the framework of the Operating Contracts; (ii) amending the regulations governing the settlement of royalties and investments with the Bolivian Treasury to conform with the terms of the Operating Contracts; and (iii) regulating the tendering, contracting and purchase of materials, works, goods and/or services by Operating Contract Holders.

Further, in compliance with what is established in Ministerial Order 101/2009, the amended Development Plan corresponding the Operating Contract governing the Caipipendi Area, and the Margarita and Huacaya Fields was presented. This Development Plan was approved by YPFB on March 8, 2010.

In respect of the Delivery Agreements, Ministerial Order 088/2010 of March 25, established that the allocation of the hydrocarbons produced to be made by YPFB will be formulated by field and market in accordance with the volumes committed to in the Delivery Agreements signed with YPFB. The order of priority for allocation of natural gas is: (1) Internal Market; (2) Export Markets, in the chronological order in which YPFB entered into the various Natural Gas Purchase Agreements; and for liquid hydrocarbons, the priority order is: (1) Internal Market; (2) Export Market.

At the date of these Financial Statements, the reconciliation of the Holder Remuneration calculation with YPFB was still pending.

Bolivian Constitution

Bolivia enacted its new Constitution on February 7, 2009, stipulating in relation to the oil and gas sector, among other matters, that:

(i) Hydrocarbons are the inalienable and imprescriptible property of Bolivians; (ii) by virtue of belonging to the Bolivian people, securities evidencing a residual ownership interest in Bolivia's natural resources may not be listed and traded on securities markets or used to securitize or pledge financial transactions; (iii) YPFB is the sole entity authorized to control and manage the oil and gas productive and commercial chain; (iv) YPFB may not transfer its rights and obligations; YPFB is authorized to enter into service agreements with Bolivian and foreign public, mixed or private entities for the execution of certain production chain activities on YPFB's behalf in exchange for compensation or a service fee; (v) YPFB may incorporate mixed economy associations or companies for the execution of hydrocarbon-related activities, in which YPFB must hold a mandatory interest of no less than 51% in these entities' total share capital.

It is management's understanding that the new Constitution will require enactment of a series of additional laws and regulations.

Ecuador

In accordance with the Constitution of 2008 and the Hydrocarbons Law of Ecuador, the nation's hydrocarbon fields and the associated substances are the inalienable, imprescriptible and unattachable property of the State. The State explores and operates the oil and gas fields directly through Petroecuador. Petroecuador, in turn, can perform this activity sub-contracting with third parties. It is also possible to incorporate mixed-ownership enterprises between local companies and renowned expert foreign companies that are legally established in Ecuador.

The contractual hydrocarbon exploration and exploitation legal arrangements include, among others, the following:

- i. Hydrocarbon exploration and exploitation share agreements under which the right to explore and exploit oil and gas reserves within the area of the contract, is delegated in the contractor, which bears all exploration, development and production investments, including the related risks. Once production starts, the contractor is entitled to a share of production in the contract area valued at the oil and gas sales prices set for in the contract area; this constitutes the contractor's gross revenue which is then reduced by the corresponding deductions.
- ii. Hydrocarbon exploration and exploitation service agreements under which the contractor is obliged to use its own financial resources to perform the related exploration and exploitation activities, investing the capital and using the equipment and technology required to this end. When there are, or the service provider discovers, commercially viable hydrocarbon reserves, it is entitled to payment of a set price per net barrel of oil produced and delivered to the State. This price, which constitutes the contractor's gross revenue, is contractually stipulated based on estimated depreciation schedules, cost/expense schedules and a reasonable profit in light of the risk incurred.

In accordance with the provisions set down in the amended legislation of the Hydrocarbons Law and the Internal Tax Regime Law, of July 27, 2010, the agreements for the exploration and exploitation of hydrocarbons under the various contractual forms must be modified to reflect the amended hydrocarbons exploration and exploitation services agreement model provided for in article 16 of the Hydrocarbons Law.

On March 12, 2009, Repsol YPF Ecuador, S.A. (Sucursal Ecuador), as the operator of Block 16, signed an amended investment agreement which had the effect of extending the exploitation term at Block 16 from January 31, 2012 to December 31, 2018, although, it required, within a year, to negotiate and sign a service agreement contract that replaced the investment agreement. That agreement was signed on November 23, 2010. The amended agreement transformed the former contract into a hydrocarbons (crude oil) exploration and exploitation service agreement covering Block 16 in the Ecuadorian Amazon region. The agreement was filed with the Hydrocarbons Register on December 23, 2010 and took effect on January 1, 2011.

In addition, on January 22, 2011, Repsol signed an agreement with the Ecuadorian State amending the services agreement covering the Tivacuno Block. This contract was filed with the Hydrocarbons Register on February 21, 2011.

In accordance with article 408 of the Ecuadorian Constitution of 2008, the State is entitled to a portion of the profits deriving from the nation's oil and gas resources in an amount that will not be less than the earnings of the operator.

Other countries

Repsol YPF's operations are subject to an extensive variety of legislation and regulatory frameworks in the other countries in which it operates. All aspects of the activities performed, including, inter alia, land occupancy, production rates, royalties, price-setting, environmental protection, export rates, exchange rates, etc., are covered by such legislation and regulatory frameworks. The terms of the concessions, licenses, permits and agreements governing the Group's interests vary from one country to another. These concessions, licenses, permits and agreements are generally awarded or jointly carried out with government bodies or state companies and occasionally with private sector organizations.

3. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

3.1 Basis of presentation

The accompanying consolidated Financial Statements are presented in millions of euros and were prepared from the accounting records of Repsol YPF, S.A. and its investees. They are presented in accordance with the International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) as well as the IFRSs adopted by the European Union (EU) as of December 31, 2011. The IFRSs approved by the EU differ in some aspects to the IFRSs published by the IASB; however these differences do not have an impact on the Group's consolidated Financial Statements for the years presented. The Financial Statements present fairly the Group's consolidated equity and financial position at December 31, 2011, and the consolidated results of its operations, the changes in consolidated equity and the consolidated cash flows in the year then ended.

The preparation of the consolidated Financial Statements in accordance with IFRS, which is the responsibility of the Board of Directors of the Group's parent company, makes it necessary to make certain accounting estimates and for the directors to use their judgment when applying the Standards. The most complex areas, the areas in which the directors' judgment is most required and the areas in which significant assumptions or estimates have to be made are detailed in Note 4 (Accounting Estimates and Judgments).

3.2 New standards issued

A) Below is a list of the standards, interpretations and amendments thereof, in keeping with the International Financial Reporting Standards adopted by the European Union, that are mandatorily applicable to the Group's consolidated Financial Statements for the first time in 2011:

- IAS 24 revised *Related Party Disclosures*
- Amendments to IAS 32 *Classification of Rights Issues*
- Amendments to IFRS 1 *Limited Exemption from Comparative IFRS 7 disclosures for First-time Adopters*.
- Improvements to IFRSs 2008-2010

- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*
- Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirements*

IAS 24 revised changes the definition of related party and additionally, allows the inclusion of simplified disclosure requirements for entities considered related parties only by the fact that a government entity holds controlled shareholding, jointly controlled shareholding or significantly influenced shareholding.

Application of the above-listed standards, interpretations and amendments has not had a significant impact on the Group's 2011 consolidated Financial Statements.

- B)** The standards, interpretations and amendments that have been published by the IASB and adopted by the European Union and will be effective in later periods, are the following:

Mandatory application in 2012:

- Amendments to IFRS 7 *Disclosures: Transfers of Financial Assets*

Application of the above-listed amendments is not expected to have a significant impact on the Group's Consolidated Financial Statements.

- C)** At the date of authorizing these Financial Statements for issue, the standards, interpretations and amendments that have been published by the IASB but not yet adopted by the European Union, are the following:

Mandatory application in 2012:

- Amendments to IFRS 1 *Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters*
- Amendments to IAS 12 *Deferred Tax: Recovery of Underlying Assets*

Mandatory application in 2013:

- IFRS 10 *Consolidated Financial Statements*
- IFRS 11 *Joint Arrangements*
- IFRS 12 *Disclosure of Interests in Other Entities*
- IFRS 13 *Fair Value Measurement*
- IAS 27 revised *Separate Financial Statements*
- IAS 28 revised *Investments in Associates and Joint Ventures*
- Amendments to IAS 1 *Presentation of Items of Other Comprehensive Income*
- Amendments to IAS 19 *Employee Benefits*
- Amendments to IFRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities*
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*

Mandatory application in 2014:

- Amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities*

Mandatory application in 2015:

- IFRS 9 - *Financial Instruments* (1)

(1) This constitutes phase one of the three-phase project for the replacement of the prevailing IAS 39: *Financial Instruments - Recognition and Measurement*. Following the recent amendment issued by the IASB, the mandatory effective date for IFRS 9 has been deferred from January 1, 2013 to January 1, 2015.

In relation with IFRS 11 *Joint Arrangements*, because the Group currently uses the proportionate method of consolidation provided for in the prevailing IAS 31, the Company is in the process of analyzing all its joint arrangements in order to determine and document their proper classification as either joint operations or joint ventures, in keeping with IFRS 11 criteria. The recognition of transactions under the new standard will not affect the Group's consolidated equity or net income. As a result, the application of this new standard will require the balance sheet and income statement reclassification of the amounts currently integrated proportionate 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 respect of the other standards and amendments itemized in the current section C), the Group is currently analyzing the impact their application may have on the consolidated Financial Statements.

3.3 Accounting Policies

3.3.1) Basis of consolidation

Repsol YPF's consolidated Financial Statements include the investments in all their subsidiaries, associates and joint ventures.

All the **subsidiaries** over which Repsol YPF exercises direct or indirect control were fully consolidated. Control is the power to govern the financial and operating policies of a company so as to obtain benefits from its activities. Control is, in general but not exclusively, presumed to exist when the parent owns directly or indirectly more than half of the voting power of the investee.

The share of the minority interests in the equity and profit of the Repsol YPF Group's consolidated subsidiaries is presented under "Minority interests" within Equity in the consolidated balance sheet and "Net income attributable to minority interests" in the consolidated income statement, respectively.

Joint ventures are proportionately consolidated and, accordingly, the consolidated Financial Statements include the assets, liabilities, expenses and income of these companies only in proportion to Repsol YPF Group's ownership interest in their capital. Joint ventures are those over which there is shared control and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

The assets, liabilities, income and expenses corresponding to the joint ventures are presented in the consolidated Balance Sheet and consolidated Income Statement in accordance with their specific nature.

In the case of either non-monetary contributions to a joint controlled entity in exchange for an equity interest, either in the case of sales of assets to a joint controlled entity, the Group only recognizes that portion of the gain or loss that is attributable to the interests of the other venturers.

Associates are accounted for using the equity method. These are companies over which the investor has significant influence but does not exercise effective or joint control. Significant influence is the power to affect financial and operating decisions of a company and is presumed to exist when the investor holds an interest of 20% or more. The equity method involves recognizing under “Investments accounted for using the equity method” in the Consolidated Balance Sheet, the net assets and goodwill, if applicable, of these companies only in proportion to the ownership interest in their capital. The net profit or loss obtained each year through these companies is reflected, only in proportion to the ownership interest in their capital, in the Consolidated Income Statement as “Share of results of companies accounted for using the equity method, net of taxes.”

Losses incurred by an associate attributable to the investor that exceed the latter's interest in the associate are not recognized, unless the Group is obliged to cover them.

Appendix I contains a list of the main consolidated subsidiaries, associates and joint ventures in which Repsol YPF, S.A. has direct and indirect ownership interests, which were included in the scope of consolidation, as well as the changes in the consolidation scope in 2010 and 2011.

The balances, transactions and profits between the fully consolidated companies were eliminated on consolidation. All balances, transactions and profits derived from transactions between the proportionately consolidated companies and other Group companies were eliminated in the proportion of its effective integration. The profit or loss on transactions between Group companies and associates was eliminated in proportion to the Group's percentage of ownership of these companies.

The accounting policies and procedures used by the Group companies were standardized with those of the parent for the purpose of presenting the consolidated Financial Statements using uniform measurement bases.

The Financial Statements of the investees whose functional currency differs from the presentation currency (Note 3.3.4) are translated as follows:

- The assets and liabilities in each of the balance sheets presented are translated at the exchange rates prevailing on the balance sheet date.
- Income and expense items making up each income statement heading are translated at the exchange rate on the transaction date. For practical reasons, the Group generally applies the average exchange rate for the period in which the transactions were completed.
- Any exchange differences arising as a result of the foregoing are recognized as a separate component of “Adjustments for changes in value” of equity called “Translation Differences.”

On the disposal of a company whose functional currency is not the euro, or in the event of partial disposals resulting in loss of control, the exchange differences posted as a component of equity relating to that company are recognized in the income statement when the gain or loss on disposal is recognized. This accounting treatment also applies to partial disposals resulting in the loss of joint control or significant influence.

On the partial disposal of a subsidiary that includes a foreign operation that it does not result in the loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in equity is re-attributed to the non-controlling interests in that foreign operation. In any other partial disposal of a foreign operation, joint venture or significant influence only the proportionate share of the cumulative amount of the exchange differences recognized in equity corresponding to the reduction in the Group's ownership interest is reclassified to profit or loss.

The exchange rates against the euro of the main currencies used by the Group companies at December 31, 2011 and 2010 were as follows:

	12/31/2011		12/31/2010	
	Year end rate	Cumulative Average Rate	Year end Rate	Cumulative Average Rate
American Dollar.....	1.29	1.39	1.34	1.33
Argentine Peso	5.54	5.72	5.29	5.16
Brazilian Real	2.43	2.33	2.23	2.33

3.3.2) Current/Non-current classification

In the accompanying consolidated balance sheet, assets and liabilities maturing within 12 months are classified as current items and those maturing within more than 12 months as non-current items.

3.3.3) Offsetting of balances and transactions

As a general rule, in the consolidated Financial Statements neither assets and liabilities nor income and expenses are offset, except (i) when offsetting is required or permitted by a given standard or interpretation and (ii) when offsetting better reflects the substance of the transaction.

In this respect, revenue and expenses arising on transactions in which the Group has an unconditional and legally-enforceable right to set-off and intends to settle on a net basis or to realize the asset and settle the liability simultaneously are presented at their net amount in the income statement.

3.3.4) Functional currency and foreign currency transactions

a. Functional currency

The items included in these consolidated Financial Statements relating to the Group companies are measured using their functional currency, which is the currency in the main economic environment in which they operate. The consolidated Financial Statements are presented in euros, which is the Repsol YPF Group's functional and presentation currency.

b. Foreign currency

Transactions in currencies other than the functional currency of an entity are deemed to be “foreign currency transactions” and are translated to the functional currency by applying the exchange rates prevailing at the date of the transaction. At each year end, the foreign currency monetary items on the balance sheet are measured at the exchange rate prevailing at that date and the exchange rate differences arising from such measurement are recorded as “Net exchange gains/(losses)” within “Financial result” in the consolidated income statement in the year incurred. This does not apply to the accounting treatment of monetary items that qualify as hedging instruments (section 3.3.24 of this Note).

3.3.5) Goodwill

Goodwill represents the excess of the cost of a business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities that meet the pertinent recognition criteria at the date of acquisition. Goodwill is recognized as an asset at the acquisition date.

In the event of a shortfall, the value of the assets, liabilities and contingent liabilities acquired must be re-assessed. If after this re-assessment the shortfall continues to exist, it is recognized in profit or loss under “Other operating income” in the consolidated income statement.

Goodwill is not amortized and is subsequently measured at cost less any accumulated impairment losses (section 3.3.10 below).

3.3.6) Other intangible assets

The Repsol YPF Group initially recognizes intangible assets at acquisition or production cost, except in the case of the emission allowances received for no consideration as described in section b) below. This cost is amortized on a straight-line basis over the assets' useful lives, except for the assets with indefinite useful lives described below, which are not amortized but are tested for impairment at least annually, and whenever indicators of impairment are detected. At each balance sheet date, these assets are measured at cost less accumulated amortization and any accumulated impairment losses.

The main intangible assets of the Repsol YPF Group are as follows:

a. Leasehold assignment, surface and other rights

This heading primarily includes the costs associated with the various forms of agreements for acquiring service station association rights, reflagging rights and image rights of publicity and the associated exclusive supply agreements. This heading also includes other usufruct and surface rights. These costs are amortized over the related contract terms, which range from 5 to 50 years.

b. Carbon emission allowances

Emission allowances are recognized as an intangible asset and are measured at acquisition cost.

Allowances received for no consideration under the National Emission Allowance Assignment Plan, are initially recognized at the market price prevailing at the beginning of the year in which they are issued, and a balancing item is recognized as a grant for the same amount under deferred income. As the corresponding tons of CO₂ are issued, the deferred income is reclassified to profit or loss.

These allowances are not amortized as their carrying amount equals their residual value and, therefore, the depreciable basis is zero, as their value is constant until delivery to the authorities; the allowances may be sold anytime. Emission allowances are subject to an annual impairment test (section 3.3.10. below). The fair value of the emission allowances is measured based on the average market price on European Union Allowances Exchange for the last trading session of the year provided by the ECX-European Climate Exchange.

The Group records an expense under “Other operating expenses” in the income statement for the CO₂ emissions released during the year, recognizing a provision calculated based on the tons of CO₂ emitted, measured at: (i) their carrying amount in the case of the allowances of which the Group is in possession at year end; and (ii) the closing list price in the case of allowances of which it is not in possession at year end.

When the emissions allowances for the CO₂ tons emitted are delivered to the authorities, the intangible assets as well as their corresponding provision are derecognized from the balance sheet without any effect on the income statement.

When carbon emission allowances are actively managed to take advantage of market trading opportunities (note 35), the corresponding allowances are classified as trading inventories.

c. Other intangible assets

This heading primarily includes the following items:

- i. Concessions and others: these are initially recognized at acquisition cost if they are acquired directly from a government or other public sector body, or at the fair value attributable to the concession in question if they are acquired as part of a business combination. They are subsequently measured at acquisition cost less accumulated amortization and impairment loss, if any. These concessions are amortized on a straight-line basis over the term of the concession agreements.

These concessions include contracts for the supply of public services under which the operator has the right to charge tariffs that are established directly with the service's users, although the competent authorities regulate or control either the tariffs or the users to which service must be provided; moreover, the State retains the residual value in the assets at the end of the term of the arrangement. These concessions are initially recognized at fair value.

This heading also includes power distribution concessions in Spain which are not subject to legal or any other limits. Because these intangible assets are considered to have indefinite useful lives they are not amortized but they are tested for impairment at least annually.

- ii. Exploration permits acquisition costs: the costs incurring to acquire stakes in exploration permits for a given period of time are capitalized under this heading at their purchase price. During the exploration and evaluation phases, these costs are not amortized, although they are tested for impairment at least once a year and whenever indications of impairment are detected, in accordance with the guidelines set forth in IFRS 6 *Exploration for and Evaluation of Mineral Resources*. Any impairment losses detected are recognized – or reversed - in profit or loss in accordance with the general rules established in IAS 36 *Impairment of Assets*. Once the exploration and evaluation phase is completed, if no reserves are found, the amounts previously capitalized are recognized as an expense in the consolidated income statement. If the exploration work yields positive results, giving rise to commercially exploitable wells, the costs are reclassified to “Investments in areas with reserves” (Note 3.3.7 c) at their carrying amount when this determination is made.
- iii. Development costs are capitalized only if all the conditions stipulated in the applicable accounting standard are met. The Group research costs incurred by the Group are expensed in the Income Statement.
- iv. Other costs, including those relating to software and industrial property, are amortized on a straight-line basis over their useful lives (which range between 3 and 20 years).

Trademarks and analogous intangible assets internally developed by the Group are not capitalized; and the related expenses are recognized in the consolidated income statement in the period in which they are incurred.

3.3.7) Property, plant and equipment

The Repsol YPF Group uses the cost model by which items of property, plant and equipment are measured initially at acquisition cost.

a) Cost

The cost of property, plant and equipment includes their acquisition cost, all the costs directly related to the location of assets, making them operational and the present value of the expected disbursements necessary for any costs of dismantling and removing the item or restoring the site on which it is located, when such obligations are incurred under certain conditions. Subsequent changes to the measurement of the dismantling obligations and related liabilities resulting from changes in the estimated cash flows and/or in the discount rate are added to or deducted from the asset's carrying amount in the period in which they are incurred, except where the lower corrected value of the liability is greater than the carrying amount of the associated asset, in which case the surplus is recognized in the income statement.

Borrowing costs that are directly attributable to the acquisition or construction of assets that require more than one year to be ready for use are capitalized as part of the cost of these assets, in accordance with the limits established in the applicable accounting rules.

Personnel expenses and other operating expenses directly attributable to the construction of the asset are also capitalized.

The costs of expansion, modernization or improvements leading to increased productivity, capacity or efficiency or to a lengthening of the useful lives of the assets are capitalized, as long as the general capitalization criteria are met.

Repair, upkeep and maintenance expenses are recognized in the income statement as incurred. Furthermore, certain facilities require periodic reviews. In this respect, the assets subject to replacement are recognized specifically and are depreciated over the average term remaining until the next repairs are carried out.

This heading also includes investments relating to oil and gas exploration and production activities (section c below) and the cost of assets held under finance leases (section 3.3.21 below).

b) Depreciation

Property, plant and equipment, other than those items relating to oil and gas exploration and production activities (section c below), are depreciated using the straight-line method on the basis of the acquisition cost of the assets less their estimated residual value, over the years of estimated useful life of the assets. Estimated useful life of the main assets classified as Property, Plant and Equipment are as follows:

	Years of Estimated Useful Life (2)
Buildings and other structures	20-50
Machinery and plant:	
Machinery, fixtures and tools(1)	8-40
Furniture	9-15
Specialized complex plants:	
Units	8-25
Storage tanks	20-40
Pipelines and networks.....	12-25
Gas and electricity infrastructure and distribution facilities	12-40
Transport equipment	5-25

(1) In addition, the Group holds an indirect interest, via Gas Natural Fenosa, in hydro-powered generation assets whose depreciation period can be as high as 100 years, where not held under concession, depending on their estimated useful lives.

(2) The years of estimated useful life disclosed in the table above are those resulting from the update of the useful lives of some of the PP&E assets, as disclosed in Note 4 *Accounting Estimates and Judgments* performed in 2011.

Depreciation of these assets starts when the assets become available for use.

Land is classified separately from the buildings or facilities that might be located on it and is deemed to have an indefinite useful life. Therefore, it is not depreciated.

c) Recognition of oil and gas exploration and production transactions

Repsol YPF recognizes oil and gas exploration and production transactions using accounting policies based on the “successful-efforts” method, whereby the accounting treatment of the various costs incurred is as follows:

- i. The costs incurred in the acquisition of new interests in areas with proved and unproved reserves (including bonds, legal costs, etc.) are capitalized as incurred under “Investments in areas with reserves” associated with proved reserves or unproved reserves, as appropriate.
- ii. *Exploration costs* (geological and geophysical expenditures, expenditures associated with the maintenance of unproved reserves and other expenditures relating to exploration work), excluding exploratory drilling expenditures, are expensed as incurred.
- iii. *Exploratory drilling costs*, including those relating to stratigraphic exploration wells, are recognized as assets under the heading “Other exploration costs” until it is determined whether proved reserves justifying their commercial development have been found. If no proved reserves are found, the capitalized drilling costs are charged to income. However, if as a result of exploratory drilling, including stratigraphic exploratory wells, reserves are found that cannot be classified as proved, their recognition depends on the following:

- If the area requires additional investments before production can commence, the drilling costs remain capitalized only during the period in which the following conditions are met: (i) the amount of proved reserves found justifies the completion of a productive well if the required investment is made; and (ii) the drilling of additional exploratory or stratigraphic wells is underway or planned for the near future. If either of the aforementioned conditions is not met, the drilling costs or the cost of the stratigraphic wells are charged to income.
- In all other circumstances, the existence of reserves that can be classified as proved have to be determined within one year from the completion of the prospection work. Otherwise, the related drilling costs are charged to income.

Costs incurred in exploratory drilling work that has yielded a commercially exploitable reserve find are reclassified to “Investments in areas with reserves.” Wells are classified as “commercially exploitable” only if they are expected to generate a volume of reserves that justifies their commercial development on the basis of the conditions prevailing when recognized (e.g. prices, costs, production techniques, regulatory framework, etc.).

- iv. Development expenditure incurred in lifting proved reserves and in processing and storing oil and gas (including costs incurred in drilling relating to productive wells and dry wells under development, oil rigs, recovery improvement systems, etc.) are recognized as assets under “Investments in areas with reserves.”
- v. Future field abandonment and dismantling costs (environmental, safety, etc.) are estimated, on a field-by-field basis, and are capitalized at their present value when they are initially recognized under “Investments in areas with reserves” in assets in the balance sheet, within “Non-Current Provisions.” This capitalization is recorded against the corresponding provision.

The investments capitalized as described above are depreciated as follows:

- i. Investments in the acquisition of proved reserves are depreciated over the estimated commercial life of the field on the basis of the production for the period as a proportion of the proved reserves of the field at the beginning of the depreciation period.
- ii. Investments relating to unproved reserves or fields under evaluation are not depreciated. These investments are tested for impairment at least once a year and whenever indications of impairment are detected. Any impairment losses detected are recognized – or reversed - in profit or loss in accordance with the general rules established in IAS 36 Impairment of Assets.
- iii. Cost incurred in drilling work and subsequent investments to develop and lift oil and gas reserves are depreciated over the estimated commercial life of the field on the basis of the production for the period as a proportion of the proved reserves of the field at the beginning of the depreciation period.

The changes in estimated reserves are considered on a prospective basis in calculating depreciation.

At each balance sheet date or whenever there are indications that the assets might have become impaired, their recoverable amount (see section 3.3.10. of this Note) is compared to their carrying amount. Any impairment loss or reversal arising as a result of this comparison is recognized under “Impairment losses and losses on disposal of non-current assets” or, if applicable, “Income from reversal of impairment losses and gains on disposal of non-current assets” on the consolidated income statement (section 3.3.10. of this Note and Notes 7, 9 and 25).

d) Environmental property, plant and equipment

Property, plant and equipment of an environmental nature, the purpose of which is to minimize environmental impact and to protect and improve the environment, are identified on the basis of the nature of the business activities carried on, based on the Group’s technical criteria, which are based on the guidelines relating to these matters issued by the American Petroleum Institute (API).

Environmental property, plant and equipment and the related accumulated depreciation are recognized in the balance sheet together with other property, plant and equipment, classified by their nature for accounting purposes.

Their cost, depreciation methods and the valuation adjustments to be performed are determined in accordance with the rules relating to these non-current asset items, as explained in sections 3.3.7.a) to 3.3.7.c) of this Note.

3.3.8) Investment property

Investment property are those assets (buildings, land) held either to earn rentals or for capital appreciation or both. These assets are not used by the Group's in the production or supply of goods or services or for administrative purposes. Repsol YPF recognizes investment property using the cost model, applying the same policies as for items of property, plant and equipment (sections 3.3.7a) and 3.3.7.b) above).

3.3.9) Non-current assets and liabilities held for sale and discontinued operations

The Group classifies a non-current asset (or group of assets) as held for sale if the carrying amount of the asset(s) and associated liabilities will be recovered through a sale transaction rather than through continuing use.

This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. The sale should be expected to be completed within one year from the date of classification.

These assets or group of assets are presented at the lower of carrying amount and fair value less costs to sell and are not depreciated as long as they are classified as held for sale or form part of a group of assets classified as held for sale.

In addition, the Group classifies as discontinued operations any component (a cash-generating unit or a group of cash-generating units) that represents a separate major line of business or geographical area of operations, or has been sold or disposed of by other means, or that qualifies for classification as held for sale.

Non-current assets held for sale are presented in the consolidated balance sheet separately from other assets under the heading “Non-current assets held for sale,” while the liabilities associated with assets qualifying for this classification are presented under “Liabilities related to non-current assets held for sale” described in the previous paragraphs. The after-tax profits or losses generated by discontinued operations are presented in a single heading “Net income for the year from discontinued operations”.

3.3.10) Impairment of property, plant and equipment, intangible assets and goodwill

In order to ascertain whether its assets have become impaired, the Group compares their carrying amount with their recoverable amount at the balance sheet date (section 3.3.25 below), or more frequently if there are indications that the assets might have become impaired. For that purpose, assets are grouped into cash-generating units (CGUs), to the extent that such assets, when individually considered, do not generate cash inflows that are independent of the cash inflows from other assets or CGUs. The grouping of assets into CGUs implies the use of professional judgment.

To perform this test, goodwill acquired on a business combination is allocated among the cash-generating units or groups of cash-generating units (CGUs) that benefit from the synergies of the business combination and the recoverable amount thereof is estimated by discounting the estimated future cash flows of each unit.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a rate that reflects the weighted average cost of capital employed, which is different for each country and business.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount, and an impairment loss is recognized as an expense under “Impairment losses recognized and losses on disposal of non-current assets” in the consolidated income statement.

An impairment loss is recognized, first applied, as a reduction of the carrying amount of related goodwill allocated to the cash-generating unit. Any impairment losses in excess of the carrying amount of goodwill is then allocated to the assets comprising the CGU on a pro-rata basis of their carrying amount.

The basis for future depreciation or amortization will take into account the reduction in the value of the asset as a result of any accumulated impairment losses.

On the occurrence of new events, or changes in existing circumstances, which prove that an impairment loss recognized on a prior date could have disappeared or decreased, a new estimate of the recoverable value of the corresponding asset is developed, to determine whether it is applicable to reverse the impairment losses recognized in previous periods.

In the event of a reversal, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined in case no impairment loss had been recognized for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognized under “Income from reversal of impairment losses and gains on disposals of non-current assets” in the consolidated income statement. An impairment loss recognized for goodwill cannot be reversed in subsequent periods.

3.3.11) Current and non-current financial assets

The Group classifies its investments when they are initially recognized and reviews their classification at each balance sheet date. The assets are classified on the basis of the purpose for which they were acquired.

This category has, in turn, the following sub-categories:

- a) Financial assets at fair value with changes through profit or loss
 - a.1) Financial assets held for trading: this category comprises derivatives not designated as hedging instruments.
 - a.2) Other financial assets at fair value with changes in profit and loss: this category comprises those financial assets acquired for trading or sale in the short-term which are not derivatives.
- b) Financial assets available for sale

Financial assets available for sale are financial assets that have either been designated as available for sale or have not been classified in any other financial asset category.

- c) Loans and receivables

There are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group delivers goods or provides services or financing to a third party and are assets which it does not intend to sell immediately or in the near term.

- d) Held to maturity investments

Held to maturity investments are financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold from the date of purchase to the date of maturity.

A financial asset is initially recognized at fair value (section 3.3.24 of this Note). Transaction costs that are directly attributable to the acquisition or issuance of a financial asset are capitalized upon initial recognition of the asset, except in relation to assets designated as financial assets at fair value through profit or loss.

Subsequent to initial recognition, all financial assets, except for “Loans and receivables” and “Held to maturity investments” are measured at fair value. Equity investments in unlisted companies whose fair value cannot be measured reliably are measured at cost.

In the case of “Other financial assets at fair value with changes in profit and loss,” gains and losses from changes in fair value are recognized in the net profit or loss for the year. In the case of “Financial assets available for sale,” the gains and losses from changes in fair value are recognized directly in equity until the asset is disposed of or it is determined that it has become impaired, at which time the cumulative gains or losses previously recognized in equity are recognized in the profit or loss for the year.

“Loans and receivables” and “Held to maturity investments” are measured at amortized cost, and the accrued interest income is recognized in profit or loss using the effective interest rate method.

An impairment loss on financial assets at amortized cost is recognized when there is objective evidence that the Group will not be capable of collecting all the related amounts under the original terms of the accounts receivable.

The amount of the impairment loss is recognized in the consolidated income statement as the difference between the carrying amount and the present value of the future cash flows discounted at the effective interest rate. The carrying amount of the asset is reduced through an allowance account.

If, in subsequent periods, the value of the financial asset is recovered, the previously recognized impairment loss shall be reversed. The reversal shall not exceed the carrying amount the financial asset prior to the initial recognition of the impairment loss. The amount of the reversal shall be recognized in the income statement for the period.

Finally, an account receivable is considered uncollectible when situations similar to the following occur: dissolution of a company, lack of assets with which to settle the debts or a legal ruling.

Financial assets are initially recognized at face value whenever the effect of not discounting the related cash flows is not significant. Subsequent measurement of these assets is also done at face value.

The Group derecognizes financial assets when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition.

3.3.12) Inventories

Inventories acquired for our own use are stated at the lower of cost and net realizable value. Cost (basically the average cost) includes acquisition costs (less trade discounts, rebates and other similar items), transformation and other costs which have been incurred in bringing the inventories to their present location and condition.

In the case of refinery products, the costs are allocated to income in proportion to the selling price of the related products (isomargin method) due to the existing difficulty to recognize the conversion costs of every product.

The Group assesses the net realizable value of the inventories at the end of each period and recognizes in income the appropriate valuation adjustment if the inventories are overstated. When the circumstances that previously caused the impairment no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed.

Net realizable value is the estimated selling price at year end less the estimated costs of completion and costs to be incurred in marketing, selling and distribution.

In the case of commodities and similar products, it is not necessary to write down their carrying amount below cost so long as management expects that the finished products in which they are to be incorporated will be sold above cost.

Commodities inventories for trading are measured at fair value less costs to sell and changes in fair value are recognized in income. These transactions do not represent a significant volume of the Group's inventories (Note 13).

3.3.13) Cash and cash equivalents

Repsol YPF classifies under "Cash and cash equivalents" liquid financial assets, deposits or financial assets that can be converted into a known amount of cash within three months and that are subject to an insignificant risk of changes in value.

3.3.14) Earnings per share

Basic earnings per share are calculated by dividing the profit for the period attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the period taking into account, where appropriate, any treasury shares held by the Group (Notes 15.1 and 15.4).

3.3.15) Financial liabilities

Financial liabilities are initially recognized at fair value less the transaction costs incurred. Except for derivatives, subsequent to initial recognition, the Group measures its financial liabilities at amortized cost, as none of its financial liabilities are classified as held-for-trading. Any difference between the financing received (net of transaction costs) and repayment value is recognized in the consolidated income statement over the life of the debt instrument in question, using the effective interest rate method.

Preference shares, which are detailed in Note 19 correspond to this liability category. They are initially recognized at fair value net of issuing costs and are subsequently measured at amortized cost, unless they form part of a hedging transaction in which case the criteria set forth in section 3.3.24. of this Note applies.

Trade payables and other payables are financial liabilities which do not bear explicit interest and which, are recognized at face value, when the effect of not discounting them is not material.

The Group derecognizes financial liabilities when the obligations are cancelled or expire.

3.3.16) Provisions

In accordance with prevailing accounting standards, the Group makes a distinction between:

- a) Provisions: present obligations, either legal or assumed by the Group, arising from past events, the settlement of which is expected to give rise to an outflow of resources the amount and timing of which are uncertain; and
- b) Contingent liabilities: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group, or present obligations arising from past events, the amount of which cannot be measured with sufficient reliability or whose cancellation is not likely to give rise to an outflow of resources embodying future economic benefits.

These provisions are recognized when the liability or obligation giving rise to the indemnity or payment arises, to the extent that its amount can be reliably estimated and it is probable that the commitment will have to be settled.

When a contract qualifies as onerous, the related present liabilities are recognized in the consolidated financial statements as provisions.

Contingent liabilities are not recognized in the consolidated financial statements. Notwithstanding the above, whenever it is deemed possible that settlement of such a liability will give rise to an outflow of resources, the existence of these liabilities is disclosed (Note 34).

3.3.17) Share-based payments

In 2011, Repsol Group approved two share-based employee payment schemes: (i) the 2011-2012 share acquisition plan, which is targeted at the Group's entire workforce; and (ii) a share delivery program for beneficiaries of the multi-year bonus schemes (detailed disclosures on both plans are provided in note 18.d)).

The estimated cost of the shares to be delivered under the plan described in point (ii) above is recognized under the captions "Personnel expenses" and "Retained earnings and other reserves" to the extent that the plan beneficiaries' rights to receive the shares vest.

3.3.18) Pensions and other similar obligations

- a) Defined contribution plans

Repsol YPF has recognized defined contribution pension plans for certain employee groups; directly or indirectly through Group subsidiary YPF and Gas Natural Fenosa (Note 18).

The annual cost of these plans is recognized under "Personnel expenses" in the consolidated income statement.

b) Defined benefit plans

Repsol YPF's defined benefit plans are mostly held through Gas Natural Fenosa. The benefits to which the employees are entitled at the date of their retirement are recognized in the income statement as follows:

- i. The current service cost (the increase in the present value of the defined benefit obligation resulting from employee service in the current period), under "Personnel expenses."
- ii. The interest cost (the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement), under "Financial costs."
- iii. The return on plan assets and changes in the value thereof, less any costs of administering the plan and less any tax payable by the plan itself, under "Financial costs."

The liability recognized with respect to defined contribution pension plans is the present value of the obligation at the balance sheet date less the fair value of plan assets, net of adjustments for past service costs. The obligation under defined benefit plans is calculated annually by independent actuaries in accordance with the projected credit unit method.

Any actuarial gains or losses arising as a result of changes in the actuarial assumptions used are recognized directly in equity under the heading "Reserves."

3.3.19) Grants

a) Grants related to assets

These are grants related to non-current assets and are measured at either: (i) the amount granted or nominal value; or (ii) the fair value of the assets received, if they have been transferred for no consideration. They are classified as deferred income when it is certain that they will be received.

Among other grants, this heading includes the government grants received by Gas Natural Fenosa pursuant to the agreements in place with Spain's Regional Governments for building power and gas infrastructure in towns and other gas and power related investments for which all the conditions established to them have been met; they are measured at the amount granted.

These grants are recognized in profit or loss on straight line basis over the useful life of the assets they are financing. The consolidated Financial Statements present the assets and the grants received separately.

b) Grants related to income

These are grants are those not related to non-current assets that become receivable by the entity and are recognized as income for the period in which they become receivable.

3.3.20) Deferred income

Deferred income relates mainly to income from the assignment of gas transmission pipeline usage rights, the income relating to the natural gas distribution network relocation to be borne by third parties and the net amounts received each year for new connections to the gas or power grids. This income is credited to income on a straight-line basis over the depreciation period of the related non-current assets, which ranges from 20 to 50 years.

This heading also includes the amounts associated with CO₂ allowances received for no consideration (section 3.3.6 b) within this Note).

3.3.21) Leases

Determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

In this category, a distinction can be drawn between:

a) Finance leases

Leases are classified as finance leases whenever the lessor transfers substantially all the risks and rewards of ownership to the lessee. The ownership of the asset may or may not be transferred at the end of the lease term.

When the consolidated companies act as the lessee in finance leases, they present the cost of the leased assets in the consolidated balance sheet, based on the nature of the leased asset, and, simultaneously, recognize a financial liability for the same amount, which will be the lower of the fair value of the leased or the fair value of non-contingent amounts and not related to the provision of services payable to the lessor including, where appropriate, the price of exercising the purchase option, when the exercise thereof is expected with certainty at the beginning of the lease. These assets are depreciated according to criteria applied to the items of property, plant and equipment that are owned or are depreciated over the lease term, whichever is lower, provided there is no reasonable certainty that the lessee shall be granted the ownership at the end of the lease term.

The finance cost derived from the discounted financial liability is allocated to the periods during the lease term through use of a constant interest rate on the remaining financial liability. The resulting finance expense is charged to the heading "Financial result" in the consolidated income statement.

b) Operating leases

Leases in which the ownership of the leased asset and substantially all the risks and rewards incidental to ownership of the leased assets remain with the lessor are classified as operating leases.

Lease costs are recognized under "Other operating expense" in the consolidated income statement as incurred.

When the Group acts as lessor, the resulting income is recognized under "Other operating income" in the consolidated income statement, as accrued.

3.3.22) Income tax

Repsol YPF recognizes in the income statement for the year the accrued tax on the companies' income, which is calculated taking into account the differences between the timing of recognition for accounting purposes and tax purposes of the transactions and other events in the current year recognized in the financial statements, giving rise to temporary differences and, therefore, to the recognition of certain deferred tax assets and liabilities in the balance sheet. These amounts are recognized by applying to the temporary differences the tax rate that is expected to apply in the period when the asset is realized or the liability is settled.

Deferred tax liabilities are recognized for all taxable temporary differences, unless the temporary difference arises from the initial recognition of goodwill for which amortization is not deductible for tax purposes or unless the exception to the deferred tax liabilities is applicable in cases of taxable temporary differences related to investments in subsidiaries, branches and associates.

Deferred tax assets recognized for temporary differences and other deferred tax assets (tax losses and tax deductions carry forwards) are recognized when it is considered probable that the consolidated companies will have sufficient taxable profits in the future against which the deferred tax asset can be utilized. Additionally, deferred tax assets recognized for temporary differences can only be recorded to the extent that they will reverse in the near future.

The accrued income tax expense includes both the deferred income tax expense and the current income tax expense, which is taken to be the amount payable (or refundable) in relation to the taxable net income for the year (see Note 24).

“Income tax” in the accompanying consolidated income statement includes both the accrued income tax expense and the net provisions recognized in the year for income tax contingencies.

Current and deferred taxes are recognized outside profit or loss account if they related to items that are recognized outside profit or loss account. Those entries related to items recognized under “Adjustments for changes in value” are recognized under that heading and those recognized directly in equity are recognized within the equity heading in which the impact of the transaction was recognized.

3.3.23) Revenue and expense recognition

Revenues are measured at the fair value of the consideration received or receivable and represents the amounts receivable for the goods and services provided in the normal course of business, net of discounts and any amounts received on account of third parties, such as the Valued Added Tax.

In sales in which the Group acts as agent, the Group does not recognize all the income and expenses associated with the transaction, recognizing as revenue only the margin received or pending to receive.

In order to minimize transport costs and optimize the Group's logistics chain, the Group arranges swaps of oil products of similar nature with other companies in a number of geographical locations. The related agreements include clauses to adjust through an amount of economic consideration the value of the products swapped on the basis of the technical specifications thereof and the delivery and receiving points for the goods. These transactions are not recognized in the income statement as separate purchases and sales.

Sales of goods are recognized when substantially all the risks and rewards have been transferred. Revenue associated with the rendering of services is also recognized by reference to the stage of completion of the transaction at the balance sheet date, provided the outcome of the transaction can be estimated reliably. Interest income is accrued on a time proportion basis, by reference to the principal outstanding and the effective interest rate applicable. Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.

An expense is recognized when there is a reduction of an asset, or an increase in a liability, which can be measured reliably.

As a result of the legislation on oil and gas retailing in force in the countries in which the Group operates, Repsol YPF reflects as both revenue and expenses the excise and analogous duties levied specifically on consumption related to the production and/or sale of oil and gas products.

Work relating to water management, atmospheric protection, waste management, remediation of soil and subsoil water and the development of environmental management systems are deemed to be environmental expenses and they are recognized for accounting purposes in accordance with the criteria indicated above.

3.3.24) Financial derivatives

The Group arranges derivatives to hedge its exposure to financial and commercial risks due to interest rate and exchange rate fluctuations and to changes in the prices of certain commodities. All financial derivative instruments are initially recognized at fair value at the contract date and are subsequently measured at fair value. The derivatives are recognized as an asset when their fair value is positive and as a liability when it is negative. The differences in fair value are recognized in the income statement, except for specific hedge accounting treatment, where applicable.

For the assessment of financial derivative instruments, in case these are available, quotation market prices at the close of the balance sheet are used. This is the case of the futures contracts.

In the absence of quotation market prices for financial derivative instruments contracted, their fair value is estimated discounting the associated future cash flows according to the interest, exchange rates, credit differentials, volatility, and forward price trends in force on the close of the balance sheet. This assessment method has been applied to the following instruments:

- Mixed currency and interest swaps
- Interest rate swaps
- Forward exchange rate contracts
- Swaps on crude oil prices and products
- Interest rate options
- Crude oil price options

Although the Group applies common assessment market techniques, some changes in the measurement models or in the hypotheses applied therein could lead to different assessments of said instruments than these recognized in the balance sheet, income statement and/or equity.

The Group designates certain derivatives as:

a) Fair value hedges

These are hedges of the exposure to changes in the fair value of an asset or a liability recognized for accounting purposes, an unrecognized firm commitment or an identified portion of the aforementioned asset, liability or firm commitment that can be attributed to a particular risk and might affect the profit for the period.

The changes in the fair value of hedging derivatives that are designated as effective fair value hedges are recognized in the income statement, together with any change in the fair value of the hedged items attributable to the hedged risk.

b) Cash flow hedges

These are hedges of the exposure to changes in cash flows that: (i) are attributed to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction and that (ii) could affect profit or loss for the year.

The effective portion of changes in the fair value of hedging instruments is recognized in equity. The gain or loss relating to the ineffective portion is recognized in the income statement. The cumulative gains or losses recognized in equity are transferred to net profit or loss for the year, in the period in which the hedged items affect the income statement.

c) Hedges of net investment

These are hedges of the exposure to foreign exchange rate changes in relation to investments in the net assets of foreign operations.

Hedges of net investments in a foreign operation are accounted for in a similar way to cash flow hedges, although the exchange rate differences resulting from these transactions are recognized in "Translation differences" under equity in the accompanying consolidated balance sheet.

The cumulative amount of the exchange differences are derecognized from equity, and recognized in the income statement, when the foreign operation is sold or disposed of in any other way.

For the three types of hedges described above, the Group documents at the inception of the transaction the hedging relationship between the hedging instrument and the hedged items, and the risk management objective and strategy for undertaking the hedge. The Group also documents their assessment, both at the inception of the hedge and subsequently. The derivatives used in hedging transactions are highly effective.

Hedge accounting is discontinued when the hedging instrument expires, is sold or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognized in equity is retained in equity until the forecasted transaction occurs.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value with unrealized gains

or losses reported in the consolidated income statement.

Long-term oil and gas sale and purchase commitments are analyzed with the aim to determine whether these are in line with the provisions or marketing needs of the normal activity of the Group or whether, on the contrary, these are derivatives and should be recognized in accordance with the criteria set forth in IAS 39.

3.3.25) Methodology for estimating recoverable amount

The recoverable amount of assets is generally estimated on the basis of their value in use, calculated on the basis of future expected cash flows derived from the use of the assets.

In the assessment of the value in use, cash flow forecasts based on the best income and expense estimates available of the CGUs using sector forecasts, past results and future expectations of business evolution and market development are utilized. Among the most sensitive aspects included in the forecasts used in all the CGUs, inflation, GDP growth, exchange rates, the purchase and sale prices of hydrocarbons, operating expenses and capital expenditures are highlighted.

The valuation of Exploration & Production assets is based on cash flow projections for a period that covers the economically productive useful lives of the oil and gas fields, limited by the contractual expiration of the operating permits, agreements or contracts. The key valuation assumptions used in this business segment and the general principles to determine those assumptions are summarized below:

- a) Oil and gas sales prices. The international price benchmarks used by the Group include Brent, WTI and HH (Henry Hub). In those countries where international listed prices do not mirror local market circumstances, the prices modeled take into consideration the local market prices. For example, in the case of the natural gas market in Argentina, average selling (realization) prices is the benchmark used. Year one of the projections is based on the annual budgets approved by Repsol YPF's Executive Committee. After year one, prices are projected on the basis of price trends elaborated according to internal reports on the global energy environment that not only take into account in-house forecasts but also consider the "consensus" built from a mixture of consultancy opinions, investment banking estimates and future listed market prices. Prices are consistent with those used by the Group to make investing decisions. Lastly, if the productive lives of the respective fields are longer than the period covered by the corporate price projections, prices are extrapolated in line with operating expenses and capital expenditures.
- b) Reserves and production schedules. Production schedules are estimated on the basis of the development plans in place for each productive field. These schedules are then used to estimate proven and unproven reserves. Proven oil and gas reserves estimates are prepared on the basis of the oil and gas reserves reporting and disclosure requirements and framework established by the Securities Exchange Commission (SEC) and the criteria established by the Society of Petroleum Engineers' Petroleum Resource Management System (PRMS-SPE). Unproved reserves are similarly estimated using PRMS criteria and guidelines and are weighted for the risk factors associated with each class of exploration and production assets.
- c) Inflation and other macroeconomic variables. The key economic indicators are inflation, GDP growth and exchange rates. The Group's annual budgets and the

Business Plan contained a macroeconomic framework for all of the countries where the Group has business operations. This data is elaborated on the basis of internal reports about global economic environment which reflect in-house estimates as well as updated external information of relevance (from consultants and specialized organisms).

- d) Operating expenses and capital expenditures. These are calculated in year one on the basis of the Group's budgets and thereafter according to the development plans of the assets. An escalation factor of 2.3%, in line with the forecast for long-term US dollar inflation, was used for the purposes of performing the impairment test in 2011.

The cash flows of the refining and marketing businesses are estimated on the basis of the projected sales trends, unit contribution margins, fixed costs and investment or divestment flows, the investments needed to maintain business volumes, in line with the assumptions modeled in each business' specific strategic plans. However, cash inflows and outflows relating to planned restructurings or productivity enhancements are not considered. The cash flows projection period is generally a five-year period, extrapolating the flows of the fifth year for subsequent years without applying any growth rate.

These estimated net cash flows are discounted to present value using the specific cost of capital to each asset based on the currency in which its cash flows are denominated and the risks associated with the cash flows, including country risk. Repsol YPF discounts projected cash flows using individual pre-tax weighted average costs of capital (WACC) for each country and business. These rates are reviewed at least once a year. The discount rates are intended to reflect current market assessments of the time value of money and the risks specific to the asset. As a result, the discount rates take into consideration: country risk, the interest rate risk associated with the exchange rate and business risk. To ensure that the calculations are consistent and are not duplicated, the cash flow projections do not take into consideration risks that have already been built into the discount rates used. In determining its WACC, the Group uses average sector leverage as a reasonable proxy for the optimal capital structure, to which end it monitors leverage rates at comparable oil and gas companies during the last five years.

The rates used in 2011 and 2010 for the various businesses are in the following ranges:

	2011	2010
Upstream	7.6% - 14.6%	7.7% - 19.7%
Downstream	4.6 % - 14.2%	4.2% - 15.7%

For those Cash Generating Units (CGUs) which contains goodwill and/or other intangible assets with indefinite useful lives, Repsol YPF analyzes whether reasonably possible changes in the key assumptions used to determine their recoverable amounts would have a material impact on the financial statements. For CGUs for which the recoverable amount exceeds the unit's carrying amount by a significant margin, it is assumed that these 'reasonably possible changes' would not have a material impact. For CGUs for which the margin is below the case explained before, the Group performs a sensitivity analysis in order to quantify changes in the recoverable amounts of these CGUs as a result of changes in key assumptions deemed reasonably possible (see Note 5).

4. ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in accordance with generally accepted accounting principles makes it necessary to make assumptions and estimates that affect the amounts of the assets and liabilities recognized, the presentation of contingent assets and liabilities at year end and the income and expenses recognized during the year. The actual results could differ depending on the estimates made.

Coinciding with the start-up of the expansion and upgrade made at the Cartagena and Petronor refineries, the Group conducted a review of the useful lives of the assets in the Repsol YPF Group's refining and chemicals complexes located in Spain and Portugal. The technical appraisals performed indicated a longer estimated useful life for the main productive facilities at these industrial complexes than the ones initially estimated. As a result of the longer estimated useful lives, the annual depreciation rates of these items of property, plant and equipment have been reduced (Note 3.3.7.b). The change in accounting estimate implied a €130 million reduction of the depreciation charge in 2011. This change in accounting estimate will have an impact on the Group's income statement until 2039, when the cumulative impact on the income statement of the change in useful life estimates will become virtually neutral. The main facilities affected by the change in accounting estimate are the following:

Specialized complex plants :	Years of useful life	
	Prior to change in estimate	After change in estimate
Units	8 - 15	8-25
Storage tanks	20-30	20-40
Pipelines and networks	12-18	12-25

The accounting policies and areas which require the highest degree of judgment and estimates in the preparation of the consolidated financial statements are: (i) crude oil and natural gas reserves; (ii) provisions for litigation and other contingencies; (iii) the calculation of income tax and deferred tax assets; (iv) impairment test of assets (Note 3.3.10 and 3.3.25), and (v) derivative financial instruments (Note 3.3.24).

Crude oil and gas reserves

The Estimation of crude oil and gas reserves is an integral part of the Company's decision making process. The volume of crude oil and gas reserves is used to calculate the depreciation using unit production ratios and to assess the recoverability of the investments in exploration and production assets (Notes 7 and 9).

Repsol YPF prepares its estimates and assumptions in relation to crude oil and gas reserves taking into account the guidelines and the conceptual framework of the definition of proved reserves established for the oil and gas industry by the U.S. Securities and Exchange Commission (SEC) and the criteria set by the Petroleum Reserves Management System of the Society of Petroleum Engineers (PRMS.SPE). The SEC approved amendments to its reporting requirements applicable to oil and gas exploration and production companies that became effective on January 1, 2010 and which were applied to calculate reserve volumes at December 31, 2009. The application of these amendments had no significant impact on the Group's reserve volumes at that date.

Provisions for litigation and other contingencies

The final cost of settling claims, grievances and lawsuits could vary due to estimates based on differing interpretations of the rules, opinions and final assessments of the amount of the damages. Therefore, any change in circumstances relating to contingencies of this nature could have a material effect on the amount of the provision for contingencies recognized.

Repsol YPF makes judgments and estimates in recording costs and establishing provisions for environmental clean-up and remediation costs which are based on current information regarding costs and expected plans for remediation. For environmental provisions, costs can differ from estimates because of changes in laws and regulations, discovery and analysis of site conditions and changes in clean-up technology. Therefore, any change in the factors or circumstances related to provisions of this nature, as well as changes in laws and regulations could, as a consequence, have a significant effect on the provisions recognized for these costs (Note 34).

Calculation of income tax and deferred tax assets

The appropriate assessment of the income tax expense is dependent on several factors, including estimates of the timing and realization of deferred tax assets and the timing of income tax payments. Actual collections and payments may differ materially from these estimates as a result of changes in tax laws as well as unanticipated future transactions impacting the Company's tax balances.

5. GOODWILL

The breakdown, of goodwill, by company, at year end 2011 and 2010 is as follows:

	Millions of euros	
	2011	2010
Gas Natural Fenosa Group companies	2,108	2,146
YPF, S.A.	1,861	1,802
Repsol Portuguesa, S.A.	154	154
Repsol Gas Portugal, S.A.	118	118
EESS de Repsol Comercial P.P, S.A	97	95
Empresas Lipigas, S.A.	87	94
Other companies	220	208
	<u>4,645</u>	<u>4,617</u>

The changes in 2011 and 2010 in this line item in the accompanying consolidated balance sheet were as follows:

	Millions of euros	
	2011	2010
Balance at beginning of the period.....	4,617	4,733
Additions.....	17	6
Changes in the scope of consolidation.....	(28)	(285)
Translation differences	61	189
Write-downs	-	(10)
Reclassifications and other changes	(22)	(16)
Balance at end of the period.....	<u>4,645</u>	<u>4,617</u>

In 2011, 'Additions' subheading includes €10 million related to the goodwill generated by Repsol Nuevas Energías U.K. business combination (see Note 30).

In addition, 'Changes in the scope of consolidation' subheading includes the derecognition related to the EUFER assets swap (see Note 30) in the amount of €20 million. 'Reclassifications and other changes' subheading includes the transfer to 'Non-current assets held for sale' of the investments in the Guatemalan electricity distributors held through Gas Natural Fenosa (see Note 11) in the amount of €21 million. Both figures are stated at the Group's proportionate interest in Gas Natural Fenosa.

In 2010 the 'Changes in the scope of consolidation' subheading included the derecognition of €291 million of goodwill associated with Alberto Pascualini Refap, S.A., which was sold during the year (Note 31).

The breakdown of the gross goodwill and accumulated impairment losses at December 31, 2011 and 2010 is as follows:

	Millions of euros	
	2011	2010
Gross goodwill	4,671	4,643
Accumulated impairment losses (Note 9)	(26)	(26)
Net goodwill	<u>4,645</u>	<u>4,617</u>

Testing goodwill for impairment

The breakdown of goodwill at December 31, 2011 and 2010 by operating segment is as follows:

	<u>2011</u>	<u>2010</u>
Upstream (1)	87	85
Downstream (2)	589	584
YPF	1,861	1,802
Upstream	1,270	1,230
Downstream	591	572
Gas and electricity (3)	2,108	2,146
TOTAL	<u>4,645</u>	<u>4,617</u>

- (1) Corresponds primarily to the CGU comprising the Group's exploration and production net assets in Venezuela.
- (2) Corresponds to a total of 17 CGUs; the most significant individual CGU accounts for 20% of the segment.
- (3) At December 31, 2011 and 2010 includes €1,763 million and €1,809 million respectively, corresponding to the goodwill recognized by Gas Natural Fenosa, due to its own participation in its Group companies.

Repsol YPF considers that, based on current knowledge, the reasonably foreseeable changes in key assumptions for determining fair value, on which the determination of the recoverable amounts was based, will not have any material impact on the Group's 2011 or 2010 Financial Statements.

6. OTHER INTANGIBLE ASSETS

The breakdown of the intangible assets and the related accumulated amortization at December 31, 2011 and 2010, and of the changes therein is as follows:

	Millions of euros						
	Leasehold, Assignment Surface and Usufruct Rights	Flagging Costs	Exclusive Supply Contracts	Emission Allowances	Computer Software	Other Intangible Assets	Total
COST							
Balance at January 1, 2010	639	208	177	258	463	1,542	3,287
Additions (1)	43	7	13	8	59	119	249
Disposals and derecognitions	(21)	(20)	(103)	(4)	(4)	(21)	(173)
Translation differences	18	3	-	-	7	63	91
Changes in the scope of the consolidation (2)	1	-	-	4	-	(28)	(23)
Reclassifications and other changes (3)(4)	19	4	(5)	(11)	(14)	1,317	1,310
Balance at December 31, 2010	699	202	82	255	511	2,992	4,741
Additions (1)	5	7	17	9	86	478	602
Disposals and derecognitions	(12)	(13)	(7)	(2)	(46)	(5)	(85)
Translation differences	11	-	-	-	1	16	28
Changes in the scope of the consolidation (2)	1	-	-	-	(1)	128	128
Reclassifications and other changes (3)(4)	8	(1)	(5)	(70)	19	(31)	(80)
Balance at December 31, 2011	712	195	87	192	570	3,578	5,334
ACCUMULATED AMORTIZATION AND IMPAIRMENT LOSSES							
Balance at January 1, 2010	(272)	(154)	(144)	(45)	(297)	(290)	(1,202)
Depreciation charge for the year	(31)	(16)	(9)	-	(67)	(116)	(239)
Disposals and derecognitions	17	15	104	-	3	15	154
Impairment losses (recognised) / reversed	(1)	-	-	5	-	-	4
Translation differences	(10)	(2)	-	-	(5)	(16)	(33)
Changes in the scope of the consolidation	-	-	-	-	-	17	17
Reclassifications and other changes (3)(4)	(46)	-	-	39	11	(610)	(606)
Balance at December 31, 2010	(343)	(157)	(49)	(1)	(355)	(1,000)	(1,905)
Depreciation charge for the year	(31)	(15)	(9)	-	(69)	(146)	(270)
Disposals and derecognitions	7	5	6	-	47	-	65
Impairment losses (recognised) / reversed	1	-	-	(110)	-	-	(109)
Translation differences	(7)	-	-	-	-	(9)	(16)
Changes in the scope of the consolidation	-	-	-	-	1	(1)	-
Reclassifications and other changes (3)(4)	2	8	(1)	35	(18)	13	39
Balance at December 31, 2011	(371)	(159)	(53)	(76)	(394)	(1,143)	(2,196)
Carrying amount at December 31, 2010	356	45	33	254	156	1,992	2,836
Carrying amount at December 31, 2011	341	36	34	116	176	2,435	3,138

- (1) Additions in 2011 and 2010 came from the direct acquisition of assets.
- (2) See notes 11 y 30.
- (3) In 2011, the column headed "Emission Allowances" included €244 million corresponding to CO₂ allowances allocated for no consideration in 2011 under Spain's National Allocation Plan and the derecognition of the liability corresponded to allowances consumed as a result of emissions made during 2010 in the amount of €79 million. In 2010, the same column included €111 million corresponding to CO₂ allowances allocated for no consideration for 2010 under Spain's National Allocation Plan and the derecognition of the liability corresponding to 2009 in the amount of €178 million.
- (4) In 2010, the column headed "Other Intangible Assets" primarily included a reclassification of assets pertaining to service concession arrangements in the net amount of €463 million (€89 million of cost net of accumulated amortization in the amount of €524 million) from "Property, plant and equipment" (€19 million) and "Grants" (€56 million).

“Other intangible assets” primarily includes:

- a) Gas supply contracts and other contractual rights acquired as a result of the business combination between Gas Natural and Unión Fenosa, in the amount of €84 and €25 million in 2011 and 2010 respectively, which includes basically.
- b) Assets in the amount of €19 and €26 million at year end 2011 and 2010 respectively, related to service concession arrangements under which the operator has the right to charge an established tariff directly to the services users, although the competent authorities regulate or control either the tariffs or the users to which service must be provided; moreover, the state retains the residual interest in the assets at the end of the term of the arrangement (see Note 3.3.1).

These assets correspond primarily to transport concession agreements covering crude oil, gas and derivative products in Argentina, obtained as a result of application of the Privatization Law (Note 2), as well as concession agreements under which Gas Natural Fenosa participates in the gas transport and distribution businesses in Argentina, Brazil and Italy. The terms of these concessions range from 11 to 35 years and can be extended for additional terms ranging from 10 to 30 years. At the end of the concessions terms, the assets attached to the concessions revert to the corresponding governments and do not give rise to any collection rights whatsoever on the part of YPF or Gas Natural Fenosa.

In 2011 and 2010 the income from the construction services or the improvement of infrastructures amounted to €8 and €1 million, respectively; these amounts are recognized under the line item “Other operating income” and “Other operating expenses.”

- c) Power distribution concessions which the Group holds through the Gas Natural Fenosa Group in the amount of €13 million at year end 2011 and €42 million at year end 2010.
- d) The costs of acquiring interests in exploration permits in the amounts of €66 and €82 million at year end 2011 and 2010, respectively. The investments recognized in 2011 totaled €13 million (2010: €72 million). The main investment recognized in 2011, in the amount of €16 million, corresponds to the acquisition of 70% of the blocks at ‘North Slope’ (Alaska) from the companies 70 & 148, Llc. and GMT Exploration Llc, through Repsol Group subsidiary E&P USA, Inc. In 2011 the Group also invested €2 million to acquire rights over blocks in Kurdistan.
- e) A €10 million prepayment made in 2011 to acquire exploratory rights in Angola.

Intangible assets include €26 million of assets with indefinite useful lives at December 31, 2011 (€27 million at year end 2010). These assets are not amortized but they are tested at least annually for impairment and relate primarily to the power distribution concessions held by the Group in Spain through Gas Natural Fenosa, as described above (Note 3.3.6 c).

The leasehold assignment, surface and usufruct rights, the reflagging costs and image rights, the exclusive supply contracts, as well as the administrative concessions and the costs of acquiring interests in exploration permits are legal rights whose ownership is conditioned upon the terms of the originating contract, as described in section 3.3.6 of Note 3.

At year end 2010 and also in 2011, intangible assets included €7 million of assets acquired under finance leases and related specifically to service station association rights.

The Group recognized research and development expenses in the consolidated income statement in the amount of €2 million in 2011 (€1 million in 2010).

7. PROPERTY, PLANT AND EQUIPMENT

The breakdown of “Property, plant and equipment” and of the related accumulated depreciation and accumulated impairment losses at December 31, 2011 and 2010, and of the changes therein is as follows:

	Millions of euros							Total
	Land, Buildings and Other Structures	Machinery and plant	Investments in areas with reserves	Other exploration costs	Transport Equipment	Other tangible assets	Assets in the course of construction	
COST								
Balance at January 1, 2010	2,565	24,681	30,002	2,480	1,569	1,680	3,934	66,911
Additions	24	246	1,537	486	15	120	2,181	4,609
Disposals and derecognitions	(17)	(118)	(3)	(2)	(6)	(75)	(23)	(244)
Translation differences	72	663	2,295	145	51	71	60	3,357
Change in the scope of the consolidation (5)	(39)	(661)	(146)	(272)	1	(11)	(124)	(1,252)
Reclassifications and other changes (1)(2)	168	557	378	(500)	394	21	(1,330)	(312)
Balance at December 31, 2010	2,773	25,368	34,063	2,337	2,024	1,806	4,698	73,069
Additions	19	240	1,984	625	12	91	2,443	5,414
Disposals and derecognitions	(10)	(78)	(3)	(118)	(10)	(24)	(10)	(253)
Translation differences	29	221	1,286	49	5	18	58	1,666
Change in the scope of the consolidation (5)	(3)	133	-	(1)	(2)	(17)	18	128
Reclassifications and other changes (1)(2)	221	3,496	583	(730)	16	120	(3,922)	(216)
Balance at December 31, 2011	3,029	29,380	37,913	2,162	2,045	1,994	3,285	79,808
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES								
Balance at January 1, 2010	(728)	(11,861)	(19,378)	(1,232)	(650)	(1,162)	-	(35,011)
Depreciation charge for the year	(67)	(1,190)	(2,042)	(263)	(67)	(79)	-	(3,708)
Disposals and derecognitions	9	91	3	-	5	67	-	175
Impairment losses (recognised) / reversed (3)	(4)	(46)	(83)	(82)	-	(11)	-	(226)
Translation differences	(21)	(284)	(1,472)	(60)	(37)	(44)	-	(1,918)
Change in the scope of the consolidation	9	273	61	99	-	4	-	446
Reclassifications and other changes (1)	2	123	191	118	351	(27)	-	758
Balance at December 31, 2010	(800)	(12,894)	(22,720)	(1,420)	(398)	(1,252)	-	(39,484)
Depreciation charge for the year	(67)	(1,040)	(1,768)	(201)	(92)	(81)	-	(3,249)
Disposals and derecognitions	7	67	-	117	10	16	-	217
Impairment losses (recognised) / reversed (3)	-	1	7	-	-	12	-	20
Translation differences	(9)	(119)	(855)	(21)	(4)	(6)	-	(1,014)
Change in the scope of the consolidation	1	(36)	-	-	1	15	-	(19)
Reclassifications and other changes (1)(2)	(21)	50	121	373	(5)	(38)	-	480
Balance at December 31, 2011	(889)	(13,971)	(25,215)	(1,152)	(488)	(1,334)	-	(43,049)
Carrying amount at December 31, 2010	1,973	12,474	11,343	917	1,626	554	4,698	33,585
Carrying amount at December 31, 2011 (4)	2,140	15,409	12,698	1,010	1,557	660	3,285	36,759

(1) In 2011, this heading includes €3,184 million corresponding to the expansion and upgrade performed at the Cartagena refinery which has been transferred from “Assets in the course of construction” to “Machinery and plant” as a result of their start up in 2011. It also includes transfers to “Non-current assets held for sale” amounting to €209 million corresponding primarily to assets held through Gas Natural Fenosa which were sold in 2011 and related to its gas supply points in the region of Madrid, its Guatemalan power distribution companies and the Arrúbal combined cycle power generation plant (Notes 11 and 31). In 2010, “Reclassifications and other changes” included €177 million of reclassifications to “Non-current assets held for sale” related to the Plana del Vent combined cycle plant and the Enel Unión Fenosa Renovables assets to be spun out to Enel Green Power, all of which are held through Gas Natural Fenosa. Also in 2010, the investment in BBG (€47 million) was transferred to “Non-current assets held for sale.”

(2) In 2010, “Reclassifications and other changes” included the derecognition of €39 million of assets associated with

service concession arrangements which must be recognized as intangible assets under IFRIC 12 (see Note 6). In addition, within this subheading, the column headed "Transport equipment" included €56 million corresponding to the addition of four new methane ships acquired under finance lease arrangements (see Note 22).

- (3) See Note 9.
- (4) At December 31, 2011, accumulated impairment charges totaled €15 million.
- (5) See Note 30 "Business Combinations" and Note 31 "Divestments."

In 2011, the main additions were made in Argentina (€2,092 million), Spain (€2,040 million), Brazil (€247 million), United States (€234 million), the rest of Central and South America (€31 million) and Portugal (€42 million). In 2010, the main additions were made in Spain (€1,932 million), Argentina (€1,516 million), Brazil (€442 million), the rest of Central and South America (€465 million), Libya (€83 million), the United States (€63 million) and Canada (€49 million).

The amounts corresponding to non-depreciable assets, that is, land and assets in the course of construction, amount, respectively to €766 million and €3,285 million at December 31, 2011 and €790 million and €4,698 million at December 31, 2010, respectively. The amounts related to land are included within the heading "Land, buildings and other structures" on the previous table.

Property, plant and equipment, included fully depreciated items for an amount of €12,147 million and €11,533 million at December 31, 2011 and 2010, respectively.

Repsol YPF capitalizes financial costs as part of the cost of the assets as described in section 3.3 of Note 3. In 2011 and 2010, the average capitalization cost was 4.87% and 3.76% and the amount of such financial expenses capitalized was €139 million and €143 million, respectively. Such amounts are recorded under the "Financial costs" line item in the consolidated income statement.

Within the heading "Property, plant and equipment" there are some investments carried out by the Group in public concessions, in an amount of €158 million and €150 million at December 31, 2011 and 2010, respectively; these concessions shall revert to the State within a term ranging from 2011 and 2054.

In 2011 and 2010 this heading includes €2,894 million and €2,869 million, respectively, of assets acquired under finance leases. Among the assets purchased under finance leases during these periods we highlight the methane ships purchased for the transport of the LNG in the amount of €1,482 million and €1,561 million in 2011 and 2010, respectively, as well as gas pipelines and other assets for the transport of natural gas in North America and Canada, which amounted to €1,388 million and €1,287 million December 31, 2011 and 2010, respectively (Note 22).

In accordance with industry practices, Repsol YPF insures its assets and operations worldwide. Among the risks insured are damages to property, plant and equipment, together with the subsequent interruptions in its business that such damages may cause. The Group believes that the current coverage level is, in general, appropriate for the risks inherent to its business.

8. INVESTMENT PROPERTY

The changes in “Investment property” in 2011 and 2010 were as follows:

	Millions of euros		
	Cost	Accumulated Depreciation and Impairment Losses	Total
Balance at January 1, 2010	41	(6)	35
Disposals and derecognitions	(2)	1	(1)
Depreciation charge for the year and other changes	2	(10)	(8)
Balance at December 31, 2010	41	(15)	26
Disposals and derecognitions	(1)	-	(1)
Depreciation charge for the year and other changes	4	(5)	(1)
Balance at December 31, 2011	44	(20)	24

The market value at December 31, 2011 and 2010 of the assets comprised in this line item amounts to €94 million and €99 million, respectively.

The income recognized in 2011 and 2010 from investment properties amounted to less than €1 million in each period.

9. IMPAIRMENT OF ASSETS

Repsol YPF Group reviews the carrying amounts of intangible assets, property, plant and equipment and other non-current assets whenever there are indications that the assets might have become impaired, and at least annually, to determine whether those assets have incurred an impairment loss. These reviews are performed in accordance with the general principles established in Note 3.3.10.

In 2011 the Group recognized net impairment losses on non-current assets in the amount of €96 million (see Note 26). This figure includes a €110 million impairment loss on CO₂ emission allowances (see Note 35), which effect was offset, almost in full, by the gain resulting from the transfer to the income statement of the deferred income recognized in connection with emission allowances allocated free of charge under Spain’s National Allocation Plan.

In 2011, the Group reversed €55 million of impairment losses recognized in prior years on exploration and production assets in Brazil and Ecuador due to favorable trends in the key business parameters.

Additionally, in 2011 the Group recognized impairment losses in the amount of €11 million on exploration assets in Spain due to a reduction of the original expected value of the Poseidón facility as an underground gas storage facility. Lastly, the Group recognized impairments losses totaling €18 million in the chemicals business following the optimization of the Group’s productive capacity in Portugal.

In May 2010, Repsol YPF formally informed the National Iranian Oil Company (NIOC) and Shell of its decision to terminate its participation in the integrated natural gas liquefaction project in Iran (Persian LNG). As a result, the Group recognized €85 million of impairment charges in connection with the assets capitalized as part of this project, of which €52 million corresponded to assets of the Upstream segment, while the remaining €33 million belonged to the LNG segment.

In 2010, the Group recognized an impairment loss of €81 million in connection with exploration assets in an area of Libya due to uncertainties surrounding the exploitation terms of the associated resources.

In addition, in 2010 the Group recognized impairment charges in connection with several assets associated with the Chemicals business, in the aggregate amount of €14 million, following the optimization of the Group's productive capacity in Spain.

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The most significant investments in associates, which were accounted for using the equity method, at December 31, 2011 and 2010, were as follows:

	Millions of euros	
	2011	2010
Perú LNG Company Llc	219	193
Petrocarabobo	86	43
Transportadora de Gas del Perú, S.A.	62	50
Atlantic 4 Company of Trinidad & Tobago	48	44
Atlantic LNG Company of Trinidad & Tobago	43	45
Dynasol Elastómeros, S.A. de C.V.	41	37
Guará, B.V.	40	18
Oleoducto de Crudos Pesados (OCP), Ltd	37	30
Transierra, S.A.	27	24
Compañía Logística de Hidrocarburos CLH, SA	20	19
Other entities accounted for using the equity method	76	82
	<u>699</u>	<u>585</u>

Appendix I lists the most significant Group companies consolidated using the equity method of consolidation.

The changes in 2011 and 2010 in this heading in the accompanying consolidated balance sheet were as follows:

	Millions of euros	
	2011	2010
Balance at beginning of year	585	531
Additions	26	2
Disposals	-	(23)
Changes in the scope of consolidation	(3)	(13)
Result of companies accounted for using the equity method	75	76
Dividends distributed	(64)	(72)
Translation differences	19	43
Reclassifications and other changes	61	41
Balance at end of year	<u>699</u>	<u>585</u>

The main addition made in 2011 was a €20 million investment in Guar, B.V.

In 2010, “Disposals” related to the sale of a 5% interest in CLH to BBK and the sale by Gas Natural Fenosa of its investment in Gas de Aragn (Note 31).

The breakdown in 2011 and 2010 of the Group’s share in the profits or losses of the most significant companies accounted for using the equity method is as follows:

	Millions of euros	
	2011	2010
Atlantic LNG Company of Trinidad & Tobago	25	29
Compaa Logstica de Hidrocarburos CLH, SA	16	24
Atlantic 4 Company of Trinidad & Tobago	16	19
Other entities accounted for using the equity method	18	4
	<u>75</u>	<u>76</u>

The following companies over which the Group has significant management influence, given that the Group has sufficient representation on the Board of Directors, despite holding an interest of less than 20%, were accounted for using the equity method:

<u>Company</u>	<u>% of owner ship</u>
Sistemas Energticos Mas Garullo (1)	18.00%
Gasoducto Oriental, S.A.	16.66%
Regasificadora del Noroeste, S.A. (1)	10.50%
CLH	10.00%
Transportadora de Gas del Per, S.A.	10.00%
Gasoducto del Pacfico (Argentina), S.A.	10.00%

(1) Investees held through the Gas Natural Fenosa Group.

The following table provides the key balances of the Repsol YPF Group associates, calculated

in accordance with the group's respective shareholding percentage at December 31, 2011 and 2010 (Appendix I):

	Millions of euros	
	2011	2010
Total Assets	1,964	1,953
Total Equity.....	699	585
Revenues.....	902	667
Net income for the period	75	76

11. NON-CURRENT ASSETS AND LIABILITIES HELD FOR SALE

The main balance sheet line items classified as assets held for sale and related liabilities at December 31, 2011 and 2010 were as follows:

	Millions of euros	
	2011	2010
Goodwill	-	20
Property, plant and equipment and other intangible assets	187	280
Other non-current assets	43	22
Current assets	28	18
	<u>258</u>	<u>340</u>
Non-current liabilities	19	59
Current liabilities	13	94
	<u>32</u>	<u>153</u>
	<u>226</u>	<u>187</u>

On December 29, 2011, Repsol Exploración Karabashky B.V. acquired 100% of Eurotek, a company that operates hydrocarbon exploration and production licenses in the Khanty-Mansiysk and Yamal-Nenets regions of the Russian Federation. The company was acquired to two subsidiaries of MDM Bank (Selena and Nord Estate Management). This acquisition is part of an agreement signed in December 2011 between Repsol and Alliance Oil concerning the governance of a joint venture created to serve as both companies' growth platform in the Russian Federation. Alliance Oil has incorporated a new joint venture called AR Oil and Gaz, B.V. (hereinafter "AROG"), which at December 31, 2011, in accordance with the transaction milestones, was 100%-owned by Alliance Oil. Repsol's investment in this joint venture was contingent upon the prior acquisition by it of Eurotek. Under the framework of the agreement, Repsol will contribute 100% of Eurotek to AROG, as part of a schedule of contributions that, once complete, will give Alliance Oil a 51% ownership interest in the joint venture, while Repsol will end up with a 49% ownership interest.

The transaction entailed a total outlay of US\$234 million (€82 million) which took the form of: (i) a €34 million payment to the seller; (ii) a €141 million loan by Repsol Exploración Karabashky to Eurotek to cancel the liabilities assumed by the company prior to the date of acquisition; and (iii) a €7 million contribution to an escrow account paid in advance for licenses to be sold to the seller at a later date and which will be given back to Eurotek after the sale. As from the date of acquisition, this company has been classified as a non-current asset held for sale and will be carried as such until it is contributed to the joint venture in accordance with the stipulated transaction timeline.

On April 8, 2010, Repsol YPF and Enagás signed an agreement for the sale by Repsol YPF to Enagás of its 82% interest in the Gaviota underground storage facility for €87 million. Of this amount, €6 million were conditional upon the approval by the Ministry of Industry, Tourism and Trade, to the facility's capacity expansion plans. In 2010, the Group received a €70 million advance payment on this sale; this amount was recognized under proceeds from disposals in the accompanying consolidated cash flow statement. This transaction closed on October 3, 2011, having obtained all required permits for a final amount of €79 million (see Note 31), amounting the derecognition of assets net of associated liabilities in this heading amounted to €51 million.

On June 30, 2011, Gas Natural Fenosa agreed to sell approximately 245,000 gas supply customers (in addition to the 300,000 supply points sold to Grupo Madrileña Red de Gas, as disclosed in Note 31) and associated contracts in the Madrid region for a total of €11 million. This transaction is subject to obtaining the pertinent authorizations. These assets have been classified as non-current assets held for sale since the date the agreement was reached. The amounts in millions of euros are stated at the Group's proportionate interest in Gas Natural Fenosa.

In July 2010, Gas Natural Fenosa agreed to sell Grupo Alpiq the Plana de Vent 400MW combined cycle plant for a total of €60 million. At December 31, 2010, the assets for which the sale was agreed, were classified as non-current assets held for sale. Having secured all the required permits, the sale was closed on April 1, 2011. It did not have any impact on the consolidated income statement. In addition, Alpiq will acquire an exclusive usage and operating right over another 400 MW facility for a two-year term. At the end of this term, Alpiq will have the right to purchase the facility for a total of €59 million, in line with the market value of this option. The amounts in millions of euros are stated at the Group's proportionate interest in Gas Natural Fenosa.

In August 2010, Gas Natural Fenosa and Enel Green Power agreed to terminate the renewable energy venture held by both parties until that time through Enel Unión Fenosa Renovables, S.A. (EUFER), a company in which each held a 50% interest. At December 31, 2010, €55 million of the assets net of the associated liabilities that were recognized in Gas Natural Fenosa's consolidated balance sheet, that would be yield to Enel Green Power, were classified as non-current assets and associated liabilities held for sale. Having secured all required permits, the transaction was closed on May 27, 2011. As a result of this transaction, each of the shareholders received approximately half of the assets and liabilities associated to the former renewable energy business (see Note 30). The amounts in millions of euros are stated at the Group's proportionate interest in Gas Natural Fenosa.

In February 2010, the Group sold 100% of Termobarrancas and the exploration and exploitation license for the Barrancas area to PDVSA; at year end 2009 the investment in this company was classified to this heading in light of the sale-purchase and cession agreements already entered

into with PDVSA and PDVSA GAS, respectively. Upon closing this transaction, €32 million was derecognized from this heading.

In December 2009, Gas Natural Fenosa agreed the sale of its dual gas and power supply business in 38 Madrid municipalities. This business supplied residential customers, retail premises and small and medium companies (SMEs) from the shared services structure in this region. This sale was closed in April 2010 once all the necessary permits had been obtained, resulting in the derecognition from this heading of €63 million of assets and €36 million of liabilities (proportionate to Repsol YPF Group's interest in Gas Natural Fenosa) (see Note 31).

In December 2009, Gas Natural Fenosa agreed the sale of several combined cycle power generation operators in Mexico, with combined generating capacity of 2,233 MW, and the Gasoducto del Río gas pipeline. This sale was closed in June 2010 once all the necessary permits had been obtained from the Mexican authorities, resulting in the derecognition from this heading of €431 million of assets and €26 million of liabilities (proportionate to Repsol YPF Group's interest in Gas Natural Fenosa) (see Note 31).

12. CURRENT AND NON-CURRENT FINANCIAL ASSETS

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

	Millions of euros	
	2011	2010
Non-current financial assets	2,450	1,789
Non-currents derivatives on trading transactions (1)	-	2
Other current financial assets	674	684
Currents derivatives on trading transactions (2)	68	40
Cash and cash equivalents	2,677	6,448
	<u>5,869</u>	<u>8,963</u>

- (1) Classified under the heading "Other non-current assets."
(2) Classified under the heading "Other receivables."

The detail, by type of assets, of the Group's financial assets at December 31, 2011 and 2010, is as follows:

NATURE/CATEGORY	December 31, 2011						
	Carrying amount						
	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	-	-	128	-	-	-	128
Derivatives	-	-	-	-	-	-	-
Other financial assets	-	65	-	2,212	45	-	2,322
Long term/Non-current	-	65	128	2,212	45	-	2,450
Derivatives	176	-	-	-	-	58	234
Other financial assets (1)	-	84	-	463	2,638	-	3,185
Short term/Current	176	84	-	463	2,638	58	3,419
TOTAL	176	149	128	2,675	2,683	58	5,869

NATURE/CATEGORY	December 31, 2010						
	Carrying amount						
	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	-	-	150	-	-	-	150
Derivatives	2	-	-	-	-	-	2
Other financial assets	-	64	-	1,509	66	-	1,639
Long term/Non-current	2	64	150	1,509	66	-	1,791
Derivatives	37	-	-	-	-	71	108
Other financial assets (1)	-	346	-	601	6,117	-	7,064
Short term/Current	37	346	-	601	6,117	71	7,172
TOTAL	39	410	150	2,110	6,183	71	8,963

- (1) Under the headings “Other non-current assets”, and in the headings “Trade receivables” and “Other receivables” from the balance sheet include in 2011 an amount of €344 million classified under long term and €634 million classified under short-term and in 2010 an amount of €20 million classified under long term and €7,989 million classified under short term, arising out of commercial receivables not included in the breakdown of the financial assets in the previous table.

The classification of the financial assets recognized in the financial statements at fair value, by fair value calculation method level hierarchy, is as follows:

	Level 1		Level 2		Level 3		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
Financial assets held for trading	23	8	153	31	-	-	176	39
Other financial assets at fair value through profit and loss	149	410	-	-	-	-	149	410
Financial assets available for sale (1)	57	71	-	-	-	-	57	71
Hedging derivatives	-	-	58	71	-	-	58	71
Total	229	489	211	102	-	-	440	591

Level 1: Valuations based on a quoted price in an active market for an identical instrument which basically refer to investment funds hold by the Group.

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) Excludes €71 million and €79 million in 2011 and 2010, respectively, corresponding to equity investments in companies that are measured at acquisition cost under IAS 39 (Note 3.3.11. - Current and non-current financial assets).

The composition of current and non-current financial assets by category is as follows:

12.1) Financial assets held for trading

Derivatives not designated as hedging instruments are included within this category (see Note 21).

12.2) Other financial assets at fair value through profit or loss

Financial assets measure at fair value through profit or loss in the years 2011 and 2010 mainly correspond to collective mutual funds and additionally they include the amount of €36 million

in 2011 for the investment in debt securities.

12.3) Financial assets available for sale

These mainly correspond to minority equity interests in companies over which the Group does not have management influence.

The movement of financial assets available for sale during the years ended December 31, 2011 and 2010 is the following:

	Millions of euros	
	2011	2010
Balance at beginning of year	150	173
Additions	12	1
Disposals	(4)	(39)
Adjustments to fair value	(16)	8
Changes in the scope of consolidation	(6)	(1)
Reclassifications and other changes	(8)	8
Balance at end of year	<u>128</u>	<u>150</u>

In 2010, Gas Natural Fenosa sold 5% of Indra, an interest which had been reclassified to this heading from 'Non-current assets held for sale' in July 2009. The sale amounted to €38 million, generating a before-tax gain of €1 million. The amounts in millions of euros are stated at the Group's proportionate interest in Gas Natural Fenosa.

'Adjustments to fair value' in the table above correspond primarily to the investment in Alliance Oil Company (a company which absorbed the former West Siberian Resources) generating a loss of €13 million in 2011 and a gain of €1 million in 2010.

12.4) Loans and receivables

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

	Millions of euros			
	Carrying amount		Fair value	
	2011	2010	2011	2010
Non-current	2,212	1,509	2,432	1,689
Current	463	601	463	601
	<u>2,675</u>	<u>2,110</u>	<u>2,895</u>	<u>2,290</u>

The non-current balance includes loans extended to Petersen Group as a result of the sale of interest in YPF (Note 31). The balance outstanding at year-end 2011 and 2010 with Peterson Group stood at €1,542 million and €940 million, respectively. These amounts include principal and interest accrued at year-end. The first of these loans, granted in 2008 at a face value of US\$1,016 million (€785 million) accrues interest at an annual rate of 8.12% until May 2013 when principal repayments begin, falling to 7% thereafter. The second loan, granted in 2011 at a face value of US\$626 million (€484 million) accrues interest at an annual rate of 7.40% until November 2016 when principal repayments begin, falling to 6.50% thereafter.

This heading also included financing extended by Gas Natural Fenosa to the Group Company Contour Global amounting to €7 million (stated in proportion to the Group's interest in Gas Natural Fenosa) in connection with the sale of the Arrúbal (La Rioja province) combined cycle power generation plant in 2011. This loan is secured by the shares in this Company and other assets, accrues interest at market rates and it falls due in 2021.

Additionally, non-current loans and receivables also include €34 million corresponding to the concessions classified as financial assets in accordance with IFRIC 12 Service Concession Agreements which the Group holds through its investment in Gas Natural Fenosa in 2011 and 2010.

Current and non-current loans include the loans granted to consolidated companies in the amount not eliminated in the consolidation process of €310 and €324 million in 2011 and 2010, respectively. The 2011 those loans included impairment provisions amounting to €21 million.

Current loans and receivables includes €370 and €526 million at year end 2011 and 2010, respectively, in relation with the Group's share of the funding of the electricity tariff deficit through Gas Natural Fenosa. In 2011, eleven debts issuances of Spanish's tariff deficit securitization fund (FADE for its acronym in Spanish) were made (see Note 31). The figures stated correspond to the Repsol Group's proportionate interest in Gas Natural Fenosa.

The return accrued on the financial assets disclosed in the table above (without considering financing of the shortfall in regulated electricity tariff settlements) was equivalent to an average interest rate of 7.53% in 2011 and of 7.65% in 2010.

The maturity of non-current loans and receivables is the following:

Due date	Millions of euros	
	2011	2010
2012	-	38
2013	124	68
2014	80	75
2015	76	69
2016	103	69
Subsequent years	1,829	1,190
	<u>2,212</u>	<u>1,509</u>

12.5) Held to maturity investments

The breakdown of the face value of the held to maturity investments at December 31, 2011 and 2010 is as follows:

	Millions of euros	
	2011	2010
Non-current financial assets	45	66
Current financial assets	8	4
Cash equivalents	1,327	3,993
Cash on hand and at banks	1,303	2,120
	<u>2,683</u>	<u>6,183</u>

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

Financial investments are mainly from placements in banks and collateral deposits. These financial investments have accrued an average interest of 1.90% and 1.22% in 2011 and 2010, respectively.

At December 31, 2011, the Group directly held Argentine debt securities maturing between 2017 and 2024 in the amount of € million.

The non-current financial assets held-to-maturity mature as follows:

Due date	Millions of euros	
	2011	2010
2012	-	26
2013	22	14
2014	5	3
2015	3	3
2016	3	3
Subsequent years	<u>12</u>	<u>17</u>
	<u>45</u>	<u>66</u>

13. INVENTORIES

The “Inventories” composition at December 31, 2011 and 2010 is as follows:

At December 31, 2011	<u>Millions of euros</u>
Crude oil and natural gas	2,459
Finished and semi-finished goods	4,197
Supplies and other inventories	622
	<u>7,278</u>
At December 31, 2010	
Crude oil and natural gas	2,323
Finished and semi-finished goods	2,984
Supplies and other inventories	530
	<u>5,837</u>

In 2011 the Group recognizes net expenses of €33 million and in 2010 the Group recognized net gains of €4 million, in the line item “Changes in inventories of finished goods and work in progress inventories” as a result of the measurement of inventories of finished goods and raw materials at the lower of cost and net realizable value.

In relation with raw materials, in 2010 the Group recognized a net expense of €9 million under the “Supplies” heading relating to the measurement of raw materials at the lower of cost and net realizable value. In 2011 the amount registered by the Group under this line item was lower than €1 million.

At December 31, 2011 and 2010, the balance of inventories at fair value less costs to sell amounted to €229 million and €242 million, respectively, and the effect of their measurement at market value represented an expense of €51 million in 2011 and a gain of €6 million in 2010.

The Repsol YPF Group complies, both at December 31, 2011 and December 31, 2010, with the legal requirements regarding minimum safety stocks established under prevailing legislation (See Note 2) through its Spanish Group companies.

14. **TRADE AND OTHER RECEIVABLES**

The breakdown of this heading at December 31, 2011 and 2010 was the following:

	<u>Millions of euros</u>	
	<u>2011</u>	<u>2010</u>
Trade receivables for sales and services	6,959	6,084
Doubtful accounts provision	(404)	(289)
Trade receivables	<u>6,555</u>	<u>5,795</u>
Other trade creditors and other receivables (1)(2)	1,248	1,508
Debtors from personnel transactions	101	53
Receivables from public bodies	730	633
Derivatives held for trading (3)	68	40
Other receivables	<u>2,147</u>	<u>2,234</u>
Income tax assets	520	369
Trade and other receivables	<u>9,222</u>	<u>8,398</u>

(1) At December 31, 2010 this heading of the Financial Statements corresponding to the year 2010 included an additional amount of €171 million (a total balance of €1,679 million) which for comparative purposes, have been classified in “Other current assets” in the balance sheet and which relate mainly to accruals.

(2) The Group has recognized an impairment provision of €132 million as a result of the temporary revocation by the Argentine authorities of the tax benefits granted under the country’s “Petróleo Plus” program (see Note 2).

(3) This heading includes the items outlined in Note 12.

The changes in the provision for doubtful accounts in 2011 and 2010 were as follows:

	Millions of euros	
	2011	2010
Balance at beginning of the year	289	395
Impairment losses recognized/ (reversed)	64	70
Change in the scope of consolidation	(1)	-
Translation differences	2	22
Reclassifications and other movements	50	(198)
Balance at end of the year	<u>404</u>	<u>289</u>

15. EQUITY

15.1) Share capital

The share capital at December 31, 2011 and 2010 consisted of 1,220,863,463 fully subscribed and paid up shares of 1 euro par value each, represented by book entries, and all listed on the Spanish stock exchanges and Buenos Aires Stock Exchange.

On February 22, 2011, the Company officially filed to delist its ADSs from the New York Stock Exchange (NYSE). Repsol's ADSs ceased trading on that exchange on March 4, 2011. On the basis of the application filed by the Company with the US Securities and Exchange Commission on March 7, 2011, the ADSs were officially deregistered in June 2011.

The Company continues to operate an ADS program; the ADSs which began trading on the OTCQX market on March 9, 2011.

Repsol YPF's Articles of Association limit the maximum number of votes that any single shareholder or companies belonging to the same group may cast at the General Meeting at 10% of the voting stock. In accordance with prevailing corporate law applicable to listed companies, this cap was rendered null and void on July 1, 2011. The Company plans to eliminate this clause at its next General Meeting as part of broader Corporate Governance reform proposal.

Since Repsol YPF's shares are represented by the book entry method, it is not possible to ascertain its precise shareholder structure. As a result, the figures provided in the table below reflect the information known by the Company at December 31, 2011 on the basis of the latest reports provided by Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U.(Iberclear, Spain's central clearing house) and the information submitted to Spain's securities market regulator (the CNMV for its acronym in Spanish) by the shareholders:

Shareholder	% total over share capital
CaixaBank	12.84
Sacyr Vallehermoso, S.A. (1)	10.01
Petróleos Mexicanos (2)	9.49

- (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 of a percentage of up to 9.49% of the share capital of the Company.

On August 29, 2011, Sacyr Vallehermoso, S.A., and Petróleos Mexicanos and P.M.I. Holdings, B.V., (the “Pemex Group”) signed a shareholder agreement which was notified to the Company and the CNMV in accordance with applicable law. According to information disclosed publicly by both of these shareholders, Sacyr Vallehermoso, S.A. and the Pemex Group signed another agreement on January 31, 2012 which has the effect of an early termination of the above shareholder agreement.

At December 31, 2011, the following Group companies' shares were publicly listed:

Company	Number of listed shares	% of share capital listed	Stock exchanges	Year-end market price	Average last quarter	Currency
Repsol YPF, S.A.	1,220,863,463	100%	Spanish stock exchanges (Madrid, Barcelona, Bilbao, Valencia)	23.74	21.20	euros
			Buenos Aires Stock Exchange	142.00	137.54	pesos
Gas Natural SDG, S.A.	991,672,139	100%	Spanish stock exchanges (Madrid, Barcelona, Bilbao, Valencia)	13.27	12.77	euros
YPF	393,312,793	100%	Buenos Aires Stock Exchange	167.55	164.74	pesos
			New York Stock Exchange (NYSE)	34.68	35.60	dollars
Refinería La Pampilla, S.A.	721,280,000	100%	Lima Stock Exchange	0.89	0.83	soles
Compañía Logística de Hidrocarburos (CLH)	1,779,049	2.54%				
Serie A	90,000	100.00%	Spanish stock exchanges			
Serie D	1,689,049	100.00%	(Madrid, Barcelona, Bilbao, Valencia)	25.34	27.78	euros

15.2) Share premium

The share premium at December 31, 2011 and 2010 amounted to €6,428 million. The Spanish Capital Companies Law expressly permits the use of the share premium account balance to increase capital and does not establish any specific restrictions as to its use.

15.3) Reserves

Legal reserve

Under the Spanish Capital Companies Law, 10% of net income for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share

capital. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

Revaluation Reserve

The balance of “Revaluation Reserve” (Royal Decree-Law 7/1996 of June 7) can be used, free of tax, to offset losses (both prior years' accumulated losses, current year losses or losses which might arise in the future), and to increase capital. From January 1, 2007, the balance of this account can be taken to unrestricted reserves, provided that the monetary surplus has been realized. The surplus will be deemed to have been realized in respect of the portion on which depreciation has been taken for accounting purposes or when the revalued assets have been transferred or derecognized. The distribution of these reserves would give rise to entitlement to a dividend double taxation tax credit. If this balance were used in a manner other than as exposed it would be subject to taxation.

Other reserves

It includes mainly the transition to IFRS reserve, which comprises the adjustments related to the differences between the previous accounting principles and the IFRS, from events and transactions before the transition date to IFRS (January 1, 2004) and all the results created and not distributed as dividends, which had not been recognized in any of the different reserves previously mentioned.

15.4) Treasury shares and own equity instruments.

The ordinary Annual Shareholders' Meeting held on April 30, 2010, authorized the Board of Directors to make the derivative acquisition of Repsol YPF's shares, via sale-purchase, swap or any other onerous transaction, directly or through subsidiaries, up to a maximum number of shares so that the sum of those acquired plus treasury shares already held by Repsol YPF, S.A. and any of its subsidiaries does not exceed 10% of the parent company's share capital, for a price or consideration that shall not be less than the par value of the shares and not more than its quoted price on the stock exchange.

The authorization is valid for 5 years from the date of the General Shareholders' Meeting and nullifies the equivalent resolution ratified at the ordinary General Shareholders' Meeting held on May 14, 2009.

In 2011, the Group acquired a total of 6,685,499 treasury shares representing 0.55% of the parent's company share capital. These shares had a par value of 1 euro per share, representing the total amount of €125 million. These shares were sold during the year for a pre-tax amount of €140 million. These transactions gave rise to a €15 million gain which was recognized under “other reserves”.

Moreover, in execution of the Share Acquisition Plan approved at the ordinary General Meeting held on April 15, 2011, the Company has acquired a total of 298,117 shares representing 0.024% of share capital at a cost of €6.6 million. These shares have been delivered to employees of the Repsol YPF Group under the employee share-based payment scheme detailed in Note 18.

In addition, on December 20, 2011, the Company acquired 122,086,346 treasury shares of 1 euro par value each, representing 10% of its share capital, in furtherance of the resolution unanimously adopted by the Board of Directors on 18 December. The decision was adopted after receiving news that the creditor banks of Sacyr Vallehermoso had decided not to renew the credit facility previously awarded in order to acquire 20% of Repsol YPF, or would condition its partial refinancing upon the sale of 10% of its shares in the company. This package was acquired at a price of €1.066 per share for a total of €2,572 million.

At December 31, 2011, the treasury shares held by Repsol YPF and/or other companies within the Group, represented 10% of its share capital, At December 31, 2010, neither Repsol YPF, nor any of its subsidiaries held any shares of the parent company.

15.5) Adjustments for changes in value

This heading includes:

Financial assets available for sale

It comprises the profits and losses, net of the related tax effect, corresponding to changes in the fair value of non-monetary assets classified within the category of financial assets available for sale.

Hedging transactions

It comprises the effective part, net of the related tax effect, of changes in the fair value of derivative instruments defined as cash flow hedges (section 3.3.24 of Note 3 and Note 21).

Translation differences

This item corresponds to exchange differences recognized in equity as a result of the consolidation process described in Note 3.3.1, and the measurement at fair value of the financial instruments assigned as net investment hedges in foreign transactions (see note 21) in accordance to the method described under section 3.3.24 of Note 3.

The movement in adjustments for changes in value is presented in the consolidated statement of recognized income and expenses by item and before the corresponding tax effect. The tax effects of the changes set out in the 2011 and 2010 statements of recognized income and expense are broken out in the following table:

	Millions of euros					
	Recognised in Equity		Transferred to the Income Statement		Total	
	2011	2010	2011	2010	2011	2010
Measurement of financial assets available for sale	4	(1)	-	-	4	(1)
Cash flow hedges	24	19	(20)	(25)	4	(6)
Translation differences	(9)	(120)	-	-	(9)	(120)
Actuarial gains and losses and other adjustments	5	6	-	-	5	6
	<u>24</u>	<u>(96)</u>	<u>(20)</u>	<u>(25)</u>	<u>4</u>	<u>(121)</u>

15.6) Dividends

The breakdown of the dividends paid by Repsol YPF, S.A. in 2011 and 2010 are as follows:

	December 31, 2011			December 31, 2010		
	% Nominal	Euros per share	Amount (1)	% Nominal	Euros per share	Amount (2)
Ordinary shares	105.0%	1.050	1,282	42.5%	0.425	519
Remaining shares (without vote, recovery, etc.)	-	-	-	-	-	-
Total dividends paid	105.0%	1.050	1,282	42.5%	0.425	519
a) Dividends charged to results	105.0%	1.050	1,282	42.5%	0.425	519
b) Dividends charged to reserves or share premium	-	-	-	-	-	-
c) Dividends in kind	-	-	-	-	-	-

- (1) This amount corresponds to the interim dividend (paid on January 13, 2011) and final (paid on July 7, 2011) against 2010 profit.
- (2) This balance corresponds to final dividends against 2009 paid on July 8, 2010.

The interim dividends in 2011 and 2010 correspond to the gross per share dividends distributed by Repsol YPF, S.A. against the profits of each year. In 2011 the interim dividend amounted to €35 million (€0.5775 per share before tax, paid on January 10, 2012 for each of the Company's outstanding shares with dividend rights) and in 2010 the interim dividend amounted to €41 million (€0.525 per share before tax).

The final (complementary) dividend from 2010 profits, approved by Repsol YPF, S.A.'s shareholders at the General Meeting held on April 15, 2011, totaled €41 million (€0.525 per share before tax).

At the date of authorizing these Financial Statements for issue, the Company's Board of Directors had agreed to submit a new remuneration scheme to its shareholders for approval at the next General Meeting. Under the new scheme, the Company would offer its shareholders the choice of receiving their remuneration in the form of Repsol YPF, S.A. paid-up shares (scrip dividend), without limiting the possibility of receiving their remuneration in cash.

The scheme would be implemented through a scrip issue (a paid-up capital increase) which would be subject to shareholder approval. In this case, the Board would be empowered to execute the capital increase any time within a year from the date of the General Meeting. The plan is to undertake the capital increase at around the same time as the Company traditionally pays its final (complementary) dividend.

Through this increase in share capital, each of the Company's shareholders would receive one free bonus share right for every Repsol YPF, S.A. share they hold. These rights would then be traded on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges.

Depending on the alternative chosen, each shareholder would either receive new-issue shares or a sum of cash obtained by selling their free bonus share rights back to the Company (the Company having committed to buying them back at a set price) or on the market (in which case the consideration obtained would vary in line with the trading price of bonus share rights).

The Company expects the per share remuneration in 2011 to be approximately 10% higher than that paid against 2010 earnings.

The bonus share issue would not entail any fees and commissions for shareholders subscribing for the new-issue shares. The Company would assume all the costs implied by the share issue (issuance, subscription, admission to trading, etc.). Notwithstanding the foregoing, the entities participating in Iberclear at which the shares are deposited may establish, in accordance with prevailing legislation, fees and commissions payable by shareholders for the administration and processing of any bonus share rights buy and sell orders.

15.7) Earnings per share

Earnings per share at December 31, 2011 and 2010 is detailed below:

	<u>2011</u>	<u>2010</u>
Net income attributable to the parent company (millions of euros)	2,193	4,693
Weighted average number of shares outstanding (millions of shares)	1,216	1,221
EARNINGS PER SHARE ATTRIBUTED TO THE PARENT (EUROS)	<u>2011</u>	<u>2010</u>
Basic	1.80	3.84
Diluted	1.80	3.84

15.8) Minority interests

The equity attributable to minority interests at year end 2011 and 2010 relates basically to the following companies:

	<u>Millions of euros</u>	
	<u>2011</u>	<u>2010</u>
YPF, S.A. (1)	2,762	1,149
Gas Natural Fenosa group companies (2)	494	478
Refineria La Pampilla, S.A.	134	98
Petronor, S.A.	100	96
Other companies	15	25
Total	<u>3,505</u>	<u>1,846</u>

(1) The increase reflects the sale of interest in YPF during 2011 (see Note 31).

(2) This heading includes preference shares issued by Unión Fenosa Preferentes, S.A., part of the Gas Natural Fenosa Group, with a face value of €225 and €226 million at December 31, 2011 and 2010 respectively (proportionate to Repsol YPF Group's interest in Gas Natural Fenosa).

16. GRANTS

The grants recognized in the consolidated balance sheet in the amounts of €118 million at year end 2011 and €110 million at year end 2010 correspond mainly to subsidies for the construction of gas or electrical infrastructure (€64 million at year end 2011 and €80 million at year end 2010).

Revenues in relation to non-financial assets grants are transferred to the income statement under the heading “Allocations of grants on non-financial assets and other grants.” Meanwhile, grants related to income are recognized in the income statement under the heading “Other operating income” and amounted to €72 million in 2011 (€227 million in 2010).

17. CURRENT AND NON-CURRENT PROVISIONS

The breakdown of provisions at year end and the changes in this heading in 2011 and 2010 are as follows:

	Millions of euros						Total
	Current and non-current provisions for contingencies and expenses						
	Provisions for pensions (4)	Provision for field dismantling costs	Provisions for contracts	Environment	CO ₂ Emissions	Other provisions	
Balance at January 1, 2010	243	1,138	392	222	180	1,204	3,379
Period provisions charged to results (1)	23	96	99	75	179	563	1,035
Reversals of provisions with a credit to results (2)	(2)	(1)	-	(3)	(1)	(135)	(142)
Provisions released due to payment	(24)	(29)	(43)	(50)	-	(160)	(306)
Changes in the scope of consolidation (3)	(21)	(8)	(5)	-	4	(2)	(32)
Translation differences	15	76	29	14	-	39	173
Reclassifications and other changes (4)	23	161	(55)	(4)	(180)	124	69
Balance at December 31, 2010	257	1,433	417	254	182	1,633	4,176
Period provisions charged to results (1)	15	94	50	82	94	200	535
Reversals of provisions with a credit to results (2)	(1)	(4)	(73)	(3)	-	(107)	(188)
Provisions released due to payment	(27)	(41)	(96)	(80)	(2)	(115)	(361)
Changes in the scope of consolidation (3)	(1)	-	-	-	-	-	(1)
Translation differences	1	64	4	7	-	12	88
Reclassifications and other changes (4)	11	298	-	(5)	(179)	(96)	29
Balance at December 31, 2011	255	1,844	302	255	95	1,527	4,278

- (1) Includes €186 and €199 million in relation with discounting provisions to the present value in 2011 and 2010 respectively.
- (2) Includes the cancellation of provisions for certain items recognized by Group companies in several countries, due to changes in the circumstances that had given rise to their initial recognition.
- (3) Column headed “Provision for field dismantling costs” includes €333 and 178 million in 2011 and 2010 respectively corresponding to additions to property, plant and equipment and the provision made for field dismantling charges. In addition, ‘Other provisions’ in 2011 in the table above reflects the reclassification to ‘Trade payables’ of €355 million following the agreement reached between Gas Natural Fenosa and Sonatrach resolving their dispute over the price applicable to the gas supply agreements with Sagane, S.A., a Gas Natural Fenosa Group company (see Note 34), which has been settled. This liability has been settled. The figures stated correspond to the Group’s proportionate interest in Gas Natural Fenosa. In 2011 this heading also includes additions as a result of risks associated with foreign transactions (Note 24).
- (4) See Note 18.

“Other provisions” includes the provisions recognized to cover liabilities deriving principally from tax claims and legal and arbitration proceedings. Additional information is disclosed in Note 24 “Tax Situation” and Note 34 “Contingent liabilities and obligations”.

The next table provides an estimate of when the Group is likely to have the settlement timetable of provisioned contingencies and expenses recognized at the end of the reporting period. Nevertheless, due to the nature of the risks provisioned, these timing assessments are subject to uncertainty and changes that are beyond the Group’s control. As a result, this schedule could change in the future according to the circumstances underpinning the estimates.

	Millions of euros			Total
	Less than one year	One to five years	More than five years and/or undetermined	
Provisions for pensions	3	88	164	255
Provisions for field dismantling costs	46	605	1,193	1,844
Provision for contracts	2	230	70	302
Environment	105	115	36	256
CO ₂ Emissions	95	-	-	95
Other	201	743	582	1,526
TOTAL	452	1,781	2,045	4,278

18. PENSION PLANS AND OTHER PERSONNEL OBLIGATIONS

a) Defined contribution pension plans

Repsol YPF has defined contribution plans for certain employees in Spain, which conform to current legislation. The main features of these plans are as follows:

- i. They are mixed plans to cover retirement, disability and death of the participants
- ii. The sponsor (Repsol YPF) undertakes to make monthly contributions of certain percentages of serving employees' salaries to external pension funds.

YPF and other subsidiaries outside Spain also have a defined contribution pension plan for their employees and directors of its main companies, in which the company contributes basically the same amount as the participant up to a stipulated ceiling.

Also, the Gas Natural Fenosa Group has defined contribution pension plans for certain employees.

The annual cost charged to “Personnel expenses” in the consolidated income statement in

relation to the defined contribution plans detailed above amounted to €2 million in 2011 and 2010.

Executives of the Repsol Group in Spain are beneficiaries of an executive pension plan that complements the standard pension plan denominated “Plan de previsión de Directivos” (Management remuneration plan) which covers the participant retirement, disability and death. Repsol YPF makes defined contributions based on a percentage of participants’ salaries. The plan guarantees a fixed return equivalent to 125% of the prior year national consumer price index. The plan is instrumented through collective insurances that cover pension obligations, subscribed with an insurance entity. Premiums paid under these policies finance and externalize the Group’s commitments in respect of ordinary contributions, as well as the fixed return mentioned above. The officer (or his/her beneficiaries) becomes entitled to receive the plan benefits in the event of retirement, death or total permanent disability, and under certain other circumstances defined in the plan rules. The cost of this plan recognized under “Personnel expenses” in the 2011 and 2010 consolidated income statement was €3 million and €4 million, respectively.

b) Defined benefit pension plans

Repsol YPF, primarily through Gas Natural Fenosa and YPF Holdings, a subsidiary of YPF, has arranged defined benefit pension plans for certain employee groups in Spain, Brazil, Colombia and the United States, among other countries. The breakdown of the provisions recognized in connection with these plans is as follows:

	2011	2010
Spain (see b.1)	107	109
Colombia (see b.2)	85	81
Brazil (see b.3)	18	17
United States (see b.4)	33	30
Other	12	20
Total	255	257

b.1) At December 31, 2011 and 2010, the Group maintained, through Gas Natural Fenosa, the following commitments for certain employee groups in Spain:

- Pensions for retirees, disabled employees, widows and orphans in certain employee groups.
- Commitments to top up defined benefit pensions for inactive personnel of the former Unión Fenosa Group retiring before November 2002 and a residual portion of serving employees.
- Retirement and life insurance cover for certain employee groups.
- Gas bill discounts for serving and retired personnel.
- Electricity for serving and retired personnel.
- Commitments through official retirement age to employees opting for early retirement schemes and early retirement schemes.
- Salary supplements and social security contributions for a group of early retirees until ordinary retirement age.
- Healthcare coverage and other benefits.

b.2) At December 31, 2011 and 2010 the Group had the following commitments to certain groups of employees in Colombia:

- Pension commitments to retired employees.
- Electricity for active and retired personnel.
- Healthcare insurance and other post-retirement benefits

b.3) At December 31, 2011 and 2010, Repsol YPF maintained, through its interest in Gas Natural Fenosa, the following commitments for certain employee groups in Brazil:

- A post-employment defined benefit plan providing cover for retirement, workplace death, disability pensions, and general amounts.
- Post-employment healthcare insurance.
- Other post-employment defined benefit plans guaranteeing temporary pensions, life insurance and general amounts depending on years of service.

b.4) At year end 2011, YPF Holdings, a YPF subsidiary, maintains a non-contributory pension plan for executives, key management personnel, as well as former employees who worked at some of the Group companies of this subsidiary. Additionally, this company provides medical insurance benefits, life insurance benefits and other employee benefits to certain of its employees who retire early; the company also pays benefits for health and risk of death to disabled employees and benefits for risk of death to retired executives.

Additionally, USA Holdings, Inc., grants medical service benefits, life insurance and other welfare benefits to some of its retired employees.

The breakdown of the main provisions for pension and other similar commitments recognized in the accompanying consolidated balance sheet by country, and the changes in the present value of the related commitments and the fair value of the plan assets, is as follows:

Present value of plan commitments	2011				2010			
	Spain	Colombia	Brazil	U.S.	Spain	Colombia	Brazil	U.S.
At January 1	362	81	52	30	361	67	73	20
Changes to consolidation scope (1)	-	-	-	-	1	-	(41)	-
Annual service cost	1	-	-	-	1	-	1	1
Interest expense	14	6	5	2	16	6	6	1
Actuarial gains and losses	(13)	9	8	4	(1)	8	11	4
Benefits paid	(27)	(10)	(4)	(4)	(29)	(10)	(4)	(2)
Transfers and cancellations	3	(3)	-	1	12	-	-	3
Currency translation differences	-	2	(5)	-	-	10	6	3
At December 31	340	85	56	33	362	81	52	30
Fair value of plan assets								
At January 1	253	-	35	-	244	-	52	-
Changes to consolidation scope (1)	-	-	-	-	1	-	(27)	-
Expected return	10	-	4	-	11	-	5	2
Contributions	3	-	2	-	11	-	-	1
Actuarial gains and losses	(13)	-	4	-	2	-	2	(3)
Benefits paid	(20)	-	(3)	-	(29)	-	(3)	-
Other movements	-	-	-	-	13	-	-	-
Currency translation differences	-	-	(4)	-	-	-	6	-
At December 31	233	-	38	-	253	-	35	-
Provision for pensions and similar commitments	107	85	18	33	109	81	17	30

(1) In 2009, the Group had defined benefit pension plans through its investment in REFAP in Brazil; however this investment was sold in December 2010.

The amounts recognized in the consolidated income statement for all the above-listed pension plans are the following:

	2011				2010			
	Spain	Colombia	Brazil	U.S.	Spain	Colombia	Brazil	U.S.
Annual service cost	1	-	-	-	1	-	1	1
Interest expense	14	6	5	2	16	6	6	1
Expected return on plan assets	(9)	-	(4)	-	(11)	-	(5)	(2)
Income statement charge	6	6	1	2	6	6	2	-

The accumulated balance of actuarial gains and losses, net of tax, recognized directly in equity was a net loss of €12 million and €11 million in 2011 and 2010 respectively.

The pension plans outlined above are primarily invested in bonds, and to a lesser extent, other securities and real estate assets.

The actual return on plan assets held through Gas Natural Fenosa Group companies in 2011, corresponding to Spain and Brazil, was €4 million and €6 million respectively.

The actuarial assumptions used were the following:

	2011				2010			
	Spain	Colombia	Brazil	U.S.	Spain	Colombia	Brazil	U.S.
Discount rate (1)	3.1% - 4.9%	7.80%	11.40%	5.61% - 3.4%	2.3% - 5%	8.00%	6.80% - 7.70%	5.54% - 4.65%
Expected return on plan assets (1)	3.1% - 4.9%	7.80%	12.80%	N/A	2.3% - 5%	8.00%	6.80% - 6.10%	N/A
Assumed salary growth (1)	3.00%	2.75%	7.60%	N/A	3.00%	2.70%	6.6% - 2.24%	N/A
Assumed pension growth (1)	2.50%	2.75%	5.50%	N/A	2.50%	2.70%	0.00%	N/A
Inflation rate (1)	2.50%	2.75%	5.50%	N/A	2.50%	2.70%	4.50% - 4%	N/A
Mortality table	PERMF 2000	RV08	AT-83 / PERMF 2000		PERMF 2000	ISS 1980/89 - RV08	AT-83 / AT 2000	

(1) annual

c) Medium and long-term incentive plans

The company has implemented a loyalty building program aimed at senior executives and other persons occupying positions of responsibility in the Group, consisting of medium/long-term incentives as part of their benefit package. The purpose of this program is to strengthen the identification of executives and managers with shareholders' interests, based on the company's medium and long-term earnings sustainability as well as the compliance with the strategic business plan targets, while at the same time facilitating the retention by the Group of key personnel.

The President of the Company is not a recipient of any plan of the incentives available to date, although in his current compensation package, the level of success of each program at expiration serves as reference to determine the multi-annual compensation corresponding to each period, which is credited in the following period.

At year end, the 2008-2011, 2009-2012 and 2010-2013 and 2011-2014 incentive programs were in force, although it is important to point out that the first of these plans (2008-2011) was closed, as originally stipulated, on December 31, 2011 and its beneficiaries will their bonuses, if any, during the first quarter of 2012.

The four plans of this type in force (2008-2011, 2009-2012, 2010-2013 and 2011-2014 incentive plans) are independent of each other but their main characteristics are the same. All four are specific pluri-annual remuneration plans covering the stated years. Each plan is tied to the Group attaining a series of strategic objectives. Fulfillment of the respective objectives entitles the beneficiaries of each plan to receive an amount of variable remuneration at medium term in the first quarter of the year following the last year of the plan. However, in each case, receipt of this incentive payment is tied to the beneficiary remaining in the Group's employ until December 31 of the last year of the plan, except in the special cases envisaged in the terms and conditions of the related plan.

In all cases, the pluri-annual incentive payment, if received, will consist of an amount determined at the time the incentive is granted, to which a first variable coefficient will be applied on the basis of the extent to which the objectives set are achieved, which will be then multiplied by a second variable coefficient tied to the beneficiary's average individual performance under the Target Management scheme during the years used for benchmarking under each incentive program; these results are in turn used to determine performance-based pay.

None of these plans involves the delivery of shares or options and the incentive payments are not tied to the value of Repsol YPF shares, even though the beneficiaries of these plans may also be entitled to simultaneously participate in the payment plans disclosed in Note 18.d) i).

To reflect the commitments assumed under these incentive plans, the Group recognized a charge of €21 and €25 million in the 2011 and 2010 consolidated income statement, respectively. At year end 2011, the Group had recognized provisions totaling €56 million to meet its obligations under all the aforementioned plans (€50 million at year end 2010).

d) Share-based payment plans

Two Repsol YPF, S.A. share-based payment plans proposals were approved at the Company's General Meeting on April 15, 2011:

- i.) The first plan (the so-called "Plan for Delivery of Shares to Beneficiaries of the Pluri-annual Remuneration Programs") includes a "payment" of shares to its beneficiaries, contingent upon certain investment and length of service requirements.

This plan, which is divided into five cycles (2011-2014, 2012-2015, 2013-2016, 2014-2017 and 2015-2018), is targeted to Executive Directors, the rest of the executives and Group employees that are named beneficiaries of certain of the pluri-annual remuneration plans currently in effect, and allows the beneficiaries that wishes to do so, (the "Participants") the possibility of invest in up to 50% of the pre-tax pluri-annual bonus payment received in year one of each cycle in Repsol YPF, S.A. shares. Such investments must be made no later than May 31 of each calendar year, following receipt of the corresponding pluri-annual bonus payment (Initial Investment).

The Participants in each of the Plan Cycles will be entitled to receive one Repsol YPF, S.A. share for every three purchased in the Initial Investment corresponding to each cycle, as long as all the shares acquired in the Initial Investment are held by the beneficiary for a three-year period (Vesting Period).

A total of 350 employees took part in the first cycle (2011-2014), acquiring a total of 227,498 shares at an average price of €23.5357 per share, which implies that the Group is

committed to delivering 75,710 shares to those employees who comply with the Plan requirements after the three-year Vesting Period ends. As a result of this Plan, at December 31, 2011, the Group had recognized an expense of €0.23 million under “Personnel expenses” with a counterbalancing entry under “Retained earnings and other reserves” in equity.

- ii.) The second share-based payment plan, called the “2011-2012 Share Acquisition Plan,” is targeted at Repsol YPF Group executives and staff in Spain and is designed to enable interested beneficiaries to receive up to €12,000 of their annual remuneration in 2011 and 2012 in the form of Company shares at the close price on the continuous market of the Spanish stock exchanges on the date of delivery to the beneficiaries (established monthly). As disclosed in Note 15.4, in 2011 the Group acquired 298,117 treasury shares for a total of €6.6 million for delivery to employees. These shares represented 0.024% of the share capital of the parent company.

The shares to be delivered under both plans may be sourced from Repsol YPF’s directly or indirectly held treasury shares, new-issued shares or from third party entities with whom the Group has entered into agreements to guarantee coverage of the commitments assumed.

19. FINANCIAL LIABILITIES

This Note discloses the categories of financial liabilities included in the balance sheet line-items outlined below.

	Millions of euros	
	2011	2010
Non-current financial liabilities	15,345	14,940
Non-current derivatives on trading transactions (1)	3	1
Current financial liabilities	4,985	4,362
Current derivatives on trading transactions (1)	42	115
	20,375	19,418

⁽¹⁾ Derivatives on trading transactions are recognized under “Other non-current liabilities” and “Other payables” in the consolidated balance sheet.

Following is a breakdown of the financial liabilities acquired, most of which are secured with a personal guarantee, at December 31, 2011 and 2010:

December 31, 2011

	Financial liabilities held for trading	Financial liabilities at amortized cost	Hedging derivatives	Total	Fair value
Bank borrowings	-	4,806	-	4,806	4,819
Bonds and other securities (1)	-	10,331	-	10,331	10,476
Derivatives	6	-	203	209	209
Long-term debts/ non-current financial liabilities	6	15,137	203	15,346	15,504
Bank borrowings	-	2,896	-	2,896	2,901
Bonds and other securities	-	2,006	-	2,006	2,007
Derivatives	115	-	12	127	127
Short-term debts/current financial liabilities	115	4,902	12	5,029	5,035
TOTAL	121	20,039	215	20,375	20,539

December 31, 2010

	Financial liabilities held for trading	Financial liabilities at amortized cost	Holding derivatives	Total	Fair value
Bank borrowings	-	4,716	-	4,716	4,776
Bonds and other securities (1)	-	10,089	-	10,089	10,228
Derivatives	6	-	130	136	136
Long-term debts/ non-current financial liabilities	6	14,805	130	14,941	15,140
Bank borrowings	-	1,872	-	1,872	1,872
Bonds and other securities (2)	-	2,352	-	2,352	2,366
Derivatives	219	-	34	253	253
Short-term debts/current financial liabilities	219	4,224	34	4,477	4,491
TOTAL	225	19,029	164	19,418	19,631

(1) Includes preference shares amounting to €3,179 million and €3,205 million at December 31, 2011 and 2010, respectively.

(2) Includes preference shares amounting to €43 million at December 31, 2010. On February 8, 2011, the Group redeemed 100% of the preference shares issued by Repsol International Capital, which were listed on the New York Stock Exchange - NYSE (Note 1).

At year end 2011 and 2010, the accompanying consolidated Financial Statements include amounts corresponding to finance leases measured using the amortized cost method (see Note 22.1) which are recognized under “Other non-current liabilities” (€2,864 million at year end 2011 and €2,852 million at year end 2010) and “Other payables” (€223 million at year end 2011 and 2010).

The classification of the financial liabilities recognized in the financial statements at fair value, by fair value calculation method level hierarchy, is as follows:

	Level 1		Level 2		Level 3		Total	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Financial liabilities held for trading	16	60	105	165	-	-	121	225
Hedging derivatives	-	-	215	164	-	-	215	164
Total	16	60	320	329	-	-	336	389

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

Disclosure of maturities relevant to Repsol YPF's funding at December 31, 2011 and 2010 is provided in paragraph 20.1.2 of the Note 20, concerning liquidity risk.

The breakdown of average balances outstanding and cost by instrument is as follows:

	2011		2010	
	Average volume	Average cost	Average volum	Average cost
Bank borrowings	6,456	3.67%	6,695	3.63%
Preference shares	3,229	3.70%	3,698	3.46%
Obligations	8,474	4.43%	8,695	4.34%
	18,160	4.03%	19,088	3.92%

The chart below discloses issues, buybacks and repayments of debt securities (recognized under current and non-current "Bonds and other securities") in 2011 and 2010:

	Balance at 31/12/2010	(+) Issuances	(-) Repurchases or reimbursement	(+/-) exchange rate and other adjustment	Balance at 31/12/2011
Bonds and other debt securities issued in the European union with prospectus	11,453	5,325	(4,912)	(30)	11,836
Bonds and other debt instruments issued in the European union without prospectus	-	-	-	-	-
Bonds and other debt securities issued outside European union	988	130	(602)	(15)	501
TOTAL	12,441	5,455	(5,514)	(45)	12,337

	Balance at 31/12/2009	(+) Issuances	(-) Repurchases or reimbursement	(+/-)Exchange rate and other adjustment	Balance at 31/12/2010
Bonds and other debt securities issued in the European union with prospectus	10,697	4,597	(3,804)	(37)	11,453
Bonds and other instrument issued in the European union without prospectus	2	-	(2)	-	-
Bonds and other debt securities issued outside European union	852	101	(18)	53	988
TOTAL	11,551	4,698	(3,824)	16	12,441

The Group, through Repsol International Finance B.V. ("RIF"), holds a medium term note program *Euro 10,000,000,000 Guaranteed Euro Medium Term Note (EMTN)*, registered with the Luxembourg *Commission de Surveillance du Secteur Financier* on October 27, 2011 and up to a maximum amount of €10 billion. On December 12, 2011, the Group issued €850 million bonds under this program; the bonds of 4.250% fixed interest rate, due four years and two

months after the issuance date and are traded on the Luxembourg Stock Exchange.

In addition, the Group, through its subsidiary Repsol International Finance, B.V. (RIF), holds a Euro Commercial Paper (ECP) Program, arranged on March 26, 2010, up to a maximum amount of € 1.5 billion which is guaranteed by Repsol YPF S.A. The ECP Program was increased to €2 billion on November 12, 2010. During 2011, RIF issued €3,456 million and US\$54 million under this Program. The balance outstanding of the issuances under this program stood at €707 million at December 31, 2011 (€1,432 million at December 31, 2010).

On February 8, 2011, the US\$725 million of “Series A” *preference shares* issued by Repsol International Capital LTD. and guaranteed by Repsol YPF S.A. were redeemed.

Gas Natural Fenosa, holds a €300 million Euro Commercial Paper (ECP) program, arranged on March 23, 2010. The issuer is one of its group companies, Unión Fenosa Finance B.V. In 2011, a total amount of €26 million of commercial paper under this program was issued. The drawn balance under this program stood at €80 and €108 million at December 31, 2011 and 2010, respectively, leaving an undrawn balance of €20 million and €193 million, respectively. Gas Natural Fenosa also renewed its €300 million corporate Promissory Notes program in July 2011. At December, 31 2011 it had issued €20 million under this shelf program. The amounts in millions of euros are stated at the Group’s proportionate interest in Gas Natural Fenosa.

Gas Natural Fenosa also holds an *European Medium Term Notes* (EMTN) program that following the latest extension of November 2011, could issue up to a maximum amount of €3.6 billion. Under this program, on January 25 and May 10, 2011, Gas Natural Fenosa issued bonds in the euromarket for €180 million and €150 million, respectively. At December 31, 2011, the amount drawn under this program stood at €2,415 million (€2,096 million at year end 2010). The amounts in millions of euros are stated at the Group’s proportionate interest in Gas Natural Fenosa.

In June 2011, YPF issued 300 million Argentine pesos (€1 million) of 18-month maturity bonds in the Argentine bond market.

In May 2011, Gas Natural Fenosa, through its subsidiary Gas Natural México, S.A. de C.V., registered a 3,001 million Mexican peso (€163 million) security program (*certificados bursátiles*) in the Mexican Stock Exchange. A total of 1,200 million Mexican pesos (€66 million) of four and seven year paper, secured by Gas Natural SDG, S.A., has been issued under this program. The amounts in millions of euros are stated at the Group’s proportionate interest in Gas Natural Fenosa.

On March 24, 2010, Gas Natural SDG signed a €1,205 million loan agreement with 18 banks in a “Club Deal” arrangement. The loan is divided into two tranches: €301 million of 3-year maturity and €904 million of 5-year maturity. The amounts in millions of euros are stated at the Group’s proportionate interest in Gas Natural Fenosa.

A bond issued by Repsol International Finance B.V. and guaranteed by Repsol YPF S.A. and carried at €43 million matured on May 5, 2010.

The table below discloses the amounts guaranteed by the Group in 2011 and 2010 for issues, buybacks and redemptions undertaken by associates, joint ventures (at the percentage not consolidated) and non-Group companies:

	Balance at 31/12/2010	(+) Granted	(-) Cancelled	(+/-) Exchange rate and other adjustment	Balance at 31/12/2011
Issues of securities representing debt guaranteed by the group (guaranteed amount)	30	-	-	1	31
	Balance at 31/12/2009	(+) Granted	(-) Cancelled	(+/-) Exchange rate and other adjustment	Balance at 31/12/2010
Issues of securities representing debt guaranteed by the group (guaranteed amount)	28	-	-	2	30

In general, the financial debt agreements include the early maturity clauses customary in agreements of this nature.

Bond issues, representing ordinary debt, of Repsol International Finance, B.V. and guaranteed by Repsol YPF, S.A., face value of €5,486 millions, contain clauses whereby Repsol YPF undertakes to pay interest when due and liabilities at maturity (cross-default provisions) and to not constitute charges or guarantees on Repsol YPF, S.A. assets for this issue or in future issues of debt securities. In the event of default, the trustee, at its sole discretion or at the request of the holders of at least one-fifth of the debentures, or by means of an extraordinary resolution, can declare all the aforementioned debentures issues due and payable. In addition, the holders of the bonds issued in March 2009 and December 2011 may choose to have their bonds redeemed upon a change of control at Repsol YPF provided such change in control results in, if and only if Repsol YPF's credit ratings fall below investment grade status as a result of the change of control.

Additionally, in relation to certain marketable debentures totaling €85 million (relating to a face value of US\$170 million and 300 million of Argentine pesos), YPF, S.A. agreed to certain covenants, including among others, cross-default clauses, and not to create any liens or charges on its assets in excess of 15% of total consolidated assets of YPF and its affiliates. In the event of breach of any of these covenants, the trustee, or bondholders holding between 10% and 25% of the total nominal value of the debentures outstanding, depending on the covenant breached, may declare immediately due and payable the principal and accrued interest on all the debentures.

Moreover, Gas Natural Fenosa group has €447 million of bank debt that is subject to compliance with certain covenants. Most of the debt in question is debt contracted by the former Unión Fenosa group and borrowings taken on by Latin American subsidiaries without recourse to the parent. Elsewhere, certain investment projects have been financed specifically with loans pledged with these projects' equity. The outstanding balance on this project financing at year end 2011 amounted to €244 million. The amounts in millions of euros are stated at the Group's proportionate interest in Gas Natural Fenosa.

At the date of authorizing the accompanying Financial Statements for issue, the Repsol Group was not in breach of any of its financial obligations or of any other obligation that could trigger the early repayment of any of its financial commitments.

Preference shares

In October 1997 the Repsol YPF Group, through its subsidiary Repsol International Capital, issued preference shares of this company amounting to US\$725 million under the following terms:

- Dividend : 7.45%, payable quarterly.
- Term : perpetual, with the option for the issuer of early redemption from the fifth year onwards at face value.
- Guarantee : subordinated Repsol YPF, S.A. guarantee.
- Remuneration : payment of preference dividends is conditional upon the obtainment of a consolidated profit or upon the payment of dividends on common shares. If no dividend accrues, there is no subsequent obligation to pay it.

The 100% of the preference shares, which were listed on the NYSE, redeemed on February 8, 2011. The securities were redeemed for US\$25 per preference share plus the balance of dividends accrued and unpaid between December 31, 2010 and the date of cancellation, which totaled US\$0.20 for every preference share redeemed. The carrying amount of these preference shares at December 31, 2010 was €543 million.

In May and December 2001, Repsol International Capital issued two new series of preference shares amounting to €1 billion and €2 billion, respectively, under the following terms:

- Dividend : variable at a rate of 3-month Euribor with a minimum of 4% APR and a maximum of 7% APR for the first 10 years, and Euribor plus 3.5% from the tenth year onwards. The dividend is payable quarterly.
- Term : perpetual, with the option for the issuer of early redemption from the tenth year onwards at face value.
- Guarantee : subordinated Repsol YPF, S.A. guarantee.
- Remuneration: preference, non-cumulative dividends, conditional upon the obtainment of a consolidated profit or upon the payment of dividends on common shares.

The carrying amount of the foregoing instruments at December 31, 2011 and 2010 amounted to €3,000 and 3,025 million and, respectively, recorded under the item “Bank borrowings, bonds and other securities” within non-current financial liabilities in the accompanying consolidated balance sheets.

In addition, the Gas Natural Fenosa group, through Unión Fenosa Financial Services USA, has preference shares outstanding for a nominal amount of €183 million. The carrying amount of these preference shares at year end 2011 was €79 million (€80 million at year end 2010) and was recognized under “Bank borrowings, bonds and other securities” within non-current financial liabilities in the accompanying consolidated balance sheets. The amounts in millions of euros are figures proportional for the Group taking into account the percentage of participation by Repsol in Gas Natural Fenosa.

20. FINANCIAL RISK AND CAPITAL MANAGEMENT

20.1) Financial risk management

The Group businesses expose the financial statements to a series of financial risks: market risk, credit risk and liquidity risk. Repsol YPF has in place a risk management structure and systems that enable it to identify, measure and control the risks to which the Group is exposed.

20.1.1) Market Risk

Market risk is the potential loss faced due to adverse movements in market variables. The Group is exposed to several types of market risks: exchange rate risk, interest rate risk and commodity risk.

The Company monitors exposure to market risk through ongoing sensitivity analysis. These strategies are complemented with other risk management measures when required by the nature of the risk exposure.

For each of the market risk factors detailed below, there is a table depicting the sensitivity of Group profit and equity (within the headings comprising “Adjustments for changes in value”) to the main risks to which its financial instruments are exposed, in accordance with the requirements stipulated in IFRS 7 *Financial instruments: disclosures*.

This sensitive analysis uses variations on significant risk factors based on its historical performance. The estimates made depict the impact of favorable and adverse changes. The impact on profit and/or equity is estimated as a function of the financial instruments held by the Group at each year end.

a) Exchange rate risk

The Group’s profit and equity are exposed to fluctuations in the rates of exchange of the currencies in which it transacts. The Group’s most significant foreign currency exposure is to the US dollar.

Repsol YPF obtains part of its financing in dollars, either directly or indirectly through the use of foreign exchange derivatives (see Note 21).

The sensitivity of net profit and equity to exchange rate risk, via appreciation or depreciation and based on the financial instruments held by the Group at year end, is illustrated below:

Effect of fluctuations in the euro against the dollar:

	Currency apreciation(+)/depreci- ation (-)	2011	2010
Impact on profit after tax	5%	(2)	5
	-5%	2	(6)
Impact on equity	5%	98	(30)
	-5%	(109)	33

In addition, a 5% appreciation of the US dollar against the Brazilian real or the Argentine peso at December 31, 2011 would have resulted in an approximate variation in profit after tax, for a decrease of €5 million and an increase of €50 million, respectively, whereas in 2010 these appreciation assumptions would have yielded profit decrease of €4 million, and an increase of €53 million, respectively.

Meanwhile, a 5% appreciation of the euro against the Brazilian real or the Argentine peso in 2011 would have resulted in a decrease in equity of €0.7million and an increase of €0,1 million , respectively, compared to decreases of €0,9 million and €1,5 million, respectively, in 2010.

b) Interest rate risk:

Fluctuations in interest rates can affect interest income and expense through financial assets and liabilities with variable interest rates; which can also impact the fair value of financial assets and liabilities with a fixed interest rate.

Repsol YPF occasionally enters into interest rate derivative transactions to mitigate the risk of changes in its finance costs or in the fair value of its debt. Generally, these derivatives are designated as hedging instruments for accounting purposes (Note 21).

At year end 2011, the net debt balance, (note 20.2) including preference shares, at fixed rates was €4,468 million (2010: €9,917 million), equivalent to 64% of total net debt including preference shares (2010: 90%).

The sensitivity of net profit and equity to fluctuations in interest rates, based on the financial instruments held by the Group at year end, is illustrated in the following table:

	Increase (+)/ decrease (-) in interest rate (basis points)	2011	2010
Impact in profit after tax	+50	(27)	(5)
	-50	26	5
Impact on equity	+50	48	20
	-50	(51)	(21)

c) Commodity price risk:

As a result of its trade operations and activities, the Group's results are exposed to volatility in the prices of oil, natural gas and their derivative products.

Repsol YPF enters into derivative transactions to mitigate its exposure to price risk. These derivatives provide an economic hedge of the Group's results, although not always designated as hedging instruments for accounting purposes (see Note 21).

The impact of a 10% increase or decrease in crude and oil product prices on net profit, based on the financial instruments held by the Group at year end 2011 and 2010, is illustrated in the following table:

	Increase(+)/ decrease (-)	2011	2010
Impact on profit after tax	+10%	(55)	(85)
	-10%	59	85

20.1.2) Liquidity Risk

Liquidity risk is associated to the ability of the Group to finance its obligations at reasonable market prices, as well as to carry out its business plans with stable financing sources.

In accordance with its conservative financial policy, Repsol YPF held sufficient cash, other liquid cash equivalents and undrawn credit lines which cover 49% of total gross debt and 41% if preference shares are included. The Group had €4,482 and €6,690 million in undrawn credit lines at year end 2011 and 2010, respectively.

The tables below present an analysis on the maturities of the financial liabilities existing at December 31, 2011 and 2010:

December 31, 2011	Maturity date (Millions of euros)						Total
	2012	2013	2014	2015	2016	Subsequent year	
Trade payables	4,757	-	-	-	-	-	4,757
Other payables	6,522	-	-	-	-	-	6,522
Loan and other financial debts (1)	5,305	3,014	3,534	1,753	1,721	3,917	19,244
Preference shares (1) (2)	164	343	156	156	152	3,000	3,970
Derivatives (3)	104	28	56	15	10	65	278

December 31, 2010	Maturity date (Millions of euros)						Total
	2011	2012	2013	2014	2015	Subsequent year	
Trade payables	4,539	-	-	-	-	-	4,539
Other payables	5,550	-	-	-	-	-	5,550
Loans and other financial debts (1)	4,071	2,157	2,703	3,140	1,631	4,099	17,801
Preference shares (1) (2)	632	137	310	130	130	3,000	4,339
Derivatives (3)	40	20	11	33	4	15	123

NOTE: The amounts shown are the contractual undiscounted cash flows; therefore, they differ from the amounts included on the consolidated balance sheet.

1. Corresponding to future maturities of the amounts recognized under the headings "Non-Current financial liabilities" and "Current financial liabilities" including future interest or dividends associated with these financial liabilities.

2. The preference shares issued are perpetual, redeemable only at the choice of the issuer. The dollar-denominated preference shares issued by Repsol International Capital were redeemed on February 8, 2011 (see Note 19). The above schedule for 2011 as same as 2010 is underpinned by the assumption that the preference shares will be redeemed after 2016. The column "Subsequent years" includes only the face value of the instruments. The assumptions made are conventional and must not be interpreted as forecasts of the decisions the Group shall take in the future.

3. The contractual maturities of the derivatives included under this heading are outlined in Note 21.

20.1.3) Credit Risk

Credit risk is defined as the possibility of a third party not complying with his contractual obligations, thus creating losses for the Group.

Credit risk in the Group is measured and controlled in relation to the customer or individual third party. The Group has its own systems for the permanent credit evaluation of all its debtors and the determination of risk limits with respect to third parties, in line with best practices.

The exposure of the Group to credit risk is mainly attributable to commercial debts from trading transactions, whose amounts are shown on the consolidated balance sheet net of allowances for doubtful accounts and any other impairment provisions (see Note 14) for an amount of €8,147 million and €7,471 million, respectively at December 31, 2011 and 2010.

The allowances for doubtful accounts are measured by the following criteria:

- The seniority of the debt
- The existence of bankruptcy proceedings
- The analysis of the capacity of the customer to return the credit granted.

The allowances for doubtful accounts and any other impairment provisions on trade and other current and non-current receivables are shown at December 31, 2011 and 2010 in Note 14. . These allowances represent the best estimates of the Group for the losses incurred in relation to its accounts receivable.

The maximum exposure to credit risk of the Group, according to the type of financial instruments and without excluding the amounts covered by guarantees and other arrangements mentioned below, is detailed below at December 31, 2011 and 2010:

Maximum exposure	Note	Millions of euros	
		2011	2010
- Commercial debts	14	8,683	7,760
- Derivatives	12	234	110
- Cash and cash equivalents	12	2,677	6,448
- Other non-current financial assets	12	2,343	1,639
- Other current financial assets (1)	12	138	90

- (1) This balance excludes €370 million at December 31, 2011 corresponding to the funding of the electricity tariff deficit, to which the Group is exposed through its shareholding in Gas Natural Fenosa (€526 million at year end 2010).

The credit risk affecting liquid funds, derivatives and other financial instruments is limited because the counterparties are bank or insurance entities carrying high and duly documented credit ratings in accordance with the market conventions regulating these kinds of financial transactions. Likewise, the vast majority of the accounts receivable neither due nor provisioned have a high credit quality according to the valuations of the Group, based on the solvency analysis and the payment habits of each customer.

The Group's credit risk on trade receivables is not significantly concentrated as it is spread out among a large number of customers and other counterparties. The maximum net exposure to a third party, including official bodies and public sector entities, does not exceed 6%, and no single private client accumulates risk exposure of more than 1%.

As a general rule, the Group establishes a bank guarantee issued by the financial entities as the most suitable instrument of protection from credit risk. In some cases, the Group has contracted insurance credit policies whereby this transfers partially to third parties the credit risk related to the business activity of some of their businesses.

Effective third party guarantees extended to the Group amounted to €3,732 million at December 31, 2011 and €3,219 million at December 31, 2010. Of this amount, commercial debts at December 31, 2011 and 2010 covered by guarantees amounted to €973 million and €1,009 million, respectively.

During 2011, the Group executed guarantees received for an amount of €14 million. During 2010 this figure was €23 million.

The following table discloses the aging of the non-provisioned due debt:

Due date	Millions of euros	
	2011	2010
- Not due debt	6,835	6,539
- Due debt 0-30 days	570	269
- Due debt 31-180 days	410	402
- Due debt for more than 180 days (1)	332	261
Total	8,147	7,471

- (1) Mainly corresponds to guaranteed debt or debt with official bodies and public entities

Impaired financial assets are disclosed in Note 12 and 14, broken out based on its financial or operational nature.

20.2) Capital Management

Repsol YPF, as an essential part of its strategy, has committed to a policy of financial prudence. The financial structure targeted is defined by this commitment of solvency and the aim to maximize shareholder returns, by optimizing the cost of capital.

Determination of the Group's target capital structure takes into consideration two leverage ratios, specifically the ratio of net debt (including preference shares, as appropriate) and the capital employed, that includes the net debt, including preference shares, plus the equity:

$$\text{Net Debt} / \text{Capital Employed}$$
$$\text{Net Debt including Preference Shares} / \text{Capital Employed}$$

Calculation of these leverage ratios takes into account the following considerations:

- Preference shares are factored into the process of monitoring the Group's leverage ratios on account of their significant weight in the Group's capital structure; however the fact that they are perpetual securities equates them to equity instruments in terms of solvency analysis and creditor claims (see Note 19).
- The leverage ratios used net debt concept instead of gross debt in order to factor in the mitigating impact of financial investments. In keeping with its conservative financial policy, Repsol YPF held sufficient cash, other liquid cash equivalents and undrawn credit lines which cover 49% of total gross debt and 41% if preference shares are included. As a result, these ratios provide a better picture of Group solvency when factoring in net debt rather than gross debt.

The breakdown of the calculations of these leverage ratios, based on the following consolidated balance sheet headings at year end 2011 and 2010, is as follows:

	Millions of euros	
	2011	2010
Non-current financial liabilities	15,345	14,940
Preference shares	3,179	3,205
Other non-current financial liabilities	12,166	11,735
Current financial liabilities	4,985	4,362
Preference shares	-	543
Other current financial liabilities	4,985	3,819
Non-current financial assets	(2,450)	(1,789)
Less Financial assets available for sale (Note 12)	128	150
Other current financial assets (1)	(304)	(158)
Cash and cash equivalent	(2,677)	(6,448)
Interest rate hedges (Note 21)	(185)	(85)
Net debt including preference shares (2)	14,842	10,972
Equity	27,043	25,986
Capital employed	41,885	36,958
Net debt including preference shares / Capital employed	35.4%	29.7%
Less preference shares	(3,179)	(3,748)
Net debt	11,663	7,224
Net debt / Capital employed	27.8%	19.5%

- (1) Excludes €370 million in 2011 recognized under “Other current financial assets” in the consolidated balance sheet, corresponding to the funding of the tariff deficit in the regulated electricity segment, to which the Group is exposed through its shareholding in Gas Natural Fenosa (€26 million in 2010).
- (2) Excludes €3,087 million of current and non-current finance leases in 2011 (€3,075 million in 2010). (see Note 22.1).

The trends in these leverage ratios are monitored systematically. Similarly, leverage projections are a key, and restrictive, input into Group investment decision-making and dividend policy. At year end 2011, the ratio of net debt to capital employed stood at 27.8% (year end 2010 ratio at 19.5%), while the ratio of net debt including preference shares to capital employed stood at 35.4% year-end 2010 ratio at 29.7%). The increase in these leverage ratios in 2011 has been influenced significantly by the purchase of treasury shares held at year end (see Note 15.4).

21. DERIVATIVE TRANSACTIONS

During 2011 the Repsol YPF Group carried out the following types of hedging transactions:

1. Fair value hedges of assets or liabilities
2. Cash flow hedges
3. Hedges of net investments in foreign operations

In addition, the Repsol YPF Group performed other transactions with derivative instruments in 2011 and 2010 that do not qualify as accounting hedges.

The table below reflects the impact on the balance sheet of derivative instruments at December 31, 2011 and 2010 as a result of changes in their fair value since their origination:

Millions of euros

December 31, 2011

Classification	Non-current Assets	Current Assest	Non-current Liabilities	Current Liabilities	Fair Value
Hedge derivative instruments	-	58	(203)	(12)	(157)
Fair value	-	53	-	-	53
- Interest rate	-	-	-	-	-
- Exchange rate	-	53	-	-	53
Cash Flow:	-	5	(171)	(12)	(178)
- Interest rate	-	-	(171)	(10)	(181)
- Exchange rate	-	4	-	-	4
- Commodities prices	-	1	-	(2)	(1)
Net Investment	-	-	(32)	-	(32)
Other derivatives instruments	-	176	(6)	(115)	55
TOTAL ⁽¹⁾	-	234	(209)	(127)	(102)

Millions of euros

December 31, 2010

Classification	Non-current Assets	Current Assest	Non-current Liabilities	Current Liabilities	Fair Value
Hedge derivative instruments	-	71	(130)	(34)	(93)
Fair value	-	67	-	(11)	56
- Interest rate	-	43	-	-	43
- Exchange rate	-	24	-	(11)	13
Cash Flow	-	4	(103)	(23)	(122)
- Interest rate	-	-	(99)	(18)	(117)
- Exchange and interest rate	-	-	(4)	-	(4)
- Exchange rate	-	2	-	-	2
- Commodities prices	-	2	-	(5)	(3)
Net Investment	-	-	(27)	-	(27)
Other derivatives instruments	2	37	(6)	(219)	(186)
TOTAL ⁽¹⁾	2	108	(136)	(253)	(279)

(1) Includes, in 2011 and 2012, derivatives with a negative measurement of €185 and 85 million in respect of interest rates, respectively.

The breakdown of the impact of the fair value restatement of derivatives on consolidated profit before tax and on consolidated equity is as follows:

	2011			2010		
	Operating income	Financial result	Adjustment for changes in value	Operating income	Financial result	Adjustment for changes in value
Fair value hedges	(7)	26	-	10	(30)	-
Cash Flow hedges	(9)	(67)	(47)	(12)	(81)	20
Hedge of a net investment	-	-	(12)	-	-	(302)
Other transactions	(128)	46	-	(96)	(205)	-
Total ⁽¹⁾	(144)	5	(59)	(98)	(316)	(282)

⁽¹⁾ The financial impacts recognized in the income statement presented in the schedule above do not include any impact due to ineffectiveness of financial instruments designated as accounting hedges.

In addition to the effects disclosed in the table above, in 2011 and 2010, negative translation differences of €57 and of €1 million, respectively, which had been generated on hedges of the Group's net investment in YPF, corresponding to the shares in YPF sold during the year, were transferred to "Retained earnings and other reserves".

There follows a detailed disclosure of the Group's derivatives at year end 2011 and 2010, including their fair values, maturity schedules and the related notional amounts.

21.1) Fair value hedges of assets or liabilities

These are hedges of the exposure to changes in the fair value of an asset or a liability recognized for accounting purposes, an unrecognized firm commitment or an identified portion of the aforementioned asset, liability or firm commitment that can be attributed to a particular risk and might affect the net income for the period.

The transactions outstanding at December 31, 2011 and 2010 are as follows:

December 31, 2011	Maturity					Subs.	Total	Fair value
	2012	2013	2014	2015	2016			
Millions of euros								
Exchange and interest rate:								
Cross-currency interest rate swaps	1	-	-	-	-	-	1	-
Exchange rate:								
USD (a)	1,163	3	-	-	-	-	1,166	53
BRL	3	-	-	-	-	-	3	-
MAD	2	-	-	-	-	-	2	-

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December 31, 2010	Maturity					Subs.	Total	Fair Value
	2011	2012	2013	2014	2015			
Millions of euros								
Interest rate:								
Collar (EUR) (b)	2,000	-	-	-	-	-	2,000	43
Exchanges rate and interest rate:								
Cross-currency interest rate swaps	2	1	-	-	-	-	3	-
Exchanges rate:								
USD (a)	1,461	-	-	-	-	-	1,461	13
EUR	27	-	-	-	-	-	27	-
BRL	10	-	-	-	-	-	10	-
MAD	2	-	-	-	-	-	2	-

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(a) Swaps in USD

At December 31, 2011, this balance includes hedges linked to the acquisition of LNG transportation tankers under finance leases (see Note 22) for a notional amount of US\$1,426 million (€1,057 million) with a positive fair value of €45 million at the end of the reporting period.

The other instruments outstanding, whose net fair value at December 31, 2011 stood at €8 million, correspond mainly to hedges arranged by the Group through its investment in Gas Natural Fenosa.

(b) Interest rate collar

In May 2001 Repsol YPF arranged a zero-cost interest rate swap option on a notional amount of €1,000 million, tied to the preference shares issued on that date (see Note 19). By virtue of these interest rate swap options, the final cost for Repsol YPF of this preference share issue in the first ten years was established at a floating interest rate of 3-month EURIBOR, linked to the quarterly settlement periods of the underlying instrument; the first such maturity date was October 1, 2001 and the last was June 30, 2011.

Also, in April 2002, effective June 30, 2002, Repsol YPF arranged a zero-cost interest rate swap option on a notional amount of €1,000 million tied to the €2,000 million preference share issue issued in December 2001 (see Note 19). By these purchase and sale transactions on interest options, of the total sum of the €2,000 million corresponding to the issue of preference shares in December 2001, €1,000 million were referenced at a floating rate of 3 months EURIBOR, for the period of maturity from September 30, 2002 to December 31, 2011.

21.2) Cash flow hedges

These are hedges of the exposure to variability in cash flows that: (i) is attributed to a particular risk associated with a recognized asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecasted transaction; and (ii) could affect profit or loss.

The breakdown of the most significant transactions is as follows:

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December 31,2011	Maturity						Subs.	Total	Fair Value
	2012	2013	2014	2015	2016				
Millions of euros									
Interest rate:									
Swaps (EUR)	1,004	17	196	1	1	1,008	2,227	(50)	
Swaps (USD)	61	8	8	8	338	46	469	(131)	
Swaps (MXN)	4	4	20	-	-	-	28	-	
Collar (EUR)	4	1	-	-	1	-	6	-	
Exchange rate:									
USD	113	-	-	-	-	-	113	4	
BRL	13	-	-	-	-	-	13	-	
Commodity price (1):									
EUR	74	1	-	-	-	-	75	(1)	
USD	11	-	-	-	-	-	11	-	
								(178)	

(1) These correspond to natural gas and electricity price swaps arranged by Gas Natural Fenosa

December 31,2010	Maturity					Subs.	Total	Fair Value
	2011	2012	2013	2014	2015			
Millions of euros								
Interest rate:								
Swaps (EUR)	777	812	4	3	1	8	1,605	(49)
Swaps (USD)	11	62	11	12	12	329	437	(68)
Swaps (ARS)	3	-	-	-	-	-	3	-
Swaps (MXN)	5	5	4	-	-	-	14	-
Collar (EUR)	1	4	1	1	-	1	8	-
Exchange and interest rate:								
Cross-Currency IRS	2	3	3	3	4	7	22	(4)
Exchange rate:								
USD	86	1	-	-	-	-	87	2
Commodity prices (1):								
EUR	52	-	-	-	-	-	52	(1)
USD	26	-	-	-	-	-	26	(2)
								(122)

(1) These correspond to natural gas and electricity price swaps arranged by Gas Natural Fenosa.

In June 2011, the Group arranged a series of interest rate swaps with a notional value of €1,000 million related to the preference shares issued in 2001 through Repsol International Capital, Ltd (see Note 19). By virtue of this instrument, the Group pays a weighted average interest rate of 2.26% and receives 3-month EURIBOR. At December 31, 2011, the fair value of these swaps was €37 million negative.

The Group holds an interest rate swap with a notional amount of €750 million which was arranged to hedge debt issued by its financing subsidiary Repsol International Finance B.V (see Note 19). Under this swap, the Group pays a fixed rate of 4.23% and receives 3-month EURIBOR. The fair value of this instrument at year end 2011 implied a loss of €5 million (a loss of €29 million at year end 2010).

At both year ends, the Group also held interest rate swaps taken out to hedge the financing arranged to fund the investment in the LNG project in Canaport, Canada. Under this swap, the Group pays a weighted average fixed rate of 5.28% and receives 3-month LIBOR. At year end 2011 the notional amount hedged was €328 million while the fair value of the instrument

implied a loss of €15 million (€60 million at year end 2010).

The other outstanding instruments at both balance sheet dates correspond primarily to hedges arranged by the Group through its shareholding in Gas Natural Fenosa.

In 2007 the cash flow hedge provided by two interest rate swaps for a notional amount of €74 million associated with a preference share issue was discontinued as the hedges were no longer effective. The cumulative loss deferred in “Adjustments for changes in value” in respect of this instrument amounted to €33 million at December 31, 2011 (€36 million at year end 2010). In 2011 and 2010, a loss €3 million was transferred from “Adjustments for changes in value” to the consolidated income statement.

21.3) Hedges of a net investment

These instruments hedge the foreign currency risk arising from net investments in foreign operations.

Repsol YPF has arranged forward currency purchase and sale contract as part of its global strategy of management exposure to foreign currency exposure via its foreign investments.

The most significant derivative transactions in existence at December 31, 2011 and 2010 are the following:

December 31, 2011	Maturity							Fair value
	2012	2013	2014	2015	2016	Subs.	Total	
	Millions of euros							
Cross currency IRSs								
Fixed to fixed contract/notional amount (EUR)	-	-	158	-	-	-	158	(32)
								(32)

December 31, 2010	Maturity					Subs.	Total	Fair value
	2011	2012	2013	2014	2015			
	Millions of euros							
Cross currency IRSs								
Fixed to fixed contract/notional amount (EUR)	-	-	-	158	-	-	158	(27)
								(27)

Additionally, in 2011 the Group arranged swaps which were settled in full during the year and which generated translation losses totaling €7 million.

In addition, in 2010 the Group arranged several hedges of net investments, which were arranged and settled during the year. The decline in the fair value of these derivatives between the date they were arranged and the date they were settled amounted to a net loss of €239 million which was recognized within “Adjustments for changes in value.”

At December 31, 2009, the Group had arranged cross-currency interest rate swaps (CCIRSs) to hedge currency risk on its foreign investments with a notional value of €500 million. Of this balance, €342 million was settled in 2010; the change in the fair value of the notional amount settled, which was recognized under translation losses in 2010, was €14 million.

21.4) Other derivative transactions

Additionally, Repsol YPF has arranged a series of derivatives to manage its exposure to interest rate, foreign exchange and price risk that do not qualified as accounting hedges under IAS 39.

(a) Interest rate contracts

December 31, 2010	Maturity						Subs. Total	Fair Value
	2011	2012	2013	2014	2015	2016		
	millions of euros							
Floating to fixed IRSs:								
Contract/notional amount (EUR)	32	-	-	-	-	-	32	(2)
Interest rate collar (EUR)	5	-	-	-	-	-	5	-

(b) Exchange and Interest Rate

December 31, 2011	Maturity						Subs. Total	Fair value	
	2012	2013	2014	2015	2016	2017			
	millions of euros								
Floting to fixed IRSs Contract/notional amount (JPY)	-	-	-	-	-	-	67	67	(4)

December 31, 2010	Maturity						Subs. Total	Fair value	
	2011	2012	2013	2014	2015	2016			
	millions of euros								
Floting to fixed IRSs Contract/notional amount (JPY)	-	-	-	-	-	-	67	67	(6)

At December 31, 2009, the Group held cross-currency interest rate swaps (CCIRSs) on a notional amount of €300 million, due 2010, for which accounting as a hedge net investment was discontinued in February 2008; these instruments have been treated as derivatives held for trading since that date. When hedge accounting was discontinued, their fair value amounted to €30 million and this balance was recognized as an asset on the balance sheet, with a balancing entry under the heading "Adjustments for changes in value". The fair value of these instruments increased by €1 million in 2010 and this gain was recognized as a financial expense for the year.

(c) Exchange rate contracts

Repsol YPF has arranged other forward contracts as part of its global strategy of managing exposure to foreign currency risk.

December 31, 2011	Maturity						Subs.	Total	Fair Value
	2012	2013	2014	2015	2016				
USD/Euro	5,381	-	-	-	-	-	5,381	110	
Euro/USD	2,623	-	-	-	-	-	2,623	-59	
Euro/RUB	144	-	-	-	-	-	144	-	
CLP/USD	133	-	-	-	-	-	133	-2	
USD/PEN	115	-	-	-	-	-	115	-	
CAD/USD	17	-	-	-	-	-	17	-	
USD/BRL	12	-	-	-	-	-	12	-	
Euro/GBP	3	-	-	-	-	-	3	-	
USD/NOK	3	-	-	-	-	-	3	-	
USD/RUB	2	-	-	-	-	-	2	-	

December 31, 2010	Maturity					Subs.	Total	Fair value
	2011	2012	2013	2014	2015			
USD/Euro	1,317	-	-	-	-	-	1,317	(12)
Euro/USD	1,555	-	-	-	-	-	1,555	(68)
CLP/USD	111	-	-	-	-	-	111	3
USD/PEN	111	-	-	-	-	-	111	-
USD/BRL	328	-	-	-	-	-	328	(4)
CAD/USD	18	-	-	-	-	-	18	-
Euro/NOK	3	-	-	-	-	-	3	-
USD/NOK	2	-	-	-	-	-	2	-

(d) Future contracts on commodities

The risk associated with future physical crude oil and other oil product purchase or sale transactions is hedged through the arrangement of derivative instruments, primarily futures and swaps.

The commodity hedges outstanding at December 31, 2011 and 2010 are as follows:

December 31, 2011	Maturity						Subs.	Total	Fair value
	2012	2013	2014	2015	2016				
Millions of euros									
Purchase contracts									
BRENT (000 barrels)	1,777	-	-	-	-	-	1,777	-	
WTI (000 barrels)	1,498	-	-	-	-	-	1,498	1	
NYMEX HHO (000 gallons)	14,616	-	-	-	-	-	14,616	-	
IPE GO (000 tons)	442	-	-	-	-	-	442	(4)	
RBOB (000 gallons)	3,066	-	-	-	-	-	3,066	-	
Physical NYMEX (000 MBTU)	1,820	-	-	-	-	-	1,820	-	
Physical Dom South (000 MBTU)	5,145	-	-	-	-	-	5,145	3	
SOJA (000 Pounds)	37,620	-	-	-	-	-	37,620	1	
ETHANOL (000 gallons)	522	-	-	-	-	-	522	-	
sale contracts									
BRENT (000 barrels)	2,967	-	-	-	-	-	2,967	2	
WTI (000 barrels)	2,108	-	-	-	-	-	2,108	(11)	
NYMEX HHO (000 gallons)	49,602	-	-	-	-	-	49,602	-	
IPE GO (000 tons)	606	-	-	-	-	-	606	7	
RBOB (000 gallons)	16,506	-	-	-	-	-	16,506	-	
ETHANOL (000 gallons)	522	-	-	-	-	-	522	-	
SOJA (000 pounds)	11,040	-	-	-	-	-	11,040	-	
Physical Fixed Price (000 MBTU)	8,277	-	-	-	-	-	8,277	(1)	
Physical Algonquin CityGate (000 MBTU)	39,710	-	-	-	-	-	39,710	1	
Physical Tetco M3 (000 MBTU)	555	-	-	-	-	-	555	-	
Physical NYMEX (000 MBTU)	11,807	-	-	-	-	-	11,807	-	
Physical Tenn Z6 (000 MBTU)	7,470	-	-	-	-	-	7,470	1	
Physical Chicago AVG (000 MBTU)	1,330	-	-	-	-	-	1,330	1	
Options									
Call (000 barrels)	7,927	-	-	-	-	-	7,927	(6)	
Put (000 barrels)	1,089	-	-	-	-	-	1,089	-	
Swaps									
WTI (000 barrels)	1,050	-	-	-	-	-	1,050	(2)	
Brent (000 de barrels)	6,883	-	-	-	-	-	6,883	22	
DUBAI (000 barrels)	100	-	-	-	-	-	100	-	
JET (000 tons)	309	-	-	-	-	-	309	(1)	
GO (000 tons)	506	-	-	-	-	-	506	-	
Fuel Oil (000 tons)	1,030	-	68	-	-	-	1,097	1	
Propane (000 tons)	73	-	-	-	-	-	73	3	
Gasoline (000 tons)	108	-	-	-	-	-	108	-	
Nafta (000 tons)	60	-	-	-	-	-	60	-	
Tetco M3 Basis Swaps (000 MBTU)	143	-	-	-	-	-	143	-	
Henry Hub Index Swap (000 MBTU)	3,100	-	-	-	-	-	3,100	1	
Henry Hub Swing Swap (000 MBTU)	1,163	-	-	-	-	-	1,163	-	
Henry Hub Futures (000 MBTU)	3,710	-	-	-	-	-	3,710	-	
AGT NG Basis	200	-	-	-	-	-	200	-	

December 31, 2010	Maturity					Subs.	Total	Fair value
	2011	2012	2013	2014	2015			
Millions of euros								
Purchase contracts								
BRENT (000 barrels)	3,646	-	-	-	-	-	3,646	5
WTI (000 barrels)	1,998	-	-	-	-	-	1,998	6
NYMEX HHO (000 gallons)	60	-	-	-	-	-	60	-
IPE GO (000 tons)	757	1	-	-	-	-	758	32
RBOB (000 gallons)	463	-	-	-	-	-	463	2
Physical Inventory MTM (000 MBTU)	1,362	-	-	-	-	-	1,362	-
Sale contracts								
BRENT (000 barrels)	6,294	-	-	-	-	-	6,294	(18)
WTI (000 barrels)	4,412	-	-	-	-	-	4,412	(14)
NYMEX HHO (000 gallons)	1,270	-	-	-	-	-	1,270	(3)
IPE GO (000 tons)	1,207	-	-	-	-	-	1,207	(55)
RBOB (000 gallons)	523	-	-	-	-	-	523	(1)
Physical Fixed Price (000 MBTU)	900	-	-	-	-	-	900	-
Physical Algonquin CityGate (000 MBTU)	1,077	-	-	-	-	-	1,077	-
Physical Tetco M3 (000 MBTU)	13,165	535	-	-	-	-	13,700	2
Physical NGI Index.Avg (000 MBTU)	1,162	-	-	-	-	-	1,162	-
Physical NYMEX (000 MBTU)	24,049	4,500	-	-	-	-	28,549	(10)
Physical Tenn Z6 (000 MBTU)	7,300	7,300	-	-	-	-	14,600	2
Swaps								
Brent (000 barrels)	17,080	-	-	-	-	-	17,080	(35)
JET (000 tons)	81	-	-	-	-	-	81	(1)
GO (000 tons)	327	-	-	-	-	-	327	(2)
Fuel Oil (000 tons)	196	-	-	-	-	-	196	-
Propane (000 tons)	58	-	-	-	-	-	58	-
Nafta (000 tons)	20	-	-	-	-	-	20	-
Tetco M3 Basis Swaps (000 MBTU)	41,130	6,370	-	-	-	-	47,500	(10)
Henry Hub Basis Swap (000 MBTU)	8,370	-	-	-	-	-	8,370	-
Henry Hub Index Swap (000 MBTU)	8,370	-	-	-	-	-	8,370	-
Henry Hub Swing Swap (000 MBTU)	700	-	-	-	-	-	700	-
Henry Hub Futures (000 MBTU)	1,810	-	-	-	-	-	1,810	3

At year end 2011, "Other receivables" includes €4 million (2010: €2 million) corresponding to the fair value of commodity purchase agreements measured in accordance with IAS 39, as detailed in Note 3.3.24.

(e) CO₂ emission allowance derivatives

The Group arranges emission allowance future contracts and swaps (EUAs and CERs) which are measured at fair value under IAS 39 with a view to minimizing the cost of the Group's emissions each year. The fair value of these instruments at both year ends implied a liability of €5 and €1 million, in 2011 and 2010, respectively.

22. OTHER NON-CURRENT LIABILITIES

"Other non-current liabilities" includes the following items:

	Millions of euros	
	2011	2010
Obligations under finance leases	2,864	2,852
Guarantees and deposits	230	236
Deferred income	203	193
Derivatives from commercials operations (Note 21)	3	1
Others	382	381
	<u>3,682</u>	<u>3,663</u>

22.1) Obligations under finance leases

The breakdown of the amounts payable under finance leases at December 31, 2011 and 2010 is as follows:

	Lease payments		Present value of minimum lease payments	
	2011	2010	2011	2010
Within one year	300	301	223	223
Between two and five years, both included	1,207	1,169	732	735
After six yaer	<u>4,652</u>	<u>5,030</u>	<u>2,132</u>	<u>2,117</u>
	6,159	6,500	3,087	3,075
Less:				
Future finance expenses	<u>(3,072)</u>	<u>(3,425)</u>		
	<u>3,087</u>	<u>3,075</u>		
Recognised as:				
Non-current obligations under finance leases			2,864	2,852
Current obligations under finance leases			<u>223</u>	<u>223</u>
			<u>3,087</u>	<u>3,075</u>

The effective average interest rate on obligations under finance leases at December 31, 2011 was 7.25% (2010: 6.25 %).

The principal liabilities shown in this heading are as follows:

- On May 15, 2006 the Group signed an agreement with Emera Brunswick Pipeline Company, Ltd. for the transportation of natural gas through a pipeline that connects the Canaport plant with the US border. The agreement has an initial term of 25 years (renewable for up to an additional 30 years). It came into effect in July 2009. At December 31, 2011 and 2010, the amount recognized in this heading was US\$504 million (€390 million) and US\$510 million (€382 million), respectively.

- In addition, on April 21, 2006 the Group signed an agreement with Maritimes & North East Pipeline for the transportation of Canadian natural gas from the Canadian border to Dracut for an initial term of 25 years (renewable for up to an additional 30 years). The agreement became effective in March 2009, the corresponding liability recognized in this heading at year end 2011 and 2010 amounted to US\$1,269 million (€981 million) and US\$1,297 million (€70 million), respectively.
- Moreover, the Group has a fleet of LNG transportation tankers acquired under finance lease arrangements amounting to €1,482 million at December 31, 2011 (1,599 million at year end 2010). The characteristics of these tanker leases are outlined below.

In December 2007 Repsol YPF (50%) and Gas Natural Fenosa (50%) jointly acquired a 138,000 m³ methane ship under a 25-year time-charter arrangement. The agreement can be extended for consecutive 5-year periods and represents a combined investment of €164 million, a figure which corresponds to the present value of installment commitments.

In 2009 Repsol YPF (50%) and Gas Natural Fenosa (50%) jointly acquired a 138,000 m³ methane ship under a 20-year time-charter arrangement. The agreement can be extended for consecutive 5-year periods and represents a combined investment of €142 million, a figure which corresponds to the present value of installment commitments.

In 2010, four methane ships purchased for the transport of LNG in Peru were recognized amounting to €18 million. The Barcelona Knutsen, Sevilla Knutsen and Valencia Knutsen tankers, which have a capacity of 173,410 m³, were purchased under a 20-year time-charter arrangement. The agreement can be extended for consecutive 5-year periods. The Castillo de Santiesteban tanker, with a capacity of 173,600 m³ was likewise acquired under a 20-year time-charter agreement with a purchase option upon expiration.

Finance leases at year end 2010 also include seven other methane tankers acquired prior to 2006 for the transport of LNG, which mature between 2022 and 2029. Four of these tankers are owned by Gas Natural Fenosa and the other three by Repsol YPF.

22.2) Guarantees and deposits

This heading includes, among others, deposits received by Repsol Butano, S.A. from the users of gas bottles in accordance with applicable legal regulations. These amounts are refundable when the corresponding contracts are canceled.

23. TRADE PAYABLES AND OTHER PAYABLES

In 2011 and 2010 Repsol YPF had the following accounts payable classified under "Trade payables and other payables":

	Millions of euros	
	2011	2010
Trade payables	4,757	4,539
Obligations under finance leases (Note 22.1)	223	223
Tax Payables	1,099	982
Derivative financial instruments	42	115
Others	5,158	4,230
Other payables	6,522	5,550
Income tax liabilities	356	765
Total	<u>11,635</u>	<u>10,854</u>

The fair value of these current items does not differ significantly from their carrying amount.

Information regarding deferrals of payments settled with suppliers. Additional Provision Three "Disclosure requirements" of Law 15/2010, of July 5.

As required under additional provision three of Law 15/2010, of July 5, 2010, and in accordance with consultation No. 7/2011 of the ICAC (acronym for the Audit and Accounting Institute) Newsletter No. 88, the required disclosures on the deferrals of payments to trade suppliers are presented.

The information regarding deferrals of payments settled with suppliers in 2011 in accordance with additional provision three, "Disclosure requirements," of the aforementioned legislation is as follows:

	Millions of euros	
	Amount	%
Within the maximum legal term	11,752	99%
Other	112	1%
Total payments during the year	11,864	
Weighted average term by which payments were deferred over the legal period stipulated (days)	24	
Payments which at the year-end were outstanding by more than maximum legal term	8	

Applying the criteria issued by the Spanish ICAC with respect to the comparative information to be disclosed in the second year of effectiveness of the Resolution in the notes to the annual financial statements regarding the deferral of payments to suppliers, the Group has included in the 2011 Financial Statements only the information for 2010 corresponding to the amounts pending payment to suppliers at the end of the reporting period that were outstanding by more than the legally provided term; it therefore differs from the 2011 disclosures which comply with

the Resolution requirements in full.

As set out above, the balance of trade payables owed by Spanish companies at December 31, 2010 that were outstanding by more than the term permitted under Law 15/2010 of July 5, was € million.

24. **TAX SITUATION**

Income tax

In view of the geographical dispersion and markedly international nature of the business activities carried on by the companies comprising the Repsol YPF Group, the Group is subject to various different tax and income tax jurisdictions.

a) In Spain

Most of the entities resident in Spain pay income tax under the special consolidation regime. Under this regime, the companies in the Consolidated Tax Group jointly determine the Group's taxable profit and tax charge, which is allocated among the companies in the Tax Group in accordance with the criteria established by the Spanish Accounting and Audit Institute (ICAC) for the recognition and determination of the individual tax charge.

Repsol YPF, S.A. is the parent of Consolidated Tax Group 6/80, which includes all the companies resident in Spain that are directly or indirectly at least 75% owned by the parent and that meet certain requirements. This Group consists of 47 companies in 2011, of which the main companies in terms of volume of business are as follows: Repsol YPF, S.A., Repsol Petróleo, S.A., Repsol YPF Trading y Transporte, S.A., Repsol Química, S.A., Repsol Butano, S.A., Repsol Exploración, S.A. and Repsol Comercial de Productos Petrolíferos, S.A.

Petróleos del Norte, S.A. ("Petronor") is the parent of Consolidated Tax Group 02/01/B, which includes another two companies that paid income taxes under the Vizcaya Corporation Tax regulations.

Additionally, the consolidated financial statements include, through proportional consolidation, all the corporation tax items of the Gas Natural Fenosa Group. This Group is also taxed for corporation tax purposes under the special consolidated tax regime in Consolidated Tax Group 59/93, of which Gas Natural SDG, S.A. is the parent. The main companies of this Tax Group, in terms of volume of business, are the following: Gas Natural SDG, S.A., Gas Natural Distribución SDG, S.A., Gas Comercial Comercializadora, S.A., Gas Natural Aprovisionamientos, S.A. and Unión Fenosa Distribución, S.A. and Gas Natural S.U.R. SDG, S.A.

Lastly, the other companies resident in Spain and not included in either of the aforementioned Tax Groups file individual corporation tax returns.

The Spanish companies, whether they pay tax on an individual or consolidated basis, apply the standard rate of 30%, with the exception of Repsol Investigaciones Petrolíferas, S.A., which is taxed individually at a rate of 35% under the Special Oil and Gas Regime, and the Petronor Group, which pays tax at 28% under the Vizcaya Corporation Tax regulations.

b) In Argentina

The Group companies resident in Argentina are liable to individual corporate income tax returns at a rate of 35% profit for the year.

Additionally, they calculate the minimum presumed income tax by applying the current tax rate of 1% of the computable assets at the balance sheet date, which may supplement the regular income tax. The tax obligation for each year will coincide with the higher of the two taxes. However, if the minimum presumed income tax exceeds the regular income tax, this excess can be computed as a prepayment of the amount by which the regular income tax exceeds the minimum presumed income tax in the following ten years.

c) In the other countries

The other Group companies are taxed in each of the countries in which they operate by applying the prevailing income tax rate to their profit or loss for the year. In addition, minimum presumed income taxes supplementing the regular income tax are recognized in certain countries.

On the other side, the Group companies resident in Spain and Argentina that carry on a portion of their business activities in other countries are subject to the income tax in force in those countries on the portion of their profit or loss obtained there. This is the case of the branches of the Spanish companies that carry on oil and gas exploration and production activities in other companies (such as Libya, Algeria, Peru or Ecuador).

The (nominal) income tax rates applicable in the main jurisdictions where the Group operates are as follows:

- Libya: 65%
- Algeria: 30-38% plus the Tax on Extraordinary Income (TPE)
- Trinidad and Tobago: 35% (gas), 55% and 57.25% (oil)
- United States: 35%
- Brazil: 34%
- Ecuador: 24%
- Peru: 30%
- Bolivia: 25%
- Venezuela: 34% (gas) y 50% (oil)
- The Netherlands: 25%
- Portugal: 29%

Income tax expense for accounting purposes

The breakdown of the income tax expense for accounting purposes in 2011 and 2010, calculated on the basis of the criteria indicated in section 3.3.22 of Note 3, Accounting Policies, is as follows:

	Millions of euros			
	2011			
	Spanish companies	Argentine companies	Other companies	TOTAL
Accounting profit before tax and before share of results of companies accounted for using the equity method	1,439	1,275	1,269	3,983
<u>Adjustment to accounting profit</u>				
Non-temporary differences	(14) ⁽¹⁾	139	(150)	(25)
Temporary differences	(323)	41	(179)	(461)
Taxable profit	1,102	1,455	940 ⁽²⁾	3,497
Tax charge	332	513	514	1,359
Tax credits	(180)	-	-	(180)
Current tax payable	152	513	514	1,179
Adjustment to current tax and foreign taxes	490	(42)	24	472
Total current income tax expense	642	471	538	1,651
Deferred tax for the year	97	(13)	36	120
Other adjustments to the income expense	(274)	39	(22)	(257)
Total deferred tax expense	(177)	26	14	(137)
Total income tax expense	465	497	552	1,514

(1) Corresponds primarily to dividends received from other Group companies that are included in taxable profit for Spanish income tax purposes. This heading also includes items which form part of taxable profit that were recognized in equity.

(2) This reflects the net sum of taxable profits and tax losses from various tax jurisdictions.

	Millions of euros			
	2010			
	Spanish companies	Argentine companies	Other companies	TOTAL
Accounting profit before tax and before share of results of companies accounted for using the equity method	1,641	1,416	3,556	6,613
<u>Adjustment to accounting profit</u>				
Non-temporary differences	2,210 ⁽¹⁾	292	(2,976) ⁽²⁾	(474)
Temporary differences	(317)	344	109	136
Taxable profit	3,534	2,052	689 ⁽³⁾	6,275
Tax charge	1,060	723	533	2,316
Tax credits	(913)	-	-	(913)
Current tax payable	147	723	533	1,403
Adjustment to current tax and foreign taxes	539	(6)	(22)	511
Total current income tax expense	686	717	511	1,914
Deferred tax for the year	93	(119)	(139)	(165)
Other adjustments to the income tax expense	170	(58)	(119)	(7)
Total deferred tax expense	263	(177)	(258)	(172)
Total income tax expense	949	540	253	1,742

(1) Corresponds primarily to dividends received from other Group companies that are included in taxable profit for Spanish Income Tax purposes.

(2) Corresponds primarily to the results from the capital increase carried out in in Repsol Brasil, S.A.

(3) This reflects the net sum of taxable profits and tax losses in various tax jurisdictions.

The breakdown of the deferred tax assets and liabilities recognized in the consolidated balance sheet is as follows:

	Millions of euros		
	2011	2010	Variation
Deferred tax assets			
Bad debt impairment provision	68	57	11
Provisions for staff cost	113	118	(5)
Provisions for contingencies	185	209	(24)
Other provisions	411	297	114
Differences in amortisation/depreciation	445	315	130
Tax assets	1,109	715	394
Other deferred tax asset	238	282	(44)
	<u>2,569</u>	<u>1,993</u>	<u>576</u>
Deferred tax liabilities			
Tax incentives	(12)	(12)	-
Deferred gains	(102)	(82)	(20)
Difference in amortisation	(1,507)	(1,124)	(383)
Functional currency	(717)	(651)	(66)
Goodwill acquired in business combinations allocated to assets	(1,130)	(1,231)	101
Other deferred tax liabilities	(371)	(287)	(84)
	<u>(3,839)</u>	<u>(3,387)</u>	<u>(452)</u>

The accumulated balance of deferred taxes in relation to items charged directly to equity in 2011 and 2010 was €7 million and €5 million, respectively.

The Group did not recognize deferred tax assets in the amount of €96 million in 2011 corresponding mainly to unused tax losses carried forward and unused tax credits, as they did not meet the IFRS recognition criteria (€83 million in 2010). More specifically, in both years these unrecognized amounts correspond mostly (over 90%) to tax losses which the Group does not expect to be able to offset against tax profits within the timeframes allowed under prevailing tax law in the various jurisdictions in which they were generated, which for the most part range between 18 and 20 years.

The Group has not recorded deferred tax liabilities in the amount of €20 million and €19 million, in 2011 and 2010, respectively, as it corresponds to taxable temporary differences related to investments in subsidiaries, branches and associated companies that meet the requirements established in IFRS to apply the recognition exception.

Other tax related disclosures

Deductions taken in 2011 amounted to €180 million, arising from the mechanics to avoid double taxation, both domestically and internationally.

Judicial and administrative decisions have been taken both in this period and in previous periods, leading to tax consequences contrary to the Group's expectations.

Repsol YPF considers that it has acted lawfully in these matters at all times and that its actions are based on reasonable interpretations of the applicable legislation and, therefore, it has filed the appropriate appeals to defend its interests and those of its shareholders.

However, in view of the uncertainty concerning the materialization of the existing tax risks associated with lawsuits and other tax contingencies, at year end the Group had accrued provisions under "Other provisions" (Note 17) that are deemed adequate to cover previously mentioned tax risks. The amount recognized in the consolidated balance sheet in this respect at December 31, 2011 is €37 million (€88 million at year end 2010).

The accrued provisions associated with tax lawsuits in process relate to a large number of cases, none of which, individually, represents a material percentage of the overall provision.

25. JOINT VENTURES

The most significant jointly controlled entities in which the Group participates at December 31, 2011 are:

Companies	% of ownership
Quiriquire Gas, S.A. (1)	60.00%
Repsol Sinopec Brasil, S.A. (1) (2)	60.00%
Profertil, S.A.	50.00%
Refinería del Norte, S.A. (Refinor)	50.00%
Repsol Gas Natural LNG, S.L. (3)	50.00%
YPFB Andina, S.A. (former Empresa Petrolera Andina)	48.92%
Empresas Lipigas, S.A.	45.00%
Pluspetrol Energy, S.A.	45.00%
Petroquiriquire, S.A.	40.00%
Compañía Mega	38.00%
Grupo Gas Natural SDG, S.A.	30.01%
BPRY Caribbean Ventures LLC	30.00%
Atlantic LNG 2/3 Company of Trinidad & Tobago	25.00%
Bahía de Bizkaia Electricidad, S.L.	25.00%
Occidental de Colombia LLC (former R. Occidental Corporation)	25.00%

- (1) The Group considers that its investments in Quiriquire Gas, S.A. and Repsol Sinopec Brasil, S.A. constitute joint control arrangements on the basis of existing contracts that stipulate that certain strategic decisions of both financial and operating nature require the unanimous consent of all the venturers sharing control.
- (2) The Group's ownership interest following the capital increase fully subscribed by Sinopec on December 28, 2010 (Note 31).
- (3) In addition, the Group holds an interest through Gas Natural SDG (which holds the remaining 50%).

The breakdown of the consolidated amounts included under the main headings of Repsol YPF consolidated Financial Statements as a result of the proportionate consolidation of the joint ventures at December 31, 2011 and 2010, is as follows:

	Millions of euros	
	2011	2010
Current assets	8,275	7,354
Non-current asset	14,520	14,025
Current liabilities	(4,395)	(3,186)
Non-current liabilities	(8,205)	(8,941)
Operating income	9,890	10,428
Operating expenses	(7,836)	(8,557)
Other incomes	203	321
Other expenses	(1,162)	(1,364)
Net income attributable to the parent	1,095	828

Additionally, at December 31, 2011, the Group had interests in the jointly controlled assets and operations listed in Appendix II, as a result of which, it obtains income and incurs in expenses on the basis of its respective percentage ownership interests.

26. OPERATING REVENUES AND EXPENSES

Sales

This heading includes excise tax and similar taxes levied on the production and/or sale of oil and gas products amounting to €5,390 million in 2011 and €7,234 million in 2010.

Income and expenses from impairment losses and gains and losses on disposal of non-current assets

Income includes the following items:

	Millions of euros	
	2011	2010
Income from release of impairment provisions (Note 9)	64	31
Gains on disposal of non-current assets	144	3,157
Total	208	3,188

The gains on the disposal of non-current assets in 2011 correspond mainly to the sale of 300,000 gas distribution points in Madrid by Gas Natural Fenosa (€84 million), the sale of the Gaviota underground storage facility (€28 million) and the sale of Repsol's liquid petroleum gas distribution business in Brazil (€1 million) (Note 31).

In 2010 "Gains on disposal of non-current assets" related primarily to gains recognized in connection with the strategic agreement entered into with Sinopec in Brazil (€2,847 million), to the sale of the 5% ownership interest in CLH (€33 million), and to the sale of natural gas distribution assets in Madrid area (€14 million) (Note 31).

"Impairment losses recognized and losses on disposal of non-current assets" include the following items:

	Millions of euros	
	2011	2010
Impairment losses recognized (Note 9)	160	252
Losses on disposal of non-current assets	25	99
Total	185	351

Supplies

This heading includes the following items:

	Millions of euros	
	2011	2010
Purchases	43,191	37,276
Changes in inventory	(287)	(1,092)
Total supplies	42,904	36,184

The heading Purchases includes excise tax and similar taxes levied on the production and/or sale of oil and gas products disclosed in "Sales" section of this note.

Personnel expenses

This heading includes the following items:

	Millions of euros	
	2011	2010
Salaries and others (1)	1,952	1,836
Social security expenses	627	575
Total personnel expenses	2,579	2,411

- (1) The 2011 balance includes income of €8 million corresponding to the reversal of the provision recognized in prior years in respect of the "Plan de previsión de Directivos" (Management remuneration plan) (Note 18) in relation to a payment received from insurance entities in 2011.

Repsol YPF Group employed a total of 46,575 people at December 31, 2011, geographically distributed as follows: Spain (20,134 employees), Argentina (15,119 employees), Rest of Latin America (8,063 employees) and rest of the world (3,258 employees). Average headcount in 2011 was 45,095 employees (2010: 42,322).

At December 31, 2011, Upstream and Downstream business Repsol and its corporate areas (note 29) has a total of 578 handicapped employees in Spain, 400 of which were hired directly, while the remaining 178 persons were employed through alternative hiring arrangements (3.20% of headcount using legal computation methods).

In compliance with Organic Law 3/2007, dated March 22, which promotes true equality between men and women, published in the BOE (Official State Gazette) issued on March 23, 2007, the following tables reflect the Group's total headcount distributed by professional categories and gender at year end 2011 and 2010.

	Number of employees			
	2011		2010	
	Men	Women	Men	Women
Managers	598	125	546	106
Senior line personnel	2,755	695	2,688	624
Other line personnel	14,119	5,407	13,705	4,906
Operating staff (manual workers, administrative)	16,580	6,296	14,656	6,067
	<u>34,052</u>	<u>12,523</u>	<u>31,595</u>	<u>11,703</u>

Other operating expenses

This heading includes the following items:

	Millions of euros	
	2011	2010
Taxes other than income tax	2,169	2,461
External services	5,551	5,368
Transport and freight costs	1,133	1,189
Other expenses	887	898
	<u>9,740</u>	<u>9,916</u>

Exploration costs amounted to €494 and €502 million in 2011 and 2010, of which €238 and €281 million, respectively, are recognized in the heading “Depreciation and amortization.”

27. FINANCIAL INCOME AND EXPENSES

The breakdown of income and expenses from operations in the periods 2011 and 2010 is as follows:

	Millions of euros	
	2011	2010
Interest income	249	149
Borrowing costs	(782)	(800)
Net interest expense (including preference shares)	(533)	(651)
Due to interest rate	(30)	(26)
Change in fair value of financial instruments	(30)	(26)
Due to exchange rate	(17)	(39)
Change in fair value of financial instruments	108	(212)
Exchange differences	(125)	173
Other positions	(3)	(17)
Change in fair value of financial instruments	(3)	(17)
Net gains / (losses) from financial instruments exposure (1)	(50)	(82)
Impact of discounting provisions to present value	(147)	(191)
Capitalised interest (2)	155	143
Leases	(204)	(196)
Impairment and gains (losses) on disposal of financial instruments	1	1
Other income	12	10
Other expenses	(56)	(42)
Other financial expenses	(247)	(227)
FINANCIAL RESULT	(822)	(1,008)

- (1) This heading includes exchange gains and losses generated by the measurement and settlement of foreign-currency monetary items (Section 3.3.4 of note 3) as well as the gains and losses recognized as a result of the measurement and settlement of derivatives.
- (2) Capitalized interest is recognized in the consolidated income statement under "Finance expenses."

28. CASH FLOWS FROM OPERATING ACTIVITIES

The breakdown of this heading in 2011 and 2010 is as follows:

	Notes	Millions of euros	
		2011	2010
Net income before tax		4,058	6,689
Adjustments to net income		4,382	2,507
Depreciation and amortization of assets	6 and 7	3,519	3,947
Net changes in operating provisions	17	475	937
Gains (losses) on sale of non-commercial assets	31	(119)	(3,058)
Financial Result	27	822	1,008
After-tax share of results of companies accounted for using the equity method	10	(75)	(76)
Other adjustments (net)		(240)	(251)
Change in working capital		(2,239)	(1,693)
Other cash flows from/(used in) operating activities:		(2,081)	(1,861)
Dividends received		64	72
Income tax received / (paid)		(1,784)	(1,627)
Other proceeds from / (payments for) from operating activities		(361)	(306)
Cash Flow from operating activities		4,120	5,642

29. SEGMENT REPORTING

The segment reporting disclosed by the Group in this section is presented in accordance with the disclosure requirements of IFRS 8 *Operating segments*, which was applied by the Group for the first time in 2009.

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 YPF's 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.

This organizational structure is oriented to support the company's growth projects, as well as to establish the basis for future developments. The main lines of this structure are as follows:

- Three integrated strategic businesses:
 - Upstream, corresponding to oil and gas exploration and production operations, except for YPF;
 - LNG, corresponding to midstream (liquefaction, transport and regasification) natural gas operations and marketing of natural gas and liquid natural gas, except for YPF;
 - Downstream, corresponding to refining, sales activities for oil products, chemicals and LPG, except for YPF.

- Two participations in strategic companies:
 - YPF, which includes the operations of YPF, S.A. and its group companies in all the businesses mentioned above; and
 - Gas Natural Fenosa, corresponding to the sales activities for natural gas and power generation, distribution and sale of electricity.

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

Operating Revenue	Millions of euros					
	Operating revenue external		Operating revenue inter-segment		Total operating revenue	
	12/31/2011	12/31/2010	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Segments						
Upstream	2,945	5,863	766	1,050	3,711	6,913
LNG	2,396	1,144	262	188	2,658	1,332
Downstream	41,035	36,285	150	78	41,185	36,363
YPF	10,998	10,973	107	129	11,105	11,102
Gas Natural Fenosa Corporation	6,349	6,020	215	141	6,564	6,161
	9	145	415	328	424	473
(-)Inter-segment adjustments and eliminations of operating income (1)		-	(1,915)	(1,914)	(1,915)	(1,914)
TOTAL	63,732	60,430	-	-	63,732	60,430

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

Operating income	Millions of euros	
	12/31/2011	12/31/2010
Segments		
Upstream	1,413	4,113
LNG	386	105
Downstream	1,207	1,304
YPF	1,231	1,453
Gas Natural Fenosa Corporation	887	881
	(319)	(235)
Total Operating income pertaining to the reported segments	4,805	7,621
(+/-) Results not assigned (Financial result)	(822)	(1,008)
(+/-) Other results (Share of results of companies accounted for using the equity method)	75	76
Income tax	(1,514)	(1,742)
CONSOLIDATED NET INCOME FOR THE YEAR	2,544	4,947

The breakdown of other significant balance sheet headings relating to each activity at December 31, 2011 and 2010 is as follows:

	Millions of euros						
	Upstream	LNG	Downstream	YPF	Gas Natural Fenosa	Corporation and Adjustments	Total
<u>2011</u>							
Total assets (1) (2)	11,025	4,425	19,806	14,037	12,968	8,696	70,957
Investments accounted for using the equity method participation	256	310	73	31	29	-	699
Depreciation and amortization of non current assets	(809)	(168)	(511)	(1,447)	(526)	(58)	(3,519)
Profit (loss) from impairment of assets	36	-	(103)	(3)	(25)	(1)	(96)
Operating investments (3)	1,813	18	1,712	2,182	582	165	6,472
Profit (loss) from entities accounted for using the equity method	4	45	21	3	2	-	75

	Millions of euros						
	Upstream	LNG	Downstream	YPF	Gas Natural Fenosa	Corporación y Ajustes	Total
<u>2010</u>							
Total assets (1) (2)	9,351	4,238	17,524	12,446	13,344	10,728	67,631
Investments accounted for using the equity method participation	172	282	69	35	27	-	585
Depreciation and amortization of non current assets	(1,005)	(149)	(659)	(1,558)	(516)	(60)	(3,947)
Profit (loss) from impairment of assets	(168)	(34)	(36)	12	1	4	(221)
Operating investments (3)	1,119	82	1,612	1,537	463	86	4,899
Profit (loss) from entities accounted for using the equity method	10	31	28	5	2	-	76

(1) Includes in every segment, the amount of the investments accounted for using the equity method

(2) "Corporation and adjustments" column includes financial assets amounting to €5,303 million and €8,246 million, in 2011 and 2010, respectively.

(3) Include the investments accrued during the period. Does not include investments in 'Other financial assets'

The breakdown of the main key figures by geographical area is as follows:

	Million of euros							
	Operating revenue		Operating income		Operating investments		Assets	
	2011	2010	2011	2010	2011	2010	2011	2010
Upstream	3,711	6,913	1,413	4,113	1,813	1,119	11,025	9,351
North American and Brazil	983	3,747	419	2,911	745	515	3,632	3,081
North Africa	303	1,019	99	642	57	97	881	978
Rest of the world	2,510	2,209	895	560	1,011	507	6,512	5,292
Adjustments	(85)	(62)	-	-	-	-	-	-
LNG	2,658	1,332	386	105	18	82	4,425	4,238
Downstream	41,185	36,363	1,207	1,304	1,712	1,612	19,806	17,524
Europe	39,889	33,624	1,012	1,182	1,637	1,473	18,331	16,290
Rest of the world	4,111	4,735	195	122	75	139	1,475	1,234
Adjustments	(2,815)	(1,996)	-	-	-	-	-	-
YPF(1)	11,105	11,102	1,231	1,453	2,182	1,537	14,037	12,446
Gas Natural Fenosa	6,564	6,161	887	881	582	463	12,968	13,344
Corporation and other adjustments	(1,491)	(1,441)	(319)	(235)	165	86	8,696	10,728
TOTAL	63,732	60,430	4,805	7,621	6,472	4,899	70,957	67,631

(1) The YPF figures were generated primarily in Argentina.

Also, the composition of revenue (comprising “Sales” and “Services rendered and other income” line items in the attached consolidated income statements), by geographic area based on destination market, is as follows:

	Millions of euros	
	2011	2010
Spain	29,037	25,976
European Union	5,593	5,693
OECD Countries	6,766	3,024
Argentina	9,634	9,202
Other countries	10,472	11,640
TOTAL	61,502	55,535

30. BUSINESS COMBINATIONS AND INCREASES IN OWNERSHIP INTERESTS IN SUBSIDIARIES WITHOUT CHANGE IN CONTROL

Repsol YPF prepares its consolidated Financial Statements including the investments in all its subsidiaries, affiliated companies and joint ventures. Appendix I of the consolidated Financial Statements details the most significant subsidiaries, affiliated companies and joint ventures, held directly or indirectly by Repsol YPF, S.A., which were included in the scope of consolidation during 2011 and 2010. The main business combinations made in 2011 and 2010 are detailed below.

2011 Acquisitions

In April 2011, Repsol Sinopec Brasil, S.A., through its affiliate, Repsol Sinopec Brasil, B.V. (hereinafter “Repsol Sinopec Brasil”), acquired from Petrobras a 10% shareholding in Agri Development, B.V. (hereinafter “Agri”), a company whose core business is the lease of oil and gas operating assets. Repsol Sinopec Brasil also acquired a 10% of the borrowings owed by Agri to Braspetro Oil Services Company to finance its business operations. This transaction implied a total outlay of US\$44 million (€31 million). The breakdown of the net assets acquired in this business combination, stated on the basis of the Group’s 60% interest in Repsol Sinopec Brasil, is shown below:

	Millions of euros	
	Fair value	Carrying amount at the acquiree
Current assets	3	3
Non-current assets (1)	54	29
TOTAL ASSETS	57	32
Current liabilities	-	-
Non-current liabilities	5	-
TOTAL LIABILITIES	5	-
NET ASSET	52	32
Cash consideration paid in the business combination	31	
Gain net of the related tax effect	21	

- (1) The acquiree’s most significant non-current assets are a floating production unit (FPSO) and offloading vessels (*X-mas trees*).

This business combination gave rise to a gain, net of the related tax effect, of US\$29 million (€21 million). The abovementioned gain was recognized following the re-assessment of the assets acquired and liabilities assumed at the acquisition date and a review of the methods used to measure the amounts recognized. The net income contributed by this company to the consolidated financial statements since the acquisition date amounts to €23 million. Had the acquisition taken place on January 1, 2011, it is estimated that the additional contribution to consolidated revenue and net consolidated income for the year would have been less than €1 million.

In June 2011, Repsol acquired 100% of British company Sea Energy Renewables, later renamed Repsol Nuevas Energías U.K., a company dedicated to the development of offshore wind farms in Scotland. Through this acquisition, Repsol obtained the rights to develop three offshore wind farms on the Scottish coast. In addition, Repsol reached an agreement with EDP Renovaveis for the joint development of two of these facilities, the 1,500 MW Moray Firth wind farm and the 905 MW Inch Cape wind farm. The Group’s ownership interests in these wind farms after this transaction are 33% and 51%, respectively. Further, Repsol owns 25% of the Beatrice wind farm, in which the company Scottish and Southern Renewables owning the remaining 75%. These projects gave Repsol the right to develop, build and operate a total of 1,190 MW in the UK. The agreements provide the possibility of incorporating Gas Natural Fenosa into the project. This transaction implied an investment of €46 million (£41 million). The breakdown of the net assets acquired and the corresponding goodwill is the following:

	Millions of euros	
	Fair Value	Carrying amount at the acquiree
Current assets	4	3
Non-current assets	44	4
TOTAL ASSETS	48	7
Current liabilities	2	2
Non-current liabilities	10	-
TOTAL LIABILITIES	12	2
NET ASSETS	36	5
Business combination costs	46	
Goodwill	10	

At the date of authorizing the accompanying consolidated Financial Statements for issue, this business combination has been accounted for on a provisional basis. Following the purchase price allocation process with respect to the acquisition-date carrying amounts of the net assets acquired, the main assets and liabilities restated to fair value correspond to the rights to operate the wind farms recognized as intangible assets and the deferred tax liabilities corresponding to the mentioned fair value restatements for the amount estimated not to be deductible.

The net loss contributed by this company to the consolidated income statement since the acquisition date amounted to €2 million. If the acquisition had taken place on January 1, 2011, it is estimated that the additional contribution to consolidated revenue and net income for the year would not have been significant.

In may 2011, the assets and liabilities swap pursuant to the agreement reached in August 2010 between Gas Natural Fenosa and Enel Green Power to terminate the renewable energy joint venture held through Enel Unión Fenosa Renovables, S.A. (EUFER), a company in which each held a 50% interest, was consummated. As a result of this transaction, Gas Natural Fenosa acquired approximately one-half of the business and the corresponding assets and liabilities of EUFER, having transferred the corresponding human and other resources required for the performance of the renewable power generation business, so that this transaction has been accounted for as a business combination and not an asset acquisition. The cost of this business combination net of the debt assumed coincides with the fair value, as appraised by third parties engaged specifically to value the transaction. The breakdown of the net assets acquired (proportionate to Repsol Group's interest in Gas Natural Fenosa) is shown below:

	Millions of euros	
	Fair Value	Carrying amount at the acquiree
Current assets	18	18
Non-current assets	262	210
TOTAL ASSETS	280	228
Minority interest	2	2
Current liabilities	27	23
Non-current liabilities	166	165
TOTAL LIABILITIES AND MINORITY	195	190
NET ASSETS	85	38
Business combination costs	86	
Goodwill	1	

This business combination has been accounted for on a provisional basis. The impact on net income in 2011 was not significant. Had the acquisition taken place on January 1, 2011, it is estimated that the additional contribution to consolidated revenue and net income for the year would not have been significant. The main outcome of the purchase price allocation process was the revaluation of the fair value of intangible assets, corresponding to the permits to operate the assets received, mainly wind farms.

In addition, through its investment in Gas Natural Fenosa, the Group undertook other acquisitions in 2011 as detailed below (all amounts proportionate to Repsol Group's interest in Gas Natural Fenosa):

- In September 2011, Gas Natural Fenosa signed a purchase agreement for ACS's direct and indirect interests in five wind farms in Spain with aggregate capacity of 95.5 MW for €20 million, increasing its interest in Explotaciones Eólicas Sierra de Utrera, S.L. from 50% to 75% and in Energías Ambientales EASA, S.A. from 33.3% to 100%. Had the acquisition taken place on January 1, 2011, it is estimated that the additional contribution to consolidated revenue and net income for the year would have been €4 million and €1 million, respectively.
- In December 2011, Gas Natural Fenosa subscribed the acquisition from Gamesa Energía of 100% of Sistemas Energéticos Alto de Seixal, S.A. (a sole shareholder company), which operates a 30 MW wind farm, for €3 million;
- In December 2011, Gas Natural Fenosa signed the purchase agreement for the acquisition of 100% Favellato Reti, S.R.L., an Italian company, whose core business is the distribution of natural gas in several Italian provinces, for €3 million.

These business combinations have been accounted for on a provisional basis as the 12-month period from the acquisition date has not been completed yet.

2010 Acquisitions

With effective date February 1, 2010, the productive area Barúa-Motatán located in the Lake Maracaibo basin was incorporated as an asset to be operated by mixed-ownership company Petroquiriquire, S.A. In 2009, Venezuela's National Assembly published in the official Gazette of the Bolivarian Republic its approval of the activities of Petroquiriquire, S.A., in which Repsol YPF holds a 40% interest, in the production area Barúa-Motatán.

This transaction gave effect to the credit notes amounting to US\$173 million (€31 million) received as part of the process of migrating the operating agreements over to the mixed companies and canceled an account receivable from PDVSA amounting to US\$34 million (€6 million). The related amount corresponds entirely to property, plant and equipment acquired in connection with this allocation. No goodwill was generated as a result of the transaction.

The net profit contributed in 2010 by the incorporation of the Barúa-Motatán production activities since the date of acquisition amounted to US\$36 million (€28 million).

On February 10, 2010, the MENPET awarded the concession of the area of Carabobo 1 to the consortium led by Repsol (11%), and its partners Petronas (11%), OVL (11%), and Indoil (7%). The Venezuelan CVP will maintain its 60% ownership interest. The area will be managed by

the mixed-ownership company Petrocarabobo, S.A. This project consists in developing, in conjunction with PDVSA, the heavy crude oil reserves of the blocks Carabobo 1 North and Carabobo 1 Center, located in the Orinoco oil belt. The profit recognized in 2010 in relation with this company was less than €1 million.

31. DIVESTMENTS AND DISPOSALS OF OWNERSHIP INTERESTS IN SUBSIDIARIES WITHOUT LOSS OF CONTROL

DIVESTMENTS

The following table provides the proceeds from the sale of equity ownerships recorded in 2011 and 2010:

	Millions of euros	
	2011	2010
Divestments		
- Group companies, associated companies and business units	396	4,230
- Property, plant and equipment, intangible assets and investment properties	116	171
- Other financial assets	437	170
	<u>949</u>	<u>4,571</u>

“*Divestments*” in the table above do not include the proceeds from the sales of shares in YPF outlined later on in this Note 31. These proceeds are presented under “Decreases in ownership interests without loss of control” within cash flows from financing activities in the consolidated cash flow statement and in the 2010 information presented for comparative purposes herein.

Group companies, associated companies and business units

The divestments of shareholdings in Group companies and associates in 2011 and 2010 are listed in Appendix I - Changes in the consolidation scope. The most significant are described below.

Fiscal Year 2011

On February 7, 2011, Gas Natural Fenosa agreed to sell approximately 300,000 gas supply points in the Madrid region to a company of the Group Madrileña Red de Gas for €136 million. These assets were classified as non-current assets held for sale from the agreement date. Once all required permits were obtained, the sale closed on June 30, 2011, generating a gain of €84 million. The amounts in millions of euros are stated at the Group’s proportionate interest in Gas Natural Fenosa.

On May 19, 2011, Gas Natural Fenosa agreed the sale of its investments in power distributors in Guatemala, Distribuidora de Electricidad de Oriente, S.A. and Distribuidora de Electricidad de Occidente, S.A., and in other companies with energy operations in Guatemala. The assets were sold for €64 million. The sale generated a pre-tax loss of €3 million. The figures are stated at the Group’s proportionate interest in Gas Natural Fenosa.

In October 2011, the Group sold its Brazilian liquid petroleum gas (LPG) subsidiary, Repsol Gas Brasil, to Brazil’s Ultragas for €20 million. This sale generated an after-tax gain of €1 million, which is recognized in “Income from reversal of impairment losses and gains on disposal of non-current assets.”

On January 16, 2012, the Group reached an agreement to sell its subsidiary Repsol France S.A., which core activity was the distribution of liquid petroleum gas (LPG) in France, to Totalgaz, a subsidiary of the Total group. This transaction has been accounted for with effect from December 31, 2011.

Exploration and production assets in Brazil in fiscal year 2010

In December 2010, Repsol YPF and China Petroleum & Chemical Corporation (“Sinopec”) successfully closed an agreement reached in October to develop joint exploration and production projects in Brazil, through a capital increase carried out in Repsol Brasil, S.A. on December 28, 2010. The capital increase was fully subscribed by Sinopec and amounted to US\$7,111 million (€3,389 million). Upon completing the transaction, Repsol holds a 60% ownership interest in Repsol Brasil and Sinopec holds the remaining 40%. In February 2011, Repsol Brasil, S.A. changed its registered name to Repsol Sinopec Brasil, S.A. (“Repsol Sinopec Brasil”).

Both companies signed a shareholders' agreement in which they affirm their desire to develop the abovementioned projects jointly by providing the necessary means and sharing certain strategic decisions concerning operational and financial policies. Consequently, as of December 28, 2010, the Group account for its 60% ownership interest in Repsol Sinopec Brasil using the proportional consolidation method.

This disinvestment amounted to US\$4,267 million (€2,234 million), generating a gain of US\$3,757 million (€2,847 million), recognized in "Income from reversal of impairment losses and gains on disposal of non-current assets." The amount of the disinvestment corresponds to the Group's ownership interest in the liquidity incorporated as a result of the capital increase.

The associated assets and liabilities of the group affected by the abovementioned transaction were derecognized at December 28, 2010 as follows below:

Millions of euros	Net asset value
Non-current assets	413
Cash and cash equivalents	12
Other current assets	61
TOTAL ASSETS	486
Non-current liabilities	15
Current liabilities	93
TOTAL LIABILITIES	108
NET ASSETS	378

In addition, historical exchange differences recognized in equity under "Adjustments for changes in value," amounting to €9 million, were recognized reducing the result of the transaction.

Sale of the 30% ownership interest in Alberto Pacualini Refap, S.A. in 2010

In December 2010, Repsol YPF sold its 30% ownership interest in the company Alberto Pacualini Refap, S.A. (Refap) to Petrobras for US\$350 million (€261 million). This transaction generated a loss of €63 million, recognized in the heading "Impairment losses recognized and losses on disposal of non-current assets." The transaction was carried out as part of the Group's strategy focused in the divestment of non-strategic assets.

The assets and liabilities derecognized as a result of the sale were as follows:

Millions of euros	<u>Net asset value</u>
Non-current assets	878
Cash and cash equivalents	29
Other current assets	129
TOTAL ASSETS	1,036
Non-current liabilities	246
Current liabilities	284
TOTAL LIABILITIES	530
NET ASSETS	506

In addition, historical exchange differences recognized in equity under "Adjustments for changes in value," which totaled €82 million, were recognized as a result of the sale.

Sales of Gas Natural Fenosa Group companies

At December 19, 2009, Gas Natural Fenosa agreed to sell the natural gas distribution business in 38 Madrid municipalities corresponding to approximately 500,000 supply points and the gas natural and electricity supply to residential customer retail and SMEs (small/medium companies). This sale includes the shared services structure in this region. This transaction was made under the framework of the disposal plan agreed upon with the Spanish anti-trust authorities (acronym in Spanish: CNC) in connection with the acquisition of Unión Fenosa. As of the date of this agreement, these assets are classified as non-current assets held for sale. Once the pertinent regulatory approvals were obtained, the sale was completed on April 30, 2010 for €241 million, generating a gross capital gain of €14 million, which was recognized in "Income from reversal of impairment losses and gains on disposal of non-current assets" of the accompanying income statement (figures stated at the Group's proportionate interest in Gas Natural Fenosa).

In addition, in December 2009, Gas Natural Fenosa agreed to divest its share in several combined cycle power generation Companies in Mexico with aggregate capacity of 2,233 MW and the Río gas pipeline. From the date of this agreement, these assets were classified as non-current assets held for sale. Once the pertinent regulatory approvals were obtained, the 100% control of the companies was transferred on June 30, 2010 for €304 million, generating a gross loss of €1 million, recognized in “Impairment losses recognized and losses on disposal of non-current assets” of the accompanying income statement (figures stated at the Group’s proportionate interest in Gas Natural Fenosa).

Other sales in 2010

On December 17, 2010, the Group sold Gas Natural Fenosa's 35% ownership interest in Gas Aragón, S.A. for €23 million. This was an equity-consolidated company and the sale generated a before-tax gain of €12 million recognized in "Income from reversal of impairment losses and gains on disposal of non-current assets" (figures stated at the Group’s proportionate interest in Gas Natural Fenosa).

In November 2010, the Repsol YPF Group sold its 25% ownership interest in Bahía Bizkaia Gas (BBG) to Enagas and other non-controlling interests for approximately €31 million, after deducting the amount of dividends received. This sale generated a before-tax gain of €13 million, recognized in “Income from reversal of impairment losses and gain on disposal of non-current assets” of the accompanying consolidated income statement.

On March 25, 2010 Repsol YPF, Petronor and BBK signed an agreement whereby BBK acquired a share package for 5% of Compañía Logística de Hidrocarburos (CLH), which Repsol indirectly owned through Petronor. The sale price was €145 million, which generated a gross capital gain of €133 million, recognized in “Income from reversal of impairment losses and gains on disposal of non-current assets” of the accompanying consolidated income statement. As a result of this transaction, Repsol YPF reduced its share in CLH to 10%.

In February 2010, Repsol YPF sold its 100% investment in Termobarrancas and its exploration and development license in the Barrancas area to Petróleos de Venezuela S.A. (PDVSA). The purchase-sale agreement was reached in 2009, year in which these assets were classified as non-current assets held for sale. The sale of these assets generated a gain of €5 million, recognized under “Income from reversal of impairment losses and gains on disposal of non-current assets” in the accompanying consolidated income statement.

Property, plant and equipment, intangible assets and investment property

On April 14, 2011, Gas Natural Fenosa agreed the sale of its 800 MW combined cycle plant in Arrúbal (La Rioja). Having secured all the required permits, the sale was closed on July 28, 2011 and Gas Natural Fenosa transferred ownership of the plant for a total of €94 million. The transaction did not generate any gain or loss in the consolidated income statement. The agreement included a loan to the purchaser amounting to €77 million, which accrues interest at market rates; it also encompassed the signature of gas supply and power offtake agreements for less than 50% of forecast production, between the plant and Gas Natural Comercializadora SDG, S.A. for a maximum term of 10 years. These assets were classified as non-current assets held for sale from the date the agreement was reached until the sale was closed. The amounts in millions of euros are stated at the Group's proportionate interest in Gas Natural Fenosa.

In addition, in 2011 Gas Natural sold the 400MW Plana del Vent combined cycle plant (Note 11).

In 2010, Repsol YPF Group received a €70 million prepayment in connection with sale of the Gaviota underground storage gas facility to Enagás, which was classified at December 31, 2010 under "Non-current assets held for sale" (Note 11). Upon receipt of all the required permits from the competent authorities, the sale was closed on October 3, 2011 in the amount of €79 million, generating a pre-tax gain of €28 million, which was recognized under "Income from reversal of impairment losses and gains on disposal of non-current assets" plus an additional divestment of € million.

Other financial assets

In 2011, the Group collected €385 million (stated at the Group's proportionate interest in Gas Natural Fenosa) in connection with Gas Natural Fenosa's share of the financing of the electricity tariff deficit, primarily as a result of the eleven issuances completed by the FADE (the acronym in Spanish for the electricity system deficit securitization fund) in the course of the year by virtue of which outstanding collection rights are irrevocably transferred to the Securitization Fund.

In April 2010, Gas Natural Fenosa sold its 5% ownership interest in Indra Sistemas, S.A., which was classified under "held-for-sale financial assets." This sale amounted to €38 million, generating a gain of €1 million recognized under "Impairment gains / (losses) on disposal of financial instruments" (stated at the Group's proportionate interest in Gas Natural Fenosa).

DISPOSALS OF OWNERSHIP INTERESTS IN SUBSIDIARIES WITHOUT LOSS OF CONTROL

Sales of interest in YPF

In 2011 and 2010 the Group made the following sales of YPF shares:

- On December 23, 2010, Repsol sold 1.63% of the share capital of YPF to funds managed by Eton Park Capital Management (“Eton Park”) and another 1.63% to funds managed by Capital Guardian Trust Company and Capital International, Inc. (“Capital”) for US\$250 million (€192 million).

Eton Park additionally held call options on shares representing a further 1.63% of YPF’s share capital, exercisable either all at once or in smaller amounts until January 17, 2012. Repsol YPF also granted Capital a put option on the purchased shares in the proportional part of the acquired shares which exceeded 15% of the YPF’s free float as of December 22, 2011; this option was exercisable at any time from that date until January 23, 2012. These options expired unexercised.

- In addition, in 2010, the Group sold YPF shares representing 0.97% of its share capital in a number of transactions for a total of €105 million.
- Repsol reached an agreement to sell 3.83% of the share capital of YPF to Lazard Asset Management and other funds for a net sum of US\$632 million (€446 million) on March 14, 2011. Specifically, Lazard Asset Management acquired 2.9% of YPF share capital, while other investors acquired a 0.93% interest. In addition, Repsol YPF granted Lazard Asset Management a put option on the purchased shares in the proportional part of the acquired shares which exceed 20% of the YPF’s free float. This option was exercisable at any time until October 10, 2011 and expired unexercised.
- Also in March 2011, Repsol YPF sold, through a secondary offering, 30.15 million YPF shares in the form of American Depositary Shares (ADSs) representing 7.67% of YPF’s share capital, raising total net proceeds of US\$1,209 million (€862 million).
- Subsequently, in May 2011, the Petersen Group exercised its call option 10% of YPF, ahead of the exercise deadline on February 2012. The deal size was US\$1,302 million (€13 million). Part of the transaction was funded by way of a US\$626 million (€39 million) loan by Repsol to the Petersen Group. Following the transaction date, the Petersen Group owns 25.46% of the Argentine oil company.
- The Group also sold additional minority interests in YPF in the market during 2011.

Taking into account all these transactions on the Argentine oil company's share capital, the Group sold YPF shares in 2011 and 2010 representing 22.38% and 4.23% of its share capital in for a net amount of US\$3,292 million (€3,327 million euro), and US\$647 million (€489 million), respectively.

In the wake of these transactions, the Group's ownership interest in YPF at December 31, 2011 stood at 57.43% (79.81% at year end 2010).

The sales detailed above implied a €1,537 million increase in "Minority interests" at the year ended December 31, 2011 (an increase of €305 million in 2010). The resulting pre-tax gain, which is recognized within "Retained earnings and other reserves," amounted to €78 million in 2011, net of the €312 million impact of the associated accumulated negative translation differences (a gain of €139 million net of negative translation differences of €44 million in 2010).

32. INFORMATION ON RELATED PARTY TRANSACTIONS

Repsol YPF 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) Major Shareholders: according to the most recent information available, the major shareholders in the company that are considered related parties of Repsol YPF are (Note 15.1):
 - Sacyr Vallehermoso, S.A., which owns 10.01% of share capital.
 - CaixaBank S.A. (a member of Caixa Group), which holds, directly and indirectly, 12.84% of the share capital of Repsol YPF, S.A.
 - Petróleos Mexicanos (Pemex), which holds a total interest of 9.49% through Pemex Internacional España, S.A., PMI Holdings, B.V. and through several equity swaps with financial entities that give Pemex dividend and voting rights over 9.49% of Repsol YPF's share capital.
- 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 2011 with related parties were as follows:

Millions of euros				
EXPENSE AND INCOME:	Major shareholders	Executive and Directors	Group companies or entities	Total
Financial expenses	26	-	-	26
Management or cooperation agreements	-	-	2	2
Operating leases	2	-	33	35
Receipts from services	8	-	428	436
Purchase of goods (finished or in progress) (1)	2,751	-	5,755	8,506
Other expenses	11	-	18	29
TOTAL EXPENSES	2,798	-	6,236	9,034
Financial income	36	-	18	54
Management or cooperation agreements	-	-	4	4
Leases	1	-	-	1
Transfer of R&D and license agreements	-	-	-	-
Provision of services	42	-	34	76
Sale of goods (finished or in progress)	109	-	1,262	1,371
Other income	4	-	80	84
TOTAL INCOME	192	-	1,398	1,590

Millions of euros				
OTHER TRANSACTIONS	Major shareholders	Executive and Directors (2)	Group companies or entities	Total
Purchase of property, plant and equipment, intangible and other assets	124	-	-	124
Finance agreements: credits and capital contributions (lender)	-	-	346	346
Amortisation or cancellation of loans and leases (lessor)	-	-	-	-
Disposal of property, plant and equipment, intangible or other assets	187	-	-	187
Finance agreements: credits and capital contributions (lessor) (3)	783	-	7	790
Guarantees given (4)	193	-	133	326
Guarantees received	70	-	-	70
Commitments acquired (5)	585	-	15,782	16,367
Cancelled commitments/guarantees	1	-	254	255
Dividends and other profit distributed	519	-	-	519
Other transactions (6)	1,321	-	-	1,321

- (1) These purchases include those made under the provisions of a crude oil purchase contract signed for an indeterminate period with the Pemex Group, which in 2011 were fixed at 85,000 barrels per day.
- (2) See Note 33 Information on the Members of the Board of Directors and Executives for disclosure on operations made with members of the Executive Committee. The balance of the loans granted to Executives and the dividends distributed is less than €1 million.
- (3) Includes credit lines amounting to €53 million arranged with La Caixa.
- (4) Includes €64 million corresponding to the guarantee extended by the Group in connection with Perú LNG S.R.L. financing arrangements (Note 34).
- (5) Corresponds to purchase commitments outstanding at the reporting date, net of sales commitments.
- (6) Includes remunerated accounts and deposits in the amount of €116 million, exchange rate hedges in the amount of €173 million and interest rate hedges in the amount of €209 million arranged with Caixa Group.

Income, expenses and other transactions recorded in 2010 with related parties were as follows:

Millions of euros				
EXPENSE AND INCOME	Major shareholders	Executives and Directors	Group companies or entities	Total
Financial expenses	108	-	-	108
Management or cooperation agreements	-	-	1	1
Operating leases	3	-	9	12
Receipts from services	9	-	409	418
Purchase of goods (finished or in progress) (1)	2,031	-	4,977	7,008
Other expenses	10	-	1	11
TOTAL EXPENSES	2,161	-	5,397	7,558
Financial income	22	-	21	43
Management or cooperation agreements	-	-	4	4
Transfer of R&D and license agreements	-	-	1	1
Provision of services	37	-	34	71
Sale of goods (finished or in progress)	174	-	1,257	1,431
Other income	5	-	52	57
TOTAL INCOME	238	-	1,369	1,607

Millions of euros				
OTHER TRANSACTIONS	Major shareholders	Executive and Directors (2)	Group companies or entities	Total
Purchase of property, plant and equipment, intangible and other assets	59	-	-	59
Finance agreements: credits and capital contributions (lender)	-	-	324	324
Amortisation or cancellation of loans and leases (lessor)	1	-	-	1
Disposal of property, plant and equipment, intangible or other assets	53	-	-	53
Finance agreements: credits and capital contributions (lessor) (3)	734	-	6	740
Guarantees given	133	-	416	549
Guarantees received	40	-	-	40
Commitments acquired (4)	132	-	20,100	20,232
Cancelled commitments/guarantees	-	-	-	-
Dividends and other profit distributed	269	-	-	269
Other transactions (5)	3,044	-	-	3,044

- (1) 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 2010 were fixed at 71,000 barrels per day.
- (2) See Note 33 Information on the Members of the Board of Directors and Executives for disclosure on operations made with members of the Executive Committee. The balance of the loans granted to Executives and the dividends distributed was less than €1 million.
- (3) Included €32 million of credit lines arranged with Caixa Group.
- (4) Corresponded to purchase commitments outstanding at the reporting date, net of sales commitments.
- (5) Included short term investments in the amount of €739 million, exchange rate hedges in the amount of €1,183 million and interest rate hedges in the amount of €711 million, arranged with the Caixa Group.

The transactions performed by Repsol YPF, S.A. with its Group companies and those performed by the Group companies among themselves form part of the Company's ordinary business activities in terms of their purpose and terms and conditions.

33. INFORMATION ON THE MEMBERS OF THE BOARD OF DIRECTORS AND EXECUTIVES

33.1) Remuneration of the members of the Board of Directors (Directors)

The remuneration earned by Executive Board Members, as detailed under paragraphs a), b) and c) of this Note, amounted to €1,5 million, representing the 0.52% of the net income attributed to the parent company.

a) Due to membership of the Board

In accordance with Article 45 of the Articles of Association, the Company may pay a remuneration equivalent to 1.5% of its net income to its Board members each year, but this amount can only be paid once the appropriations to the legal reserve and other obligatory appropriations have been made and a dividend of at least 4% has been declared.

Under the system established and approved by the Nomination and Compensation Committee, the amounts of the annual remuneration earned in 2011 and 2010 by virtue of membership of each of the Group's managing bodies are as follows:

Governing Body	Euros	
	2011	2010
Board of Directors	176,594	172,287
Delegate Committee	176,594	172,287
Audit and Control Committee	88,297	86,144
Strategy, Investment and Corporate Social Responsibility Committee	44,149	43,072
Nomination and Compensation Committee	44,149	43,072

The amount of remuneration earned in 2011 by the members of the Board of Directors in their capacity as Board members in connection with the above-mentioned bylaw-stipulated directors' emoluments amounted to €4.974 million, the detail being as follows:

	Remuneration of Membership to Governing Bodies (Euros)					TOTAL
	Board	Delegate C	Audit C	Nomination C	Strategy C	
Antonio Brufau	176,594	176,594	-	-	-	353,188
Luis Suárez de Lezo	176,594	176,594	-	-	-	353,188
Pemex Internacional España, S.A.	176,594	176,594	-	-	44,149	397,337
Carmelo de las Morenas (1)	58,865	-	29,432	-	-	88,297
Henri Philippe Reichstul	176,594	176,594	-	-	-	353,188
Paulina Beato	176,594	-	88,297	-	-	264,891
Javier Echenique	176,594	176,594	88,297	-	-	441,485
Artur Carulla	176,594	176,594	-	44,149	-	397,337
Luis del Rivero (2)	161,878	132,446	-	-	-	294,324
Juan Abelló	176,594	29,432	-	-	44,149	250,175
José Manuel Loureda	176,594	-	-	44,149	44,149	264,891
Luis Carlos Croissier	176,594	-	-	-	44,149	220,743
Isidro Fainé	176,594	176,594	-	-	-	353,188
Juan María Nin	176,594	-	-	44,149	44,149	264,891
Angel Durandez	176,594	-	88,297	-	-	264,891
M ^a Isabel Gabarró	176,594	-	-	44,149	44,149	264,891
Mario Fernández Pelaz (3)	117,729	-	-	29,432	-	147,162

(1) Mr. Carmelo de las Morenas López resigned from his position of Director on April 15, 2011.

(2) Mr. Luis del Rivero resigned from his position of Director on December 20, 2011.

(3) Mr. Mario Fernández Pelaz was appointed as Director on April 15, 2011.

Additionally, it should also be noted that:

- The members of the Board of Directors of Repsol YPF, S.A. have not been granted any loans or advances by any Group company, jointly controlled entity or associate.
- Non Group company, jointly controlled entity or associate has pension or life insurance obligations to any former or current member of the Board of Directors of Repsol YPF, S.A., except in the case of the Executive Chairman, and of the General Counsel, whose remunerations, as Executive Directors, are subject to the commitments set forth in their respective service agreements, which envisage a defined contribution system.

b) Due to the holding of executive positions and performing executive duties.

The annual monetary fixed remuneration earned in 2011 by the members of the Board of Directors who, during that period had performed executive tasks at the Group, amounted to €3.351 million, of which €2.368 million was earned by Mr. Antonio Brufau and €0.983 million by Mr. Luis Suárez de Lezo.

Additionally, the remuneration in-kind (residence allowances and other), annual variable, and multi-annual variable compensation paid to Mr. Antonio Brufau, calculated on the basis of the level of success with respect to the objectives of the Medium-term Incentives Program for senior management personnel corresponding to the 2008-2011 period totaled €1.942 million. The amounts received by Mr. Luis Suárez de Lezo for in-kind, annual variable, and multi-annual variable compensation under the aforementioned program totaled €1.033 million.

In addition, on an extraordinary basis, a special bonus has been accrued in 2011 in connection with earnings growth in 2010 of €2.772 million for Antonio Brufau and €1.678 million for Luis Suárez de Lezo.

These figures mentioned above do not include the amounts reflected in paragraph e) below.

c) Due to membership to the Boards of Directors of affiliates

The remuneration earned in 2011 by the members of the parent's Board of Directors in their capacity as directors of other Group companies, jointly controlled entities and associates amounted to €0.611 million, according to following detail:

	Euros		
	YPF	Gas Natural	TOTAL
Antonio Brufau Niubo	85,281	289,800	375,081
Luis Suarez de Lezo Mantilla	83,668	151,800	235,468

d) Due to third-party liability insurance premiums

The members of the Board of Directors are covered by the same third-party liability insurance policy as that covering all the directors and executives of the Repsol YPF Group.

e) Due to retirement, disability and life insurance policies, contributions to pension plans and long service bonus.

The cost of retirement, disability and life insurance policies and the contributions to pension plans and long service bonus including, if applicable, the related on account payments, incurred by the Company on behalf of the members of the Board of Directors with executive functions at the Group amounted to €2.965 million in 2011. Of this amount, €2.671 million correspond to Mr. Antonio Brufau and €0.294 million to Mr. Luis Suárez de Lezo.

f) Incentives

Directors not holding executive positions at the Company have not been paid multi-annual variable compensation.

33.2) Indemnity payments to members of the Board of Directors

No director received any indemnity payment from Repsol YPF in 2011.

33.3) Transactions with Directors

Except for the remuneration earned, the dividends received from the shares they hold and, in the case of institutional outside directors, the transactions described in Note 32 (“Information on Related Party Transactions – Significant Shareholders”), the directors of Repsol YPF did not perform any material related-party transactions with the Company or Repsol YPF Group companies outside of ordinary business or under conditions other than market conditions.

Except as detailed in Appendix III, none of the directors nor people or entities to which they are related have ownership interests or hold positions in companies engaging in an activity that is identical, similar or complementary to the activity constituting the corporate purpose of Repsol YPF.

In addition, except as detailed in Appendix III, none of the directors have performed, as independent professionals or as employees, activities that are identical, similar or complementary to the activity that constitutes the corporate purpose of Repsol YPF.

In 2011, the resolutions passed by the Board of Directors and the Nomination and Compensation Committee in respect of (i) directors re-elections; (ii) committee members appointments or re-elections; and (iii) job appointments within the Board of Directors, were adopted in the absence of the directors affected by the resolution in question.

In addition, the Executive Directors did not participate in the approval of Board of Directors resolutions regarding their compensation for the performance of executive duties at the Company.

Lastly, the resolution taken by the Board of Directors on December 18, 2011 in relation to the acquisition of own shares representing 10% of the Company’s share capital was voted on in the absence of directors Luis Fernando del Rivero Asensio, Juan Abelló Gallo and José Manuel Loureda Mantiñán. Nor did Mr. Loureda participate in the approval of resolutions taken with respect to this same transaction by the Nomination and Compensation Committee on December 18, 2011 immediately prior to the said Board of Directors meeting.

33.4) Remuneration of executives

a) Scope

For reporting purposes, in this section Repsol YPF considers "executives" to be the members of the Repsol YPF Group’s Executive Committee. This consideration, made purely for reporting purposes herein, neither substitutes nor implies an interpretation of other senior management or similar 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 information included in this Note relates to the seven people who have been members of the Executive Committee of the Group in 2011, excluding, unless stated otherwise, those who are also members of the Parent Company Board of Directors, since the information relating to them is disclosed in the paragraph 1) of this Note.

b) Wages and salaries

Executives receive fixed and variable remuneration. The latter consists of an annual bonus calculated as a given percentage of the fixed remuneration earned on the basis of the degree to which certain targets are met and, where appropriate, the payment relating to the multi-annual incentive plan.

The total remuneration earned in 2011 by executives who form or formed part of the Executive Committee, is as follows:

Description	Millions of euros
Salary	4.968
Attendance fees	0.341
Variable remuneration	4.533
Remuneration in kind	0.870

Furthermore, on an extraordinary basis, a especial bonus has been accrued in 2011 connected to the increase of results in 2010 for an amount of €6.870 millions.

In accordance with the foregoing, total compensation amounted to €17.582 million.

c) Executive welfare plan and long service bonus

In 2011, the contributions made by the Group to its executives in both instruments amounted to €1.429 million.

d) Pension fund and insurance premiums

The contributions made by the Group in 2011 to the hybrid defined contribution pension plans for executives adapted to the Pension Plans and Funds Law (Note 3.3.18 and Note 18) plus the life and accident insurance premiums paid totaled €0.475 million (this amount is included in the disclosures reported in section b) above).

Executives are covered by the same civil liability insurance policy as that covering all the directors and senior management personnel of the Repsol YPF Group.

e) Advances and loans

At December 31, 2011, the Company had granted loans to its executives amounting to €0.180 million, which earned average interest of 2.80%. All these loans were granted before 2003.

33.5) Indemnity payments to executives

The executives to which this Note is referred (Section 33.4.a) have, in their respective contracts, the right to receive a compensation in the event of termination of relationship with the company, provided that the termination was not due to a breach of obligations of the such management member, due to retirement, handicap or the employee's voluntary withdrawal not founded in some of the compensable assumptions gathered in the mentioned contracts.

Said compensations shall be recognized as a provision and a personnel expense only when the termination of the relationship between the executive and the Group is due to a reason that entitled him or her to such perception. The Group has a collective insurance policy contracted which aims to guarantee the payment of such compensations to the executives to which this Note is referred (Section 33.4.a), including the General Counsel Director.

No executive received any indemnity payment from Repsol YPF in 2011.

33.6) Transactions with executives

Except for the information disclosed in sections 4 and 5 of this Note and the dividends pertaining to the shares of the Company held by them, the executives of Repsol YPF did not perform any material related-party transactions with the Company or Repsol YPF Group companies outside of ordinary business or under conditions other than market condition.

34. CONTINGENT LIABILITIES AND OBLIGATIONS

Guarantees

At December 31, 2011 the companies of the Repsol YPF Group had granted the following guarantees to third parties or to Group companies whose assets, liabilities and results are not incorporated into the consolidated financial statements (companies consolidated using the proportionate consolidation method to the extent they are not owned by the Group and companies consolidated under the equity method). The most significant guarantees are outlined below:

- The Group provided guarantees for its stake in Oleoducto de Crudos Pesados de Ecuador, S.A. (OCP) which covers construction, abandonment of construction, and the environmental risks related to this operation, amounting to approximately US\$15 million (€12 million) together with the operative risks of approximately US\$15 million (€12 million). The Group has pledged all its shares in OCP.
- The Group has provided guarantees for financing activities to the Petersen Group related to the acquisition of a shareholding in YPF in the amount of US\$96 million (€74 million).

- Repsol YPF signed certain support and guarantee contracts in connection with the financing agreements for Perú LNG, S.R.L, a company which was set up to build and operate a gas liquefaction facility, including a marine loading dock in Pampa Melchorita in Peru, and a gas pipeline. These guarantees cover the funding needs of Perú LNG for certain price situations and lack of availability of gas to fulfill Delivery or Pay obligations towards Repsol Comercializadora de Gas, S.A, while also covering Perú LNG operating expenses and debt servicing. These guarantees have been extended jointly with the other Project shareholders, each in proportion to its share of the Perú LNG capital. Repsol YPF guarantees up to US\$83 million (€64 million) taking into account its interest in Perú LNG, increasing to US\$224 million (€174 million) from 2021.
- At December 31, 2011 the Group, through its branch YPF S.A., issued guarantees with respect to the financing activities of Central Dock Sud S.A. amounting to US\$9 million (€7 million); while also providing guarantees to cover Maxus' environmental obligations for US\$50 million (€39 million) (see note under *Contingencies* below in this same note).

In addition, Repsol YPF issues other types of guarantees and indemnities, mainly specific indemnities relating to the sale of assets in the normal course of activities.

Contractual commitments

At December 31, 2011, the main long-term purchase, sale or investment commitments of the Repsol YPF Group were as follows:

Commitments	2012	2013	2014	2015	2016	Subsequent years	Total
Operating leases (1)	597	320	230	203	188	1,234	2,772
Transport - Time Charter (2)	293	160	84	66	61	595	1,259
Operating leases (3)	304	160	146	137	127	639	1,513
Purchase commitments	9,513	5,759	5,089	4,458	3,957	29,640	58,416
Crude oil and others (4)	4,174	463	390	358	319	390	6,094
Natural gas(5)	5,339	5,296	4,699	4,100	3,638	29,250	52,322
Investment commitments (6)	1,668	1,308	487	1,001	625	5,683	10,772
Service commitments	745	418	388	354	302	1,508	3,715
Transport commitments (7)	215	133	147	150	145	946	1,736
TOTAL(8)	12,738	7,938	6,341	6,166	5,217	39,011	77,411

Note: The commitments detailed in the foregoing table are commercial agreements in which fixed total amounts are not stipulated. These commitments were quantified using Repsol YPF's best estimates.

- (1) Operating lease expenses recognized in 2011 and 2010 amounted to €679 and €659 million, respectively.
- (2) Repsol YPF has at its disposal 44 tankers under "time charter" arrangements (five of them through its subsidiary Gas Natural Fenosa) for the transport of crude oil, petroleum products, and natural gas. These charter agreements finalize between 2012 and 2019. The payments in connection with these tankers for 2012 amount to €293 million.
- (3) Corresponds primarily to service station leases in the amount of €77 million.

- (4) These purchases include those under the provisions of a crude oil purchase contract signed for an indeterminate period with the Pemex Group, which amounted to 85,000 barrels per day in 2011. In addition, they include the purchases made under the agreement signed with the Saudi Arabian Oil Company which is renewed annually for a volume of 75,000 barrels per day.
- (5) Mainly includes the Repsol YPF Group's proportional share of the Gas Natural Group's long term natural gas purchase commitments, amounting to €24,145 million, and commitments of the Repsol YPF Group to purchase gas from Trinidad Tobago amounting to €6,075 million, from Peru amounting to €12,282 million, from Canada amounting to €7,924 million and from Spain, amounting to €1,574 million.
- (6) This amount includes commitments amounting to €5,951 million relating to the renewal of YPF operating concessions. Also includes investment commitments in Brazil amounting to €1,858 million.
- (7) Includes €350 million relating to the agreement executed by Repsol YPF Ecuador, S.A. on January 30, 2001, with Oleoducto de Crudos Pesados (OCP) Ecuador, S.A., owner of a heavy crude oil pipeline in Ecuador, pursuant to which it undertook to transport 100,000 barrels per day of crude oil (36.5 million of barrels per year) for a 15 year term, from the start-up date, September 2003, at a variable rate determined contractually. It also includes €1,385 million for the transport of natural gas to other countries.
- (8) Includes commitments of companies consolidated using the proportionate consolidation method amounting to 28,889 million euros.

Sales	2012	2013	2014	2015	2016	Subsequent	
						years	Total
Committed sales	10,873	4,309	3,821	3,470	3,006	26,447	51,926
Crude oil and others	6,734	975	856	740	710	2,715	12,730
Natural Gas (1) (2)	4,139	3,334	2,965	2,730	2,296	23,732	39,196
Transport commitments	13	13	13	13	13	124	189
Service commitments	759	599	613	518	420	2,530	5,439
Leases	167	167	155	150	170	1,148	1,957
TOTAL (3)	11,812	5,088	4,602	4,151	3,609	30,249	59,511

- (1) Primarily includes natural gas sales commitments amounting to €10,900 million in Mexico, €3,766 million in Argentina, €2,906 million in Trinidad and Tobago, and €2,459 million in Spain, as well as the Repsol YPF Group's proportional share of the long-term natural gas sales commitments entered into by the Gas Natural Fenosa Group in the amount of €6,128 million.
- (2) This also includes the commitments to sell natural gas in accordance with the contract signed with PDVSA, which establishes the reciprocal obligation to deliver and acquire approximately 2,194,010 Mscf, maturing in 2036 and for an amount of €10,097 million.
- (3) Includes commitments of companies consolidated using the proportionate method amounting to €15,388 million.

Contingencies

The Repsol YPF Group considers that there are currently no lawsuits, disputes, or criminal, civil, administrative or arbitration proceedings involving the companies in its Group which, on account of their amount, may have or have had significant effects on the financial position or profitability of the Repsol YPF Group considered as a whole.

However, some of the companies comprising the Group are parties in judicial and arbitration proceedings. The following is a summary of the most significant proceedings, as well as their current status at the closing date of the Financial Statements.

At December 31, 2011, Repsol YPF's consolidated balance sheet included litigation provisions amounting to €432 million (excluding tax risk provisions described in Note 24 "Tax situation - Other tax-related disclosures"). This amount was recognized under the heading "Other provisions" (Note 17), except for €13 million, related to provisions recognized in connection with YPF Holding's litigations in United States as described below, registered under "Environmental provisions" (Notes 17 and 35).

UNITED STATES OF AMERICA

The following is a brief description of certain environmental and other liabilities related to YPF Holdings, Inc. ("YPF Holdings"), a subsidiary of YPF incorporated in Delaware (USA).

In connection with the sale of Maxus Energy Corporation's ("Maxus") former chemical subsidiary, Diamond Shamrock Chemicals Company ("Chemicals"), to a subsidiary of Occidental Petroleum Corporation ("Occidental"), Maxus agreed to indemnify Chemicals and Occidental for certain liabilities relating to the business and activities of Chemicals prior to the September 4, 1986 closing date, including certain environmental liabilities relating to certain chemical plants and waste disposal sites used by Chemicals prior to the Closing Date. In 1995, YPF acquired Maxus and in 1999, Repsol YPF acquired YPF.

As of December 31, 2011, YPF Holdings' reserves for environmental and other contingencies, including litigation, totaled approximately €18 million, of which €13 million were recognized under "Environmental provisions" (see Note 35). YPF Holdings management believes it has adequately reserved for these and other contingencies that are probable and can be reasonably estimated based on information as of December 31, 2011. However, many such contingencies are subject to significant uncertainties, including the completion of ongoing studies, the discovery of new facts, and the issuance of orders by regulatory authorities, which could result in material additions to such reserves in the future. It is possible that additional claims will be made, and additional information about new or existing claims (such as results of ongoing investigations, court decisions, or the signing of settlement agreements) is likely to arise over time. YPF Holdings' reserves for the environmental and other contingencies described below are substantial based solely on currently available information. Thus, YPF Holdings, Maxus and Tierra Solutions Inc. ("Tierra") may have to incur substantial costs that may be material, in addition to the reserves already recognized.

In the following discussion of the key litigation proceedings underway in the US, references to YPF Holdings include, as appropriate, references to Maxus and Tierra, a subsidiary of YPF Holdings, which has assumed certain of Maxus' environmental obligations:

Passaic River/Newark Bay, New Jersey.- Chemicals formerly operated an agricultural chemicals plant in Newark, New Jersey. This facility has been the subject of numerous claims relating to environmental contamination and other damages allegedly to result from operations at the facility, at the plant site and surrounding property, including the adjacent water bodies, the Passaic River and Newark Bay. As a result of these claims, Occidental, as the successor to Chemicals, has entered into various agreements with the U.S. Environmental Protection Agency (“EPA”), the New Jersey Department of Environmental Protection (“DEP”), and third parties also alleged to have contributed contamination to the affected properties. These intergovernmental agency agreements, known as “AOC’s” (Administrative Order on Consent), include a 1990 consent order related to the remedy for the plant facility, a 1994 agreement under which Tierra conducted studies on behalf of Occidental in the lower six miles of the Passaic River, a 2004 agreement under which Tierra is presently conducting studies in Newark Bay, and a 2007 agreement under which Tierra and over 70 other parties are presently conducting studies in the lower 17 miles of the Passaic River.

The EPA’s findings of fact in the 2007 AOC (which amended the 1994 AOC) indicate that combined sewer overflow/storm water outfall discharges are an ongoing source of hazardous substances to the Lower Passaic River Study Area. For this reason, during the first semester of 2011, Maxus and Tierra negotiated with the EPA, on behalf of Occidental, an Administrative Settlement Agreement and Order on Consent for Combined Sewer Overflow/Storm Water Outfall Investigation (“CSO AOC”), which was signed and became effective in September 2011. Besides providing for a study of combined sewer overflows in the Passaic River, the CSO AOC confirms that there will be no further obligations to be performed under the 1994 AOC. Tierra estimates that the total cost to implement the CSO AOC is approximately \$5 million and will take approximately 2 years to complete. Pursuant to an agreement with the cooperating parties group for the 2007 AOC, Tierra will be responsible for 50% of the cost of the CSO AOC.

In 2007, the EPA released a draft Focused Feasibility Study (“FFS”) that outlines several alternatives for remedial action in the lower eight miles of the Passaic River. These alternatives range from no action to extensive dredging and capping, and are described by the EPA as involving proven technologies that could be carried out in the near term. The total remediation costs, to be split among the more than 300 entities, including Maxus, which could end up being involved in the Passaic River lawsuit, could range (depending on the actions and measures taken) from zero (if no action is taken) to actions which could amount to approximately €1,500 million. Tierra, together with other parties involved in the Passaic River issues, submitted comments on the FFS to the EPA, who decided to carry out further investigations and estimates that a revised remedy proposal will be issued in the second half of 2012. Tierra plans to respond to any revised proposal as may be appropriate.

In June 2008, Occidental and Tierra entered into an agreement with the EPA, under which Tierra will undertake the removal of sediment from a portion of the Passaic River in the vicinity of the former Newark facility. This action will result in the removal of approximately 200,000 cubic yards of sediment. The EPA required a guarantee of US\$80 million (€8 million) from Tierra for the two phases, of which US\$42 million (€30 million) has been paid into a trust account to fund the work. Notwithstanding the above, during the first quarter of 2010 a letter of credit was issued to avoid the need for additional deposits in the trust. In 2011, a “Removal Design Services and Construction Contract” was signed with the removal work contractor. During the removal work, certain contaminants not produced at Chemicals’ former facility will also be removed. YPF Holdings may seek cost recovery from the parties responsible for those contaminants, but is unable at this time to predict the success of a cost recovery action.

As of the date of these financial statements for issue, YPF Holdings has recognized provisions in the amount of approximately US\$108 million (~~€~~78 million) in connection with the issues concerning the Passaic River, Newark Bay and surrounding area comprising the estimated costs of the studies and remodeling work and other matters related to the Passaic River/Newark Bay case.

In December 2005, the DEP and the New Jersey Spill Compensation Fund sued YPF Holdings, Tierra, Maxus and other affiliates, as well as Occidental, seeking damages in connection with the contamination allegedly emanating from the Newark facility and allegedly contaminating the Passaic River, Newark Bay, and other nearby water bodies and properties (the Passaic River/Newark Bay litigation). The plaintiffs represented in court that this litigation should not be preempted by the remedial studies and activities taking place under EPA oversight because they are not seeking remediation, only damages. The defendants have made responsive pleadings and in February 2009 third-party claims were filed against approximately 300 companies and governmental entities (including certain municipalities) which could have responsibility for the conditions of the allegedly affected properties. The DEP did not quantify damages in its claims but it did:

(a) maintain that the US\$50 million (~~€~~37 million) cap on damages under New Jersey legislation should not be applied;

(b) claim it had incurred approximately US\$113 million (~~€~~5 million) in costs in the past in cleanup and removal work and that it is looking for additional damages of between US\$10 and US\$20 million (between ~~€~~7 and ~~€~~15 million) to finance a study to assess damages to the natural resources;

(c) notify Maxus and Tierra that it is working on financial models outlining costs and other financial impacts.

In parallel to this lawsuit, a mediator had started to prepare a roadmap for reaching agreement on an alternative solution to the dispute. However, this alternative was rejected as the various parties were unable to agree on certain basic matters.

In October 2010, some of the defendants presented several motions to sever and stay, which would have had the effect of allowing the New Jersey DEP to take their case against the direct defendants. However, these motions were dismissed. In addition, in January 2011 other motions to dismiss were also rejected.

In May 2011, the court issued Case Management Order XVII (“CMO XVII”), which set forth the trial plans and provided for case management over the next phases of the litigation. The Trial Plan establishes two trial Phases (Liability and Damages) and nine Tracks.

Following the entry of CMO XVII, the State and Occidental filed motions for partial summary judgment . On these motions, the Court ruled as follows : (i) Occidental is the *legal* successor of any liabilities incurred by the corporation previously known as Diamond Alkali Corporation, Diamond Shamrock Corporation and Diamond Shamrock Chemicals Company (ii) Occidental is a “discharger” of hazardous substances and is therefore “liable” to the Sate under the New Jersey Spill Act for any cleanup and removal costs associated with discharges from the Lister Avenue Site; (iii) the Court denied the State’s motion, without prejudice, insofar as it sought a ruling that factual findings made in the *Aetna* litigation should be binding in this case on Occidental and Maxus based on the doctrine of collateral estoppel; (iv) the Court ruled that Tierra has Spill Act liability to the State based merely on its current ownership of the Lister Avenue site; and (v) the Court ruled that Maxus has an obligation under the 1986 Stock Purchase Agreement to indemnify Occidental for any Spill Act liability arising from contaminants discharged from the Lister Avenue site. In July and August 2011, the judge ruled that the release of contaminated substances by Chemicals has been substantiated however acknowledged no liability can be established unless a relationship between the release and the alleged damages can be proven.

On the basis of the best information available as of the date of authorizing the annual financial statements for issue, and considering the estimated length of time required to complete the hearings and obtain the results of the studies and/or tests, and also the opinion of internal and external counsel, it is not possible to estimate the potential loss or range of losses arising from the outstanding suits. As a result, no related provisions have been recognized.

Hudson and Essex Counties, New Jersey.- Until 1972, Chemicals operated a chromite ore processing facility in Kearny, New Jersey. Tierra, on behalf of Occidental, is conducting remedial work on this facility and surrounding properties where chromite ore processing residue (“COPR”) from the facility is believed to be located, pursuant to an agreed consent order with the DEP. Tierra has provided financial assurance in the amount of US\$20 million (€15 million) in connection with this work.

In May 2005, the DEP issued a directive to Maxus, Occidental, and two other chromium manufacturers, directing them to arrange for the cleanup of COPR at three sites in Jersey City, New Jersey, and for the conduct of study by paying the DEP a total of US\$20 million (€15 million). The DEP also filed a lawsuit (the Hudson County, New Jersey litigation) against the above parties, seeking the cleanup of COPR from various sites not addressed in the consent order describe above, recovery of past costs, and treble damages. The parties have reached an agreement to settle both matters, under which Tierra will pay US\$5 million (€1 million) and agreed to remediate three sites at an estimated additional cost of US\$2 million (€1 million) and subject to the terms of the draft Consent Judgement that became final and effective as of September 2011. The Consent Judgement stipulates that the US\$5 million payment was made in October 2011 and a scheudle for site remediation will be completed in the first quarter of 2012.

In addition, in March 2008 the DEP approved a provisional plan for the work to be performed by Tierra at the site of the Kearny plant and the work to be performed by Tierra together with other parties in the vicinity of the Kearny facility. This adjacent property was included by the EPA in its National Priorities List in 2007. In July 2010, the EPA notified Tierra and another three parties that it considered them potentially liable for this adjacent property, requesting a Remedial Investigation/Feasibility Study (RI/FS) for this site. The parties involved have submitted their response and are waiting to talk with the EPA about the scope of the work. At the date of authorizing the accompanying Financial Statements for issue, it is not known

whether work in addition to that already agreed with the DEP will be required.

Other Former Plant Sites and Third Party Sites.- Tierra and Maxus are participating, on behalf of Occidental, in environmental response and remediation activities at a variety of lesser sites, including Chemicals' former Painesville, Ohio site at which remediation is nearing completion and in some smaller manufacturing facilities which Chemicals once owned or had an interest in, and waste disposal sites where Chemicals and other parties are alleged to have contributed waste materials.

Dallas Occidental vs. Maxus Litigation.- In 2002, Occidental sued Maxus and Tierra in a state court in Dallas, Texas, seeking a declaration that under the agreement by which Maxus sold Chemicals to Occidental in 1986, Maxus and Tierra have an obligation to defend and Occidental from certain historical obligations of Chemicals, including claims related to "Agent Orange" and vinyl chloride monomer (VCM). Tierra was dismissed as a party, but at trial in 2006 Maxus was found to be liable to indemnify Occidental for these claims. This decision was affirmed by Courts of Appeal, and therefore, Maxus will be required to reimburse Occidental for damages in connection with these claims. Maxus has reimbursed Occidental for the majority of these damages and has made a provision for the remaining claims while resolving the final amounts with Occidental. Although this judgment does contain declaratory relief that Maxus must indemnify Occidental for certain types of future claims, YPF Holdings does not believe that the claims associated with "Agent Orange" will be material to the financial condition of the company.

In developments related to the "Agent Orange" litigation, which may be affected by this lawsuit, the U.S. district court granted the defendants' motions for summary judgment in a number of these cases. The plaintiffs appealed the judgements to the *Second Circuit Court of Appeals* which affirmed the summary judgment. In March 2009, the U.S. Supreme Court declined to hear a further petition. All pending Agent Orange litigation was dismissed in December 2009, and although it is possible that further claims may be filed by unknown parties in the future, no further significant liability is anticipated.

In addition, the other claims filed, which have been dismissed, include claims relating to alleged side effects from exposure to VCM and other chemical products, although these claims are not expected to give rise to material liabilities. However, the declaration of legal liability does imply liability for future claims, if any, related to these effects. As a result, potential future claims, if any, could give rise to additional liability on the part of Maxus.

Cameron Parish Louisiana: In May 2008, Ruby Mhire and other plaintiffs ("Mhire") filed a lawsuit against various persons, amongst them Maxus, alleging that the various defendants, including Maxus's predecessor, had polluted property in Cameron Parish, Louisiana, while carrying out petroleum and gas activities in said property, operations also carried out by the predecessor company to Maxus from 1969 to 1989. The plaintiffs have requested remediation and other compensation amounting to US\$158 million (€122 million). YPF Holdings believes that relatively little remediation work should be required and intends to energetically oppose the claims. Maxus has filed the appropriate allegations in response to the issues raised. The proceedings are in their initial stages and the hearing is expected to commence in the fourth quarter of 2012. Based on information currently available, it is not possible to make a reasonable estimate for possible losses or the range of possible losses in connection with these pending issues.

ARGENTINA

Liabilities and contingencies assumed by the Argentine State.- The Privatization Law provides that the Argentine State shall be responsible for any liabilities, obligations or other commitments existing as of December 31, 1990 that were not acknowledged as such in the financial statements of its predecessor (Yacimientos Petrolíferos Fiscales, Sociedad del Estado) and that arise out of any transactions or events that had occurred as of that date, provided that any such liability, obligation or other commitment is established or verified by a final decision of a competent judicial authority. In certain lawsuits related to events or acts that took place before December 31, 1990, YPF has been required to advance the payment of amounts established in certain judicial decisions. YPF believes it has the right to be reimbursed for all such payments by the Argentine Government pursuant to the above-mentioned indemnity. YPF is required to keep the Argentine Government apprised of any claim against it arising from the obligations assumed by the Argentine Government.

Natural gas market. As a result of the restrictions on natural gas exports since 2004, YPF has been forced in many instances to partially or fully suspend natural gas export deliveries that had been agreed upon in its contracts with export customers. YPF has challenged the Gas Export Rationalization Program and Use of Transport Capacity, as well as the Additional Permanent Injection and the Additional Injection Requirements as being arbitrary and illegitimate and has informed its customers that such measures constitute an event of force majeure which releases YPF from any responsibility and/or penalty arising out of the failure to deliver the volumes of gas stipulated under the relevant agreements. A number of YPF's customers have rejected YPF's interpretation and have claimed damages and/or penalties for breach of supply undertakings, while at the same time reserving their rights to file additional claims in the future. YPF has opposed such claims.

AES Uruguaiiana Empreendimentos S.A. ("AESU"). Has claimed damages totalling US\$28 million (€1 million) for missed deliveries of natural gas volumes during the period September 16, 2007 through June 25, 2008. On July 16, 2008, AESU also claimed damages amounting to US\$3 million (€ million) for missed deliveries of natural gas volumes during the period January 18, 2006 through December 1, 2006. YPF has contested both of these claims. In a letter dated March 20, 2009 AESU notified YPF that it was unilaterally terminating the related contract.

On April 6, 2009, the International Chamber of Commerce (“ICC”) notified YPF of an arbitration brought by AESU and Companhia de Gás do Estado do Rio Grande do Sul (“Sulgás”) against YPF claiming damages in an approximate amount of US\$1,052 million (€787 million), which includes the amount referred to above, in connection with YPF’s alleged liability resulting from AESU and Sulgás terminating the natural gas export contract entered into in September 1998. YPF does not accept any liability derived from the termination of said contract. Moreover, YPF alleges that AESU’s estimate of the damages greatly exceeds any reasonable estimate. The reasoning behind this allegation is that AESU’s estimate is six times the maximum penalties which it would have incurred for failing to deliver gas (deliver or pay) had it failed to fulfill its delivery obligations for the maximum daily amount over the term of the natural gas exportation contract, as indicated in the aforementioned 1998 contract . Furthermore, more than 90% of the estimated damages are related to lost profit. However, this claim can be strongly refuted on the grounds that prior to the unilateral termination of the natural gas export contract, AESU voluntarily terminated all its long-term purchase contracts for electricity . YPF considers that it is unlikely that AESU’s claim will be upheld. On October 1, 2010, the terms of reference (*Acta de Misión*) were signed establishing the rules governing the proceedings and providing for the bifurcation of the proceedings for the purpose of firstly establishing jurisdiction. YPF lodged its objections against the Arbitration Tribunal’s jurisdiction on October 29, 2010 and AESU responded on November 30, 2010, dismissing the objections and affirming the Arbitration Tribunal’s jurisdiction. The Tribunal decided that a jurisdiction hearing was not necessary, determining that it is in a position to rule on its jurisdiction in the matter.

Furthermore, on April 6, 2009 YPF applied to the ICC for arbitration against AESU, Sulgás and Transportadora de Gas del Mercosur S.A. (“TGM”), seeking an award from the Arbitral Tribunal which states, among other things, that AESU and Sulgás have repudiated and unilaterally and illegally terminated the natural gas export contract entered into in September 1998 and declaring AESU and Sulgás liable for any damages suffered by the parties because of such termination, including but not limited to the damages resulting from the termination of the natural gas transportation contracts associated with the natural gas export contract. A memorandum was signed on October 1, 2010, setting out the claims submitted to arbitration by the parties and the procedural rules governing the arbitration

With respect to the termination of the natural gas transportation contracts associated with this natural gas export contract, YPF was notified by the ICC of an arbitration brought by TGM against YPF claiming unpaid and outstanding payments for an approximate amount of US\$10 million (€7 million) plus interests, in connection with the transportation fee established in the natural gas transportation contract entered into in September 1998 between YPF and TGM. YPF has requested the joinder of these two proceedings. On July 10, 2009, TGM increased its claim to US\$17 million (€13 million) and claimed an additional US\$366 million (€274 million) in alleged loss of profits. YPF considers that these claims will be unsuccessful. The relevant Arbitration Tribunal has been set up on June 10, 2010, YPF made its statements before the Tribunal, asking the Tribunal to acknowledge its lack of jurisdiction to rule on the claim. In the event that this motion is rejected, YPF has requested that the Arbitration Tribunal suspend these proceedings until the ongoing arbitration with TGM, AESU and Sulgás is settled. On September 14 and 15, 2010, the Arbitration Tribunal held hearings with both YPF and TGM to establish jurisdiction.

On October 11, 2010, the terms of reference (*Acta de Misión*) were signed establishing the parties' claims and the rules governing the arbitration proceedings and providing for the bifurcation of the proceedings for the purposes of firstly resolving jurisdiction. AESU and TGB filed their objections to the Arbitration Tribunal's jurisdiction on November 22, 2010, which were opposed by YPF, affirming the Arbitration Tribunal's jurisdiction to rule on all the issues posed on December 20, 2010. The Tribunal decided that it was not necessary to hold a hearing.

On April 6, 2011, the Court of Arbitration appointed to rule on the arbitration proceedings relating to the suit between YPF and AES Uruguaiana Empreendimentos S.A. ("AESU") accepted the jurisdictional matter put forward by YPF, which means that all the claims sought in all the arbitration proceedings ("AESU versus YPF," "TGM versus YPF" and "YPF versus AESU") would be rolled into a single arbitration proceeding, the "YPF versus AESU" case, in which all the parties would appear and all claims made would be rolled up into the one.

In addition, there are certain claims concerning payments tied to natural gas transportation contracts associated with exports. One of the parties involved attempted to mediate with a view to determining the merits of these claims. When this mediation effort finalized without agreement, YPF was notified of the instigation of a claim against it under which *Transportadora de Gas del Norte S.A.* ("TGN") is seeking contract fulfillment and the cancellation of unpaid invoices, while reserving the right to claim damages. YPF has responded to all these claims. In addition, the plaintiff recently notified YPF that it was rescinding the transportation contract alleging breach by YPF based on its alleged failure to settle the transport service invoices, reserving the right to seek damages.

After expanding the lawsuit filed by TGN in November 2011, the total amount claimed is approximately US\$64 million. In addition, in November 2011 TGN, via a note addressed to YPF, claimed damages for termination of the transportation contract amounting to US\$142 million (€10 million), which was rejected by YPF.

Further, Nación Fideicomisos S.A. had initiated arbitration hearings against YPF, seeking payment of certain transportation charges. The arbitration hearing ended without agreement, thereby concluding the pre-court phase. On January 12, 2012, Nación Fideicomisos S.A. initiated proceedings again ENARGAS under the framework of article 66 of Law 24,076, seeking settlement of approximately AR\$339 million (€1 million) in this same connection. YPF plans to respond to this suit raising the connection with the "TGN versus YPF" court case, highlighting the lack of jurisdiction to name ENARGAS as defendant and rejecting the claim on the grounds that TGN was legally incapable of providing the transportation service.

It is YPF's belief that the claims filed against it to date will not have a material adverse effect on its future results.

In addition, in accordance with the developments outlined in the preceding paragraph, on January 8, 2009, YPF also filed a complaint against TNG with the Argentine Natural Gas Regulatory Authority (“ENARGAS”), seeking termination of the natural gas transportation contract entered into with TGN in connection with the natural gas export contract with AESU and other parties. The request was made on the grounds that (i) the termination of the reffered natural gas export contract and the legal impossibility to assign the transportation contract to other shippers because of certain changes in law in effect since the year 2002; (ii) TGN’s legal impossibility to render the transportation services on a firm basis because of certain changes in law in effect since 2004; and (iii) Argentine law theoretically provides for cases in which the parties' services can be deemed "excessively onerous" due to "extraordinary and unforeseeable events" which render the services as too much of a burden for one of the parties.

On September 21, 2011 YPF received notification of the Chamber of Appeals' dismissal of YPF's arguments and its decision to declare Enargas incompetent and the Federal Civil and Commercial jurisdiction as competent.

Compañía Mega S.A. (company in which YPF S.A. holds a 38% stake) has also claimed compensation from YPF for failure to deliver natural gas under the relevant contract. YPF invoked that natural gas deliveries to Compañía Mega S.A. pursuant to the contract were affected by decisions made by the Argentine Government. In relation to the arbitration proceedings for this matter, on 24 March 2011 the ICC approved the terms of reference (Acta de Misión), which were not signed by YPF. On 13 May 2011 YPF was notified of the Resolution of the Tribunal setting out the rules for the proceedings. In June 2011 YPF was notified of the Resolution of Arbitration Tribunal providing for the start of the evidence period..

On 15 August 2011, Compañía Mega S.A. served on YPF a written claim for the total sum of US\$94 million (€73 million) corresponding to undelivered volumes for the years 2009, 2010 and 2011.

CNDC investigation. On November 17, 2003, within the framework of an official investigation pursuant to Article 29 of the Antitrust Act, the CNDC issued a request for explanations from a group of approximately 30 natural gas production companies, including YPF, with respect, among other things, to the following items: (i) the inclusion of clauses purportedly restraining trade in natural gas purchase/sale contracts; and (ii) gas imports from Bolivia, in particular (a) an expired contract signed by YPF, when it was state-owned, and YPFB (the Bolivian State-owned oil company), under which YPF allegedly sold Bolivian gas in Argentina at prices below the purchase price and (b) the unsuccessful attempts in 2001 by Duke and Distribuidora de Gas del Centro to import gas into Argentina from Bolivia. In January 2006, YPF was notified of the CNDC's decision to order that preliminary proceedings be undertaken. YPF challenged the decision on the grounds that it had not infringed the Antitrust Act in any way and that the charges were barred by the applicable statute of limitations. On January 2007, the CNDC charged YPF together with eight other producers with infringement of Law 25,156. YPF presented evidence for its defense. In June 2007 without acknowledging any conduct infringing the Antitrust Act, YPF presented the CNDC with a commitment, pursuant to Article 36 of the Antitrust Law, not to include the challenged clauses in future contracts and requested that the CNDC approve the commitment, suspend the investigation and stay the proceedings. YPF is still awaiting a formal response. On December 14, 2007, the CNDC decided the cases should be brought before the Court of Appeals, in light of the appeal filed by YPF against rejection of its allegation of "statute-barred."

YPF is also currently subject to other antitrust proceedings with the CNDC concerning alleged price discrimination practices in the sale of fuel.

La Plata refinery environmental disputes. Since 1999 several claims have been brought for ecological and environmental damages in relation to La Plata refinery, seeking compensation for both collective and individual damages (health, psychological damages, moral damages, property devaluation), as a consequence of environmental pollution purportedly caused by the operation of such refinery, and the remediation of alleged environmental damages in the west water canal to the refinery. These claims likewise demand the undertaking of various works by YPF, the installation of equipment and technology, and the specific performance by YPF of work necessary to stop any environmental damage. YPF believes that, due to the indemnity provided by Law No. 24,145, YPF shall be allowed to request reimbursement of the expenses for liabilities existing on or prior to January 1, 1991 (before its privatization) from the Argentine Government. To the extent some of these claims partially overlap, YPF believes that they will need to be partially consolidated.

On August 11, 2011 the Court of First Instance passed a sentence with respect to one of these claims, rejecting the exceptions alleged by YPF and upholding the claims filed by the plaintiffs, sentencing YPF to pay the estimated amounts totaling approximately US\$4 million (€3 million), which with accrued interest amounts to a total of US\$7 million (€5 million). Furthermore, the claims against the National State were dismissed. An appeal has been filed against said ruling.

On this point, it should be noted that on January 25, 2010, YPF entered into an agreement with the Provincial Organism for Sustainable Development (OPDS for its initials in Spanish), which reports to the Buenos Aires Provincial Government, under the framework of the Program for Controlling Environmental Remediation, Liabilities and Risk set up by virtue of Ruling No 88/10 issued by the executive body of the OPDS. Under this agreement, the parties agreed to jointly undertake work on the canals surrounding the La Plata Refinery over an eight-year period, work which implies risk analysis and profiling of canal sediment. The agreement stipulates that in the event that the risk analysis implies the need to undertake corrective action, the alternatives and technology to be deployed will be analyzed at that time, establishing the steps required to execute the measures identified. The agreement also contemplates performing an analysis of the formation of the sediment in an attempt to establish liability on the part of the Argentine Government on the basis of its obligations to indemnify YPF S.A. pursuant to article 9 of Law 24,145 of YPF privatization.

Patagonian Association of Landowners (ASSUPA). In August 2003, ASSUPA filed suit against several companies operating concessions and holding exploration permits on the Neuquén River Basin, including YPF, requesting that they be ordered to remedy the collective environmental damage supposedly caused and to take the necessary measures to avoid environmental damage in the future. The amount claimed is US\$548 million (€410 million). YPF and the other defendants filed an appeal for the claim to be dismissed due to the plaintiff's inability to establish grounds for the right to be granted reparation. The court upheld the appeal and ASSUPA filed a complementary claim. YPF requested that the claim be dismissed as the defects therein cited by the Supreme Court of Argentina had not been rectified. However, this request was denied. Nonetheless, YPF also requested that the claim be dismissed for other reasons and has demanded that a summons be issued to the National Government due to its obligation to indemnify and hold YPF harmless with respect to events and claims prior to January 1, 1991, pursuant to Argentine Law No. 22,145 and Decree 546/1993. On August 26, 2008, the Argentine Supreme Court ruled that the plaintiff had rectified the defects in the claims. In compliance with a ruling of January 23, 2009 certain Argentine Provinces, the Argentine State, and the Argentine Federal Council for the Environment were cited to appear. The proceedings have been deferred until the cited third parties appear before court. To date, the Provinces of Río Negro, Buenos Aires, Neuquén, Mendoza, and the Argentine State have appeared before court, although the company has not had access to the statements made. The Provinces of Neuquén and La Pampa both made lack of jurisdiction (*excepción de incompetencia*) statements which have been opposed by the plaintiff and are currently pending for resolution.

On March 16, 2011, YPF and ASSUPA agreed to request the suspension of the judicial deadlines with a view to analyzing the possibility of finding a proposal that would permit a consensus solution for the conflict, without admitting liability or granting rights. On December 13, 2011, the Supreme Court decided to suspend the deadlines and ASSUPA and YPF presented a schedule for meetings that would start in February 2012.

Dock Sud environmental claims. Residents of the Dock Sud area filed environmental claims against multiple respondents (up to 44), including YPF, the National Government, the Province of Buenos Aires, the Autonomous City of Buenos Aires, and fourteen municipalities, seeking compensation for individual damages to their health and property and collective damages to the environment in the Matanza Riachuelo basin, as well as environmental remediation in the Dock Sud area. On July 8, 2008, the Argentine Supreme Court decided that the Basin Authority (Law 26,168) will be in charge of carrying out a remediation plan and taking preventive measures in the area, while the National Government, the Province of Buenos Aires, and the Autonomous City of Buenos Aires will be responsible for ensuring that such actions are taken. Furthermore, the Argentine Supreme Court also ruled that the proceedings to determine liability for actions taken in the past would continue before the Argentine Supreme Court.

In addition, another group of residents of the Dock Sud area have filed two other environmental lawsuits, one of which does not involve YPF, requesting that several companies located in that area, including YPF, the Province of Buenos Aires, and several municipalities, remediate and, alternatively, indemnify the collective environmental damage of the Dock Sud area and any individual damage that has been suffered. YPF has the right to be indemnified and held harmless by the Argentine Government for events and claims prior to January 1, 1991, pursuant to Law No. 22,145 and Decree No. 546/ 1993.

On 1 June, 9 August and 24 August 2011, Resolutions 442/2011, 424/2011 and 772/2011 of the Cuenca Matanza Riachuelo Authority (Autoridad de Cuenca Matanza Riachuelo) (ACUMAR for its acronym in Spanish) were notified to YPF, by virtue of which YPF, S.A. has been requested to present an Industrial Reconversion Programme (Programa de Reconversión Industrial) within 30 business days and an insurance policy which guarantees the objectives and deadlines set out in the programme, in connection with three distinct properties of YPF, S.A. The Programme has been presented nevertheless the Resolutions had been appealed by YPF, S.A.

Quilmes environmental claims. Residents of Quilmes in the Province of Buenos Aires have filed a lawsuit requesting remediation of environmental damages and the payment of Ps.47 million (€ million) as compensation for alleged personal damages, plus interest. The plaintiffs base their claim mainly on a fuel leak that occurred in 1988 in a polduct running from La Plata to Dock Sud. The fuel leakage became noticeable in 2002, resulting in remediation that is now being performed by YPF in the affected area, supervised by the environmental authority of the province of Buenos Aires. YPF has notified the Argentine Government that it will demand a summons to be issued to the Government when YPF answers the complaint in order to request that it indemnify and hold YPF harmless against any liabilities in connection with this lawsuit, as provided by Law No. 24,145. The Argentine Government has denied any responsibility to indemnify YPF for this matter, and YPF has sued the Argentine Government to obtain a judicial award that annuls this decision. There are 35 other judicial claims that have been brought against YPF based on similar allegations, amounting to approximately Ps.19 million (€ million).

Note number 245/08 issued by the Under-Secretariat of Mining and Hydrocarbons for the Province of Río Negro.- On May 15, 2008, YPF was notified of Resolution 433/08 concerning compliance with certain obligations of YPF as exploitation concessionaire in the hydrocarbon bearing zones of Barranca de los Loros, Bajo del Piche, El Medanito and Los Caldenes, all located in Río Negro Province. This resolution asserts that YPF, among others, in its capacity as a concessionaire, is liable for failing to meet certain concession and environmental obligations. If found liable, there could be a risk that YPF's concession contracts be terminated. In light of the above, and consistent with provisions of the Hydrocarbons Law, YPF was requested to submit a response. YPF submitted the requested documentation in December 2009.

Given that the Hydrocarbons Law grants the concessionaire the right, prior to termination of the concession, to remedy any breach of the related obligations within a certain period of time after receiving notice thereof, on May 29, 2008, YPF filed a request for nullification of Resolution 433/08 ("MP") since this resolution failed to grant YPF said right. In addition, YPF submitted a response denying the charges against it and on November 12, 2008, the Ministry of Production ordered the initiation of the evidence production period. On November 28, 2008, YPF filed a write requesting the production of certain evidence and the appointment of YPF's technical expert. YPF has challenged certain aspects related to the production of evidence. On December 1, 2009, the relevant informative evidence was presented, while certain issues related to the evidence raised by YPF are still pending resolution. Lastly, on September 16, 2010, termination of this suit was requested based on: (a) the amounts invested to comply with concession obligations between 2007 and 2010; and (b) the efforts made with respect to environmental obligations.

In April 2011 YPF made a new submission updating the information on investments made during 2010, informing of the investments contemplated for the year 2011 in development and for the period 2011-2016 in explorations, requesting that the Hydrocarbons Secretariat cease to investigate matters which are already being investigated by the environmental provincial authority (CODEMA) and reiterating the request that the investigation be closed. It is necessary to mention that the amount of net asset and the amount of proved reserves mentioned are not significant.

Claim filed against Repsol YPF and YPF by the Union of Consumers and Users. The plaintiff claims the reimbursement of all the amounts the consumers of bottled LPG were allegedly charged in excess from 1993-2001, corresponding to a surcharge for said product. With respect to the period from 1993 to 1997, the claim is based on the fine imposed on YPF by the Secretariat of Industry and Commerce through its resolution of March 19, 1999. It should be noted that Repsol YPF has never participated in the LPG market in Argentina and that the fine for abusing a dominant position was imposed on YPF. In addition, YPF has alleged that charges are barred by the applicable statute of limitations. Hearings have commenced and are in process. The claim amounts to Ps.91 million (€17 million) for the 1993-1997 period. Adding interest, this amount would increase to Ps.365 million (€66 million), to which the amount corresponding to the 1997-2001 period should be added, as well as accrued interest and expenses.

Claims by ex-employees of YPF.- A former employee of the Company before its privatization (1992) who was excluded from the National YPF employee share ownership plan (PPP) set up by the Argentine Government has filed a claim in Bell Ville (Province of Cordoba, Argentina) against YPF, Repsol to seek recognition of his status as a shareholder of YPF. In addition, the "Federation of Former Employees of YPF" has joined the proceedings acting on behalf of other former employees excluded from the PPP. Repsol acquired its ownership interest in the capital of YPF in 1999.

Pursuant to the plaintiff's request, the Bell Ville Federal Court of First Instance initially granted a preliminary injunction (the Preliminary Injunction), ordering that any sale of shares of YPF, or any other transaction involving the sale, assignment or transfer of shares of YPF, carried out either by Repsol or by YPF be suspended, unless the plaintiff and other beneficiaries of the PPP (organised in the Federation of Former Employees of YPF) are involved or participate in such transactions.

YPF and Repsol filed an appeal against this decision in the Cordoba Federal Court, requesting that the Preliminary Injunction be revoked. The Federal Court of First Instance allowed the appeal and suspended the effects of the Preliminary Injunction. In addition, in March 2011, the Federal Judge responsible for the Buenos Aires Administrative Disputes Court reduced the Preliminary Measures to only 10% of the ownership interest held by Repsol in the capital of YPF. Accordingly, Repsol may freely dispose of its shares in YPF, provided that Repsol continues directly or indirectly to own at least 10% of the latter's share capital

Under the jurisprudence of the Federal Supreme Court of Argentina (upholding numerous decisions of the relevant Courts of Appeals), YPF and Repsol consider that neither company is likely to be held liable for claims of this nature related with the PPP. In accordance with Law 25,471, the National Government of Argentina assumed sole responsibility for the matter and for any compensation that may be payable to former employees of the Company who were excluded from the PPP under the procedure established in the said plan.

On 21 July 2011, the Judge of First Instance upheld the claim of lack of jurisdiction made by YPF S.A. and Repsol YPF S.A. and ordered the transfer of the case to the Federal courts in the city of Buenos Aires. This decision was confirmed by the Appeals Chamber on December 15, 2011.

The appeal against this resolution brought by the plaintiff has been rejected. At present the file is with the Federal Court of Appeals to resolve the claim brought in relation to the rejection of the appeal.

On December 5, 2011 the aforementioned Chamber overruled the decision taken by the judge in the Court of First Instance on February 4, 2011, overturning the injunction for suspending the sale of YPF S.A. shares and/or any other stock market transaction involving the shares of the company in which the plaintiff and/or other participants in the stock option plan are not participating, limiting it to only 10% of shares controlled by Repsol YPF S.A. that are being claimed by the plaintiffs. The sentence is final.

Lawsuit brought by the Secretariat of Transport before the Comisión Nacional de Defensa de la Competencia (CNDC). In addition, on January 11, 2012 the National Secretariat of Transport filed a lawsuit before the CNDC against five petroleum companies, amongst them YPF, charging them with abuse of dominant position with respect to bulk gasoil sales to public passenger transportation companies. The allegations involve the bulk sale of gasoil to automotive public passenger transportation companies at prices above the retail price charged to service stations. In accordance with the stipulations of article 29 of the anti-trust law 25,156, YPF will provide explanations to the CNDC (Note 2).

BRAZIL

The Group is party to administrative claims instigated by the Brazilian authorities concerning the importation and circulation of industrial equipment for the exploration and production of hydrocarbons in fields that are not operated by the Repsol Group. The amount of such claims that could be allocated to the Repsol Group on account of its investments in non-operating consortia would total €134 million.

SPAIN

CNC Resolution of June 30, 2009: On July 30, 2009, the CNC Board passed a resolution holding Repsol Comercial de Productos Petrolíferos S.A, BP, and CEPSA liable for violating Article 1 of the LCD and Article 81 of the EC Treaty (current article 101 of the TFEU). The violation consisted of indirectly fixing fuel prices in their respective service stations. The resolution further imposed a fine of € million on RCPP. On October 27, 2009, RCPP filed an administrative appeal with the Sixth Section of the Contentious-Administrative Chamber of the Spanish National Court of Justice against the CNC resolution of July 30, 2009. This appeal was officially lodged on December 29, 2010. The Spanish National Court of Justice has agreed to an injunction against the monetary sanction. At the same time, a special claim for jurisdictional protection of fundamental rights was officially lodged before the Administrative Appeals Court of the National Court of Justice.

ALGERIA

Gas Natural Fenosa v. Sonatrach (Gas supply contract litigation). Gas Natural Fenosa and Sonatrach were engaged in a dispute over the price review in connection with the supply contracts for gas received from Algeria through the Maghreb-Europe pipeline.

On June 14, 2011, Sonatrach and Gas Natural Fenosa agreed to settle their differences over the price applicable to the gas supply agreements held by Sagane, S.A. (a Gas Natural Fenosa subsidiary) following the arbitration ruling issued in August 2010, determining the price applicable for 2007-2009 and from January 1, 2010 to May 31, 2011, with both parties committing to withdraw from all proceedings currently underway.

Said agreement had no effect on the 2011 consolidated income statement, since the risks related to the disagreement were covered by the amounts recognized under “Provisions” (Note 17).

35. ENVIRONMENTAL INFORMATION

Management of safety and the environment is based on a management system which comprises an extensive body of standards, procedures, technical guides, and management tools that are continually being updated to adapt to the best practices of the sector. The Group strive for ISO 14001 certification of its installations in order to promote continuous improvement and obtain external validation of our management systems.

A key element in the Repsol YPF Environmental Management System worth highlighting is the annual setting of environmental objectives approved by the executive committee within the framework of the strategic environmental guidelines of the Company. The strategic guidelines take into account critical areas for environmental protection, leadership in management, improvement in management, risk control, and the minimization of the environmental impact of activities and products. They further serve to prepare the action plans for each business, and include the measures required to improve and respond to new legislative requirements, Repsol YPF's strategic focus, plans for corrective measures arising from environmental audits performed, etc., together with the investments and expenses required to implement all these measures, which were addressed in the Company's general budget.

The criteria used to measure environmental costs are established in the “Repsol YPF Environmental Costs Guide,” which adapts the American Petroleum Institute guidelines to the Group's operations and technical approach. It is important to note in this regard that the traditional “bottom-line” solutions for reducing environmental impact are gradually giving way to preventive measures built into processes right from the time the facilities are designed. This sometimes requires the identification of environmental assets through a system of coefficients applied to investment projects and the related property, plant and equipment, per the guidelines expressed in the aforementioned Guide.

35.1) Environmental assets

The breakdown of the cost of the environmental assets identified and the related accumulated depreciation at December 31, 2011 and 2010 is as follows:

	Millions of euros					
	2011			2010		
	Cost	Accumulated Depreciation	Net	Cost	Accumulated Depreciation	Net
Atmosphere	647	264	383	490	247	243
Water	740	492	244	698	459	239
Product quality	1,713	823	889	1,418	770	648
Soil	301	202	99	295	131	164
Energy saving and efficiency	581	199	382	550	179	371
Waste	77	33	44	55	25	30
Other	529	356	173	483	350	133
	<u>4,588</u>	<u>2,370</u>	<u>2,214</u>	<u>3,989</u>	<u>2,161</u>	<u>1,828</u>

The cost includes €389 million of assets under construction at December 31, 2011 and €264 million at December 31, 2010.

Among the main environmental investments made in 2011 and 2010 it is worth highlighting the capital expenditure earmarked for optimizing water consumption, reducing landfill waste pollution, improving environmental quality of petroleum products, minimizing emissions, increasing energy efficiency, and upgrading waste spill prevention systems.

In relation with the most noteworthy investments made in 2011 it is worth highlighting the work performed to add to distillation and conversion capacity at the Group's Cartagena refinery in Spain, leading to an environmental investment expenditure of €2 million, the work performed to improve fuel quality at the Luján de Cuyo refinery in Argentina, with an environmental investment of €32 million, the coastal protection program carried out in Tarragona (Spain), giving rise to an environmental investment of €6.6 million and the ongoing work to improve fuel quality at the La Coruña refinery in Spain, which entailed environmental investment in 2011 of €6.5 million.

As 2010 relevant investment projects to be mentioned, the continuing project for improving fuel quality at La Coruña refinery (Spain), with an environmental investment of €26 million; the project for improving the water treatment plant of the Petronor refinery, with an investment of €7 million; and the project for improving fuel quality at La Pampilla refinery (Peru), with an environmental investment of €4 million.

35.2) Environmental provisions

Repsol YPF recognizes the provisions required to cover the measures aimed at preventing and repairing environmental impact. These provisions are estimated on the basis of technical and economic criteria and are classified under "Environmental Provisions" (Note 17).

The changes in the environmental provisions in 2011 and 2010 were as follows:

	Millions of euros	
	2011	2010
Opening balance	254	221
Period provisions charged to income	82	75
Provisions released with a credit to income	(3)	(3)
Payment	(80)	(50)
Reversals and other	2	10
Closing balance	<u>255</u>	<u>254</u>

Additionally, Repsol YPF's Environmental Cost Guide classifies as environmental provisions 75% of the amounts recognized under the caption "Provision for Field Dismantling Costs," totaling €1,382 million and €1,075 million at December 31, 2011 and 2010, respectively (Note 17).

The most notable item in the balance of environmental provisions at December 31, 2011, included approximately €13 million to cover the environmental risks relating to the operations carried out in the past by the former chemicals subsidiary of Maxus Energy Corporation, Diamond Shamrock Chemicals Company, prior to its sale in 1986 to Occidental Petroleum Corporation (Note 34).

Subject to the relevant terms and conditions, corporate insurance policies cover civil responsibilities for pollution on land and at sea, and for certain countries and activities, administrative responsibilities for pollution on land, all provoked by accidental and sudden events, in line with habitual industry practices and applicable legislation.

35.3) Environmental expenses

In 2011 and 2010 environmental expenses amounted to €92 million and €356 million respectively, classified as "Supplies" and "Other operating expenses."

These expenses include €94 million of expense for the rights necessary to cover CO₂ emissions during 2011, but the effect in the income statement in relation with this item amounted to a net expense of €6 million. Environmental expenses in 2011 and 2010 also include: other measures for atmospheric protection amounting to €28 million and €27 million respectively; soil remediation and field dismantling costs amounting to €42 million and €46 million, respectively; waste management amounting to €38 million and €33 million, respectively; and water management amounting to €17 million and €21 million, respectively.

35.4) Planned initiatives

Among the most relevant issues which could affect Repsol YPF's operations and investments in the future, the most noteworthy are related to climate change and energy, integrated pollution prevention and control, environmental responsibility, water quality, as well as waste.

On climate change and energy matters, in April 2009, the European Union approved a package of Directives with the targets set for 2020 in relation to: (i) the reduction of global greenhouse gas emissions over 1990 levels by at least 20%, (ii) boosting the use of renewable energy sources to account for 20% of total output, and (iii) a 20% reduction in energy consumption via enhanced energy efficiency.

- The Directive 2009/28/EC on the promotion of the use of energy from renewable sources, sets a target of 20% for the overall share of energy from renewable sources and a 10% target for energy from renewable sources in transport for 2020 in respect of 2005 levels. This Directive further sets the sustainability criteria to be met by biofuels in order to guarantee a minimum contribution to reducing carbon emissions relative to the use of petrol and diesel.

Each State member must adopt a national action plan on renewable energy that lays down national targets and the appropriate measures to be taken to ensure delivery of these targets.

- The Directive 2009/29/EC amending Directive 2003/87/EC so as to improve and extend the greenhouse gas emission allowance trading scheme of the Community, sets the target of cutting the overall greenhouse gas emissions of the Community by at least 20% below 1990 levels by 2020. The reduction of allowances within the trading scheme implies a reduction of 21% on 2005 levels. This reduction is to be achieved on a straight-line annual basis, resulting in an annual reduction in emission allowances of 1.74%.

Auctions are designated as the primary means of allocating emission allowances. Fifty per cent of state revenues generated from allowance auctions should be used, among others, for contributions to the Adaptation Fund put in practice at the XIV Conference of Parties (COP 14) celebrated in Poznan, to fund R&D, for the development of renewable energies and for the capture and geological storage of greenhouse gases. Sectors with particularly high exposure to international competition (refining and chemicals) shall benefit from a free allowance allocation based on sector benchmarking. The installations of sectors and sub-sectors exposed to carbon dioxide leaks will receive a 100% free allowance allocation.

- Directive 2009/30/EC as regards the petrol, diesel and gas-oil specifications and introducing a mechanism to monitor and reduce greenhouse gas emissions, which is aimed at controlling, documenting and reducing fuel life greenhouse gas emissions.

The Directive sets fuel performance technical specifications for road vehicles, non-road mobile machinery, agricultural and forestry tractors, and the recreational craft when not at sea, as well as a target for the reduction of life cycle greenhouse gas emissions.

Under the Directive, suppliers are obliged to report each year on the intensity of greenhouse gas emissions of the fuels and energy supplied. Member states shall require suppliers to reduce life cycle greenhouse gas emissions per unit of energy from fuel and energy supplied by up to 6% by December 31, 2020. This reduction may be achieved by means of the use of biofuels or other projects designed to reduce greenhouse gas emissions along the fuel supply chain.

- Directive 2009/31/EC on the geological storage of carbon dioxide establishes the legal framework governing the environmentally safe geological storage of CO₂ (permanent confinement that is risk-free for the environment and human health) in a bid to contribute to the fight against climate change. This directive lays down requirements on storage site selection, storage and operating permits and on closure and post-closure obligations.

In Spain, the transposition of the requirements laid down in Directive 2009/29/EC by means of Law 5/2009 has resulted in new disclosure requirements at the autonomic government level with respect to refining and chemicals facilities for the purpose of calculating individual facility allocations on the basis of sector benchmarks.

Based on these disclosures, the original plan was for the European Union members to allocate allowances by facility by December 2011; however, the deadline has since been pushed back to March 2012. The provisional allocations (pending possible fine-tuning following consolidation at the Community level) are due for announcement in March 2012.

The following developments have also taken place with respect to other environmental issues:

- Approval of Directive 2010/75/EC on industrial emissions, consolidating several earlier directives into a single body of text: The IPPC (integrated pollution prevention and control) Directive (Directive 2008/1/EC which in turn amends Directive 96/61/EC), the VOC (volatile organic compounds) Solvents Directive (Directive 1999/13/EC), the waste incineration directive (Directive 2000/76/EC), three directives dealing with titanium dioxide (78/176/EEC, 82/882/EEC and 92/112/EEC), and the Large Combustion Plants Directive (Directive 2001/80/EC). This Directive is scheduled for transposition into Spanish law by January 2013.

This Directive establishes the rules for the prevention and control of pollution from industrial activities and determines the process for drawing up reference documents (BRET) for best available techniques (BAT documents), including guidelines regarding BAT conclusions and emerging techniques in each segment. The main departure with respect to the former IPPC Directive is the fact that BAT conclusions must define binding emission limit values for submission to the Commission; these will be binding for environmental integrated authorizations (AAIs for its acronym in Spanish).

At present, none of the key reference documents (BRET) in review applicable to the Company (mainly, *Mineral Oil & Gas Refining*, *Common Waste Water & Waste Gas Treatment in the Chemical Sector*, *Large Volume Organic Chemistry and Large Combustion Plants*) are expected to be published before January 2014, the deadline for updating all installation environmental integrated authorizations (AAIs) in accordance with the new Industrial Emissions Directive.

The Directive itself includes emission limit values for certain activities such as *Large Combustion Plants*. Installations classified as Large Combustion Plants have until July 7, 2015 to comply with the new requirements laid down in Chapter III and Annex V of the Industrial Emissions Directive (DEI for its acronym in Spanish).

- Under the framework of Spanish Law 26/2007 on environmental responsibility, in April 2011, the methodology for the Environmental Responsibility Offer Model (MORA for its acronym in Spanish) was approved. This is a methodology developed in response to the assessment required under law in respect of the need to constitute financial collateral against environmental responsibility in order to cover the repair costs and possible damages incurred in the course of business and to calculate the restoration costs associated with the risk scenarios.

These assessments must be developed in accordance with the deadlines established in the Ministerial Order (Order ARM/1783/2011) on the enforceability of the financial collateral and on the basis of the order of priority established for industrial activities. Large Combustion Plants are priority 1 (which means the assessment must be performed within a maximum term of two to three years), refining facilities are priority 2 (deadline: three to five years) and the chemicals and oil and gas extraction industries are priority 3 (deadline: five to eight years).

- Against the backdrop of the Water Framework Directive, Directive 2008/105/EC on environmental quality standards (EQS) in the water policy establishes the environmental quality standards for priority substances and other pollutants in order to ensure a good chemical balance and ecological health of surface waters.

The EQS Directive was transposed into Spanish law in January 2011 by means of Royal Decree 60/2011. The current legislation covers 33 substances. However it is expected that the EU will publish a list of around 15 additional substances in the course of 2012 for which EQSs will be established. Note that these standards do not imply wastewater standards to be met by the industrial plants but rather parameters for the various masses of water present in each hydrographical basin.

- In July 2011 new law 22/2011 on waste was approved in Spain, which replaces Law 10/1998 of April 21. This law transposes the Spanish legal system the EU Directive on Waste approved in 2008. The objective is to update current prevailing legislation, orient policy on waste in accordance with the principle of hierarchy, and guarantee protection of human health and the environment, maximizing use of resources and minimizing the impact of waste production and management. This law is also intended to regulate the legal regime over polluted soils.

The most noteworthy of the main novelties with respect to Law 10/1998 are the following: the introduction of specific sections dedicated to sub-products and to the concept of end of useful life of waste; the creation of a coordinating Commission to function as a body for technical cooperation and collaboration amongst the different administrations for matters related to waste; and introduction of the concept of producer liability, whereby the producer is obliged to engage in the prevention and management of the wastewater generated by its products in keeping with the 'from cradle to grave' liability concept.

35.5) CO₂ emissions

During 2011 and 2010 the companies comprising the consolidation scope recognized emission allowances allocated free of charge under the Spanish national allocation plan equivalent to 17 and 16.4 million tons of CO₂ respectively, measured at €244 and €216 million. The same allocation plan stipulates allocation of 2012 allowances equivalent to 18.6 million tons of CO₂.

In 2011, the value of the Group's emission allowances were depreciated, giving rise to an impairment charge of €110 million which was offset almost in full by the recognition of deferred income corresponding to the emission allowances received free of charge. The emission allowances did not depreciate its value in 2010.

The net gain on the management of CO₂ allowances amounted to €31 million in 2011 (compared to a net loss of €5 million in 2010). In 2011, the Group actively managed the position generated by the difference between the allowances allocated in recent years under the National Allocation Plan and the emissions actually made by the Group each year.

For the Repsol YPF installations included in the European allowance trading system, 2012 is the last year of compliance within Phase II (2008-2012). From 2013 on, these installations will be allocated new allowances under Phase III (2013-2020); these are expected to be lower than the annual allocations during Phase II and to be reduced over time. Repsol has been preparing for the lower free allocation levels under Phase III for many years from now, taking measures to mitigate the related future costs.

On the one hand, the Company has acquired Clean Development Mechanism (CDM) and Joint Implementation (JI) credits at a low price. On the other hand, the installations included in the allowance trading systems have developed, and are in the process of executing, energy savings and carbon emission reduction plans with a view to substantially reducing the cost of compliance in Phase III.

Repsol YPF's agreements because of its participation in CDM and JI projects have resulted in the acquisition of credits during the year 2011. Including these purchases, planned investment at year end amounted to €48 million.

36. FEES PAID TO THE AUDITORS

In 2011, the fees earned by Deloitte for the audit services provided to Repsol YPF, S.A. and its companies controlled have amounted to €6.6 million of euros. Additionally, the fees earned by the auditors and their organization for audit-related services and for other services have amounted to €1.1 and €0.2 million, respectively.

The sum of these amounts does not represent more than 10% of the total volume of business of the auditors and their organization.

37. SUBSEQUENT EVENTS

- On January 5, 2012, Repsol YPF and US oil company SandRidge Energy signed an agreement by which Repsol will acquire approximately 1,500km² of the Mississippi Lime oil field, which boasts historic high production levels and proven reserves and is rich in light oil and gas produced from fractured carbonate structures. Repsol will take 16% and 25% interests, respectively, in two areas within this oil field located between the US states of Oklahoma and Kansas. The area has an extensive infrastructure that has been in operation for more than 30 years, a factor that will accelerate the start of production and sales of these hydrocarbons. Repsol YPF's investment is estimated at US\$1 billion. Under the terms of the agreement, Repsol YPF will make an upfront payment of US\$250 million when the deal closes, paying the rest over the course of around three years. The transaction falls under Repsol's stated strategy of diversifying into OECD markets.
- In January 2012, Repsol YPF used a number of financial institutions to place 61,043,173 own shares held as treasury shares, representing 5% of the parent company share capital, with professional and qualified investors at €22.35 per share. These shares were part of the own shares acquired by the Company on December 20, 2011 pursuant to the Board resolution taken on December 18, 2011 with respect to the acquisition of 10% of its own share capital (Note 15).

Under the terms of the agreement with financial institutions participating in the aforementioned placement, the sale of the remaining 5% of share capital held by the Group as treasury stock is subject to a 90-day lock-up, with certain carve-outs, such as their sale to investors agreeing to the same lock-up included in the shares delivered to employees under the approved remuneration plans and scrip dividend programs ("scrip dividends").

- Also in January 2012, the Group, through Repsol International Finance, B.V. (RIF), issued €750 million of bonds due 7 years and one month from the issue date with a coupon of 4.875%. The issue was priced at 99.94% of par and is secured by Repsol YPF S.A. The bonds are traded on the Luxembourg Stock Exchange. The issue was made under the issuer's EMTN program registered with the Luxembourg *Commission de Surveillance du Secteur Financier* (Note 19). Subsequently, on February 7, 2012, RIF issued a further €250 million of eurobonds with a coupon of 4.875% at an issue price of 103.166%. This issue is a fungible add-on issue and will form a single serie with the other issue due on February 19, 2019.
- On January 16, 2012, pursuant to the resolutions ratified at the Company's General Meeting in April 2011, the Company launched the 2012 Share Acquisition Plan targeted at Repsol YPF Group employees in Spain with permanent labor contracts that qualify under the Plan's general terms and conditions and voluntarily decide to participate (Note 18).

- On January 25, 2012, pursuant to the Board resolution taken on September 28, 2011, the Board of Directors agreed unanimously, at the recommendation of the Nomination and Compensation Committee, and in line with best practice and leading international recommendations in the Corporate Governance area, to amend the Board Rules and to propose bylaw amendments at the next General Meeting. The highlights of the Corporate Governance reform initiative are:
 - o Reinforcement of the safeguards applicable to relevant transactions with related parties, particularly transactions between the Company and its significant shareholders.
 - o Modification of the non-competence clause applicable to Directors, providing for waivers under certain circumstances. The changes also carve out certain relationships from the non-compete clause, specially, with those companies that has an strategic alliance with Repsol YPF.
 - o Elimination from the bylaws of the limitation on the maximum number of votes that a single shareholder may cast.
- Also on January 25, 2012, Repsol YPF, S.A. and Petróleos Mexicanos (“Pemex”) signed a letter of intent committing to the negotiation of a strategic alliance. The alliance is designed to contribute to the enhanced development of the parties’ respective business plans and to facilitate the establishment of mutual collaboration mechanisms. The successful conclusion of the negotiation process provided for in the letter of intent is contingent upon compliance with the various formalities and procedures stipulated in both companies internal regulations with respect to strategic alliance approvals, specifically, including approval by the required governing bodies at each company.

38. EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

These consolidated financial statements are prepared on the basis of IFRSs as issued by the IASB and as endorsed by the European Union and certain accounting practices applied by the Group that conform with IFRSs may not conform with other generally accepted accounting principles.

Name	Country	Activity	Consolidation Method(1)	December 2011		December 2010	
				% Total Ownership		Millions of Euros	
				% of Direct Ownership	% of Control Investment (2)	Equity (3)	Issued Share Capital (3)
A & C Pipeline Holding	Cayman Islands	Finance	E.M.	20.67	36.00	0	0
A- Evangelista, S.A. Sucursal (Uruguay)	Uruguay	Engineering and construction	F.C.	57.43	100.00	18	0
Abastecimentos e Serviços de Aviação, Lda. - ASA	Portugal	Marketing of petroleum-derived products	E.M.	50.00	50.00	0	0
AESA Construcciones y Servicios Bolivia , S.A. (8)	Bolivia	Transport of hydrocarbons	F.C.	98.00	98.00	0	0
AESA Perú S.A.C.	Peru	Construction and petroleum-related services	F.C.	57.43	100.00	2	1
A-Evangelista Construções e Serviços, Ltda.	Brazil	Engineering and construction	F.C.	57.43	100.00	0	1
Agri Development, B.V.	Holland	Holding company	P.C.	6.00	10.00	100	0
Air Miles España, S.A. (4)	Spain	Client loyalty services	E.M.	21.75	22.50	5	0
Akakus Oil Operation, B.V.	Holland	Exploration and Production of hydrocarbons	E.M.	49.00	49.00	0	0
Algaenergy, S.A.	Spain	Experimental research and development of biotechnologies	P.C.	20.00	20.00	3	0
Amodaimi Oil Company, Ltd.	Bermuda Islands	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	(41)	0
Asfalnor, S.A.	Spain	Distribution and marketing of asphalt-derived products	F.C.	85.98	100.00	0	0
Asfaltos Españoles, S.A.	Spain	Asphalts	P.C.	49.99	50.00	30	9
Astra Evangelista, S.A.	Argentina	Engineering and construction	F.C.	57.43	100.00	45	2
Atlantic 1 Holdings, LLC	USA	Holding company	E.M.	20.00	20.00	180	182
Atlantic 2/3 Holdings, Llc.	USA	Holding company	P.C.	25.00	25.00	104	104
Atlantic 4 Holdings, Llc.	USA	Holding company	E.M.	22.22	22.22	189	189
Atlantic LNG 2/3 Company of Trinidad & Tobago, Unlimited	Trinidad and Tobago	Gas logistics and supply	P.C.	25.00	100.00	107	104
Atlantic LNG 4 Company of Trinidad & Tobago, Unlimited	Trinidad and Tobago	Liquefaction plant construction	E.M.	22.22	100.00	200	189
Atlantic LNG Co. of Trinidad & Tobago	Trinidad and Tobago	Gas logistics and supply	E.M.	20.00	100.00	223	182
Bahía de Bizkaia Electricidad, S.L.	Spain	Energy generation	P.C.	25.00	25.00	217	4
Beatrice Offshore Windfarm, Ltd.	UK	Development of offshore wind energy	---	25.00	25.00	0	0
Bizoy, S.A. (12)	Uruguay	Leasing, construction and administration of real estate	P.C.	22.97	40.00	(0)	0
BP Trinidad & Tobago, LLC	USA	Exploration and Production of hydrocarbons	P.C.	30.00	100.00	220	126
BPRY Caribbean Ventures LLC	USA	Holding company	P.C.	30.00	30.00	126	916
Caiageste - Gestao de Areas de Serviço, Lda.	Portugal	Exploitation and management of services stations	E.M.	50.00	50.00	(0)	0
Calio Holdings, LLC	USA	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	22	16
Camps Estaciones de Servicio, S.A. - CAMPSARED	Spain	Exploitation and management of services stations	F.C.	96.67	100.00	45	8
Carburants i Derivats, S.A. - CADESA	Andorra	Distribution of products derived from petroleum	E.M.	32.14	33.25	1	0
Cardón IV, S.A.	Venezuela	Exploration and Production of hydrocarbons	P.C.	50.00	50.00	195	1
Caveant, S.A.	Argentina	Investing company	F.C.	100.00	100.00	51	0
Central Dock Sud, S.A.	Argentina	Generation and marketing of electric energy	E.M.	24.48	86.15	29	67
Civeny, S.A. (12)	Uruguay	Leasing, construction and administration of real estate	P.C.	22.97	40.00	(0)	0
CLH Aviación, S.A.	Spain	Transportation and storage of petroleum-derived products	E.M.	10.00	100.00	65	21
CLH Holdings, Inc. (4)	USA	Finance	F.C.	57.43	100.00	(18)	195
Cogeneración Gequisa, S.A.	Spain	Production of electric energy and steam	E.M.	39.00	39.00	6	2
Compañía Auxiliar de Remolcadores y Buques Especiales, S.A. - CARBUESA	Spain	Tows	F.C.	99.20	100.00	6	0
Compañía Logística de Hidrocarburos CLH, S.A.	Spain	Transportation and storage of petroleum-derived products	E.M.	10.00	10.00	167	84
Compañía Mega, S.A.	Argentina	Gas fractionation company	P.C.	21.82	38.00	149	38
Comsergas, Compañía de Servicios para la Industria del Gas Licuado, S.A.	Argentina	Gas installations	F.C.	52.70	62.00	0	0
CSJC Eurotek - Yugra	Russia	Other services	F.C.	74.90	74.90	(1)	0

Name	Country	Activity	Consolidation Method(1)	December 2011		December 2010	
				% Total Ownership		Millions of Euros	
				% of Direct Ownership	% of Control Investment (2)	Equity (3)	Issued Share Capital (3)
Dubai Marine Areas, Ltd. - DUMA	UK	Exploration and Production of hydrocarbons	P.C.	50.00	50.00	1	0
Duragas, S.A.	Ecuador	Marketing of LPG	F.C.	100.00	100.00	18	10
Dynasol Elastómeros, S.A.	Spain	Production and marketing of chemical products	P.C.	50.01	50.01	27	17
Dynasol Elastómeros, S.A. de C.V.	Mexico	Production and marketing of chemical products	E.M.	49.99	49.99	82	39
Dynasol Gestión, S.A.	Spain	Production of chemical products	E.M.	50.00	50.00	1	0
Dynasol LLC	USA	Marketing of petrochemical products	E.M.	50.00	50.00	30	1
Eleran Inversiones 2011, S.A.U. (5)	Spain	Holding company	F.C.	57.43	100.00	--	--
Empresas Lipigas, S.A.(4)	Chile	Marketing of LPG	P.C.	45.00	45.00	166	113
EniRepsa Gas Limited	Saudi Arabia	Gas logistics and supply	E.M.	30.00	30.00	25	2
Euro 24, S.L.	Spain	Services related to automatization	F.C.	96.67	100.00	0	0
Gas Argentino, S.A. (GASA)	Argentina	Holding company	E.M.	26.03	45.33	92	209
Gas Austral, S.A.	Argentina	Marketing of LPG	E.M.	42.50	50.00	2	0
Gas Natural SDG, S.A. (6)	Spain	Gas distribution	P.C.	30.01	30.01	10,274	922
Gas Natural West Africa S.L.	Spain	Exploration and Production of hydrocarbons	P.C.	72.00	100.00	(3)	7
Gasoducto del Pacifico Argentina, S.A.	Argentina	Gas pipe construction and exploitation	E.M.	5.74	10.00	16	29
Gasoducto del Pacifico Cayman, S.A.	Cayman Islands	Finance	E.M.	5.74	10.00	(0)	0
Gasoducto del Pacifico Chile, S.A.	Chile	Gas pipe construction and exploitation	E.M.	27.69	36.00	0	0
Gasoducto Oriental, S.A.	Argentina	Distribution of natural gas	E.M.	9.57	16.66	0	0
Gastream México S.A. de C.V.	Mexico	Other activities	F.C.	100.00	100.00	(1)	22
Gateway Coal Company	USA	Other activities	F.C.	57.43	100.00	(42)	(9)
Gaviota RE S.A.	Luxembourg	Reinsurance company	F.C.	100.00	100.00	14	14
General Química, S.A.	Spain	Production and sale of petrochemical products	F.C.	100.00	100.00	6	3
GESPOST - Gestão e Administração de Postos de Abastecimento, Unipessoal, Lda.	Portugal	Marketing of petroleum-derived products	F.C.	100.00	100.00	6	0
Gestión de Puntos de Venta, Gespevesa, S.A.	Spain	Management of service stations	P.C.	48.34	50.00	48	39
Greenstone Assurance, Ltd.	Bermuda Islands	Reinsurance company	F.C.	100.00	100.00	77	0
Grupo Repsol YPF del Perú, S.A.C. GRYPESAC	Peru	Holding company	F.C.	100.00	100.00	1	0
Guará, B.V.	Holland	Construction for offshore production of natural gas and crude oil	E.M.	15.00	25.00	119	0
Hunt Pipeline Development Perú, LLC. (7)	USA	Holding company	E.M.	44.68	72.34	43	86
Ibil, Gestor de Carga de Vehículo Eléctrico, S.A.	Spain	Management and exploitation of charging points for electrical vehicles	P.C.	50.00	50.00	2	2
Inch Cape Offshore Windfarm, Ltd.	UK	Development of offshore wind energy	---	51.00	100.00	(0)	0
Inch Cape Offshore, Ltd.	UK	Development of offshore wind energy	---	51.00	51.00	0	0
Inversora Dock Sud, S.A.	Argentina	Holding company	E.M.	24.61	42.86	37	46
Kuosol S.A.P.I. de C.V.	Mexico	Holding company	P.C.	50.00	50.00	11	12
Maxus (US) Exploration Co.	USA	Exploration and Production of hydrocarbons	F.C.	57.43	100.00	(217)	1
Maxus Bolivia Inc.	Cayman Islands	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	2	0
Maxus Bolivia Inc. (Suc. Bolivia) (8)	Bolivia	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	275	0
Maxus Energy Corporation	USA	Exploration and Production of hydrocarbons	F.C.	57.43	100.00	(46)	464
Maxus International Energy Company	USA	Other activities	F.C.	57.43	100.00	(5)	24
Mejorgas, S.A.	Argentina	Marketing of LPG	E.M.	57.43	100.00	0	0
Metrogas, S.A.	Argentina	Gas distribution	E.M.	18.22	70.00	156	108
Moray Offshore Renewables, Ltd.	UK	Development of offshore wind energy	---	33.36	33.36	0	0
Noroil, S.A.	Spain	Distribution and marketing of petroleum-derived products	F.C.	67.67	70.00	2	2

Name	Country	Activity	Consolidation Method(1)	December 2011		December 2010	
				% Total Ownership		Millions of Euros	
				% of Direct Ownership	% of Control Investment (2)	Equity (3)	Issued Share Capital (3)
Occidental de Colombia, LLC (4)	USA	Exploration and Production of hydrocarbons	P.C.	25.00	25.00	79	0
Oiltanking Ebytem, S.A.	Argentina	Storage and transportation of hydrocarbons	E.M.	17.23	30.00	22	2
OJSC Eurotek	Russia	Other activities	---	100.00	100.00	14	50
Oleoducto de Crudos Pesados Ecuador, S.A.	Ecuador	Other activities	E.M.	29.66	100.00	51	41
Oleoducto de Crudos Pesados, Ltd. (4)	Cayman Islands	Other activities	E.M.	29.66	29.66	94	75
Oleoducto Trasandino Argentina, S.A.	Argentina	Gas pipe construction and exploitation	E.M.	20.98	36.53	7	14
Oleoducto Trasandino Chile, S.A.	Chile	Gas pipe construction and exploitation	E.M.	22.69	36.00	9	6
Oleoductos del Valle, S.A. (OLDELVAL)	Argentina	Logistics of petroleum derived product	E.M.	21.25	37.00	53	21
Operadora de Estaciones de Servicio, S.A. OPESSA	Argentina	Hydrocarbon marketing	F.C.	57.43	100.00	56	31
Orisol, Corporación Energética, S.A.	Spain	Development, construction and exploitation of renewable energy plants	P.C.	46.81	46.81	7	2
Pacific LNG Bolivia S.R.L. (8)	Bolivia	Exploration and Production of hydrocarbons	E.M.	37.50	37.50	0	1
Perú LNG Company, Llc. (4)	USA	Gas logistics and supply	E.M.	20.00	20.00	969	1,216
Petróleos del Norte, S.A. (PETRONOR)	Spain	Refinery	F.C.	85.98	85.98	709	121
Petroquirique, S.A. (9)	Venezuela	Exploration and Production of hydrocarbons	P.C.	40.00	40.00	744	4
Pluspetrol Energy, S.A.	Argentina	Exploration and Production of hydrocarbons	P.C.	25.84	45.00	111	13
Polidux, S.A.	Spain	Production and sale of petrochemical products	F.C.	100.00	100.00	(1)	17
Poligas Luján, S.A.	Argentina	Company involved in a dissolution process	F.C.	29.00	50.49	0	0
Profertil, S.A.	Argentina	Production and sale of gas products	P.C.	28.72	50.00	199	148
Quiquire Gas, S.A.	Venezuela	Exploration and Production of hydrocarbons	P.C.	60.00	60.00	102	0
Refinería La Pampilla, S.A.A. - RELAPASA	Peru	Refinery	F.C.	51.03	51.03	203	110
Refinerías del Norte, S.A. (REFINOR)	Argentina	Comercial company and refinery of petroleum-derived products	P.C.	28.72	50.00	99	17
Repsol - Gas Natural LNG, S.L.	Spain	Management and marketing of LNG	P.C.	65.06	100.00	2	2
Repsol - Producao de Electricidade e Calor, ACE	Portugal	Electricity production	F.C.	100.00	100.00	0	0
Repsol Beatrice, Ltd.	UK	Development of offshore wind energy	---	100.00	100.00	(0)	0
Repsol Butano Chile, S.A.	Chile	Holding company	F.C.	100.00	100.00	236	161
Repsol Butano, S.A.	Spain	Marketing of LPG	F.C.	100.00	100.00	775	59
Repsol Canada Ltd. General Partner	Canada	LNG regasification	F.C.	100.00	100.00	3	4
Repsol Chemie Deutschland, GmbH	Germany	Marketing of chemical products	F.C.	100.00	100.00	2	0
Repsol Comercial de Productos Petrolíferos, S.A.	Spain	Marketing of petroleum-derived products	F.C.	96.67	99.78	996	335
Repsol Comercial, S.A.C. - RECOSAC	Peru	Fuel marketing	F.C.	51.03	100.00	81	58
Repsol Comercializadora de Gas, S.A.	Spain	Natural Gas marketing	F.C.	100.00	100.00	71	0
Repsol Directo, Lda.	Portugal	Distribution and marketing of petroleum-derived products	F.C.	100.00	100.00	0	0
Repsol Directo, S.A.	Spain	Distribution and marketing of petroleum-derived products	F.C.	96.66	100.00	4	0
Repsol E & P Canada ,Ltd.	Canada	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	0	8
Repsol E & P Eurasia, LLc.	Russia	Exploration and Production of hydrocarbons	F.C.	99.99	99.99	(2)	0
Repsol E & P T & T Limited	Trinidad and Tobago	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	105	58
Repsol E & P USA, Inc	USA	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	2,506	2,460
Repsol Eléctrica de Distribución, S.L.	Spain	Distribution and supply of electric energy	F.C.	99.97	100.00	3	0
Repsol Energy Canada, Ltd.	Canada	Marketing of LNG	F.C.	100.00	100.00	164	375
Repsol Energy North America Corp.	USA	Marketing of LNG	F.C.	100.00	100.00	49	144
Repsol Exploración Argelia, S.A.	Spain	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	(2)	4

Name	Country	Activity	Consolidation Method(1)	December 2011		December 2010	
				% Total Ownership		Millions of Euros	
				Direct Ownership	% of Control Investment (2)	Equity (3)	Issued Share Capital (3)
Repsol Exploración Atlas, S.A.	Spain	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	2	2
Repsol Exploración Cendrawasih II, BV	Holland	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	1	1
Repsol Exploración Cendrawasih III, BV	Holland	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	1	1
Repsol Exploración Cendrawasih IV, BV	Holland	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	1	1
Repsol Exploración Colombia, S.A.	Spain	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	(16)	2
Repsol Exploración East Bula, B.V.	Holland	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	(0)	2
Repsol Exploración Guinea, S.A.	Spain	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	(0)	0
Repsol Exploración Karabashsky, B.V.	Holland	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	2	2
Repsol Exploración Kazakhstán, S.A.	Spain	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	(1)	0
Repsol Exploración Liberia BV (10)	Holland	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	3	0
Repsol Exploración México S.A. de C.V.	Mexico	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	41	17
Repsol Exploración Murzuq, S.A.	Spain	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	766	8
Repsol Exploración Perú, S.A.	Spain	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	228	16
Repsol Exploración Seram, B.V.	Holland	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	(0)	2
Repsol Exploración Sierra Leona, S.L.	Spain	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	0	3
Repsol Exploración Suriname, S.L.	Spain	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	(3)	0
Repsol Exploración Tobago, S.A.	Spain	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	(0)	0
Repsol Exploración Venezuela, B.V.	Holland	Holding company	F.C.	100.00	100.00	159	159
Repsol Exploración, S.A. (11)	Spain	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	1,502	25
Repsol Exploration Advanced Services, AG	Switzerland	Other activities	F.C.	100.00	100.00	1	0
Repsol Exploration Norge, AS	Norway	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	13	21
Repsol Gas Portugal, S.A.	Portugal	Marketing of LPG	F.C.	100.00	100.00	27	1
Repsol International Capital, Ltd	Cayman Islands	Finance	F.C.	100.00	100.00	57	182
Repsol International Finance, B.V.	Holland	Finance company and share owner	F.C.	100.00	100.00	1,332	301
Repsol Investeringen, BV	Holland	Finance	F.C.	100.00	100.00	(0)	0
Repsol Investigaciones Petrolíferas, S.A.	Spain	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	672	226
Repsol Italia, SpA	Italy	Marketing of petroleum-derived products	F.C.	100.00	100.00	55	2
Repsol LNG Holding; S.A. (Repsol Exploración Trinidad, S.A.)	Spain	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	(9)	2
Repsol LNG Offshore, B.V.	Holland	Other activities	F.C.	100.00	100.00	11	0
Repsol LNG Port of Spain, BV	Holland	Holding company	F.C.	100.00	100.00	312	0
Repsol LNG T & T, Ltd.	Trinidad and Tobago	Natural Gas marketing	F.C.	100.00	100.00	29	4
Repsol LNG, S.L.	Spain	Gas marketing	F.C.	100.00	100.00	(24)	0
Repsol Louisiana Corporation	USA	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	11	14
Repsol Lusitania, S.L.	Spain	Holding company	F.C.	100.00	100.00	(3)	0
Repsol Maroc, S.A.	Morocco	Natural gas marketing	E.M.	100.00	100.00	(0)	1
Repsol Moray Firth, Ltd.	UK	Development of offshore wind energy	---	100.00	100.00	0	0
Repsol Netherlands Finance, BV	Holland	Finance	F.C.	100.00	100.00	(19)	0
Repsol New Energy Ventures, S.A. (Repsol Biocarburantes Cartagena, S.A.)	Spain	Development by its own or subcontracting new renewable energy projects	F.C.	99.97	100.00	(1)	1
Repsol Nuevas Energías U.K., Ltd.	UK	Development and construction of offshore wind farms	F.C.	100.00	100.00	(5)	0
Repsol Nuevas Energías, S.A.	Spain	Production, distribution and sales of all biofuels and other related activities	F.C.	100.00	100.00	(1)	1
Repsol Offshore E & P Inc.	USA	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	10	24

Name	Country	Activity	Consolidation Method(1)	December 2011		December 2010	
				% Total Ownership		Millions of Euros	
				% of Direct Ownership	% of Control Investment (2)	Equity (3)	Issued Share Capital (3)
Repsol Overzee Finance, B.V.	Holland	Holding company	F.C.	100.00	100.00	239	129
Repsol Petróleo, S.A.	Spain	Refinery	F.C.	99.97	99.97	1,983	218
Repsol Polímeros, S.A.	Portugal	Production and sale of petrochemical products	F.C.	100.00	100.00	251	268
Repsol Portuguesa, S.A.	Portugal	Distribution and marketing of petroleum-derived products	F.C.	100.00	100.00	426	59
Repsol Química, S.A.	Spain	Production and sale of petrochemical products	F.C.	100.00	100.00	(339)	60
Repsol Services Company	USA	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	30	33
Repsol Sinopec Brasil, B.V.	Holland	Holding company	P.C.	60.00	100.00	32	1
Repsol Sinopec Brasil, S.A.	Brazil	Exploration and Production of hydrocarbons	P.C.	60.00	60.00	6,220	6,980
Repsol U.K. Round 3, Ltd.	UK	Development of offshore wind energy	---	100.00	100.00	0	0
Repsol USA Holdings Corp.	USA	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	2,551	2,619
Repsol YPF Bolivia, S.A.	Bolivia	Holding company	F.C.	100.00	100.00	917	799
Repsol YPF Capital, S.L.	Spain	Holding company	F.C.	100.00	100.00	613	464
Repsol YPF Chile, S.A	Chile	Management of YPF's investments in Chile	F.C.	100.00	100.00	18	21
Repsol YPF Comercial de la Amazonia, S.A.C.	Peru	Distribution of LPG	F.C.	99.85	100.00	0	0
Repsol YPF Comercial del Perú, S.A.	Peru	Marketing of LPG	F.C.	99.85	99.85	52	35
Repsol YPF Cuba, S.A.	Spain	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	5	2
Repsol YPF E & P de Bolivia, S.A. (8)	Bolivia	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	281	122
Repsol YPF Ecuador, S.A.	Spain	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	101	5
Repsol YPF Gas, S.A.	Argentina	Marketing of LPG	F.C.	85.00	85.00	47	33
Repsol YPF GLP de Bolivia, S.A.	Bolivia	Marketing of LPG	F.C.	100.00	100.00	0	0
Repsol YPF Lubricantes y Especialidades, S.A.	Spain	Production and marketing of derivatives	F.C.	99.97	100.00	102	5
Repsol YPF Marketing, S.A.C.	Peru	Fuel marketing and specializations	F.C.	100.00	100.00	5	3
Repsol YPF OCP de Ecuador, S.A.	Spain	Holding company	F.C.	100.00	100.00	39	0
Repsol YPF Oriente Medio, S.A.	Spain	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	(44)	0
Repsol YPF Perú, BV	Holland	Holding company	F.C.	100.00	100.00	187	152
Repsol YPF Tesorería y Gestión Financiera, S.A	Spain	Provide treasury-related services to the group's companies	F.C.	100.00	100.00	302	0
Repsol YPF Trading y Transportes, S.A. (RYTTSA)	Spain	Trading of petrol-derived products	F.C.	100.00	100.00	198	0
Repsol YPF Venezuela Gas, S.A. (4)	Venezuela	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	(26)	0
Repsol YPF Venezuela, S.A.	Venezuela	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	60	2
RYTTSA Singapur, Ltd	Cayman Islands	Company involved in a liquidation process	F.C.	100.00	100.00	(4)	0
Servicios Administrativos Cuenca de Burgos S.A. de C.V.	Mexico	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	0	0
Servicios de Mantenimiento y Personal, S.A. - SEMAPESA	Ecuador	Maintenance and personnel services	F.C.	100.00	100.00	(0)	0
Servicios de Seguridad Mancomunados (SESEMA)	Spain	Security	F.C.	99.98	100.00	1	0
Servicios Logísticos Combustibles de Aviación, S.L.	Spain	Gas distribution	P.C.	49.99	50.00	11	4
Servicios y Operaciones Perú S.A.C	Peru	Other services	F.C.	100.00	100.00	0	0
Sociedade Abastecedora de Aeronaves, Lda. - SABA	Portugal	Marketing of petroleum-derived products	E.M.	25.00	25.00	0	0
Sociedade Açoreana de Armazenagem de Gas, S.A. (SAAGA)	Portugal	Marketing of LPG	E.M.	25.07	25.07	5	1
Societat Catalana de Petrolis, S.A. - PETROCAT	Spain	Distribution and marketing of petroleum-derived products	E.M.	43.68	45.00	10	15
Solgas Distribuidora de Gas, S.L.	Spain	Marketing of LPG	F.C.	100.00	100.00	(2)	1
Solred, S.A.	Spain	Management of payment options in service stations	F.C.	96.67	100.00	39	7
Spelta Soc. Unipessoal, Lda.	Portugal	Marketing of LPG	F.C.	100.00	100.00	2	0

Name	Country	Activity	Consolidation Method(1)	December 2011		December 2010	
				% Total Ownership		Millions of Euros	
				% of Direct Ownership	% of Control Investment (2)	Equity (3)	Issued Share Capital (3)
Tecnicontrol y Gestión Integral, S.L.	Spain	Real estate development	F.C.	100.00	100.00	32	4
Terminales Canarios, S.L.	Spain	Storage and distribution of petroleum-derived products	P.C.	48.34	50.00	23	20
Terminales Marítimas Patagónicas, S.A.	Argentina	Logistics of petroleum-derived products	E.M.	19.04	33.15	28	3
The Repsol Company of Portugal, Ltd.	UK	Marketing of petroleum-derived products	F.C.	100.00	100.00	1	1
Tierra Solutions Inc.	USA	Other activities	F.C.	57.43	100.00	(18)	195
Transierra S.A.	Bolivia	Transport of hydrocarbons	E.M.	21.77	44.50	219	65
Transportadora de Gas de Perú, S.A. (TGP, S.A.)	Peru	Gas logistics and supply	E.M.	10.00	10.00	282	156
Transportadora Sulbrasileira do Gas, S.A.	Brazil	Construction and exploitation of a gas pipeline	P.C.	25.00	25.00	12	12
Tucunaré Empreendimentos e Participações, Lda.	Brazil	Administrative support and infrastructure services	F.C.	100.00	100.00	(27)	(27)
Vía Red Hostelería y Distribución, S.A.	Spain	Acquisition and/or exploitation of all types of catering establishments	F.C.	100.00	100.00	1	1
YPF Brasil Comercio de Derivados de Petróleo, Ltda.	Argentina	Marketing of petroleum-derived products	F.C.	57.43	100.00	21	23
YPF Ecuador Inc.	Cayman Islands	Company involved in a liquidation process	F.C.	57.43	100.00	0	1
YPF Guyana, Ltd.	Cayman Islands	Exploration and Production of hydrocarbons	F.C.	57.43	100.00	(2)	0
YPF Holdings Inc. (4)	USA	Holding company	F.C.	57.43	100.00	(59)	607
YPF International, S.A.(4)	Bolivia	Holding company	F.C.	57.43	100.00	51	27
YPF Inversora Energética, S.A.	Argentina	Holding company	F.C.	57.43	100.00	0	53
YPF Services USA Corp.	Argentina	Engineering and construction	F.C.	57.43	100.00	0	0
YPF Servicios Petroleros S.A.	USA	Engineering and construction	F.C.	57.43	100.00	2	0
YPF, S.A.	Argentina	Exploration and Production of hydrocarbons	F.C.	57.43	57.43	3,602	2,243
YPFB Andina, S.A. (Empresa Petrolera Andina, S.A.) (8)	Bolivia	Exploration and Production of hydrocarbons	P.C.	48.92	48.92	752	135
Zao Eurotek Yamal	Russia	Other activities	F.C.	100.00	100.00	1	1
Zhambai LLP	Kazakhstan	Exploration and Production of hydrocarbons	E.M.	25.00	25.00	0	0

(1) Consolidation method

F.C. Full consolidation
P.C. Proportionate consolidation
E.M. Equity method

(2) Percentage corresponding to the Parent Company's ownership of the subsidiary.

(3) Corresponds to the data of the latest financial statements approved by its shareholders in the Annual General Meeting (generally December 31,2010), except in those societies specifically noted, which are prepared in accordance with generally accepted accounting principles in relevant jurisdictions. The assets of companies whose functional currency is not the euro have been translated at closing exchange rate. Amounts are rounded (all the amounts less than half million euros have been listed as zero).

(4) Data corresponding to Consolidated Financial Statements.

(5) Companies incorporated in the year 2011.

(6) Parent company of a group consisting of more than 300 companies, information that can be obtained in the consolidated financial statements of the company (www.portal.gasnatural.com).

(7) This company owns 100% of Hunt Pipeline Company of Peru LTD., company established in Cayman Islands.

(8) Data corresponding to Financial Statements closed on March 31,2011.

(9) Data corresponding to Financial Statements closed on December 31,2009.

(10) This company has a branch established in Liberia.

(11) This company owns 100% of Repsol Exploration Services LTD., society undergoing a liquidation process which is established in Cayman Islands.

(12) Data corresponding to Financial Statements closed on July 31,2010.

APPENDIX Ib - MAIN CHANGES IN THE SCOPE OF CONSOLIDATION FOR THE YEAR ENDED DECEMBER 31, 2011

Name	Country	Parent Company	Concept	Date	12,31,11			12,31,10		
					Consolidation Method (2)	% of Total Ownership		Consolidation Method (2)	% of Total Ownership	
						% of Direct Ownership	% of Control (3)		% of Direct Ownership	% of Control (3)
Repsol Exploración Karabashsky B.V.	Holland	Repsol Exploración, S.A.	Addition to scope due to incorporation	jan-11	F.C.	100.00	100.00	-	-	-
Repsol E&P Eurasia LLC	Russia	Repsol Exploración, S.A.	Addition to scope due to incorporation	jan-11	F.C.	99.99	99.99	-	-	-
YPF S.A.	Argentina	Repsol YPF, S.A.	Reduction of ownership percentage	jan-11 a jul-11	F.C.	57.43	57.43	F.C.	79.81	79.81
Civeny, S.A.	Uruguay	YPF, S.A.	Acquisition	feb-11	P.C.	22.97	40.00	-	-	-
Bizoy, S.A.	Argentina	YPF, S.A.	Acquisition	feb-11	P.C.	22.97	40.00	-	-	-
Ibil Gestor Carga Vehículo Eléctrico, S.A.	Spain	Repsol Nuevas Energías, S.A.	Acquisition	apr-11	P.C.	50.00	50.00	-	-	-
Agri Development BV	Holland	Repsol Sinopec Brasil BV	Acquisition	apr-11	P.C.	6.00	10.00	-	-	-
Kuosol S.A.P.I. de CV	Mexico	Repsol Nuevas Energías, S.A.	Acquisition	may-11	P.C.	50.00	50.00	-	-	-
Repsol Exploración Irlanda, S.A.	Spain	Repsol Exploración, S.A.	Addition to scope due to incorporation	jun-11	F.C.	100.00	100.00	-	-	-
Repsol Nuevas Energías U.K.	UK	Repsol Nuevas Energías, S.A.	Acquisition	jun-11	F.C.	100.00	100.00	-	-	-
Repsol ETBE, S.A.	Portugal	Repsol Polímeros Lda	Reduction to scope due to merger	aug-11	-	-	-	F.C.	100.00	100.00
Repsol Angola 22 B.V.	Holland	Repsol Exploración, S.A.	Addition to scope due to incorporation	sep-11	F.C.	100.00	100.00	-	-	-
Repsol Angola 35 B.V.	Holland	Repsol Exploración, S.A.	Addition to scope due to incorporation	sep-11	F.C.	100.00	100.00	-	-	-
Repsol Angola 37 B.V.	Holland	Repsol Exploración, S.A.	Addition to scope due to incorporation	sep-11	F.C.	100.00	100.00	-	-	-
Eleran Inversiones 2011, S.A.	Spain	YPF, S.A.	Addition to scope due to incorporation	oct-11	F.C.	57.43	100.00	-	-	-
YPF Chile, S.A.	Chile	Eleran Inversiones 2011, S.A.	Addition to scope due to incorporation	oct-11	F.C.	57.43	100.00	-	-	-
Repsol Gas Brasil, S.A.	Brazil	Repsol Butano, S.A.	Disposal	oct-11	-	-	-	F.C.	100.00	100.00
Napesa S.A.	Spain	Repsol Comercial de Productos Petrolíferos, S.A.	Reduction to scope due to merger	dec-11	-	-	-	F.C.	96.65	100.00
Servibarna S.A.	Spain	Repsol Comercial de Productos Petrolíferos, S.A.	Reduction to scope due to merger	dec-11	-	-	-	F.C.	96.65	100.00
Repsol France	France	Repsol Butano, S.A.	Disposal	dec-11	-	-	-	F.C.	100.00	100.00
Sociedades del Grupo Gas Natural (Several Companies) (1)		Gas Natural SDG, S.A.								

(1) In 2011, the scope of consolidation of Gas Natural Fenosa Group has been modified because of additions, disposals, increases and decreases on the participation percentages in companies, without significant effect on the Consolidated Financial Statements of Repsol YPF Group.

(2) Consolidation Method:

F.C. Full consolidation

P.C. Proportionate Consolidation

E.M. Equity Method

(3) Percentage corresponding to the Parent Company's ownership in the subsidiary.

Name	Country	Parent Company	Concept	Date	12.31.2010			01.01.10		
					% of Total Ownership			% of Total Ownership		
					Consolidation Method (2)	% of Direct Ownership	% of Control (3)	Consolidation Method (2)	% of Direct Ownership	% of Control (3)
Akakus Oil Operation B.V.	Holland	Repsol Exploración Murzuq, S.A.	Addition to scope due to incorporation	feb-10	E.M	49.00	49.00			
Akakus Oil Operations AG	Libya	Repsol Exploración Murzuq, S.A.	Reduction to scope due to merger with Akakus Oil Operation B.V.	feb-10				E.M	100.00	100.00
Compañía Logística de Hidrocarburos CLH, S.A.	Spain	Repsol YPF,S.A/Petróleos del Norte,S.A	Reduction of ownership percentage	mar-10	E.M	10.00	10.00	E.M	14.25	15.00
YPF Servicios Petroleros S.A	Argentina	YPF,S.A	Addition to scope due to incorporation	jun-10	F.C	79.81	100.00			
Repsol Brasil. B.V	Holland	Repsol Brasil, S.A.	Addition to scope due to incorporation	jun-10	P.C	60.00	100.00			
Via Red Servicios Logísticos, S.L. .	Spain	Repsol Butano,S.A.	Increase of ownership percentage	jun-10	F.C	100.00	100.00	F.C	99.49	99.49
Repsol Exploración Seram BV	Holland	Repsol Exploración, S.A.	Addition to scope due to incorporation	sep-10	F.C	100.00	100.00			
Repsol Exploración East Bula BV	Holland	Repsol Exploración, S.A.	Addition to scope due to incorporation	sep-10	F.C	100.00	100.00			
Repsol Exploración Cendrawasih II BV	Holland	Repsol Exploración, S.A.	Addition to scope due to incorporation	sep-10	F.C	100.00	100.00			
Repsol Exploracion Cendrawasih III BV	Holland	Repsol Exploración, S.A.	Addition to scope due to incorporation	sep-10	F.C	100.00	100.00			
Repsol Exploracion Cendrawasih IV BV	Holland	Repsol Exploración, S.A.	Addition to scope due to incorporation	sep-10	F.C	100.00	100.00			
Repsol ETBE, S.A.	Portugal	Repsol Polímeros,LDA	Acquisition	sep-10	F.C	100.00	100.00			
Repsol Electricidade E Calor, Ace	Portugal	R.Polímeros/R.ETBE	Increase of ownership percentage	sep-10	F.C	100.00	100.00	E.M	66.67	66.67
YPF,S.A	Argentina	Repsol YPF, S.A.	Reduction of ownership percentage	sep-10 a dec-10	F.C	79.81	79.81	F.C	84.04	84.04
Repsol Louisiana Corporation	USA	Repsol USA Holdings Corp.	Addition to scope due to incorporation	oct-10	F.C	100.00	100.00			
Adicor, S.A.	Uruguay	A-Evangelista, S.A.	Withdrawal from scope due to liquidation	oct-10	-	-	-	F.C	84.04	100.00
Orisol, Corporación Energética, S.A.	Spain	Repsol Nuevas Energías, S.A.	Acquisition	nov-10	P.C	46.81	46.81			
Algaenergy, S.A.	Spain	Repsol Nuevas Energías, S.A.	Acquisition	nov-10	P.C	20.00	20.00			
Bahía Bizkaia Gas, S.L.	Spain	Repsol YPF, S.A.	Disposal	nov-10	-	-	-	P.C	25.00	25.00
Repsol Occidental Corporation	Colombia	Repsol International Finance, B.V.	Disposal	dec-10	-	-	-	P.C	25.00	25.00
Oxy Colombia Holdings Inc	Colombia	Repsol International Finance, B.V.	Acquisition	dec-10	P.C	25.00	25.00			
Guará BV	Holland	Repsol Brasil BV	Addition to scope due to incorporation	dec-10	E.M	15.00	25.00			
Alberto Pasqualini Refap S.A.	Brazil	Repsol YPF Perú B.V.	Disposal	dec-10	-	-	-	P.C	30.00	30.00
Repsol Brasil, S.A. (4)	Brazil	Repsol YPF, S.A.	Reduction of ownership percentage	dec-10	P.C	60.00	60.00	F.C	100.00	100.00
Sociedades del Grupo Gas Natural (Several Companies) (1)		Gas Natural SDG, S.A.								

(1) In 2010, the scope of consolidation of Gas Natural Fenosa Group has been modified because of additions, disposals, increases and decreases on the participation percentages in companies, without significant effect on the Consolidated Financial Statements of Repsol YPF Group.

(2) Consolidation Method:

- F.C. Full consolidation
- P.C. Proportionate Consolidation
- E.M. Equity Method

(3) Percentage corresponding to the Parent Company's ownership in the subsidiary.

(4) This company changed its name in february 2011 to Repsol Sinopec Brazil, S.A.

APPENDIX II: Assets and Jointly Controlled Operations for the year ended December 31, 2011

Name	% Ownership (1)	Operator	Activity
Algeria			
Gassi-Chergui (6)	90.00%	Repsol Exploración Argelia, S.A.	Exploration and production
M'Sari Akabli	45.00%	Repsol Exploración Argelia, S.A.	Exploration and production
Sud Est Illizi	52.50%	Repsol Exploración Argelia, S.A.	Exploration and production
Reggane	29.25%	Órgano conjunto Sonatrach - Contratista	Exploration and production
Issaouane (TFR)	59.50%	Repsol Exploración Argelia - Sonatrach	Exploration and production
TFT	30.00%	Groupement TFT	Exploration and production
Argentina			
Acambuco UTE	22.50%	Pan American Energy LLC	Exploration and production
Aguada Pichana UTE	27.27%	Total Austral S.A.	Exploration and production
Aguaragüe UTE	30.00%	Tecpetrol S.A.	Exploration and production
CAM-2/A SUR UTE	50.00%	Sipetrol Argentina S.A.	Exploration and production
Campamento Central/ Cañadón Perdido UTE	50.00%	YPF	Exploration and production
Consorcio CNQ 7/A	50.00%	Petro Andina Resources Ltda.	Exploration and production
El Tordillo UTE	12.20%	Tecpetrol S.A.	Exploration and production
La Tapera y Puesto Quiroga UTE	12.20%	Tecpetrol S.A.	Exploration and production
Liancanelo UTE	51.00%	YPF	Exploration and production
Magallanes UTE	50.00%	Sipetrol Argentina S.A.	Exploration and production
Palmar Largo UTE	30.00%	Pluspetrol S.A.	Exploration and production
Puesto Hernández UTE	61.55%	Petrobras Energía S.A.	Exploration and production
Consorcio Ramos	15.00%	Pluspetrol Energy S.A.	Exploration and production
San Roque UTE	34.11%	Total Austral S.A.	Exploration and production
Tierra del Fuego UTE	30.00%	Petrolera L.F. Company S.R.L.	Exploration and production
Zampal Oeste UTE	70.00%	YPF	Exploration and production
Consortium Reservoir La Ventana -Río Tunuyan	60.00%	YPF	Exploration and production
Escobar LNG Project	50.00%	YPF	Exploration and production
Bolivia			
Block San Alberto (2)	50.00%	Petrobras Bolivia S.A.	Exploration and production
Block San Antonio (2)	50.00%	Petrobras Bolivia S.A.	Exploration and production
Block Monteagudo (2)	20.00%	Petrobras Bolivia S.A.	Exploration and production
Block Monteagudo	30.00%	Repsol YPF E&P Bolivia S.A.	Exploration and production
Block Caipipendi	37.50%	Repsol YPF E&P Bolivia S.A.	Exploration and production
Río Grande Gas Compression Plant	50.00%	Andina, S.A.	Gas compression
Brazil (3)			
Albacora Leste	10.00%	Petrobras	Production
BMC-33	35.00%	Repsol Sinopec Brasil S.A.	Exploration
BMES-21	10.00%	Petrobras	Exploration
BMS-44	25.00%	Petrobras	Exploration
BMS-48	40.00%	Repsol Sinopec Brasil S.A.	Exploration
BMS-50	20.00%	Petrobras	Exploration
BMS-51	20.00%	Petrobras	Exploration
BMS-7	37.00%	Petrobras	Exploration
BMS-9	25.00%	Petrobras	Exploration
Canada			
Canaport LNG Limited Partnership	75.00%	Repsol Canada LTD	LNG Regasification
Colombia			
Cosecha (4)	70.00%	Occidental de Colombia, LLC.	Development
Capachos	50.00%	Repsol Exploración Colombia, S.A.	Exploration and production
Cebucan	20.00%	Petrobras	Exploration
Catleya	50.00%	Ecopetrol	Exploration
Cayos1 Y Cayos5	30.00%	Repsol Exploración Colombia, S.A.	Exploration
Rc11 Y Rc12	50.00%	Ecopetrol	Exploration
El Queso	50.00%	Repsol Exploración Colombia, S.A.	Exploration
Guadual	20.00%	Petrobras	Exploration
Orquidea	40.00%	Hocol	Exploration
Cuba			
Block 25-36	40.00%	Repsol YPF Cuba, S.A.	Exploration and production
Ecuador			
Block 16	35.00%	Repsol YPF Ecuador S.A.	Exploration and production
Block 16	20.00%	Amodaimi Oil Company (sucursal)	Exploration and production
Spain			
Albatros	82.00%	Repsol Investigaciones Petrolíferas, S.A.	Development
Angula	54.00%	Repsol Investigaciones Petrolíferas, S.A.	Development
Barracuda	60.21%	Repsol Investigaciones Petrolíferas, S.A.	Production
Boquerón (6)	66.45%	Repsol Investigaciones Petrolíferas, S.A.	Production
Casablanca (6)	76.85%	Repsol Investigaciones Petrolíferas, S.A.	Exploration and production
Casablanca Unit	68.67%	Repsol Investigaciones Petrolíferas, S.A.	Development / Production
Chipirón (6)	100.00%	Repsol Investigaciones Petrolíferas, S.A.	Production
Fulmar	69.00%	Repsol Investigaciones Petrolíferas, S.A.	Exploration
Gaviota I and II	82.00%	Repsol Investigaciones Petrolíferas, S.A.	Exploration
Montanazo (6)	92.10%	Repsol Investigaciones Petrolíferas, S.A.	Development
Rodaballo (6)	73.00%	Repsol Investigaciones Petrolíferas, S.A.	Production
Murcia-Siroco (6)	100.00%	Repsol Investigaciones Petrolíferas, S.A.	Exploration
Bezana Bigüenzo (6)	88.00%	Petroleum Oil & Gas España, S.A.	Exploration
Rodaballo Concession	65.41%	Repsol Investigaciones Petrolíferas, S.A.	Development
Tesorillo-Ruedalabola	50.00%	Schuepbach Energy España, S.L.	Exploration
Morcín 1 (5)	20.00%	Petroleum Oil&Gas España	Exploration
Villaviciosa (5)	70.00%	Petroleum Oil&Gas España	Exploration
Central Nuclear de Trillo, Grupo I (5) Join asset ownership	34.50%	Iberdrola, Endesa, Hidrocarbónico	Generation of electricity
Central Nuclear de Almaraz, Grupo I y II (5) Join asset ownership	11.30%	Iberdrola, Endesa, Hidrocarbónico	Generation of electricity
Central Térmica de Anllares (5) Join asset ownership	66.70%	Endesa Generación, S.A.	Generation of electricity
Central Térmica de Aceca (5) Join asset ownership	50.00%	Iberdrola	Generation of electricity
Ecuatorial Guinea			
Block C	57.38%	Repsol Exploración Guinea, S.A.	Exploration
Indonesia			
Cendrawasih Bay II	50.00%	Repsol Exploracion Cendrawasih II BV	Exploration
Cendrawasih Bay III	50.00%	NIKO Resources	Exploration
Cendrawasih Bay IV	50.00%	NIKO Resources	Exploration
Seram	45.00%	Black Gold Indonesia LLC	Exploration
East Bula	45.00%	Black Gold East Bula LLC	Exploration

Kenya				
L5	20.00%	Woodside energy		Exploration
L7	20.00%	Woodside energy		Exploration
Libya				
Epsa IV NC115	25.20%	Akakus Oil Operations		Exploration and Production
EPSA IV NC186 (Capex)	19.84%	Akakus Oil Operations		Exploration and Production
Epsa IV NC115 Explorac.	40.00%	Repsol Exploracion Murzuq. S.A.		Exploration and Production
EPSA IV NC186 Explorac.	32.00%	Repsol Exploracion Murzuq. S.A.		Exploration and Production
EPSA 97 NC186	32.00%	Repsol Exploracion Murzuq. S.A.		Exploration and Production
Pack 1	60.00%	Repsol Exploracion Murzuq. S.A.		Exploration and Production
Pack 3	35.00%	Woodside Energy, N.A.		Exploration and Production
Area 137	50.00%	Petrocanada Ventures (North África) Ltd.		Exploration and Production
Morocco				
Tanger Larache (6)	88.00%	Repsol Exploración Marruecos		Exploration
Mauritania				
TA09	70.00%	Repsol Exploración S.A.		Exploration
TA10	70.00%	Repsol Exploración S.A.		Exploration
Norway				
Block PL512	25.00%	Det Norske		Exploration
Block PL541	50.00%	Repsol Exploration Norge		Exploration
Block PL557	40.00%	OMV (Norge)		Exploration
Block PL356	40.00%	Det Norske		Exploration
Block PL529	10.00%	ENI Norge		Exploration
Block PL589	30.00%	Wintershall Norge		Exploration
Block PL530	10.00%	GDF Suez E&P Norge		Exploration
Block PL531	20.00%	Repsol Exploration Norge		Exploration
Oman				
Zad-2	50.00%	RAK Petroleum		Exploration
Peru				
Block 57	53.84%	Repsol Exploración Perú Sucursal del Peru		Exploration and development of Hydrocarbons
Block 39	55.00%	Repsol Exploración Perú Sucursal del Peru		Exploration of Hydrocarbons
Block 90	50.50%	Repsol Exploración Perú Sucursal del Peru		Exploration of Hydrocarbons
Block 56	10.00%	Pluspetrol Perú Corporation		Production of Hydrocarbons
Block 88	10.00%	Pluspetrol Perú Corporation		Production of Hydrocarbons
Block 76	50.00%	Hunt Oil Company of Perú LLC Sucursal del Perú		Exploration of Hydrocarbons
Block 103	30.00%	Talisman Petrolera del Perú LLC Sucursal del Perú		Exploration of Hydrocarbons
Block 101	30.00%	Talisman Petrolera del Perú LLC Sucursal del Perú		Exploration of Hydrocarbons (abandoned)
Sierra Leone				
SL6	25.00%	Anadarko, S.L.		Exploration
SL7	25.00%	Anadarko, S.L.		Exploration
Trinidad & Tobago				
Block 5B	30.00%	Amoco Trinidad Gas, B.V.		Exploration
Venezuela				
Yucal Placer	15.00%	Repsol YPF Venezuela, S.A.		Exploration and Production

(1) Corresponds to the participation that the ownership company holds of the asset involved in the operation.

(2) Activities or assets operated through YPFB Andina, S.A., joint control company with a participation of the 48.92%.

(3) Activities or assets operated through Repsol Sinopec Brasil, S.A., joint control company with a participation of the 60%.

(4) Activities or assets operated through Occidente de Colombia L.L.C., joint control company with a participation of the 25%.

(5) Activities or assets operated through Gas Natural SDG S.A., joint control company with a participation of the 30.01%.

(6) Part of the participation over the activity or asset is operated by Gas Natural SDG S.A., joint control company with a participation of the 30.01%

APPENDIX II: Assets and Jointly Controlled Operations for the year ended December 31, 2010

Name	% Ownership (1)	Operator	Activity
Algeria			
Gassi-Chergui (6)	90.00%	Repsol Exploración Argelia, S.A.	Exploration and production
M'sari-Akabli	45.00%	Repsol Exploración Argelia, S.A.	Exploration and production
Sud Est Illizi	52.50%	Repsol Exploración Argelia, S.A.	Exploration and production
Reggane	45.00%	Repsol Exploración Argelia, S.A.	Exploration and production
Issaouane (TFR)	59.50%	Repsol Exploración Argelia - Sonatrach	Exploration and production
TFT	30.00%	Grupement TFT	Exploration and production
Argentina			
Acambuco UTE	22.50%	Pan American Energy LLC	Exploration and production
Aguada Pichana UTE	27.27%	Total Austral S.A.	Exploration and production
Aguaragüe UTE	30.00%	Tecpetrol S.A.	Exploration and production
CAM-2/A SUR UTE	50.00%	Sipetrol Argentina S.A.	Exploration and production
Campamento Central/ Cañadón Perdido UTE	50.00%	YPF	Exploration and production
El Tordillo UTE	12.20%	Tecpetrol S.A.	Exploration and production
La Tapera y Puesto Quiroga UTE	12.20%	Tecpetrol S.A.	Exploration and production
Llancanelo UTE	51.00%	YPF	Exploration and production
Magallanes UTE	50.00%	Sipetrol Argentina S.A.	Exploration and production
Palmar Largo UTE	30.00%	Pluspetrol S.A.	Exploration and production
Puesto Hernández UTE	61.55%	Petrobras Energía S.A.	Exploration and production
Consortio Ramos	15.00%	Pluspetrol S.A.	Exploration and production
San Roque UTE	34.11%	Total Austral S.A.	Exploration and production
Tierra del Fuego UTE	30.00%	Petrolera L.F. Company S.R.L.	Exploration and production
Zampal Oeste UTE	70.00%	YPF	Exploration and production
Consortium Reservoir La Ventana -Río Tunuyan	60.00%	YPF	Exploration and production
Consortium CNQ 7/A	50.00%	Petro Andina Resources Ltda.	Exploration and production
Escobar LNG Project	50.00%	YPF	Exploration and production
Bolivia			
Block San Alberto (2)	50.00%	Petrobras Bolivia S.A.	Exploration and production
Block San Antonio (2)	50.00%	Petrobras Bolivia S.A.	Exploration and production
Block Monteagudo (2)	20.00%	Petrobras Bolivia S.A.	Exploration and production
Block Monteagudo	30.00%	Repsol YPF E&P Bolivia S.A.	Exploration and production
Block Caipipendi	37.50%	Repsol YPF E&P Bolivia S.A.	Exploration and production
Accidental Tecna y Asociados Association	10.00%	Tecna Bolivia SA	LGN Engineering Plant
Río Grande Gas Compression Plant	50.00%	Andina, S.A.	Gas compression
Brazil (3)			
Albacora Leste	10.00%	Petrobras	Production
BMC-33	35.00%	Repsol Brasil (7)	Exploration
BMES-29	40.00%	Repsol Brasil (7)	Exploration
BMS-44	25.00%	Petrobras	Exploration
BMS-48	40.00%	Repsol Brasil (7)	Exploration
BMS-50	20.00%	Petrobras	Exploration
BMS-51	20.00%	Petrobras	Exploration
BMS-55	40.00%	Repsol Brasil (7)	Exploration
BMS-7	37.00%	Petrobras	Exploration
BMS-9	25.00%	Petrobras	Exploration
Canada			
Canaport LNG Limited Partnership	75.00%	Repsol Canadá LTD	LNG Regasification
Colombia			
Cosecha (4)	70.00%	Occidental de Colombia, L.L.C.	Development
Capachos	50.00%	Repsol Exploración Colombia	Exploration and production
Catleya	50.00%	Ecopetrol	Exploration
Cebucan	20.00%	Petrobras	Exploration
Rc11 Y Rc12	50.00%	Ecopetrol	Exploration
El Queso	50.00%	Repsol Exploración Colombia, S.A.	Exploration
Guadual	20.00%	Petrobras	Exploration
Orquidea	40.00%	Hocol	Exploration
Ecuador			
Block 16	35.00%	Repsol YPF Ecuador S.A.	Exploration and production
Block 16	20.00%	Amodaimi Oil Company (sucursal)	Exploration and production
Spain			
Albatros	82.00%	Repsol Investigaciones Petrolíferas, S.A.	Development
Angula	54.00%	Repsol Investigaciones Petrolíferas, S.A.	Development
Barracuda	60.21%	Repsol Investigaciones Petrolíferas, S.A.	Production
Boquerón (6)	66.45%	Repsol Investigaciones Petrolíferas, S.A.	Production
Canarias	50.00%	Repsol Investigaciones Petrolíferas, S.A.	Exploration
Casablanca (6)	76.85%	Repsol Investigaciones Petrolíferas, S.A.	Development
Chipirón (6)	100.00%	Repsol Investigaciones Petrolíferas, S.A.	Production
Fulmar	69.00%	Repsol Investigaciones Petrolíferas, S.A.	Exploration
Gaviota I y II	82.00%	Repsol Investigaciones Petrolíferas, S.A.	Development / Production
Montanazo (6)	92.10%	Repsol Investigaciones Petrolíferas, S.A.	Development / Production
Rodaballo (6)	73.00%	Repsol Investigaciones Petrolíferas, S.A.	Production
Murcia-Siroco (6)	100.00%	Repsol Investigaciones Petrolíferas, S.A.	Exploration
Bezana Bigüenzo (6)	88.00%	Petroleum	Exploration
Calypso Este	75.00%	Repsol Investigaciones Petrolíferas, S.A.	Exploration
Calypso Oeste	75.00%	Repsol Investigaciones Petrolíferas, S.A.	Exploration
Circe	75.00%	Repsol Investigaciones Petrolíferas, S.A.	Exploration
Marismas Marino Norte	40.00%	Petroleum	Exploration
Marismas Marino Sur	40.00%	Petroleum	Exploration
Tortuga	95.00%	Repsol Investigaciones Petrolíferas, S.A.	Exploration
Casablanca Unit	68.67%	Repsol Investigaciones Petrolíferas, S.A.	Development / Production
Rodaballo Concession	65.41%	Repsol Investigaciones Petrolíferas, S.A.	Development
Morcín 1 (5)	20.00%	Petroleum Oil&Gas España	Exploration
Villaviciosa (5)	70.00%	Petroleum Oil&Gas España	Exploration
Central Nuclear de Trillo, Grupo I (5) Join asset ownership	34.50%	Iberdrola, Endesa, Hidrocarbónico	Generation of electricity
Central Nuclear de Almaraz, Grupo I y II (5) Join asset ownership	11.30%	Iberdrola, Endesa, Hidrocarbónico	Generation of electricity
Central Térmica de Anlares (5) Join asset ownership	66.70%	Endesa Generación, SA	Generation of electricity
Central Térmica de Aceca (5) Join asset ownership	50.00%	Iberdrola.	Generation of electricity
Ecuatorial Guinea			
Block C	57.38%	Repsol Exploración Guinea	Exploration
Indonesia			
Cendrawasih Bay II	50.00%	Repsol Exploracion Cendrawasih II BV	Exploration
Cendrawasih Bay III	50.00%	NIKO Resources	Exploration

Cendrawasih Bay IV	50.00%	NIKO Resources	Exploration
Seram	45.00%	Black Gold Indonesia LLC	Exploration
East Bula	45.00%	Black Gold East Bula LLC	Exploration
Kenya			
L5	20.00%	Woodside energy	Exploration
L7	20.00%	Woodside energy	Exploration
Libya			
Epsa IV NC115 (Capex)	25.20%	Akakus Oil Operations	Exploration and production
EPSA IV NC186 (Capex)	19.84%	Akakus Oil Operations	Exploration and production
Epsa IV NC115 Explorac.	40.00%	Repsol Exploracion Murzuq, S.A.	Exploration and production
Epsa IV NC186 Explorac.	32.00%	Repsol Exploracion Murzuq, S.A.	Exploration and production
EPSA 97 NC186	32.00%	Repsol Exploracion Murzuq, S.A.	Exploration and production
Pack 1	60.00%	Repsol Exploracion Murzuq, S.A.	Exploration and production
Pack 3	35.00%	Woodside Energy, N.A.	Exploration and production
Area 137	50.00%	Petrocanada Ventures (North Africa) Ltd.	Exploration and production
Morocco			
Tanger Larache (6)	88.00%	Repsol Exploración Marruecos	Exploration
Mauritania			
TA09	70.00%	Repsol Exploración	Exploration
TA10	70.00%	Repsol Exploración	Exploration
Norway			
Block PL512	25.00%	Det Norske	Exploration
Block PL541	50.00%	Repsol Exploration Norge	Exploration
Block PL557	40.00%	OMV (Norge)	Exploration
Block PL356	40.00%	Det Norske	Exploration
Oman			
Zad-2	50.00%	RAK Petroleum	Exploration
Peru			
Block 57	53.84%	Repsol Exploración Perú Sucursal del Peru	Exploration and development of Hydrocarbons
Block 39	55.00%	Repsol Exploración Perú Sucursal del Peru	Exploration of Hydrocarbons
Block 90	50.50%	Repsol Exploración Perú Sucursal del Peru	Exploration of Hydrocarbons
Block 56	10.00%	Pluspetrol Perú Corporation	Production of Hydrocarbons
Block 88	10.00%	Pluspetrol Perú Corporation	Production of Hydrocarbons
Block 76	50.00%	Hunt Oil Company of Perú LLC Sucursal del Perú	Exploration of Hydrocarbons
Block 103	30.00%	Talisman Petrolera del Perú LLC Sucursal del Perú	Exploration of Hydrocarbons
Sierra Leone			
SL6	25.00%	Anadarko, S.L.	Exploration
SL7	25.00%	Anadarko, S.L.	Exploration
Trinidad & Tobago			
Block 5B	30.00%	Amoco Trinidad Gas BV	Exploration
Venezuela			
Yucal Placer	15.00%	Repsol YPF Venezuela	Exploration and production

(1) Corresponds to the participation that the ownership company holds of the asset involved in the operation.

(2) Activities or assets operated through YPFB Andina, S.A., joint control society with a participation of the 50%.

(3) Activities or assets operated at December 31,2010, through Repsol Brasil, S.A., joint control company with a participation of the 60%.(See note 7)

(4) Activities or assets operated through Repsol Occidental Corporation, joint control company with a participation of the 25%.

(5) Activities or assets operated through Gas Natural SDG S.A., joint control company with a participation of the 30.129%.

(6) Part of the participation over the activity or asset is operated by Gas Natural SDG S.A., joint control company with a participation of the 30.129%

(7) This company changed its name to Repsol Sinopec Brasil, S.A. in February 2011.

ANEXO III. Investments and/or positions held by the members of the Board of Directors and related people in Companies with the same, similar or complementary activity than Repsol YPF, S.A.

D. Antonio Brufau Niubó

Positions:

Vice President of Gas Natural SDG, S.A. Board of Directors

Investments:

Gas Natural SDG, S.A.: 77,276 shares

Related Persons Shares:

Gas Natural SDG, S.A.: 1,035 shares

D. Isidro Fainé Casas

Investments:

Gas Natural SDG, S.A.: 108,244 shares

D. José Manuel Loureda Mantiñán

Positions:

President of Valoriza Gestión, S.A.U.

Board Member of Vallehermoso División Promoción, S.A.U.

D. Juan María Nin Génova

Positions:

Board Member of Gas Natural SDG, S.A.

Investments:

Gas Natural SDG, S.A.: 149 shares

D. Luis Suárez de Lezo Mantilla

Positions:

Board Member of Gas Natural SDG, S.A.
Board Member of Repsol – Gas Natural LNG, S.L.

Investments:

Gas Natural SDG, S.A.: 18,156 shares

Related Persons Shares:

Gas Natural SDG, S.A.: 998 shares
Iberdrola, S.A.: 333 shares

CONSOLIDATED MANAGEMENT REPORT
2011
REPSOL YPF GROUP

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish language version prevails.

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GENERAL AND ECONOMIC-FINANCIAL INFORMATION

MACROECONOMIC ENVIRONMENT

Risks dragging down growth

2011 witnessed a slow-down in the pace of economic recovery as the world attempts to drag itself out of the harshest economic crisis seen in the last seventy years. During the year, the deterioration in certain previously very clearly identified risks, coupled with the fall-out of other unforeseeable events, such as the tsunami in Japan and the confrontations in Libya, tested the resolve of the worldwide economic recovery.

World gross domestic product (GDP) climbed by roughly 3.8%, well below the growth forecast by the International Monetary Fund (IMF) at the start of the year. The most disappointing performances came from the developed economies, which faced a particularly difficult year. Following the upturn of 2010, which saw 3.2% growth in developed economies, the same nations slowed to an anemic rate of 1.6% in 2011, while projected global growth for 2012 was also slashed.

The slump in growth over the first half of 2011 can be put down to the effects that the following factors had on a still-fragile economy: the spike in inflation due to the higher prices of raw materials; the gradual phasing out of fiscal stimulus policies; the austerity measures ushered in from the end of 2010 onward throughout various European countries, and the widespread concerns over the global supply chain in the wake of the Japanese earthquake of 11 March.

As a result, employment and public income fared worse than expected, further undermining the sustainability of the weaker euro zone economies. In April, Portugal was effectively forced to seek financial aid from the IMF and the European Union (EU) to avoid bankruptcy, following in the footsteps of Greece and Ireland. To compound matters, Greece acknowledged its inability to meet the objectives laid down in its bailout package. Negotiations for a second aid package before summer ended up including a mechanism for exchanging Greek debt, forcing private creditors to accept significant debt relief measures. This precedent triggered systemic risk within the Euro Zone, while increasing pressure on other member states and the European Bank due to their heavy exposure to sovereign debt.

Confirmation that the break-up of the single European currency was actually on the cards, following the announcement of a referendum in Greece -subsequently cancelled-, caused massive turmoil within the markets, widespread adjustments in counterparty risk and further difficulties in securing financing. In response to these tensions, the main central banks from across the world joined forces to ensure the ongoing liquidity of the system.

It's worth noting that 2011 also saw somewhat improved international political coordination, thus eliminating the likelihood of a chain reaction similar to the one that followed the bankruptcy of Lehman Brothers in 2008. Having said that, measures and reforms implemented to date have been unable to predict or stem the underlying problems. This not only holds true in the case of the euro zone, for similar problems in the United States and Japan have led to downgrades in their credit rating, adding further uncertainty to the financial markets.

The Spanish economy experienced a mild slow-down in its pace of recovery from the second quarter of 2011 onward, closing the year with accumulated growth of 0.7% vs.

2010. Foreign trade once again proved decisive and while private domestic demand improved in 2011, it failed to offset the committed adjustments in government spending in an attempt to reduce the public deficit to 3% of GDP by 2013.

Another year of high volatility

Oil prices in 2011 were heavily influenced by both economic and geopolitical factors, with events materializing in two stages. Over the first half of the year, existing market inertia brought on by rallying demand from the end of 2010 was exacerbated by the added uncertainty of what it has since coined the "Arab Spring", fuel price pressures due to the risk of a supply shortage in any key exporting nation. Thus, with the market withdrawal of Libyan oil exports, and the increase in Japanese imports to address the fall-out of its natural disasters, the price of Brent crude climbed to prices not seen in over two and a half years, at 126 dollars per barrel at the start of April. Over the second half of the year, the prevailing economic and financial uncertainty in developed countries, mainly European, coupled with the gradual return of Libyan oil, caused oil prices to fall back by 13%, to stand at around 110 dollars. And they have remained at this level, albeit with considerable volatility.

Fundamentals have remained at the heart of all these economic, financial and geopolitical factors, especially in relation to the growth of emerging economies and the downward corrections for non-OPEC production. China, India, the Middle East and Brazil, among other regions, have maintained heavy demand for commodities on the path to economic growth and, as in 2010, these same regions were solely responsible for the increase in worldwide oil consumption for the year. Non-OPEC countries, on the other hand, seem incapable of stepping up production. This, combined with the steady decline in oil fields and the departure of Libyan crude due to the crisis, has meant that supply within the market remains poor, despite only limited demand.

These prevailing fundamentals produced a floor for Brent oil prices of at least 100 dollars for the year, even against a backdrop similar to the one it is seen now, characterized by serious concerns over global economic performance, with various developed economies at high risk of recession and with considerably less potential for conflict in North Africa and the Middle East.

At the close of 2011, the average price for Brent crude stood at 111 dollars per barrel. This level marks an all-time high in annual terms, exceeding prices for 2008 by 12.7 dollars. Another important point to note is that when translated to euros, the current average for Brent oil stands at 80 euros per barrel, more precisely 12.5 euros above the figure for 2008. The scenarios are different. Now, with the euro weakened by the public debt problems plaguing various countries, inflationary pressure can do more damage in Europe. In turn, the average price for West Texas Intermediate (WTI) stood at 95 dollars per barrel, 5 dollars below the same figure for 2008. The differing showings from Brent and WTI can largely be put down to the latter's decoupling from the international markets. The spread between the two benchmarks has widened, with WTI trailing Brent by 29 dollars according to daily trading figures. Lying behind this widening is the continuing excess supply of crude at Cushing, Oklahoma -WTI distribution hub- and the crisis in Libya, which has had a greater impact on Europe. By year-end, the spread had returned to 11 dollars in Brent's favor, although the average yearly difference still exceeded 16 dollars.

THE GROUP'S ACTIVITIES

The Group's activities are divided into five business areas, which correspond to the main divisions in its organizational structure:

- Three strategic integrated activities, including the operations undertaken by the Group's companies (except YPF and Gas Natural Fenosa) in the following areas:
 - Upstream, relating to the exploration and production of oil and natural gas;
 - LNG, relating to midstream operations (liquefaction, transport and regasification) of natural gas and marketing operations for natural gas and liquefied natural gas; and
 - Downstream, corresponding to refining and marketing involving oil products, chemicals, and liquefied petroleum gas.
- Two holdings in strategic companies:
 - YPF, which includes the operations of YPF S.A. and its Group companies in all of the aforementioned activities; as of 31 December 2011, the Group owned 57.43% of YPF, S.A., which is included in the Group's financial statements through full consolidation; and
 - Gas Natural Fenosa, which mainly engages in natural gas marketing and the generation, distribution, and marketing of electricity; as of 31 December 2011, the Group owned 30.01% of Gas Natural Fenosa, which is included in the Group's financial statements through proportional consolidation.

HORIZON 2014 PLAN

In February 2011, the company presented updated key economic figures under the Horizon 2014 Plan to the markets, confirming the ongoing validity and effect of its main strategic lines:

- Upstream: driving company growth
 - Repsol's presence in geographical areas with a high exploration potential and its recognized ability for deepwater exploration has transformed the company into one of the energy companies with the best growth prospects.
 - The investment strategy will be based on a solid portfolio of strategic projects: the exploitation of those already in operation and making progress on those projects in the delineation or development phase. The company will continue to pursue its commitment to organic growth and for exploration activities in new areas of interest for the Group, occasionally harnessing opportunities for inorganic growth that offer value and help strengthen the portfolio.
 - The development of these projects will increase annual oil production in the Upstream area by between 3 and 4% until 2014, and even further up

to 2019, with an estimated reserves replacement ratio in excess of 110%.

- Downstream: optimizing and improving profitability
 - In the fourth quarter of 2011, the extensions and upgrades to the Bilbao and Cartagena refineries were completed within the envisaged term and on budget. The upgraded facilities will enable the company to improve operating margins and consolidate its position of leadership in the business within Spain.
 - The excellent position developed by Repsol's Downstream business will allow the company to capitalize on the economic recovery, thereby obtaining solid cash flow generation for the Group.
- YPF: capturing the company's hidden value
 - YPF is a leading company in Argentina, a growing market that offers plenty of business opportunities. The energy transition that is taking place in the country towards international prices and the strict management of investments and costs will allow the company to reach its growth goal in results and dividends.
- Gas Natural Fenosa: a leader in the gas and electricity convergence industries
 - Creation of a leading integrated gas and electricity company, which will ensure steady cash flow generation for the Group.

The keys for generating value in the various businesses and strict financial discipline will enable the Group to reach the Plan's ultimate goal: maximizing the value created for the stockholder.

During 2011, the Horizon 2014 Plan benefitted from operating investments of €6,472 million to help it achieve this goal. The main initiatives during the financial year involved delineating the large exploratory discoveries (in Brazil, Peru, Venezuela and the United States); completion and start-up of the refining projects in Spain (Cartagena and Bilbao); Upstream exploration (Bolivia, Brazil, Sierra Leone, Liberia, Guyana, Norway and Peru); and the efficient operation of Repsol's production assets.

The discoveries made over recent years and the acquisition of new mining rights have laid the foundations for generating future growth.

Moreover, the Group has tapped into a number of opportunities for inorganic growth to provide added value, particularly in the short term, by increasing its weighting of assets in producing countries that pose lower levels of risk:

- In Russia, the company signed a memorandum of understanding with Alliance Oil Company for oil and gas production and exploration and also acquired the company Eurotek, with exploratory assets in an advanced state of development and delineation.
- In the United States, exploratory blocks were acquired in the oil-rich North Slope basin in Alaska, while a joint venture agreement was signed with the North American company SandRidge Energy for the exploration and production of blocks rich in unconventional oil and gas in the Mississippian Lime oil play.

The Group's investee companies made progress in their respective strategic lines over the course of 2011:

- YPF, bolstered by the recovery of prices in Argentina, is focusing on the exploitation of mature fields (mainly through improvement of the recovery

factor), while making advances in commercial management, streamlining operations and exploring the potential of unconventional resources.

- Gas Natural Fenosa is materializing the synergies flowing from the acquisition and integration of Unión Fenosa, while effectively managing the debt levels resulting from the transaction.

RESULTS

The Group's results for 2011 and 2010 are as follows:

Millions of euros	2011	2010
OPERATING INCOME	4,805	7,621
Upstream	1,413	4,113
LNG	386	105
Downstream	1,207	1,304
YPF	1,231	1,453
Gas Natural Fenosa	887	881
Corporate and adjustments	(319)	(235)
FINANCIAL RESULT	(822)	(1,008)
Net income of companies accounted for using the equity method	75	76
NET INCOME BEFORE TAX	4,058	6,689
Income tax	(1,514)	(1,742)
CONSOLIDATED NET INCOME FOR THE YEAR	2,544	4,947
Net income attributable to minority interests	(351)	(254)
NET INCOME ATTRIBUTABLE TO THE PARENT	2,193	4,693

Repsol YPF's net income for 2011 stood at €2,193 million. Operating income was €4,805 million, while EBITDA amounted to €8,440 million. Earnings per share were 1.80 euros.

In 2010, net income amounted to €4,693 million, while operating income and EBITDA stood at €7,621 million and €9,196 million, respectively. The agreement reached with China Petroleum & Chemical Corporation (Sinopec) for the joint development of exploration and production projects in Brazil had a marked effect on results for the year. Following the deal, Repsol holds a 60% stake in Repsol Sinopec Brasil, while Sinopec holding the remaining 40%. The agreement ensures financing for the development and subsequent exploitation of the discoveries in Brazil, in particular Guar, Carioca and Panoramix, with the estimated market value of these assets exceeding \$10.6 billion.

Operating income for the Upstream area (Exploration and Production) moved from €4,113 million in 2010 to €1,413 million at 31 December 2011. The result for 2010 includes €2,847 million in capital gains stemming from the agreement signed between Repsol and Sinopec. Leaving aside these capital gains and the asset impairment variation reported for both years (see note 9 to the Consolidated Financial Statements), income for the Upstream area in 2011 shrunk, largely on account of the drop in production due suspended operations in Libya for sizeable part of the year, coupled with the impact on income of the depreciation of the dollar against the euro, all this mitigated by the higher international crude oil and gas prices over the year and the lower exploration costs.

The Liquefied Natural Gas (LNG) business posted profits of €386 million in 2011, up €281 million on figures for 2010, largely on the back of larger LNG volumes (the LNG Peru plant having been operational since June 2010) and LNG marketing margins in 2011.

Operating income in the Downstream division was €1,207 million, compared to the €1,304 million in the previous year. This drop in profit can largely be explained by the reduced margins reported by the Refining business, as well as by the lower volumes in Commercial business, as a result of the economic crisis, despite a better showing from Chemicals in the first half of the year and the better results from the Trading division.

YPF ended 2011 with operating profit of €1,231 million, down 15.3% on the €1,453 million posted in 2010. The difference is mainly due to the effect that the strikes have had on crude oil production, cost inflation, and the temporary suspension of the Petróleo Plus program (see note 2 in the 2011 Consolidated Financial Statements). The rise in income resulting from fuel sales at service stations and domestic products with prices linked to international prices were unable to offset these negative effects.

Repsol's 30% stake in Gas Natural Fenosa generated operating income of €887 million, in line with the same figure for 2010.

The consolidated Group reported a net financial result of minus €822 million in 2011, in comparison with the minus €1,008 million a year earlier. The difference is primarily due to lower net interest expense on borrowings, mainly on account of the larger average balances of financial investments associated with higher rates of return.

Corporate income tax totaled €1,514 million, with an effective tax rate of 38.0% (vs. 26.3% in 2010, with this unusually low rate resulting from the unusual transactions carried out during the year, such as the agreement with Sinopec, sale of Refap and CLH, etc.).

FINANCIAL OVERVIEW

At year-end 2011, Repsol YPF holds a solid financial position.

The Group's net financial debt excluding Gas Natural Fenosa, meaning without taking into account the proportional integration of the figures corresponding to this company, was €6,775 million as of 31 December 2011, compared to the €1,697 million reported in the previous period, reflecting the impact of the purchase of treasury shares for 10% of Repsol YPF, S.A. share capital on 20 December 2011 for the sum of €2,572 million, and for the amortization on 8 February 2011 of the preference shares issued by Repsol International Capital for a nominal value of 725 million dollars. As subsequent events,

half of the treasury shares purchased on 20 December were sold on 11 January 2012. Taking preference shares into account, net financial debt ex Gas Natural Fenosa amounted to €9,775 million at 31 December 2011, in comparison to the €5,265 million at 31 December 2010.

The Group's liquidity position ex Gas Natural Fenosa amounted to €5,989 million at year-end (including undrawn credit lines), despite the transactions described above. Furthermore, this liquidity was further increased in January 2012 due to sale of the aforementioned treasury stock, combined with a €750 million bond issue.

The Group's consolidated net financial debt at year-end 2011 stood at €11,663 million, compared to the €7,224 million for 31 December 2010. Taking preference shares into account, net financial debt at year-end 2011 amounted to €14,842 million, vs. €10,972 million at 31 December 2010.

During 2011, payments on investments reached €6,255 million. For more detailed information on operating investments by business area, please head to the relevant section of this Consolidated Management Report covering the business area in question.

In relation to the section on divestments, it is worth mentioning the major divestments carried out by Gas Natural Fenosa.

It is worth mentioning the sale of 88,011,085 shares in YPF (representing a 22.38% stake in the company) and the decision of the Petersen Group to exercise its 10% call option. This sale was partly implemented by means of a loan of \$626 million by Repsol to the Petersen Group.

The shares of Repsol YPF, S.A. are listed on the continuous market of the Spanish stock markets (Madrid, Barcelona, Bilbao and Valencia) and of Buenos Aires (*Bolsa de Comercio de Buenos Aires*). Up until 4 March 2011, the shares were quoted on the New York Stock Exchange as American Depositary Shares (ADS), and have been listed on the OTCQX market since 9 March 2011.

Dividends paid by Repsol YPF to its shareholders over 2011 amounted to €1,282 million, corresponding to an interim dividend on earnings for fiscal year 2010 of 0.525 euros per share, as paid in January 2011, and a final dividend for 2010, also of 0.525 euros per share, paid in July 2011. Furthermore, the Board of Directors adopted a resolution on 30 November 2011 to allocate an interim dividend on earnings for 2011 of 0.5775 euros per share, marking a 10% increase on the interim dividend for 2010, paid on 10 January 2012.

As previously stated, on 20 December 2011, Repsol acquired a total of 122,086,346 treasury shares, representing 10% of its share capital and at a nominal value of one euro per share, in furtherance of the resolution adopted unanimously at the Board of Directors meeting held on 18 December. The decision to acquire the stock was reached after receiving news that the creditor banks of Sacyr Vallehermoso had decided not to renew the credit facility previously awarded to the company in order to acquire 20% of the capital of Repsol, or to condition partial refinancing on the sale of 10% in Repsol. This package was acquired at a price of 21.066 euros per share.

In 2011, Repsol YPF acquired an additional 6,685,499 treasury shares, representing 0.55% of the share capital and at a nominal value of one euro per share, for a value of €125 million. The aforementioned shares were sold for a gross cash amount of €140 million, entailing capital gains of €15 million, allocated to "Other reserves".

Moreover, and within the framework of the Share Acquisition Plan approved at the ordinary Annual General Meeting of 15 April 2011, the company purchased a total of 298,117 shares in Repsol YPF, S.A., representing 0.024% of its share capital, the cost of which amounted to €6.6 million, delivered to Group employees in accordance with the aforementioned Plan.

The aforementioned acquisitions were carried out by virtue of the powers that the Annual General Meeting of 30 April 2010 vested in the Board of Directors, authorizing "the derivative acquisition of shares in Repsol YPF, S.A., on one or more occasions, by purchase, swap or any other transaction for valuable consideration, directly or through subsidiaries, up to a maximum number of shares which, added to those already held by Repsol YPF, S.A. and its subsidiaries, does not exceed 10% of share capital of the company and for a price or equivalent value that may not be lower than the nominal value of the shares, nor exceed their quoted price on the stock market".

The authorization remains valid for five years running from the date of the Annual General Meeting, rendering null and void, the authorization conferred by the previous Annual General Meeting held on 14 May 2009, in relation to any part thereof that had not been used.

At 31 December 2011, the treasury shares held by Repsol YPF and Group companies represented 10% of its total share capital.

Financial prudence

Repsol YPF keeps, in line with its prudence financial policy, sufficient available cash resources and other net financial instruments, including undrawn credit lines, to cover the debt maturities for at least the next two years, and covering 49% of its entire gross debt and 41% of same including preference shares. In the case of Repsol YPF ex Gas Natural Fenosa, these same resources cover 55% of gross debt and over 43% including preference shares.

Financial investments included under the headings of Note 12 to the Consolidated Financial Statements as "Other financial assets at fair value through profit and loss", "Loans and receivables" and "Held-to-maturity investments" (which include cash and cash equivalents) amount to €5,137 million, €4,129 million of which correspond to Repsol YPF, without including Gas Natural Fenosa. The Group has also committed, unused lines of credit at its disposal for an amount of €4,225 million (excluding Gas Natural Fenosa), down from the €4,666 million at the end of 2010 (excluding Gas Natural Fenosa). For the consolidated Group as a whole, the amount in committed, unused credit lines was €5,482 and €5,690 million as of 31 December 2011 and 2010, respectively, 80% of which falls due after 31 December 2012.

Accordingly, net debt and the net debt to capital employed ratio, in which capital employed refers to net debt plus net equity, provide a true and fair view of the volume of necessary borrowings and their relative weighting in the funding of capital employed in transactions.

Millions of euros, except ratios	31 December			
	Consolidated Group		Consolidated Group ex Gas Natural Fenosa	
	2011	2010	2011	2010
I Net debt	11,663	7,224	6,775	1,697
II Preference shares	3,179	3,748	3,000	3,568
III Net debt, including preference shares	14,842	10,972	9,775	5,265
IV Capital employed	41,885	36,958	36,329	30,777
Net debt to capital employed (I/IV)	27.8%	19.5%	18.6%	5.5%
Net debt, including preference shares, / capital employed (III/IV)	35.4%	29.7%	26.9%	17.1%

At year-end 2011, the Group's net debt to capital employed ratio (excluding Gas Natural Fenosa) stood at 18.6% versus 5.5% reported at the end of the previous year. Taking preference shares into account, the same ratio stood at 26.9%, versus the 17.1% reported at year-end 2010. These ratios have increased by 7% due to the impact of the one-off transaction to acquire 10% of treasury stock.

The net debt to capital employed ratio for the consolidated Group at year-end 2011 stood at 27.8%, in comparison to 19.5% at 31 December 2010. Taking preference shares into account, this same ratio stood at 35.4% vs. 29.7% for 2010.

The following table provides a breakdown of changes in net financial debt during the 2011 and 2010 financial years:

Millions of euros	Consolidated Group		Consolidated Group ex Gas Natural Fenosa	
	2011	2010	2011	2010
Net debt at the beginning of the period	7,224	10,928	1,697	4,905
EBITDA	(8,440)	(9,196)	(7,014)	(7,688)
Variation in trade working capital	2,239	1,693	1,708	1,316
Investments (1)	6,207	5,091	5,547	4,468
Divestments (2)	(1,004)	(4,483)	(91)	(3,804)
Dividends paid (including affiliates)	1,686	806	1,649	759
Treasury stock transactions	2,557	-	2,557	-
Currency translation differences	13	617	11	535
Disposals of holdings in companies without loss of control	(2,327)	(489)	(2,327)	(489)
Taxes paid	1,784	1,627	1,690	1,490
Changes in consolidation perimeter (3)	71	(372)	(9)	(395)
Redemption of US preference shares	535	-	535	--
Interest and other movements	1,118	1,002	822	600
Net debt at year-end	11,663	7,224	6,775	1,697

- (1) There were financial investments of €48 and €15 million for the consolidated Group in 2011 and 2010, respectively, that do not appear in the above table.
- (2) Similarly, there were financial divestments of €39 and €88 million for the consolidated Group in 2011 and 2010, respectively, that do not appear in the above table. In addition, it should be pointed out that divestment by Gas Natura Fenosa in Arrúbal combined cycle in 2011 included financing terms for the buyer.
- (3) Relates in 2010 to the deconsolidation of Refap's debt.

Below is a breakdown of Repsol YPF's current credit rating:

	Standard & Poor's	Moody's	Fitch
Short-term debt	A-2	P-2	F-2
Long-term debt	BBB	Baa1	BBB+

RISK FACTORS

Repsol YPF's operations and results are subject to risks resulting from changes in competitive, economic, political, legal, regulatory, social, industrial, business, and financial conditions, which investors should take into account.

Future risk factors, either unknown or not currently flagged as relevant by Repsol YPF, could also affect the company's business, results and financials.

OPERATIONAL RISKS

The uncertainty of the economic context. The worsening of the debt crisis within the Euro Zone has forced the global economy along a tight path requiring reforms to prevent the worldwide economy from deteriorating further. The slowing pace of growth of the global economy could stir up social tension and tempt states to resort to protectionism. Likewise, nagging pressure on the sustainability of public accounts in advanced economies is continuing to exert much pressure on the credit markets, and could lead to tax reforms or changes in the regulatory framework governing the oil and gas industry. Lastly, the economic and financial situation could have negative effects on the current or future third-party business partners of Repsol YPF. Any of the factors described above, whether occurring together or alone, could have an adverse impact on the financial situation, business or operating results of Repsol YPF.

International benchmark crude oil prices and demand for crude oil may fluctuate due to factors beyond Repsol YPF's control. World oil prices have fluctuated widely over the last ten years and are driven by international supply and demand factors over which Repsol YPF has no control. The world oil market and oil prices are swayed heavily by political developments throughout the world (especially in the Middle East); the evolution of stocks of oil and derivatives; the circumstantial effects of climate changes and meteorological phenomena, such as storms and hurricanes (particularly prevalent over the Gulf of Mexico); spiking demand in countries with strong economic growth, such as China and India; major world conflicts, as well as the political instability and threat of terrorism that periodically affect certain producing areas, and also the risk

that the supply of crude oil may become a political weapon. In 2011, Brent crude oil prices averaged 111.26 dollars per barrel, as opposed to an average of 63.69 dollars per barrel reported over the 2002-2011 period. Over this ten-year period, the maximum average annual price was the 111.26 dollars per barrel reported in 2011, while the minimum average annual price was 25.02 dollars in 2002. In 2011, the price range for crude oil (Brent) floated between roughly 94 and 126 dollars per barrel.

International crude oil prices and demand for crude oil may also fluctuate significantly during economic cycles.

Reductions in oil prices negatively affect Repsol YPF's profitability, the value of its assets and its plans for capital investment, including projected capital expenditures related to exploration and development activities. Similarly, a significant drop in capital investment could negatively affect Repsol YPF's ability to replace its crude oil reserves.

Repsol YPF's operations are subject to regulation. The oil industry is subject to extensive regulation and intervention by governments throughout the world in such matters as the award of exploration and production interests, the imposition of specific drilling and exploration obligations, restrictions on production, price controls, required divestments of assets, foreign currency controls and nationalization, expropriation or cancellation of contractual rights. Such legislation and regulations apply to virtually all aspects of Repsol YPF's operations both inside and outside Spain. In addition, the legislation of certain countries envisages the imposition of sanctions on non-domestic companies that make certain investments in other countries. In addition, the terms and conditions of the agreements governing Repsol YPF's oil and gas interests generally reflect the regulatory framework of the country in question and/or negotiations held with governmental authorities, and therefore vary significantly by country and even from one area to another within the same country. These agreements generally take the form of licenses or production sharing agreements. Under license agreements, the license holder finances and bears the risk of the exploration and production activities in exchange for the resulting production, if any. Moreover, part of the production may have to be sold to the state or the state-owned oil company. License holders are generally required to make certain tax or royalty payments and pay income tax on their production, which can be high when compared with the taxes paid by other businesses. Production sharing agreements, on the other hand, generally require the contractor to finance the exploration and production activities in exchange for recovering its costs from part of production (cost oil), while the remainder of production (profit oil) is shared with the state-owned oil company.

Repsol YPF cannot predict changes in the aforementioned laws or how they will be interpreted, nor can it foresee the implementation of specific policies.

Repsol YPF is subject to extensive environmental regulations and risks. Repsol YPF is subject to extensive environmental laws and regulations in practically all the countries in which it operates, which regulate, among other matters affecting Repsol YPF's operations, environmental quality standards for products, air emissions and climate change, energy efficiency, water discharges, remediation of soil and groundwater and the generation, storage, transportation, treatment and final disposal of waste materials.

In particular, and due to concerns over the risk of climate change, a number of countries have adopted, or are looking into adopting, new regulatory requirements to reduce greenhouse gas emissions, such as carbon taxes, increasing efficiency standards, or adopting emissions trading schemes. These requirements could make Repsol YPF's products more expensive as well as shift hydrocarbon demand toward relatively lower-carbon sources, such as renewable energies. In addition, compliance

with greenhouse gas regulations may also require the company to upgrade its facilities, monitor or sequester emissions or take other actions that may increase the cost of compliance.

These laws and regulations have had and will continue to have an impact on Repsol YPF's business, financial situation and results of operations.

Operating risks related to exploration and exploitation of oil and gas, and reliance on the cost-effective acquisition or discovery of, and, thereafter, development of new oil and gas reserves. Oil and gas exploration and production activities are subject to particular risks, some of which are beyond the control of Repsol YPF. These activities are exposed to production, equipment and transportation risks, natural hazards and other uncertainties relating to the physical characteristics of oil and natural gas fields. The operations of Repsol YPF may be curtailed, delayed or cancelled as a result of weather conditions, technical difficulties, delays in the delivery of equipment or compliance with administrative requirements. In addition to this, some of our development projects are located in deep waters and other difficult environments, such as the Gulf of Mexico, Brazil and the Amazon rainforest, or in complex oilfields, which could aggravate these risks further. Offshore operations, in particular, are subject to maritime risks, among them storms and other adverse meteorological conditions, or shipping collisions. Also, the transportation of oil products, by any means, always has inherent risks: during road, rail or sea transport, or by pipeline, oil or another hazardous substances could leak; this is a significant risk due to the potential impact a spill could have on the environment and on people, especially considering the high volume of products that can be carried at any one time. Should these risks materialize, Repsol YPF may suffer major losses, interruptions to its operations and harm to its reputation.

Moreover, Repsol YPF must replace depleted oil and gas reserves with new proven reserves in a cost-effective manner that enables subsequent production to be economically viable. Repsol YPF's ability to acquire or discover new reserves is, however, subject to a number of risks. For example, drilling may involve negative results, not only with respect to dry wells, but also with respect to wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs are taken into account. In addition, crude oil and natural gas production blocks are typically auctioned by governmental authorities and Repsol YPF faces intense competition in bidding for such production blocks, in particular those blocks offering the most attractive potential reserves. Such competition may result in Repsol YPF's failing to obtain desirable production blocks, or otherwise acquiring them at a higher price, which could render subsequent production economically unviable.

If Repsol YPF fails to acquire or discover, and, thereafter, develop new oil and gas reserves in a cost-effective manner, or if any of the aforementioned risks materializes, its business, results of operations and financial condition could be materially and adversely affected.

Location of reserves. Part of the oil and gas reserves are located in countries that are or could be economically or politically unstable.

Reserves in these areas as well as related production operations may be exposed to risks, including increases in taxes and royalties, the establishment of limits on production and export volumes, the compulsory renegotiation or cancellation of contracts, the nationalization or denationalization of assets, changes in local government regimes and policies, changes in business customs and practices, payment delays, currency exchange restrictions and losses and impairment of operations due to the actions of insurgent groups. In addition, political changes may

lead to changes in the business environment. Economic downturns, political instability or civil disturbances may disrupt the supply chain or limit sales in the markets affected by such events.

In 2011, Libya became embroiled in a belic conflict. As a result, Group production in the country was suspended on 5 March 2011 and gradually resumed towards the end of the year. At 31 December 2011, 0.9% of the total consolidated assets of Repsol YPF were located in Libya, relating primarily to oil and gas exploration and production activities. Likewise, Libya accounted for 1.2% of the Group's total annual oil and gas production for 2011 (4.5% in 2010).

Oil and gas reserves estimation. In calculating proven oil and gas reserves, Repsol YPF relies on the guidelines and the conceptual framework of the Securities and Exchange Commission's (SEC) definition of proven reserves and on the criteria established by the Petroleum Reserves Management System of the Society of Petroleum Engineers (PRMS-SPE). Under these rules, proven oil and gas reserves are those reserves of crude oil, natural gas or natural gas liquids for which, after analyzing geological, geophysical and engineering data, have a reasonable certainty of being produced -from a given date, from known reservoirs and under existing economic conditions, existing technology and existing government regulation- prior to the termination of the contracts whereby the corresponding operational rights were awarded, and regardless of whether probabilistic or deterministic approaches were used to arrive at the estimate. The project to extract the gas or oil must have started, or otherwise the operator must be reasonably certain that the project will commence within a reasonable timeframe.

The accuracy of these estimates depends on a number of different factors, assumptions and variables, some of which are beyond the company's control. Factors that fall within the company's control include: drilling, testing and production after the date of the estimate, which may entail substantial upward or downward corrections in the estimate; the quality of available geological, technical and economic data used and the interpretation and valuation thereof; the production performance of reservoirs and recovery rates, both of which depend in significant part on available technologies as well as the company's ability to implement such technologies and the relevant know-how; the selection of third parties with which Repsol YPF conducts business; and the accuracy of initial estimates of existing hydrocarbons in place at a given reservoir, which may prove to be incorrect or require substantial revisions. On the other hand, factors mainly beyond Repsol YPF's control include changes in prevailing oil and natural gas prices, which could impact on the quantities of proven reserves (since estimates of reserves are calculated under existing economic conditions when such estimates are made); changes in prevailing tax rules, other government regulations and contractual conditions after the date estimates are made (which could render reserves economically unviable to exploit); and certain actions of third parties, including the operators of fields in which the Group has an interest.

As a result of the foregoing, measures of reserves are not precise and are subject to revision. Any downward revision in estimated quantities of proven reserves could adversely impact company results, leading to increased depreciation, depletion and amortization charges and/or impairment charges, which would reduce earnings and shareholders' equity.

Repsol YPF's natural gas operations are subject to particular operational and market risks. Natural gas prices tend to vary between the different regions in which Repsol YPF operates as a result of significantly different supply, demand and regulatory circumstances, and such prices may be lower than prevailing prices in other regions of the world. In addition, excess supply conditions that exist in some regions

cannot be utilized in other regions due to a lack of infrastructure and difficulties in transporting natural gas.

In addition, Repsol YPF has entered into long-term contracts to purchase and supply natural gas in various parts of the world. These contracts have different price formulas, which could result in higher purchase prices than the price at which such gas could be sold in increasingly liberalized markets. Furthermore, gas availability could be subject to the risk of counterparties breaching their contractual obligations. Thus, it might be necessary to look for other sources of natural gas in the event of non-delivery from any of these sources, which could require payment of higher prices than those envisaged under the breached contracts.

Repsol YPF also has long-term contracts to sell and deliver gas to clients, mainly in Argentina, Bolivia, Brazil, Chile, Venezuela, Spain and Mexico. These contracts present additional types of risks to the company as they are pegged to existing proven reserves in Argentina, Bolivia, Venezuela, Trinidad and Tobago and Peru. Should available reserves in those countries prove insufficient, Repsol YPF might not be able to satisfy its obligations under these contracts, some of which include penalty clauses for breach of contract.

Conditions in the petrochemicals industry are cyclical. The petrochemicals industry is subject to wide fluctuations in supply and demand, reflecting the cyclical nature of the chemicals market on a regional and global scale. These fluctuations affect the prices and profitability of petrochemicals companies, including Repsol YPF. Repsol YPF's petrochemicals business is also subject to extensive governmental regulation and intervention in such matters as safety and environmental controls.

Significant presence in Argentina. Nearly 20% and 19% of Repsol YPF's assets were located in Argentina as of 31 December 2011 and 2010 respectively, corresponding for the most part to exploration and production activities. These assets relate primarily to YPF, S.A. and subsidiary companies. At year-end 2011, the Group's holding in YPF, S.A. stood at 57.43%. In addition, business in Argentina accounted for approximately 28% and 20% of operating income as of 31 December 2011 and 2010 respectively.

After the economic crisis of 2001 and 2002, Argentina's GDP has grown at an average rate of approximately 8.5% from 2003 to 2008, slowing down in 2009 due to the international financial crisis. After a recovery process initiated in 2010, effective growth stood at roughly 9% for 2010 and, according to preliminary figures, a higher figure for 2011. The Argentinean economy is still sensitive to volatile commodities prices, limited credit and international investment in infrastructure, the development of energy resources supporting economic growth and rising inflation rates, among other factors.

The main economic risks facing Repsol YPF due to its operations in Argentina include the following:

- limitations on its ability to reflect in local prices increases in international oil prices and other fuels, exchange rate fluctuations and/or other costs affecting operations;
- restrictions on hydrocarbon export volumes, driven mainly by the requirement to satisfy domestic demand, thereby affecting the company's prior arrangements with its clients;
- the need to extend concessions, some of which are due to expire in 2017;
- work disruptions and union-agreed strikes;

- eventual modifications to the current regulatory framework through the adoption of government measures and/or legal changes that could affect Group operations and their projected profitability (rise in hydrocarbon export taxes; establishment of tariffs on the purchase of services or goods that are necessary to develop the activities; renegotiation or cancellation of contracts; changes in policies affecting trade or investment; etc.)
- changes in the Argentinean peso exchange rate and restrictions on accessing the exchange market, both for discharging obligations and paying dividends abroad;

Duties on hydrocarbon exports have been increased over recent years (see note 2, "Argentina - Regulatory Framework", in the Consolidated Financial Statements for 2011). As a result of these export tax increases, YPF could be, and on certain occasions has been, forced to renegotiate its export contracts despite having been approved by the Argentinean government. The imposition of these export withholdings has had an adverse impact on the operating income of YPF.

In addition, YPF has been obliged to sell a part of its natural gas production previously destined for the export market in the local Argentine market and has therefore been unable to meet its contractual gas export commitments in whole or, in some cases, in part, leading to disputes with its export clients and forcing YPF to claim force majeure under its export sales agreements. Repsol YPF believes that these actions from the government constitute force majeure events that relieve YPF from any contingent liability for the failure to comply with its contractual obligations.

Repsol YPF's current insurance coverage for all the operational risks may not be sufficient. As discussed in several of the risk factors mentioned in this document, Repsol YPF's operations are subject to extensive economic, operational, regulatory and legal risks. The company holds insurance covering against certain risks inherent in the oil and gas industry in line with industry practice, including loss or damage to property and equipment, control-of-well incidents, loss of production or income incidents, removal of debris, sudden and accidental seepage, pollution, contamination, clean-up costs, and claims for damages brought by third parties, including personal injury and loss of life, among other business risks. Moreover, insurance coverage is subject to deductibles and limits that in certain cases may be materially exceeded by its liabilities. In addition, Repsol YPF's insurance policies contain exclusions that could leave the Group with limited coverage in certain events. On the other hand, the company may not be able to maintain adequate insurance at rates or on terms considered reasonable or acceptable, or be able to obtain insurance against certain risks that could materialize in the future. If the company experiences an incident against which it is not insured, or the costs of which materially exceed its coverage, it could have a material adverse effect on its business, financial condition and results of operations.

FINANCIAL RISKS

Group business is exposed to different kinds of financial risk, including:

Liquidity risk. Liquidity risk is associated with the Group's ability to finance its obligations at reasonable market prices, as well as being able to carry out its business plans with stable financing sources.

See chapter on liquidity under the "Financial Prudence" section of this report.

Credit risk. The exposure of the Group to credit risk is mainly attributable to commercial debts from trading transactions, which are measured and controlled in relation to the customer or individual third party. The Group has its own systems for the permanent credit evaluation of all its debtors and the determination of risk limits with respect to third parties, in line with best practices.

As a general rule, the Group establishes a bank guarantee issued by financial entities as the most suitable instrument of protection from credit risk. In some cases, the Group has taken out credit insurance policies to transfer partially the credit risk related to the commercial activity of some of its businesses to third parties.

Market risk

• **Exchange rate fluctuation risk.** Repsol YPF is exposed to fluctuations in currency exchange rates since revenues and cash flows generated by oil, natural gas, and refined product sales are generally denominated in dollars or otherwise affected by dollar exchange rates. Operating income is also exposed to fluctuations in currency exchange rates in countries where Repsol YPF conducts its activities. Repsol YPF is also exposed to exchange risk in relation to the value of its financial assets and investments, predominantly those denominated in US dollars. In order to mitigate the exchange rate risk on results, and when it deems appropriate, Repsol YPF may hedge with derivatives in relation to those currencies for which there is a liquid market and where transaction costs are reasonable.

In addition, Repsol YPF's financial statements are expressed in euros and, consequently, the assets and liabilities of investee companies with a different functional currency are translated into euros at the exchange rate prevailing on the balance sheet date. The revenues and expenses of each of these items in the profit and loss accounts are translated into euros by applying the exchange rate in force on the date of each transaction; for practical reasons, the exchange rate used is, in general, the average of the period in which the transactions were made. Fluctuations in the exchange rates applied in the process for converting the currencies into euros generate variations (gains or losses), which are recognized in the Repsol YPF Group consolidated financial statements and expressed in euros.

• **Commodity price risk.** In the normal course of operations and trading activities, Repsol YPF Group earnings are exposed to volatility in the price of oil, natural gas, and related derivative products (see the previous section "Possible fluctuations in international benchmark oil prices and oil demand due to factors beyond the control of Repsol YPF" and "Operational and market risks affecting Repsol YPF's activities in the natural gas industry").

• **Interest rate risk.** The market value of the Group's net financing and net interest expenses could be affected by interest rate fluctuations.

Note 20 "Financial risk and capital management" and Note 21 "Derivative transactions" in the Consolidated Financial Statements for financial year 2011 include additional details on the financial risks described in this section.

BUSINESS AREAS

The Group's main operating highlights are shown below:

	2011	2010
Upstream:		
Oil and gas net production (1)	109,059	125,653
LNG:		
Production of liquefaction trains (2) (3)	5.4	5.1
LNG sold (3)	11.0	6.7
Downstream:		
Refining capacity (4)	998	878
Europe (5)	896	776
Rest of the World	102	102
Crude oil processed (6) (7)	31.5	34.4
Europe	27.9	28.7
Rest of the World	3.6	5.7
Number of service stations	4,506	4,447
Europe	4,211	4,182
Rest of the World	295	265
Oil product sales (6) (8)	37,805	38,613
Europe	33,548	32,429
Rest of the World	4,257	6,184
Petrochemical product sales (8)	2,659	2,618
By region:		
Europe	2,312	2,263
Rest of the World	348	355
By product:		
Base products	889	874
Derivative petrochemicals	1,770	1,744
LPG sales (8)	3,033	3,108
Europe	1,486	1,680
Rest of the World	1,547	1,428
YPF:		
Oil and gas net production (1) (9)	180,700	197,442
Refining capacity (4) (10)	333	333
Processed crude oil (7) (10)	14.7	15.4
Number of service stations (11)	1,557	1,653
Oil product sales (8) (10)	14,144	14,146
Petrochemical product sales (9)	1,639	1,563
LPG sales (8) (10)	456	422
Natural gas sales (3)	12.3	14.0
Gas Natural Fenosa:		
Natural gas distribution sales (12) (13)	395,840	411,556
Electricity distribution sales (12) (13)	54,067	54,833

(1) Thousands of barrels of oil equivalent (kboe).

(2) Including liquefaction train production according to their shareholding. Trinidad [Train 1 (20%), Trains 2 and 3 (25%), Train 4 (22.22%)]; Peru LNG (20%). Of this production, 3.2 bcm in 2011 and 2.8 bcm in 2010 belong to companies consolidated in the Repsol Group through the equity method.

- (3) Billions of cubic meters (bcm).
- (4) Thousand barrels per day (kbbl/d).
- (5) The reported capacity includes the shareholding in ASES.A.
- (6) The 2010 information includes Refap's 30% (Brazil) until it was sold in December 2010.
- (7) Millions of tons.
- (8) Thousands of tons.
- (9) The data shown is for Argentina, except the net hydrocarbon production of 718 and 777 thousand of barrels of oil equivalent (kboe) in 2011 and 2010, respectively, which is reflected in United States data.
- (10) Including 50% shareholding in Refinerías del Norte, S.A. ("Refinor").
- (11) Including 50% of "Refinor" service stations.
- (12) Including 100% of reported Gas Natural Fenosa sales, even though Repsol YPF had a 30.01% share in Gas Natural at 31 December 2011 and 30.13% at 31 December 2010, accounted for through proportional consolidation.
- (13) Gigawatts per hour (GWh).

Abbreviations used for units of measurement

"bbl".....	Barrels
"bcf".....	Billion cubic feet
"bcm".....	Billion cubic meters
"boe".....	Barrels of oil equivalent
"Btu".....	British thermal unit
"GWh".....	Gigawatts per hour
"kbbl".....	Thousand barrels
"kbbl/d".....	Thousand barrels per day
"kboe".....	Thousand barrels of oil equivalent
"km ² ".....	Square kilometers
"Mbbbl".....	Million barrels
"Mboe".....	Million barrels of oil equivalent
"Mm ³ /d".....	Million cubic meters per day
"Mscfd".....	Million standard cubic feet per day
"MW".....	Megawatts
"MWe".....	Megawatts electrical
"MWh".....	Megawatts per hour
"TCF".....	Trillion cubic feet

UPSTREAM

ACTIVITIES

The Repsol Upstream division embraces oil and natural gas exploration and production activities excluding those performed by YPF. For information on the exploration and production activities conducted by YPF, see the corresponding chapter on this company and its affiliates contained in this Consolidated Management Report.

The Repsol Upstream division manages its project portfolio with the objective of achieving profitable, diversified and sustainable growth, with a commitment to safety and the environment. Its strategy is underpinned by the following objectives: increasing production and reserves, diversifying its business geographically by increasing its presence in Organisation for Economic Co-operation and Development (OECD) countries, achieving operating excellence and maximizing the profitability of its assets. To such end, a number of measures have been taken during the last few years: there was a successful investment in human capital to promote growth; the organizational structure was redefined to reflect the strategic objectives and oriented towards

improving the quality of operations; technical and commercial processes have been redesigned and standardized, and technological capacities have been developed to operate successfully in deep waters.

Geographically, the Upstream division's strategy is based on key traditional regions, located in Latin America (mainly Trinidad and Tobago, Peru, Venezuela, Bolivia, Colombia and Ecuador) and in North Africa (Algeria and Libya), as well as in strategic areas for short and medium-term growth that have been consolidated in recent years. Among the latter areas, particularly important are the US Gulf of Mexico (with the important Shenzi field, in operation since 2009, and one of the company's key strategic projects) and offshore fields in Brazil.

In addition, strategic growth in the medium-term will also be bolstered by major gas projects currently being developed in Venezuela, Peru, Bolivia and Brazil, and in the longer-term, by the increasingly important asset portfolio in Norway, Canada, West Africa, Indonesia, Alaska and Russia.

Mirroring its move towards geographic diversification, 2011 saw the Group successfully incorporate areas offering huge potential in Alaska, Russia, Ireland, Iraq, Tunisia and Portugal.

In 2011, Repsol acquired a 70% stake in the North Slope project, one of Alaska's most prolific regions, offering major discovered reservoirs and with moderate exploration risk. The site contains more than 150 exploratory blocks in the area surrounding the large fields already in production.

The first quarter of 2012 will mark the start of exploratory drilling activities on the North Slope. The acquisition has increased the company's presence in OECD countries and reflects its strategy of balancing the portfolio of exploratory acreage with assets offering lower risk within a stable environment.

In December 2011, the company signed an important agreement with Alliance Oil Company to create a joint venture (AROG), which will provide a platform for growth for both companies within Russia, the world's largest producer of gas and oil. The new joint company will be valued at approximately \$840 million after both shareholders have contributed assets and capital. Alliance Oil will hold a 51% stake in the company, while Repsol will own the remaining 49%.

Under the agreement, Alliance will transfer its Upstream Saneco and Tatnefteodatcha affiliates, with assets currently generating in the region 20,500 barrels of oil per day, along with exploration and production licenses for 2P reserves (proven plus probable) of roughly 171.5 million barrels at 31 December 2010. These assets are valued at approximately 570 million dollars. Repsol, in turn, will contribute capital and acquire the rest from Alliance to reach a shareholding of 49% in the joint company. As well as exploiting the assets to be contributed by Alliance Oil, the agreement envisages the parties seeking out further exploration opportunities and achieving growth through production assets in Russia.

Repsol currently owns a 3.7% stake in the equity of Alliance Oil due to the merger of West Siberian Resources and the Russian energy giant in 2008.

The aim of this new agreement is to combine Alliance Oil's knowledge and privileged access to exploration and production opportunities in Russia with the know-how and technical capacity of Repsol, thus forging a long-term alliance for ongoing exploration and production activities.

In February of 2011, the Group completed the purchase of a 74.9% shareholding in the Russian company Eurotek-Yugra, which owns the exploration and production licenses for the Karabashsky 1 and 2 blocks in the hydrocarbon-rich West Siberia basin. Through this company, it then went on to secure five new exploratory licenses at the 2011 round, also located within the West Siberia basin.

In December, the company announced an agreement to acquire the Russian company Open Joint Stock Company Eurotek (Eurotek), which holds exploratory and production licenses in West Siberia. The transaction already has the approval of the Federal Antimonopoly Service of Russia. The acquired assets include the licenses for the Syskonsyninskoye (SK) gas field, which is currently in an advanced state of development and will enter into production in 2012, and also the Yuzhno-Khadyryakhinskoye (YK) gas field, which is currently in the final stage of delineation and could start producing in 2016. In 2012, Repsol will incorporate these assets into the joint venture with Alliance Oil, as part of its commitment to contribute assets and capital to the new joint venture. The YK and SK fields will provide AROG with roughly 115 Mboe of additional 2P reserves (proven plus probable), combined with the 171.5 million barrels of oil that Alliance has contributed to the joint venture through its Upstream Saneco and Tatnefteodatcha affiliates.

In 2011, Repsol acquired 25% of ExxonMobil and ENI's interest in the Dunquin project, located in deep waters off the coast of Ireland. The project is essentially an exploratory area in the Porcupine basin off the coast of south-east Ireland. ExxonMobil is the local operator. The project is currently in the second exploratory stage with prospects already identified for drilling, which may get under way in 2013. The arrangement has provided Repsol with new opportunities within a proven oil system in an OECD country, with favorable contractual terms and market conditions.

Also in Ireland, Repsol took part in the "2011 Irish Atlantic Margin" exploratory licensing round, obtaining 40% of the "Newgrange" exploratory project in the South Porcupine/Goban Spur basin in southern Ireland.

In Iraq, and after negotiations with local authorities, during which different exploratory blocks and investment opportunities were evaluated, the Iraqi Ministry of Natural Resources agreed in 2011 to award Repsol the Piramagrun and Qala Dze exploratory blocks under production sharing contracts (PSC), which were signed in July. In the second half of the year, Repsol opened offices in Erbil (Kurdistan).

In 2011, the company secured three exploratory blocks located offshore of Tunisia, in an area offering huge potential and in which no exploratory wells have been drilled to date. The blocks have a water table of 400 meters. If current estimates are confirmed in the next few years, the block could well become a new oil area.

In October 2011, the exploratory contracts were signed for the Lagosta and Lagostím blocks in Portuguese national waters. The two blocks have a water table of between 500 and 1,500 meters, and are located between 15 and 100 kilometers from the coastline.

The company is meeting its commitments and the next stage of growth is now materializing, based largely on the company's success in exploring and on the efficient development and start-up of explored areas. This emerging future growth is reflected in a number of strategic projects currently under different stages of development and which have gained real momentum between 2009-2011, such as the U.S. Gulf of Mexico (Shenzi, already in production in 2009), Brazil (Guará, Carioca and Piracucá/Panoramix), Venezuela (Cardón IV and Carabobo), Bolivia (Margarita-Huacaya), Peru (Kinteroni), Algeria (Reggane) and Libya (I/R).

Many of these projects are being undertaken in offshore areas, a key priority for Repsol where the company is cementing its position as one of the most competitive companies with an unrivalled track record in exploration and production. Over recent years, Repsol has stepped up exploration activity considerably and is harnessing its technical know-how on the path to becoming a major player in offshore exploration.

When operating, particularly in deep waters, Repsol applies best practices and recommendations taken from the industry's most stringent standards, and ensures

strict compliance with all applicable regulations with the aim of becoming one of the best companies once the moratorium in the Gulf of Mexico has been lifted.

In September, the Repsol-BSC Research Center was unveiled in Barcelona as a leading research center to be used to improve upon and channel cooperation between Repsol and the Barcelona Supercomputing Center (BSC). This collaboration will allow the parties to tackle a range of different research projects in areas of interest to Repsol operations. The center reflects the company's commitment to technological research and the advantages that the BSC can offer to Spanish industry. Initial priorities are to continue with the Caleidoscopio project and to focus on improving underground imaging through seismic and electromagnetic technologies, these being of huge importance to deep water operations, among others.

At year-end, Repsol's Upstream division was involved in oil and gas exploration and production blocks in 31 different countries, either directly or through investee companies. The company was the operator in 23 of these countries.

Over the last five years, Repsol has stepped up its onshore and at sea exploratory activity considerably, making major gas and oil discoveries worldwide. In addition, Repsol's Upstream unit posted a record replacement rate of proven reserves in 2011, hitting 162%, outstripping the already admirable ratio of 131% for 2010. The unit has already deployed further resources and assets to provide a considerable boost to its future results.

Finished exploratory wells

	2011 (1)							
	Positive		Negative		Under evaluation		Total	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Europe	-	-	1	*	-	-	1	*
South America	2	*	1	*	-	-	3	*
Trinidad and Tobago	-	-	-	-	-	-	-	-
Other countries in South America	2	*	1	*	-	-	3	*
Central America	-	-	-	-	-	-	-	-
North America	-	-	1	*	-	-	1	*
Africa	1	*	4	2	-	-	5	2
Asia	-	-	1	*	-	-	1	*
Total	3	*	8	3	-	-	11	4

	2010 (1)							
	Positive		Negative		Under evaluation		Total	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Europe	-	-	-	-	-	-	-	-
South America	3	1	8	3	-	-	11	4
Trinidad and Tobago	-	-	-	-	-	-	-	-
Other countries in South America	3	1	8	3	-	-	11	4
Central America	-	-	-	-	-	-	-	-
North America	-	-	-	-	-	-	-	-
Africa	1	*	-	-	-	-	1	*
Asia	-	-	-	-	-	-	-	-
Total	4	1	8	3	-	-	12	4

(1) A gross well is a well in which Repsol owns a working interest. The number of net wells is the sum of the fractions of interest held in gross wells.

* Fewer than one exploratory well.

Finished development wells

	2011 (1)							
	Positive		Negative		Under evaluation		Total	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Europe	-	-	-	-	-	-	-	-
South America	75	22	6	2	-	-	81	24
Trinidad and Tobago	2	*	-	-	-	-	2	*
Other countries in South America	73	21	6	2	-	-	79	23
Central America	-	-	-	-	-	-	-	-
North America	2	*	1	*	-	-	3	*
Africa	3	*	-	-	-	-	3	*
Asia	-	-	-	-	-	-	-	-
Total	80	23	7	3	-	-	87	25
	2010 (1)							
	Positive		Negative		Under evaluation		Total	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Europe	-	-	-	-	-	-	-	-
South America	47	13	4	2	7	3	58	18
Trinidad and Tobago	2	1	1	*	-	-	3	1
Other countries in South America	45	12	3	2	7	3	55	17
Central America	-	-	-	-	-	-	-	-
North America	-	-	-	-	-	-	-	-
Africa	28	5	2	*	16	3	46	8
Asia	-	-	-	-	-	-	-	-
Total	75	18	6	2	23	6	104	26

(1) A gross well is a well in which Repsol owns a working interest. The number of net wells is the sum of the fractions of interest held in gross wells.

* Fewer than one development well.

Repsol's current activity by geographical area						
	As of 31 December 2011					
	Acreage				No. of exploratory wells being drilled (1)	
	No. of blocks		Net acreage (km ²) (2)			
	Development	Exploration	Development	Exploration	Gross	Net
Europe	11	38	348	17,920	-	-
South America	51	31	6,020	43,718	8	2
Trinidad and Tobago	7	-	2,363	-	-	-
Other countries in South America	44	31	3,658	43,718	8	2
Central America	-	1	-	2,108	-	-
North America	7	444	479	7,698	-	-
Africa	5	34	2,692	119,371	2	*
Asia	-	9	-	24,979	-	-
Total	74	557	9,539	215,792	10	2

(1) A gross well is a well in which Repsol owns a working interest. The number of net wells is the sum of the fractions of interest held in gross wells.

(2) Gross acreage is the area where Repsol owns a working interest. Net acreage is the sum of the gross area in each acreage according to their respective working interests.

Acreage

The table below displays information on Repsol's developed and undeveloped acreage, by geographical area, as of 31 December 2011:

	2011			
	Developed (1)		Undeveloped (2)	
	Gross (3)	Net (4)	Gross (3)	Net (4)
	(km ²)			
Europe	21	16	31,586	18,252
South America	1,465	401	116,681	49,337
Trinidad and Tobago	170	63	5,409	2,300
Other countries in South America	1,295	338	111,272	47,037
Central America	0	0	5,269	2,108
North America	18	5	16,385	8,172
Africa	613	170	185,750	121,893
Asia	0	0	58,909	24,979
Total	2,116	591	414,580	224,740

- (1) Developed acreage is the area assignable to productive wells. The amounts shown belong to the acreage, both in terms of exploration and development.
- (2) Undeveloped acreage covers the surface area in which no wells have been drilled, or where any wells have not been completed to the point of permitting oil and gas production in economically viable quantities, regardless of whether said area has proven reserves.
- (3) Gross acreage is the area where Repsol owns a working interest.
- (4) Net acreage is the sum of the fractions of interest held in gross acreage.

Main production concessions by country

The following table provides figures on the main production concessions for Repsol's Upstream division by country at 31 December 2011, likewise stating the percentage that Repsol holds in each of them.

	Main blocks	% Repsol	Operated (O) / Not operated (NO)	Liquid (L) / Gas (G)
Europe				
Spain	Poseidón Norte	100.00%	O	G
Spain	Boquerón Unit	61.95%	O	L
South America				
Trinidad and Tobago	West Block	30.00%	NO	L - G
Trinidad and Tobago	TSP (POUI)	70.00%	O	L - G
Other countries in South America				
Brazil	Albacora Leste	6.00%	NO	L - G
Brazil	BM-S-9 (Carioca-Guará)	15.00%	NO	L
Bolivia	Sábalo	24.50%	NO	L - G
Bolivia	San Alberto	24.50%	NO	L - G
Bolivia	Margarita (Caipipendi)	37.50%	O	L - G
Colombia	Cravo Norte	5.63%	NO	L
Ecuador	Block 16	55.00%	O	L
Ecuador	Tivacuno	55.00%	O	L
Peru	Bloque 56	10.00%	NO	L - G
Peru	Bloque 88	10.00%	NO	L - G
Venezuela	Quiriquire (Gas)	60.00%	O	G
Venezuela	Barua Motatan	40.00%	NO	L
Venezuela	Quiriquire	40.00%	NO	L - G
Venezuela	Mene Grande	40.00%	NO	L
Central America	---	---	---	---
North America				
United States	Shenzi	28.00%	NO	L - G
Africa				
Algeria	TFR, TIM and BEQ (Issaouane)	59.50%	O	L
Algeria	Tin Fouyé Tabenkor (TFT)	30.00%	NO	L - G
Libya	NC-115	20.00%	NO	L
Libya	NC-186	16.00%	NO	L
Asia		---	---	---

Average realization price for crude oil and gas by geographical region

	At 31 December 2011		At 31 December 2010	
	Average crude oil realization price (€/Bbl)	Average gas realization price (€/Boe)	Average crude oil realization price (€/Bbl)	Average gas realization price (€/Boe)
Europe	80.06	54.49	59.36	42.87
South America	53.25	13.79	53.51	11.27
Trinidad and Tobago	77.25	13.31	60.00	10.72
Other countries in South America	47.19	14.78	51.34	12.73
Central America	-	-	-	-
North America	76.04	47.09	57.22	38.98
Africa	74.81	-	59.99	-
Asia	-	-	-	-
TOTAL	60.51	14.23	55.51	11.65

Note: Source data in dollars converted at the average accumulated dollar/euro exchange rate for every year.

RESULTS

Operating income	2011	2010	2011/2010 Variation
Millions of euros			
North America and Brazil	419	2,911	(86%)
North Africa	99	642	(85%)
Rest of the world	895	560	60%
Total	1,413	4,113	(66%)

Operating income for the Upstream division in 2011 totaled €1,413 million, in comparison to the €4,113 million posted a year earlier. EBITDA amounted to €2,072 million, versus the €2,478 million in 2010. The 2010 result includes capital gains of €2,847 million, a consequence of the agreement reached between Repsol and Sinopec to develop joint exploration and production projects in Brazil.

Without taking into account this capital gain and the variation between both years in terms of the effect of the result of the asset impairment test, operating income dropped in 2011 due to the interruption of operations in Libya, slumping production mainly due to the aforementioned suspension, and the depreciation of the dollar against the euro, all of which was partially offset by rising crude oil and gas prices and lower exploration costs.

The average realization price of the Repsol's basket liquids hydrocarbons stood at 83.3 dollars per barrel (59.8 euros per barrel), versus 72.6 dollars per barrel (54.7 euros per barrel) in 2010. The average price of gas was 3.5 dollars per thousand cubic feet, 28.3% up on the same figure for 2010. These variations are in line with those experienced by benchmark prices on international markets.

The lifting cost hit 3.6 dollars per barrel. This figure is higher than the 2010 cost (3.0 dollars per barrel), largely due to the drop in production, chiefly in Libya and Trinidad and Tobago, and to a lesser extent because of increased costs. The finding cost of

proven reserves averaged 15.2 dollars per equivalent barrel over the 2009-2011 period.

DISCOVERIES

Repsol's exploration results over recent years have been at all-time highs. The company has achieved numerous and important discoveries in priority areas for Repsol, including Brazil, the United States, Venezuela, Peru, Bolivia and Algeria. These discoveries have paved the way for strategic development projects to ensure future organic growth for the company. These projects are currently under development with the aim of bringing them online as soon as possible. Some of these discoveries, such as those in Brazil, Venezuela and Peru, were among the largest in the world for their respective years.

In 2011, three new discoveries were made, two in Brazil (Gávea and Malombe) and one in Libya (A1 130/4).

In June 2011, Repsol Sinopec Brasil (in which Repsol owns a 60% stake) and its partners Statoil and Petrobras announced a major exploratory discovery in ultradeep waters off Brazil at the Gávea well. The well, located at block BM-C-33, 190 kilometers off the coast of Río de Janeiro, was drilled under 2,708 meters of water, reaching a final depth of 6,851 meters. The consortium is currently analyzing the results obtained from the well before pressing on with the area exploration and evaluation process. Repsol Sinopec Brasil is the operator of the consortium, with an interest of 35%. Statoil holds another 35%, with Petrobras owning the remaining 30%. According to Information Handling Services (IHS), Gávea is one of the ten largest discoveries made in 2011.

On 4 November, Repsol announced that the Malombe well had discovered a gas discovery at the Espírito Santo basin, block BM-ES-21, at the post-salt layers off the Brazilian coastline. Repsol Sinopec Brasil owns an 11.1% interest in the consortium, while Petrobras, being the operating company, holds the remaining 88.9%.

The discovery is located 135 kilometers from the city of Vitoria in the state of Espírito Santo. The well was drilled in the south-east of the Peroá field, under 980 meters of water. The discovery was confirmed after conducting a battery of tests that detected gas at a depth of 2,600 meters. The consortium, which will continue to carry out work within the block, will present an assessment plan to the Brazilian National Oil Agency (ANP) to delimit the discovered reservoir and provide estimated volume and productivity.

In Brazil, difficulty in accessing certain deposits (including the Guara and Carioca areas) due to their deep-water status has made exploration and development a real technological challenge, but one that Repsol is successfully tackling, as show by the numerous discoveries already made to date.

In January an exploratory discovery was made at well A1 130/4 in block NC-115 located in the Murzuq basin.

In addition, the positive findings obtained at the Abare and Tingua wells in Brazil are currently being finalized and assessed. On 14 November, Repsol Sinopec Brasil and its partners Petrobras and BG Group announced a discovery of high-quality oil at the Abare well, in the area of Carioca, located in block BM-S-9, thus increasing the potential of this area in the hydrocarbon-rich Santos basin in the Brazilian pre-salt layer. The discovery can be found 35 kilometers to the south of the discovery well in Carioca and 293 kilometers off the east coast of the state of So Paulo. The analyses have revealed the existence of high-quality oil, with an API of 28°, in carbonate

reservoirs at depths of 4,830 meters. Formation testing is envisaged to gauge the productivity of these stores.

In August of 2011, the Tingua well finished drilling at the BM-S-44 (S-M-172) block in the Santos basin. The partners in the venture are Repsol Sinopec Brasil (25%) and Petrobras (75%), the latter being the operating company. The companies found a column of nearly 40 meters of crude oil in the pre-salt carbonate reservoir. Oil and gas samples and the overall potential of the block are currently under assessment.

PRODUCTION

Repsol's hydrocarbons production in 2011 (excluding YPF) was 298,791 barrels of oil equivalent/day, down 13.2% on figures for 2010.

The conflict in Libya caused production within the country to plummet to a quarter of the annual production reported in 2010, and also accounts for nearly two thirds of the drop in production worldwide.

Furthermore, gas production in Trinidad and Tobago fell away over the second half of the year due to maintenance work on both the Atlantic liquefaction trains of Atlantic LNG and the production platforms. Contributing factors also included the natural decline of Albacora Leste (Brazil), coupled with Repsol's reduced interest in this asset following the corresponding agreement with Sinopec, and likewise the effects of the 2010 moratorium on drilling in the Gulf of Mexico, which continued to be felt over the first half of 2011.

On a more positive note, production in Peru climbed by 35% (primarily the supply of gas over all of 2011 to the Peru LNG liquefaction plant, which was brought online in 2010) and contracts were revised in Ecuador, although these plus points fail to offset the aforementioned drops.

Net production of liquids and natural gas by geographical area:

	2011			2010		
	Liquids (Mbbbl)	Natural gas (bcf)	Total (Mboe)	Liquids (Mbbbl)	Natural gas (bcf)	Total (Mboe)
Europe	1	2	1	1	2	1
Spain	1	2	1	1	2	1
South America	26	370	92	26	390	96
Bolivia	2	35	8	2	33	8
Brazil	2	-	2	3	1	3
Colombia	1	-	1	2	-	2
Ecuador	9	-	9	6	-	6
Peru	3	37	10	3	23	7
Trinidad and Tobago	5	250	49	6	282	56
Venezuela	5	47	13	4	51	14
Central America	-	-	-	-	-	-
North America	10	3	10	10	3	11
United States	10	3	10	10	3	11
Africa	4	12	7	16	12	18
Algeria	1	12	3	1	12	3
Libya	3	-	3	15	-	15
Asia	-	-	-	-	-	-
Total net production	40	387	109	53	407	126

Productive wells by geographical area

	As of 31 December 2011 (1)			
	Oil		Gas	
	Gross	Net	Gross	Net
Europe	8	6		
South America	1,056	357	163	64
Trinidad and Tobago	99	69	48	16
Other countries in South America	957	288	115	48
Central America				
North America	14	4		
Africa	113	27	79	24
Asia	-	-	-	-
Total	1,191	394	242	88

	As of 31 December 2010 (1)			
	Oil		Gas	
	Gross	Net	Gross	Net
Europe	8	6	5	4
South America	1,059	329	168	70
Trinidad and Tobago	99	69	47	16
Other countries in South America	960	260	121	54
Central America	-	-	-	-
North America	12	3	-	-
Africa	230	46	77	23
Asia	-	-	-	-
Total	1,309	384	250	97

(1) A gross well is a well in which Repsol owns a working interest. The number of net wells is the sum of the fractions of interest held in gross wells.

RESERVES

At 31 December 2011, Repsol's proven reserves (excluding YPF), estimated in accordance with the U.S. Securities and Exchange Commission (SEC)'s guidelines and the criteria envisaged under the Petroleum Reserves Management System of the Society of Petroleum Engineers (PRMS-SPE), totaled 1,167 Mboe, of which 393 Mboe (34%) relate to crude oil, condensate and liquefied gases and the remaining 774 Mboe (66%) to natural gas.

These reserves are mainly located in Trinidad and Tobago (31%). 52% is located in the other South American countries (Venezuela, Peru, Brazil, Ecuador, etc.), 12% is in North Africa (Algeria and Libya), 4% is in the Gulf of Mexico (United States) and about 1% in Spain.

In 2011, the aforementioned reserves fared well, with a total addition of 177 Mboe, most notably due to the Perla field in Venezuela, the Reggane project in Algeria, the initial declaration of recoverable hydrocarbons at Sapinhoa in Brazil and the revision of the Kinteroni development plan in Peru.

In 2011, Repsol reported a reserves replacement ratio (measuring total additions of proven reserves over the period relative to production for the period) of 162% for crude oil, condensate, LPG and natural gas (141% for crude oil, condensate and LPG, and 174% for natural gas).

INVESTMENTS

Operating investments in the Upstream business totaled €1,813 million in 2011, 62% up on the same figure for fiscal year 2010 (€1,119 million). Investment in development accounted for 43% of the total and was carried out mainly in the United States (19%), Bolivia (17%), Trinidad and Tobago (15%), Venezuela (13%), Peru (12%) and Brazil (12%). Exploration investments represented 40% of total investment and materialized chiefly in the United States (38%), Brazil (20%) and Angola (14%). Remaining investment relates largely to the acquisition of Eurotek in Russia.

ACTIVITIES IN THE MAIN COUNTRIES

North America

United States

Repsol's continued drive to consolidate its project pipeline in the United States reflects its strategy of increasing its presence in OECD countries. Thus, on 7 March, the Group's subsidiary Repsol E&P USA Inc. announced that it had closed a deal with the companies 70 & 148, LLC and GMT Exploration, LLC for the joint exploration of the blocks that these two companies have on the North Slope, one of the most hydrocarbon-rich areas in Alaska. Following the deal, Repsol holds a 70% interest in these blocks. Overall, the deal encompasses over 150 blocks lying close to major production fields, spanning approximately 2,000 km². For the first evaluation stage, Repsol has undertaken to provide the necessary investment to explore the area and confirm that the project is economically viable.

Exploratory drilling is scheduled to get under way in February 2012. The area can be broken down into two parts: a project under delineation and a host of exploratory prospects. The blocks lie directly south of the 71 blocks located in the Beaufort Sea, where the company controls 20%.

The Alaskan North Slope is a particularly promising area, offering a number of major discovered reservoirs and relatively low exploratory risk. Thanks to the new project, Repsol has increased its presence in OECD countries while consolidating its strategy of balancing its exploration portfolio with low-risk assets through onshore opportunities within a stable environment. 70 & 148, LLC and GMT Exploration, LLC are private companies based in Denver (Colorado), both engaged in oil exploration activities. Both have worked jointly on exploratory ventures in Alaska for over a decade and are one of the largest consortiums operating in the state. Repsol is confident that its international

track record and experience, combined with the local know-how of its new partners, will generate short- and mid-term value.

Also worthy of note is Repsol's presence in deep waters in the U.S. Gulf of Mexico, where the company holds a 28% interest in the hugely important Shenzi oil production project, along with an impressive number of exploratory blocks, which proved their potential in 2009 following the discovery made at the Buckskin well. This region is considered to be one of the most profitable and with the best deepwater exploration potential in the world.

The Shenzi field, which came on-stream in March of 2009 through its own platform, is one of the largest discoveries made to date in deep waters in the Gulf of Mexico. At year-end, twelve wells were producing at the Shenzi platform, plus two further wells at the Marco Polo platform. Two production wells were drilled over the course of 2011. In relation to the first of these, SB-201, Repsol received authorization on 15 March from the U.S. government to continue drilling (suspended in 2010 due to the moratorium, which was eventually lifted in October of 2010). The drilling was completed in May and the well came on-stream in June, with an initial ratio of 17,000 bopd. Drilling on the second authorized production well (SB-101) was finished in September and the well was made operational in October. To date, the reservoirs have been matching previously modeled performance levels.

In 2011, Repsol pressed on construction of the installations and drilling of the water injection wells at Shenzi in order to maintain the pressure and boost production.

Authorization was also granted to drill the appraisal well at the Buckskin discovery. Work was completed in October with positive results, confirming the reservoir's excellent potential and offering key information in defining the field development plan, with start of production now envisaged for 2017-2018. Repsol made this hugely important discovery back in 2009 as project operator during the exploratory phase. At a depth of roughly 9,000 meters, this is the deepest well operated by Repsol to date and one of the deepest wells in this region.

In December of 2011, Repsol announced an agreement, eventually ratified at the very start of January 2012, with the U.S. oil company SandRidge Energy, whereby Repsol is set to acquire a 16% and 25% interest in two areas of unconventional resources within the larger Mississippian Lime oil play, bridging the states of Oklahoma and Kansas.

The investment will lead to added production and reserves from 2012 onward and it is estimated that Repsol's net production at these areas will peak at 90,000 boe/day in 2019. The company expects to drill more than 200 horizontal production wells during 2012, a figure that will climb past 1,000 in 2014, over an area spanning 6,900 km². Mississippian Lime is an oil play offering high historical production levels and proven resources, rich in light oil and gas produced from fractured carbonates. There is already a heavy presence of infrastructure within the area, which has been operating there for over 30 years and will allow for a rapid start-up of production and marketing of the resulting oil and gas.

Repsol's project pipeline in the United States, which is in different phases of development and comprises over 440 blocks, makes the country one of the company's strategic growth areas.

Canada

Towards the end of the year, Repsol secured two new exploratory blocks at the 2011 offshore licensing round for eastern Canada. The company is taking part with a 10% interest in a consortium with two partners offering considerable experience in the region (Chevron and Statoil). These blocks were incorporated to the official company acreage in 2012.

The two blocks are NL11-02-01 and NL11-02-02, located in the Flemish Pass basin in the region off the coast of Newfoundland and Labrador, in the west of the discovery made by Statoil at the Mizzen well.

These blocks can be added to those the company secured during 2008-2010 in the offshore areas of Newfoundland-Labrador, Central Ridge and Jeanne d'Arc, meaning exploratory ventures in Canada have been increasing steadily. Seismic work was conducted in 2011 (1,789 km² of 3D seismics) to prepare the inventory of drilling prospects.

Latin America

Brazil

With a further two discoveries in 2011 (Gávea and Malombe wells), Brazil has once again become a prime example of Repsol's success at exploring over recent years. Two major development projects were generated in the Guar and Carioca areas of the hydrocarbon-rich BM-S-9 block within the larger Santos basin, with Repsol making important progress in 2011 towards starting production, a milestone that will provide a major boost to the company's existing production levels. Repsol has also made the Abar Oeste and Iguaz (2009) and Abar (undergoing final evaluation in 2011) discoveries within this same block, thus increasing the potential of developable resources in the region.

Moreover, and as part of the Guar and Carioca assessment plan, four appraisal wells turned in positive results in 2011 (Guar Norte, Guar Sul, Guar ADR1 and Carioca NE), thus reconfirming the considerable oil and gas potential of both areas.

In December 2011, Repsol presented the ANP with its declaration of commerciality for Guar (which will hereafter be called Sapinho), together with the final report of the evaluation plan for the area. Work continued over the year to bring the project on-stream in 2013. Three appraisal wells were drilled (Guar Norte, Guar Sul and Guar ADR1) with positive results. Extended well tests (EWT), started towards the end of 2010, were also completed in 2011, with extremely positive results, not only in relation to the productivity but also the connectivity and permeability of the reservoir. Daily production of over 30,000 barrels of oil is expected.

In 2011, the "Cidade de Sao Paulo" floating production, storage and offloading unit (FPSO) arrived at the Brasfels shipyard in Angra dos Reis (Brazil) to undergo final construction (integration of the topsides). The work is expected to be completed during the second half of 2012, enabling production in the south Guar area to get under way in 2013.

Also in 2011, Repsol signed a lease agreement for a second-generation production platform ("FPSO Charter 4") to cover the northern Guar area, while high-resolution 3D seismic work was got under way and the decision was reached to acquire the submarine equipment required for production.

In the Carioca area, drilling of the Carioca NE appraisal well was completed at the start of 2011, with the positive results once again confirming the area's huge potential and providing final data for the field development plan and future production start-up, initially earmarked for 2017. EWT for Carioca NE started mid-October 2011, and is expected to be completed at the start of the second quarter of 2012. The preliminary results obtained at the end of 2011 are better than initially expected.

Depending on the new results obtained, the consortium expects to carry out more appraisal work so as to gauge the total potential of the Carioca area. For such purpose,

the Brazilian authorities (ANP) have approved an additional program of activities, pushing the deadline for the declaration of commerciality back to 31 December 2013. Meanwhile, the work flow for the development project and production start-up for the Carioca area is continuing as planned.

In 2011, work continued on the evaluation and development plan for the Piracucá field (block BM-S-7). Drilling work was carried out in order to obtain information on the best option for full development of the block.

The evaluation plan for the Panoramix discovery, located within the BM-S-48 (674) block, was presented to the Brazilian authorities (ANP) in August of 2011. The plan envisages the drilling over the coming three years of an appraisal well with contingent drill stem tests (DST) and the possibility of a second well.

In February 2012, Repsol announced a significant oil discovery in the deep water of the Campos basin in Brazil. The discovery took place during the Pão de Açúcar drilling in block BM-C-33, where Repsol Sinopec Brasil is the operating company with a 35% share. The well has found two hydrocarbon accumulations with a total height of 500 meters, which is a good indicator of the great importance of the find. Pão de Açúcar joins the Seat and Gávea discoveries, all of them in the BM-C-33 block. These three wells consolidate the high potential of the Campos basin, which might confirm the existence of a large hydrocarbons nucleus similar to the one in the Santos basin. Repsol and its partners in the discovering consortium expect to carry out additional work in 2012 to confirm the large extent of the discovery.

All the promising results in Brazil since 2011 were obtained by virtue of the alliance signed in 2010 between Repsol (60%) and the Chinese company Sinopec (40%), which led to the creation of Repsol Sinopec Brasil, one of the leading private energy companies operating in Latin America. The alliance became fully-fledged from an operational standpoint in 2011.

Repsol Sinopec Brasil is one of the leading independent energy companies spearheading exploration and production in Brazil. It occupies a strategic position in the areas offering the greatest potential along the Brazilian pre-salt layer, and is leading exploratory efforts in the hydrocarbon-rich Santos basin alongside Petrobras and BG. The company boasts a significant and well-diversified portfolio of assets within the country, which includes a field already in production (Albacora Leste) and major discoveries over recent years, along with the Piracucá field, located within the BM-S-7 block and currently under development, and Panoramix, in the BM-S-48 (674) block.

The important exploration discoveries made in recent years, coupled with the development projects that are currently materializing and the agreement reached with Sinopec, all bolster the company's strategy in offshore Brazil, one of the areas offering the greatest growth in oil and gas reserves worldwide, and represent one of the key growth projects for the Upstream division.

Bolivia

Repsol's main project under way in Bolivia involves the entire development of the Margarita-Huacaya area. This key project is located in the northern reaches of Tarija state and is operated by a consortium comprising Repsol (operator, with a 37.5% stake), BG (37.5%) and PAE (25%). The objective of the joint development project for the Margarita and Huacaya fields (the latter, discovered in 2008, was one of the five largest discoveries made in the world that year) is to step up gas production in two phases, entailing a further increase of 6 Mm³/d for each phase.

Remodeling work on existing installations was completed in May of 2011, thus improving processing capacity and, therefore, increasing the field's total daily natural

gas output of 2.3 million cubic meters to 3 million cubic meters. The work included upgrading the facilities and changing valves, discharge lines, filters and compressors.

In tandem with this, final development work on phase 1 of the project continued in 2011 with the ultimate aim of increasing the field's natural gas processing capacity to 9 million cubic meters per day. Thus, construction work continued during the year on the new gas processing plant, the gas transport system (GTS) and the evacuation system (EXS). A major milestone in phase 1 was reached in November 2011 following successful completion of the recompletion work on the Margarita 4st (MGR 4st) well, with the aim of finishing it completely. Production testing revealed that it was the well with the greatest flow rate in the Subandina basin, with production under testing of 5.4 million cubic meters per day. The testing prompted the construction of a specially designed flare pit over 50x60 meters in size, 25 meters in height and with eight eight-inch lines as burners, the largest to be constructed in Bolivia to date. Reservoir output is expected to reach 9 million cubic meters per day over the second quarter of 2012.

The results exceeded initial expectations and effectively corroborated the technical viability of production at the committed flow rate for phase 1 of the project.

At present, more than 1,500 people are working on site and on the construction of the gas extraction and evacuation pipelines.

In June of 2011, Repsol reached the final investment decision (FID) for phase II of Margarita-Huacaya development, the aim of which is to attain production of between 14 and 15 million cubic meters a day in 2013 and 2014, respectively.

Peru

The drilling and completion phase was finished in 2011, along with testing of the development wells as part of the development program for the Kinteroni Sur field. This phase got under way in August of 2010. The wells are already ready for production start-up as soon as surface installations and pipelines to the Malvinas plant have been completed. The drilled development wells turned in better-than-expected results. In terms of the above-ground installations, 2011 witnessed the start of preliminary on-site work on the production installations at Kinteroni and Nuevo Mundo, while extraction pipelines were also constructed. Long-term delivery equipment was purchased so as to ensure that it is available at the relevant phase of construction. The equipment is being delivered on schedule and the south Kinteroni area is expected to enter production over the second half of 2012.

In 2011, the Peruvian authorities awarded Repsol the environmental permits required to start the exploration phase for the north Kinteroni area, with the drilling campaign now expected to commence in 2012.

The Kinteroni field is located in block 57, in mid-east Peru. Geographically, it lies to the east of the Andes mountain range in the Ucayali-Madre de Dios basin. The exploration licensing and exploitation agreement for the block was signed in January 2004 and envisages five exploratory periods (the fourth period is currently in progress). The partners of the block are Repsol, with 53.84% (operator) and Petrobrás, holding 46.16%. Kinteroni was discovered in January of 2008 and was one of the world's largest at the time. The final investment decision (FID) to develop the southern area of the Kinteroni field was taken in July of 2009 and was declared a commercial discovery before the Peruvian authorities in November of the same year. The initial development plan was then sent to the local authorities in May 2010.

In 2011, the Camisea field, where Repsol owns a 10% interest, continued to send natural gas to the Peru LNG liquefaction plant, in which the company owns a 20%

interest. The Camisea field comprises blocks 56 and 88, where production is intended for the local market and to supply the Peru LNG liquefaction plant.

Repsol took part in the 2011 exploratory licensing round in the country and walked away with three exploratory blocks (180, 182 and 184) in the Huallaga basin, pending final official confirmation.

Venezuela

In December of 2011, a natural gas supply agreement was signed as part of the major gas project at the Perla megafield within the Cardón IV block, thus enabling the project development phase to get started. The supply contract, which runs until 2036, envisages a mutual undertaking to deliver and purchase over 8.7 TCF of natural gas, and the facility will help meet domestic gas demand in Venezuela, which is expected to grow over the coming years on the back of consumption in domestic, industrial, petrochemical and electrical power processes. Given the scale of the venture, the Perla field also offers the possibility of exporting natural gas, an option that Repsol and Eni will analyze together with PDVSA and the Venezuelan authorities.

The Perla megafield was discovered by Repsol and Eni in 2009 within the larger Cardón IV block, which is located in shallow waters of the Gulf of Venezuela, roughly 50 kilometers from the coast. A total of five wells have now been drilled. These will be brought on-stream through platforms and underwater connections, which will take the gas to the coast for processing and evacuation to the Venezuelan distribution network.

In 2011, two appraisal wells (Perla 4 and Perla 5) were drilled and turned in positive findings. Work on the first of these wells was started in December of 2010 and completed in January of 2011. Production tests were successfully completed at the end of February, with the findings reconfirming the size of the reservoir.

Drilling of the Perla 5 well concluded at the start of May 2011, while production testing was conducted between May and June. Of the five wells drilled to date, this has the most production potential and is the first to be slanted at a considerable angle (82 degrees) in offshore Venezuela. Following final completion, it is estimated that the well will be able to produce between 100 and 130 Mscfd. These two wells had a dual objective: to assess the lateral continuity of the discovery and to form part of an early production program.

In 2011, the field development plan was fully defined, envisaging production start-up under phase I to take place in 2013. Also in 2011, it was decided to push forward the bidding process for construction of the offshore facilities. The project has been structured into three phases so as to bring development of the field in line with changing demand. Expected production levels for each phase are 300 Mscfd for the first, 800 Mscfd for the second and 1,200 Mscfd for the third.

During the evaluation period, Repsol and Eni are participating equally with 50% a piece. Following the evaluation stage, however, PDVSA will be entitled to acquire up to 35% of the venture, meaning that Repsol and Eni would each control 32.5%.

Moving on to the Carabobo heavy crude oil project, conceptual engineering work for the early accelerated production project was completed and the initial development plan was agreed upon. Similarly, procurement processes were initiated to acquire drilling equipment and machinery for the stratigraphic and development wells and 3D seismic equipment for the area. In March of 2011, conceptual engineering work got under way in order to construct a heavy crude oil upgrader capable of processing 200,000 barrels of oil/day. The installation will enable the consortium to increase the quality of the crude to 32° API once operational, with start-up tentatively scheduled for 2017.

These different phases envisage, in principle, the possibility of starting early accelerated production during the second half of 2012, reaching a production *plateau* of 400,000 barrels of oil in 2017 with the start-up of the upgrader.

In February 2010, the Venezuelan government awarded the Carabobo project to a consortium of international companies headed by Repsol, which holds an 11% stake. The project involves the development, along with PDVSA, of the heavy crude oil reserves in the Carabobo 1 Norte and Carabobo 1 Centro blocks located in the Orinoco Oil Belt, one of the areas with the largest undeveloped oil reserves in the world. Production will reach 400,000 barrels of oil per day over 40 years. Part of the heavy crude oil obtained from the project will be sent to Repsol's Spanish refineries, which will allow the company to profit from its investment in advanced deep conversion techniques at the refineries.

Trinidad and Tobago

Repsol holds a 30% stake in the company BPTT, which operates a large productive oil and gas area in the country's offshore zone. Production at these various fields will be sent to the liquefaction trains at the Atlantic LNG plant, in which Repsol also owns an interest. In 2011, BPTT carried out stoppages for maintenance work on the Cannonball, Kapok and Inmortelle fields and on trains 1 and 4 at the Atlantic LNG facility, dragging down production figures at BPTT in comparison to 2010.

On 25 August, the BPTT consortium announced the start-up of gas production at the Serrette field. This dry gas field features an unmanned platform, connected by 26-inch pipeline running 50 kilometers to BPTT's "Cassia B" platform.

Repsol is the operator of the TSP blocks, holding a 70% interest. 3D seismic work on this marine area was completed in February of 2011. The purpose of this work was to obtain full information on the area and assess the remaining exploratory potential of the asset. The task of processing the available seismic information was also completed in 2011, with the aim of unearthing possible exploratory opportunities for 2012.

Other countries

In Colombia, Repsol announced the signing in January of 2011 of an agreement with the Colombian company Ecopetrol (ECP) and the Brazilian giant Petrobras to acquire a 30% interest in the Tayrona offshore exploratory block, located in waters of the Colombian Caribbean, close to the Guajira peninsula. The other partners are Ecopetrol, which holds 30%, and Petrobras, which will remain the operating company, with the remaining 40%. In 2011, 1,500 km² of 3D seismic work was carried out to pinpoint the location of drilling prospects.

In April 2011, Repsol entered into an agreement with Ecopetrol (ECP) to acquire a 50% stake in the offshore RC-11 and RC-12 blocks (ECP remains the operator with the other 50% interest). The asset offers medium-high potential and is found in shallow waters off the Colombian coast.

In July of 2011, drilling was completed on the Chipirón T well within the Chipirón block. The well discovered oil at three levels and the positive results obtained from the well are currently undergoing appraisal work.

In October 2011, drilling was completed on the Caño Rondón Este well within the Rondón block. The findings will be assessed after production tests have been conducted.

In Guyana, Repsol owns an interest in the Georgetown block, which it operates with a 15% stake. The partners in this particular project are YPF (30%), Tullow Oil (30%) and CGX Energy (25%). Preliminary work was carried out over the year before drilling gets started on the Jaguar-1X well, employing the Jack-Up Atwood Beacon platform. The platform, which is currently being used in Surinam by its current operators, must arrive before the well drilling work can get under way. The well is expected to reach its final depth midway through 2012. Despite being installed in shallow waters, the well will operate at high pressure and temperature due to its depth and the geological features of the surrounding area.

In Cuba, Repsol signed a lease contract in January 2010 with Saipem to use the Scarabeo-9 drilling rig, which complies with all the technical requirements and all limitations established by the U.S. authorities for drilling operations in Cuba. The drilling rig reached Cuban waters in January of 2012 and started drilling the Jagüey exploration well on 31 January.

In Ecuador, the company continued to operate normally in 2011 within blocks 16 and Tivacuno, following the signing of the new service contracts with the Ecuadorian government. The contract for block 16 was signed on 23 November 2010, within the deadline imposed by new domestic legislation. The agreement took effect from 1 January 2011 onward. In the case of the Tivacuno block, the corresponding contract was signed on 22 January 2011, with an effective date of 21 February 2011. The contracts will bridge the 2011-2018 horizon and Repsol's interest under both of them amounts to 55%. The partners, holding equal interests in both blocks, are OPIC (31%) and Sinochem (14%).

Africa

Repsol's significant presence in North Africa is mainly concentrated in Libya and Algeria, countries where it holds interests in major projects that will ensure sustained and profitable growth over the coming years. The company is also consolidating its presence in West Africa, in particular Angola, Sierra Leone and Liberia.

Libya

Owing to the armed conflict that ravaged the country for most of 2011, production came to a grinding halt at the start of March. For the most part of February, production wavered at around 50%, and during the second and third quarters, Repsol had zero production at the fields.

Production at blocks NC-115 and NC-186 was resumed in October following the end of the fighting. The company is confident that production levels in 2012 will return to levels reported before the onset of the conflict.

Algeria

The major Reganne gas project was ready in 2011 for the start of the development stage in 2012, after the Algerian authorities granted final approval of the development plan towards the end of the year. Well drilling, deepening and completion work is expected to get under way during the first half of 2012 with the aim of starting gas production in 2016. Repsol is the project operator, with a stake of 29.25%, while RWE holds 19.5%; Edison, 11.25%; and the state-owned company Sonatrach, 40%.

Acquisition, reprocessing and seismic interpretation was conducted on the Sud-Est Illizi exploration block over the course of 2011, thus generating the necessary information for the exploratory drilling campaign, which is expected to start in 2012. In January 2010, Repsol signed an agreement with Sonatrach and the National Agency for the

Assessment of Oil Resources (ALNAFT) of Algeria for the exploration and exploitation of the Sud-Est Illizi block, located in south-east Algeria. The consortium developing the exploration activities is formed by Repsol (52.5%) as the operator, the Italian company Enel (27.5%) and the French-Belgian concern GdF-Suez (20%).

Angola

In January 2011, Repsol was awarded three exploration blocks (22, 35 and 37) during the licensing round held in the country. Repsol is the operator of block 22, with a 30% interest. The blocks are located in Kwanza, in deep waters off Angola, in a basin that Repsol geologists view as a continuation of the oil-rich Santos basin, located in Brazilian offshore waters. In December, Repsol signed contracts with Sonangol to acquire interests in the blocks, which were added to the company's official acreage at the start of 2012.

Sierra Leone

Following the two exploration discoveries made in deep waters off Sierra Leone (with the Mercury-1 well in 2010 and with the Venus B-1 well in 2009), drilling work got started on the Júpiter-1 well in November 2011, and is expected to be completed in the first quarter of 2012. The water table at the well site is 2,200 meters. In February 2012 it was announced that a 30 meter hydrocarbon column I the Júpiter-1 drilling. Drilling work also commenced on the Mercury-2 well in 2011, and will finish in 2012 following completion of the Jupiter-1 well.

Repsol is a pioneering company in the exploration of this African region. The company's operations, started in 2003, have discovered an area with a high potential, where further exploration will be carried out in collaboration with its partners Anadarko and Tullow.

Liberia

An agreement was reached in the second quarter of 2011 to increase Repsol's interest in the LB-15, LB-16 and LB-17 blocks by a further 10%, thus climbing from the previous 17.5% to the current 27.5%. A deal was also manufactured for Repsol to acquire a 10% interest in the LB-10 exploration block.

Europe

Norway

In 2011, three new exploration blocks were added to the project pipeline that the company is currently cementing in the country. At year-end, Repsol owned interests in eight exploration blocks in Norwegian waters, acting as operating company for two of them (PL-541 and PL-531).

At 1 January 2011, Repsol acquired a stake in the PL-529 block, located in deep waters in the south-west of the Barents Sea, following the acquisition of a 10% interest from Eni, the company operating the block. A 3D seismic reading has already been obtained for the block, delineating its main prospect, Bønna. The work program envisages the drilling of an exploration well at the prospect during the spring of 2012.

Also on 1 January 2011, Repsol effectively obtained 10% of the PL-530 license by acquiring a 10% stake in the operating company GdF, which retains 30% of the

license. Drilling work on the Heilo exploration well was completed in October, with the well turning in negative findings.

Repsol secured an interest in the PL-531 block by acquiring a 20% stake in the company Marathon, with the effective date being 1 January 2011. Marathon holds a 10% interest in the license, but transferred the operation to Repsol. The work program envisages the drilling of an exploration well, foreseeably in 2013. This will be the first well operated by Repsol in Norwegian waters of the Barents Sea.

In 2012, Repsol secured six new exploration licenses at the APA2011 (Award in Predefined Areas). The results of the bids previously presented in September of 2011 were publicly announced on 17 January 2012. Of the six new licenses awarded, Repsol will act as operating company on one of them. The licenses are located in the Norwegian Sea (four), the Barents Sea (one) and the North Sea (one).

Spain

In June 2011, the Spanish Secretary of State for Climate Change awarded a favorable Environmental Impact Statement (DIA) green-lighting the drilling of the Siroco A-1 exploration well in the Alboran Sea. For environmental reasons, the work has been scheduled for the February-April period of 2013. In 2011, Repsol obtained a fresh extension to the second exploration period for the area, which was published in the Official Gazette of the Spanish State (BOE) in October and will run until August of 2013.

Repsol secured these licenses (Siroco A-D) back in 2004. Since then, 3D seismics have been obtained and a study conducted of the seabed and other geophysical and geological factors so as to determine the presence of gas and the location of the Siroco A-1 exploration well.

As part of the work to bring the Lubina and Montanazo discoveries on-stream, the actuation and control units for the underwater equipment were installed at the Casablanca platform in 2011. All that remains is to install the underwater equipment and connect it to the control equipment at the platform, following approval of the corresponding part of the DIA. The delay in obtaining the official licenses has meant that the scheduled production start-up for these fields has been pushed back to the fourth quarter of 2012.

Repsol made these two oil discoveries in the Spanish Mediterranean in the first half of 2009, through the Montanazo D-5 and Lubina-1 wells, located 45 kilometers off the coast of Tarragona. Repsol is the operating company in both cases.

In June, the company acquired a 40% interest in the Bezana and Bigüenzo blocks, situated on the Cantabrian coast. The company Petroleum O&G España is the operator of these blocks with a 60% stake.

LIQUEFIED NATURAL GAS (LNG)

ACTIVITY AND CONTEXT

LNG activities include the liquefaction, transportation, marketing, and regasification of liquefied natural gas, in addition to electricity generation activities in Spain at the BBE

plant (Bahía de Bizkaia Electricidad) and natural gas marketing in North America. Since 1 January 2008, the information in this section refers solely to the Repsol Group's LNG commercial segment. For information on YPF's LNG business, please refer to the chapter on this company and its affiliates contained in this Consolidated Management Report.

The LNG market in 2011 was marked by an increase in demand from Japan, caused in turn by the earthquake that rocked the country on 11 March and the ensuing nuclear crisis.

This brought about a steady increase in prices in the Far East, which over the fourth quarter of the year reached figures upwards of 17 and 18 dollars per million Btu, and caused a significant de-coupling with European pricing points [NBP (National Balancing Point) at around 9 dollars per million Btu], and even more so with the Henry hub, which remained unchanged at around 4 dollars per million Btu.

The market was also characterized by low fleet availability, coupled with high spot fleet prices stemming from the longer travel times caused by the rerouting of large amounts of LNG from the Atlantic basin to the Pacific on account of the price de-coupling and the slumping demand throughout Europe.

In Spain, the most noteworthy event was the fall in demand for LNG, together with an increase in gas supplied by pipelines following the arrival of the Medgaz pipeline.

With regard to the power generation market, the average Spanish electricity pool price was €49.9 per MWh in 2011, up 35% on figures for 2010. Gross demand for electrical power across the Iberian peninsula in 2011 stood at 255,179 GWh, 1.8% down on the same figure for 2010. Most technologies reported lower production than in 2010, such as hydraulic power, which saw a 28% drop, and combined cycle plants, which shed 22%, whereas coal power plants doubled production in comparison to 2010. Solar power generation grew by 43% over the year, with an increase of 26% in photovoltaics and 193% in concentrating solar power.

RESULTS

Operating income from LNG operations totaled €386 million in 2011, in comparison to the €105 million posted a year earlier. EBITDA stood at €556 million in 2011 (vs. 277 million in 2010).

The improvement in these results is chiefly due to larger LNG volumes (the LNG Peru plant having been operational since June 2010) and LNG marketing margins in 2011.

ASSETS AND PROJECTS

The main milestone for 2011 was that it marked the first full year of operation of the Peru LNG liquefaction plant in Pampa Melchorita, which was brought on-stream in June 2010, and in which Repsol holds a 20% interest. The other partners in Peru LNG are Hunt Oil (50%), SK Energy (20%) and Marubeni (10%). The Camisea consortium, in which Repsol also has a 10% stake, supplies natural gas to the plant.

The facility, with a nominal capacity of 4.4 million tons per year, processes 17 million cubic meters of gas per day. It boasts the two largest storage tanks in Peru (each with a capacity of 130,000 cubic meters) and a sea terminal over one kilometer long to receive ships with capacities ranging from 90,000 to 173,000 cubic meters.

Additionally, the project envisages that Repsol will be the exclusive marketer of the liquefaction plant's entire production. The gas purchase agreement entered into with Peru LNG will run for 18 years from the start of commercial operations and is, in terms of volume, the largest LNG acquisition ever made by Repsol.

In September 2007, Repsol was awarded a contract under an international tender organized by the Federal Electricity Commission (CFE) for the supply of LNG to the natural gas terminal in the port of Manzanillo on Mexico's Pacific coast. The contract envisages the supply of over 67 bcm of LNG to the Mexican plant over a fifteen-year period. The Manzanillo plant, which will supply gas to the CFE power plants in mid-west Mexico, will receive gas from the Peru LNG plant. Although start-up was scheduled for the second half of 2011, it is now expected to enter into service in 2012.

Production at the Peru LNG facility was 5.2 bcm (3.8 million tons/year), more than twice the figure for 2010, due to 2011 being the first full year of operation and thanks also to improvements in a number of operational indicators for the plant.

June 2009 witnessed start-up of production at the Canaport LNG regasification plant, a Repsol (75%) and Irving Oil (25%) partnership, and the first LNG regasification plant on Canada's eastern coastline. Located in Saint John (New Brunswick) and with an initial send-out capacity of 10 bcm/year (1 billion cubic feet per day), the Canaport terminal is one of the largest in North America and supplies markets on the eastern coast of Canada and the north-eastern United States. Repsol, the plant operator, supplies the LNG that fuels the terminal and is entitled to the entire regasification capacity. The third tank, which started operations in April 2010, is able to receive loads from the largest LNG carriers up to now.

A multi-year LNG supply agreement was signed in 2010 with Qatargas for the Canaport LNG plant. The LNG will be supplied using Q-Flex and Q-Max carriers, the largest in the world with capacities of 210,000 and 260,000 cubic meters, respectively, making Canaport LNG one of the handful of plants worldwide capable of receiving these ships at its terminal. This agreement bolsters Repsol's status as a reliable, diversified and flexible natural gas provider for the Canadian and north-eastern American markets.

Highlights for 2011 included the delivery of 14 loads under the agreement with Qatargas, concentrated in months of higher market prices, as well as a sharp rise in plant use in comparison to 2010, with January 2011 hitting an all-time high in terms of daily production. Growth in natural gas marketing activities in North America is also expected to continue.

Repsol is involved in the Trinidad and Tobago integrated LNG project, in which it holds an interest alongside BP, BG and others in the Atlantic LNG liquefaction plant. The strategic geographical location of the facility allows it to supply markets in the Atlantic Basin (Europe, the United States, and the Caribbean) under advantageous economic conditions.

This plant has four liquefaction trains with a combined capacity of 15 million tons per year. Repsol holds a 20% stake in train 1, a 25% stake in trains 2 and 3, and 22.22% in train 4 (the latter being one of the largest in the world, with an output capacity of 5 million tons/year). In addition to its interests in the liquefaction trains, Repsol plays a leading role in the supply of gas and is one of the main purchasers of LNG.

In Spain, Repsol holds a 25% interest in the company Bahía de Bizkaia Electricidad, S.L. (BBE). This company owns a combined cycle power plant with 800 MWe of installed capacity. Power generated at the plant is fed to the grid for residential, commercial, and industrial consumption. The facility, which is located in the port of Bilbao, had low availability over 2011 due to the repair and subsequent replacement of a turbine casing, although the excess gas was sold without economic loss for the company.

In December 2007, Repsol and Gas Natural SDG signed a shareholders' agreement with Sonangol Gas Natural (Sonagas) with the aim of starting work on developing an integrated gas project in Angola. This initiative involves the appraisal of gas reserves to determine the investments that would be required for their development and export in the form of liquefied natural gas. In accordance with the timetable, Repsol and Gas Natural SDG, acting through the company Gas Natural West Africa (GNWA), have taken part in the exploration activities currently being undertaken by Sonagas, the operator of the consortium, in which GNWA holds a 20% interest, followed by Sonagas (40%), Eni (20%), Galp (10%), and Exem (10%).

As part of the significant structural and legal progress achieved to date, an office was set up in Luanda and gas and mining rights were awarded by the Government of Angola. The Concession Decree was approved by the Council of Ministers, ratified by the National Assembly and published in the Official Gazette. The Risk Service Agreement was also signed in July 2010.

Moreover, drilling on the Garoupa-2 and Garoupa North wells was completed in 2011. The wells are currently under appraisal and the ongoing work will eventually verify the consortium's projected gas resources for the field. For the time being, the seismic and drilling work is set to continue into 2012.

In Brazil, Repsol signed a contract in December 2009 to join the consortium formed by Petrobras (51.1%), BG (16.3%), Galp (16.3%) and Repsol (16.3%) and which is to conduct technical engineering studies –Front End Engineering Design (FEED)– prior to the installation of a floating LNG plant at the BSM-9 and BSM-11 fields. These studies serve to assess the floating liquefaction plant's technical and economic viability. In 2011, three studies were carried out in tandem with different consortiums with a view to reducing technical uncertainty in relation to what is a groundbreaking development within the LNG industry, while also stimulating competition between different contractors to therefore streamline development and construction costs. The results of these studies will also be compared with other logistical solutions for extracting gas in the Brazilian pre-salt area in order to select the best option for capitalizing these resources. In the event that the project is finally declared feasible, Repsol will be guaranteed the option of participating in the construction of the plant. The final investment decision is due to be made in 2012.

LNG TRANSPORT AND MARKETING

The Repsol-Gas Natural LNG (Stream) 50-50% joint venture is one of the leading LNG marketing and transport companies in the world and one of the most important operators in the Atlantic basin. One of this company's objectives is to optimize the management, in the short- and medium-term, of both partners' fleets, which include 15 gas tankers and a variety of other vessels.

In 2011, Repsol, with management support from Stream, marketed 11.0 bcm of LNG, up 64% on the same figure for 2010. Most of the gas emanated from Peru LNG, which was started up in June 2010, and from Trinidad and Tobago. The main destinations for the cargo were Spain, Canaport LNG and the Asian market, with sales materializing in both the Atlantic basin (Europe and America) and the Pacific basin. In January 2011, the company reached an agreement with Kogas to supply 1.9 Bcm of LNG, thus boosting gas supplies to the Asian market.

In terms of ships, at year-end 2011 Repsol owned seven LNG carriers and a further two jointly owned (50-50) with Gas Natural Fenosa, all of them under time charter agreements and with a total capacity of 1,248,630 cubic meters. Four of these LNG

vessels were added during 2010, linked to the start-up of the Peru LNG project, one from Naviera Elcano and three more from Knutsen OAS.

In addition to this, Repsol leased a further four LNG carriers in 2011 under medium-term agreements and other shorter *ad hoc* leases.

INVESTMENTS

Operating investments from the LNG business totaled €18 million in 2011, down on the €82 million invested in 2010. The funds were largely earmarked for the gas project in Angola and the Atlantic LNG plant, while investment for 2010 related primarily to the construction of a third tank at the Canaport LNG regasification terminal.

DOWNSTREAM

The Repsol Group Downstream business embraces the supply and trading of crude and other products, oil refining, marketing of oil products and LPG, and the production and marketing of chemicals. The information in this section does not include YPF's activities. For information on YPF's Downstream activities, please see the section on this company and its affiliates contained in this Consolidated Management Report.

RESULTS

Operating income	2011	2010	2011/2010 Variation
Millions of euros			
Europe	1,012	1,182	(14%)
Rest of the world	195	122	60%
Total	1,207	1,304	(7%)

Operating income in the Downstream business amounted to €1,207 million in 2011, down 7.4% on the €1,304 million posted in 2010.

This year-on-year drop in income can largely be explained by the smaller margins in the Refining business and the lesser volumes in commercial business, as a result of the economic crisis, despite the upturn in the chemical business in the first half of the year and the improved results in the Trading division.

REFINING

The Repsol Group owns and operates five refineries in Spain (Cartagena, A Coruña, Petronor, Puertollano and Tarragona), with a combined distillation capacity of 896,000

barrels of oil per day (including, in the case of the Tarragona refinery, the share in Asfaltos Españoles S.A.). Installed capacity at La Pampilla refinery (Peru), in which Repsol holds a 51.03% stake and is the operator, is 102,000 barrels of oil per day.

Refining activity and context

Events in 2011 were shaped by the prevailing international economic crisis. Demand for oil products dropped off in OECD countries, impacting the refining business, particularly in Europe, where refining margins fell to the lowest levels seen in several years. The year witnessed the closure of yet more refineries and this restructuring within the sector is expected to continue over the coming years across both Europe and the United States, with the closure of less complex refineries that are unable to compete as effectively. These closures, coupled with a foreseeable recovery in mid-term demand, will allow margins to rally, especially at refineries geared towards producing medium distillates and with capacity to process heavy crude products. According to the findings of the International Energy Agency, this increase in demand will largely materialize in emerging countries, headed by China and India.

The refining margin in Spain stood at 1.6 dollars per barrel in 2011, slightly down on the same figure for 2010 (2.5 dollars per barrel). In Peru, the annual refining margin came in at 3.3 dollars per barrel, in comparison to the 4.2 dollars per barrel seen in 2010.

The table below shows the refining capacity of the refineries in which Repsol held a stake at 31 December 2011:

	Primary distillation	Conversion index (2)	Lubricants
Refining capacity (1)	(thousand barrels per day)	(%)	(thousand tons per year)
Spain			
Cartagena	220	76	155
A Coruña	120	66	-
Puertollano	150	66	110
Tarragona	186	44	-
Bilbao	220	63	-
Total Repsol (Spain)	896	63	265
Peru			
La Pampilla	102	24	-
Total Repsol	998	59	265

(1) Information disclosed in accordance with the Repsol Group consolidation criteria: all the refineries mentioned are included in the Group's financial statements through full consolidation. The reported capacity in Tarragona includes the shareholding in ASES.A.

(2) Defined as the ratio between the equivalent capacity coefficient of Fluid Catalytic Cracking (FCC) and primary distillation capacity.

In this context, Repsol refineries managed by the Downstream division processed 31.5 million tons of crude oil, marking a year-on-year drop of 2.8%, following the loss of REFAP due to its sale in December of 2010. Average use of refining capacity in Spain

stood at 71%, versus the 74% for 2010. In Peru, refinery use was also down on the same figure for 2010, dropping from 71% to 69% in 2011.

The table below provides a breakdown of refinery production, by main products:

PRODUCTION

Thousands of tons	2011	2010 (3)
Refinery intake (1)		
Crude	31,483	34,410
Other refinery intake	9,053	7,321
Total	40,536	41,731
Refining production		
Intermediate distillates	17,835	18,668
Gasoline	8,145	9,084
Fuel oil	6,287	6,081
LPG	1,056	1,166
Asphalts (2)	1,272	1,478
Lubricants	242	275
Other (except petrochemicals)	2,858	2,250
Total	37,695	39,002

(1) Information disclosed in accordance with the Repsol Group consolidation criteria: all the refineries mentioned are included in the Group's financial statements through full consolidation, with the exception of Refap, which is presented in relation to the Group's 30% interest in 2009 and 2010. This stake was sold on 14 December 2010.

(2) Includes 50% of the Asfaltos Españoles S.A. (ASESA) asphalt production, in which Repsol and Cepsa own 50% shares. Repsol markets 50% of ASESA's products.

(3) Figures for 2010 include the contribution made by 30% interest in the Refap refinery, such interest as sold in December 2010.

The following table shows the origin of the crude oil processed at the Group's refineries, as well as sales of oil products.

ORIGIN OF CRUDE OIL PROCESSED

	2011	2010
Middle East	28%	22%
North Africa	6%	19%
West Africa	9%	11%
Latin America	26%	25%
Europe	31%	23%
Total	100%	100%

OIL PRODUCT SALES

Thousands of tons (1)	2011	2010
Sales by geographic area		
Sales in Europe	33,548	32,429
Own marketing	20,558	20,963
Light products	17,580	17,850
Other products	2,978	3,113
Other sales (2)	6,400	5,591
Light products	4,814	3,889
Other products	1,586	1,702
Exports (3)	6,590	5,875
Light products	1,754	1,688
Other products	4,836	4,187
Sales - rest of the world	4,257	6,184
Own marketing	1,862	1,822
Light products	1,579	1,469
Other products	283	353
Other sales (2)	1,548	3,383
Light products	1,231	2,517
Other products	317	866
Exports (3)	847	979
Light products	264	357
Other products	583	622
Total sales	37,805	38,613

Sales by distribution channel

Own marketing	22,420	22,785
Light products	19,159	19,319
Other products	3,261	3,466
Other sales (2)	7,948	8,974
Light products	6,045	6,406
Other products	1,903	2,568
Exports (3)	7,437	6,854
Light products	2,018	2,045
Other products	5,419	4,809
Total sales	37,805	38,613

(1) 2010 includes the part corresponding to the 30% interest in Refap, which was sold in December of 2010.

(2) Includes sales to operators and bunker sales.

(3) Expressed from country of origin.

In the final quarter of the year, the upgrades and improvements to the Cartagena (C10) and Bilbao (URF) refineries were brought online, both key projects within Repsol's Strategic Plan that were approved in 2007 by the company's Board of Directors.

Following successful completion of the projects, Repsol has met the objectives initially set out in its investment strategy:

- increasing the distillation and conversion capacity of the refining system so as to maximize production of medium distillates given the prevailing shortage, cutting down on fuel oil production processing heavier crude oils.
- Improving energy efficiency, along with safety and the environment.
- Positioning Repsol's refining model as one of the best and most efficient.

The C10 project has enabled the company to boost production capacity at the Cartagena complex to 11 million tons (220,000 barrels per day). Now geared towards the production of medium distillates -over 50%- and with capacity to process heavy crudes with greater value added, the upgraded refinery will help improve the balance of trade in Spain by reducing the country's reliance on imports of automotive fuels. It is in fact the most ambitious industrial project in Spain's history, one that has generated wealth during the construction stage (€3,152 million in investment, involvement of over 20,000 people, average employment of 3,000 workers over three years) and will continue generating it once operational (1,600 direct jobs and more than 8,000 indirect jobs). With the project now completed, the Cartagena refinery has become a modern facility and one of the most efficient in Europe in terms of energy and the environment.

Thanks to the URF project, conversion capacity at the Bilbao refinery has increased significantly, with the facility now processing heavy crude oils and maximizing the production of medium distillates.

The construction of both plants was completed with excellent safety ratios, on schedule and within the approved budget.

Furthermore, both projects form part of Repsol's drive to adapt its facilities to the production of clean transport fuels, encouraging the use of biofuels (biodiesel) while improving energy efficiency, security and the associated environmental impact.

In 2011, Repsol signed an agreement with the Korean company SKL to construct and operate a new production plant for new-generation lubricant base oils.

The plant, which will be annexed to the Cartagena refinery, will require an estimated investment of 250 million euros and is set to begin operating in 2014. The Cartagena and Tarragona refineries will provide the raw materials needed to fuel the facility.

The base oils produced are needed in the manufacture of lubricants for Euro IV/V engines, and involve a major reduction in emissions and consumption.

As part of the Repsol Group's plan to integrate people with disabilities, 81 disabled people formed part of the group's workforce at its industrial complexes in Spain at year-end 2011.

MARKETING

Repsol markets its range of products through an extensive network of service stations. In addition, marketing activity includes other sales channels and the marketing of a wide range of products, such as lube oils, bitumen, coke, and derivatives.

Total sales from own marketing activities fell year-on-year by 1.6% across the board in 2011 to reach 22,420 thousand tons. This drop was due to shrinking demand, which was particularly evident in Spain.

In similar fashion, own sales of gasoline and diesel oil fell by 4% in Spain. Despite this drop, sales fared better than the market as a whole, leading to an increased market share of 0.4%. In other countries, sales climbed by 4%.

Despite these lower sales volumes, Repsol's Marketing division was able to manage the sales margin efficiently, both in the case of service stations and direct sales to end consumers, contributing considerable income growth on track with the trend for 2010. In 2011, the company continued to apply its strict policy of controlling credit risk.

At 31 December 2011, Repsol had a network of 4,506 services stations in countries where the Downstream division operates. In Spain, the network comprised 3,620 points of sale, 70% of which had a strong concessionary link to the network while 26% were company operated. Service stations in other countries were spread throughout Portugal (425), Italy (166) and Peru (295).

The Downstream business had the following points of sale (service stations and supply units) as of 31 December 2011:

Points of sale	Controlled by Repsol (1)	Branded outlets (2)	Total
Spain	2,540	1,080	3,620
Portugal	264	161	425
Peru	116	179	295
Italy	52	114	166
Total	2,972	1,534	4,506

(1) Owned or controlled by Repsol under long-term commercial agreements or other types of contractual relations that ensure direct long-term control by Repsol over these points of sale.

(2) "Branded outlets" refers to service stations owned by third-party dealers with whom Repsol has entered into a new branding agreement entitling Repsol to (i) be the sole supplier of these service stations and (ii) to use its brand at the service station. In the EU, the maximum term of these agreement is five years.

In Spain, Repsol markets its fuels under the Repsol, Campsa, and Petronor brands, with the following distribution as of 31 December 2011:

Brand	Point of sale
Campsa	200
Repsol	3,086
Petronor	308
Other	26
Total	3,620

In 2011, Repsol continued to implement the commitments acquired with the EU in 2006, which include the right of dealers operating the service stations to be released from their long-term supply agreements with Repsol. These commitments expired on 31 December 2011.

In 2011, Repsol opened the world's first service station to be certified by Breeam, the leading international design and assessment method for sustainable buildings. The service station was constructed under eco-architecture parameters, employing a wide range of recycled materials, and is highly energy-efficient. The building also boasts the AENOR universal accessibility certificate.

Reflecting the growth experienced in non-oil business -18% in 2011- Repsol has been chosen as the brand of choice for Spanish drivers when purchasing non-oil products, according to the findings of a recent study conducted by an important independent company from the commercial research sector. Repsol service stations are considered the best in terms of the quality of the range of in-store products and services and the quality of the service offered to customers.

In similar fashion, Repsol, alongside El Corte Inglés department store, staged a successful promotional campaign in which discount checks were offered on purchases exceeding a certain amount, both at Repsol service stations and at the department stores of the Spanish chain.

Moreover, Repsol signed a strategic agreement with Burger King to develop a project whereby Auto King diners are to be set up at Repsol service stations in Spain.

In keeping with its commitment to society, Repsol rolled out an initiative in 2011 to improve the accessibility of more than 500 of its service stations in Spain. Thanks to the project, Repsol will have the largest number of accessible retail outlets in Spain and one of the largest in Europe.

In addition, the company opened the first accessible service station in Portugal, both for employees and customers.

As a prime example of the company's unflinching commitment to sustainable energy supply, Iberia and Repsol staged the first Spanish flight to be powered by biofuels. This groundbreaking project within the airline industry used biofuels certified by the Repsol Technology Center.

Once again confirming the company's strategy of growth and consolidation in Asia, Repsol has started to produce lube oils in China and Malaysia, with sales expected to approach 20,000 tons in 2015, equivalent to more than 25% of Repsol's annual sales of these products in Spain. At present, Repsol markets its lube oils directly or through distributors in over 60 American, European and Asian countries.

Repsol has been actively working since 2005 to integrate disabled people into its workforce and provide them with the required training, while also raising the awareness of other employees in this regard. The sterling work conducted in this field has been recognized on numerous occasions. In 2011, the company was handed the Discapnet award from the Spanish Once Foundation and also received the Ability Award for "Best private company", in recognition of its significant overall contribution to developing and providing employment to disabled people.

Reflecting Repsol's commitment to environmental protection and personal safety, the Autonomous Region of Madrid awarded Repsol's Bio Telex 46 oil with the European eco-label. The oil was developed fully at the Repsol Technology Center. The official standard is the first to be granted in Spain to a lubricant oil.

LIQUEFIED PETROLEUM GAS (LPG)

Repsol is one of the leading retail distributors of LPG in the world and ranks first in Spain and Latin America. In 2011, the company operates in nine different European and Latin American countries.

LPG sales in 2011 totaled 3,033 thousand tons, on track with figures for 2010. Total sales in Spain slumped by 12% year-on-year, dragged down by particularly dry and warm weather conditions. Repsol distributes bottled, bulk, and piped LPG in Spain through collective distribution networks and has more than 10 million bottled LPG customers supplied through a network of 232 endorsed distribution agencies. Bottled LPG sales accounted for 62% of total retail LPG sales in Spain in 2011.

Sales volume of LPG	2011	2010
Thousands of tons		
Europe	1,486	1,680
Spain	1,325	1,503
Rest of Europe ⁽¹⁾	161	177
Latin America	1,547	1,428
Peru	625	497
Ecuador	375	368
Argentina	336	332
Chile	194	199
Rest of Latin America ⁽²⁾	17	32
Total	3,033	3,108
Bottled	1,689	1,761
Bulk, piped and others ⁽³⁾	1,344	1,347
Total	3,033	3,108

(1) Portugal and France

(2) Brazil and Bolivia in 2010, and only Brazil in 2011.

(3) Includes sales to the automotive market, LPG operators and others.

LPG trade margins for 2011 in Spain were up year on year across all channels, including bottled LPG, despite the change to the pricing system ushered in by the Spanish Ministry of Industry, Tourism and Trade in September 2009. According to the new model, 25% of the price to be applied in a forthcoming quarter would be pegged to international prices in effect during the immediately preceding quarter and the remaining 75% would depend on the maximum price prevailing at the end of the quarter just ending. The variation in this formula had an adverse impact on fourth quarter 2009 results and on results for 2010 and 2011; if this trend remains in place or if international LPG prices continue to climb, 2012 results will also feel the brunt.

In Portugal, Repsol distributes bottled and bulk LPG to end customers while also supplying other operators. Sales in 2011 reached 150,000 tons, making the company the third largest operator with a 21% market share.

In Latin America, Repsol is the leading LPG distributor in Argentina, Ecuador, Peru and Chile. It markets bottled and bulk LPG in Argentina to the residential, commercial and industrial sectors, with sales totaling 336,000 tons.

AutoGas (GLP for vehicles) is one of the most popular alternative fuels in the world. Although it has yet to make any meaningful impact on the Spanish market, sales grew by 18% in 2011, indicating increased demand for this economic fuel that also helps to improve air quality within cities. The industry expects that roughly 40,000 vehicles will be running on AutoGas in five years' time.

Repsol, fully aware of the growing interest in this alternative fuel, had 80 points of sale equipped with AutoGas pumps at year-end 2011; and intends to open further points of sale at a pace of 100 per year over the coming years.

In Peru, Repsol continued to develop and expand the vehicular LPG market in 2011 with the signing of a commercial agreement with the company Relsa, one of the market leaders in vehicle renting to companies.

Repsol continues to drive forward research, development and innovation programs centering on LPG. Highlights here include the SolarGas application, a groundbreaking, integral energy supply system combining solar energy with LPG to provide hot water to homes and businesses in a sustainable and economic manner and with very low CO₂ emissions; or new uses in agriculture, fishing and the development of products and services, such as Portugal's Easy Gas.

CHEMICALS

The chemical business, part of the Downstream division, produces and markets a wide range of products, ranging from base to derivative petrochemicals. Its products are marketed in over 90 countries, leading the market on the Iberian peninsula.

Production is concentrated at three petrochemical complexes located in Puertollano and Tarragona (Spain) and Sines (Portugal), where there is a high level of integration between basic and derivative chemicals, as well as with refining activities, in the case of the Spanish facilities. Repsol also has a number of subsidiary and affiliate companies, through which the company produces styrene derivatives, chemical specialties and synthetic rubber at special plants. The latter is produced through Dynasol, a 50% partnership with the Mexican KUO group, with plants in Mexico and Spain.

Operating income in the chemical business, part of the Downstream division, experienced year-on-year growth of 113%. The improvement in both margins and demand over the first half of the year, coupled with the ongoing consolidation of austere cost-cutting measures and streamlining and production adjustments at plants, have all helped to push up income, despite the weakening of the sector seen in the second half of the year.

Sales to third parties in 2011 amounted to 2.66 million tons, marking a 1.6% increase on the 2.62 million tons sold in 2010.

In addition, investments continued in 2011, mainly to upgrade and optimize existing assets, enhance efficiency, reduce costs and improve quality, safety and environmental standards.

OPERATING HIGHLIGHTS CHEMICALS	2011	2010	2011/2010 Variation
Thousands of tons			
Capacity			
Basic petrochemicals	2,808	2,808	0%
Derivative petrochemicals	2,933	2,933	0%
TOTAL	5,741	5,741	0%
Sales by type of product			
Basic petrochemicals	889	874	1.7%
Derivative petrochemicals	1,770	1,744	1.5%
TOTAL	2,659	2,618	1.6%
Sales by region			
Europe	2,312	2,263	2.1%
Rest of the world	348	355	(1.9%)
TOTAL	2,660	2,618	1.6%

The following table details production capacity for the main petrochemical products in the Downstream business, mainly in Europe, as of 31 December 2011:

PRODUCTION CAPACITY

Thousands of tons

Basic petrochemicals

Ethylene	1,362
Propylene	904
Butadiene	202
Benzene	290
Ethyl tert-butyl ether	50

PRODUCTION CAPACITY

Thousands of tons

Petrochemical derivatives

Polyolefins	
Polyethylene (1)	875
Polypropylene	520
Intermediate products	
Propylene oxide, polyols, glycols, and styrene monomer	1,189
Acrylonitrile / Methyl methacrylate	166
Rubber (2)	115
Other (3)	69

(1) Includes ethylene vinyl acetate (EVA) and ethylene butyl acrylate (EBA) copolymers.

(2) Includes 55,000 tons of production capacity in Mexico.

(3) Includes styrene derivatives and specialties.

NEW ENERGIES

The New Energies Business Unit was created in 2010, assigned to the Downstream Division, to promote and provide business sense to the new initiatives contributing to a vision of the future where energies are more diversified and produce fewer carbon dioxide emissions.

The aim of Repsol's New Energies Business Unit is to identify new opportunities, promote projects and carry out business initiatives in fields such as bioenergy and renewable energies applied to transport and other areas that could share synergies with Repsol's current businesses and the geographic regions in which it operates.

In this context, Repsol continued in 2011 to develop a number of projects started in 2010, including the acquisition of a shareholding and management control over the KUOSOL joint venture, engaged in the development of bioenergy through the farming *jatropha curcas*; AlgaEnergy, in microalgae research; Orisol, which develops wind farms; and IBIL, a company that manages the recharging of electric vehicles.

In terms of IBIL's envisaged expansion, Repsol signed commercial collaboration agreements in 2011 with Renault-Nissan, Peugeot and Opel to promote the sale of electric vehicles by vehicle manufacturers and for IBIL to install further recharging stations.

Acquisition of Sea Energy Renewables

In 2011, Repsol acquired 100% of Sea Energy Renewables, later renamed Repsol Nuevas Energías U.K., a British company based in Scotland and engaged in the promotion and development of offshore wind farms. With the deal, Repsol acquired development rights at three offshore wind farms off the Scottish coast.

Within the context of this same deal, Repsol reached an agreement with EDP Renováveis for the joint development of two of the wind farms, namely the 1,500 MW Moray Firth wind farm and the 905 MW Inch Cape facility, in which Repsol will own 33% and 51% interests, respectively, following the agreement. The company also holds a 25% stake in the Beatrice wind farm with Scottish and Southern Renewables owning the remaining 75%. Thanks to the new deal, Repsol now holds rights to develop, construct and operate 1,190 MW of installed capacity in the United Kingdom.

During the plant development stage, which is due to be completed sometime between 2014 and 2015, the necessary studies will be conducted and steps taken to acquire the construction and operating permits for the facilities, with plant start-up expected to take place between 2015 and 2020. The project will allow Repsol to apply its considerable technological expertise in offshore operations, coupled with its experience in large-scale engineering projects.

INVESTMENTS

Operating investments in Downstream totaled €1,712 million, up 6.2% on the €1,612 million reported in 2010. Most of this investment was spent on ongoing refining projects, particularly in Spain, on upgrading operations, facilities and fuel quality, and on safety and the environment, as described in the previous sections of this report.

DIVESTMENTS

In November 2011, Repsol sold its liquefied petroleum gas (LPG) subsidiary Repsol Gas Brasil to the company Ultragas for the sum of €20 million. The sale marked the end of its divestment process of non-strategic Downstream assets in Brazil so as to concentrate on developing exploration and production projects through its investee company Repsol Sinopec Brasil.

In addition, Repsol reached an agreement to sell its subsidiary Repsol France S.A., engaged in LPG distribution in France, to Totalgaz, a subsidiary of the Total Group.

Repsol will continue to focus its attention on the LPG sector in markets where it already operates, with the aim of maintaining and enhancing its market leadership.

YPF

All value chain activities (exploration, production, refining, logistics, marketing, and chemicals) conducted by YPF and its affiliates have been reported separately since 1 January 2008, the date on which the new organizational structure of the Repsol Group was unveiled. At 31 December 2011, the Group held a stake of 57.43% in YPF, S.A., which is included in the Group's financial statements through full consolidation. Most YPF operations, assets, and clients are located in Argentina.

The 2010-2014 Exploration and Production Development Program was launched in December of 2009 and officially got under way at the start of 2010, with its objectives including implementation of the unconventional oil and gas exploration and production plan. In May 2011, the company announced the discovery of unconventional oil resources (shale oil) at the Vaca Muerta field in the Loma La Lata Norte area in Neuquén province. The initially projected volume of resources and reserves at the discovery was subsequently raised in November 2011 and in February 2012.

In January 2012, Repsol announced the discovery of a conventional oil reservoir in the Chachahuén block, located in the southern region of Mendoza province, within the Neuquina basin. This is the largest discovery in the province for several years.

In the gas sector, work to develop, construct and start up the Escobar LNG terminal (Buenos Aires province) was completed in May 2011.

The facility, constructed in a record time of just 206 days, is operated by YPF and regasifies LNG through a ship boasting a capacity of 17 million cubic meters a day and 151,000 cubic meters of LNG storage capacity.

In line with the company's objective of unifying and strengthening the overall image of the YPF service station network under the concepts of modernity and rationality, 80 stations were remodeled over the course of 2011. In October, a groundbreaking service station in Latin America was unveiled in Tigre-Nordelta. Marking the first flagship station within the YPF network, the sustainable facility features advanced architecture and is energy efficient to help protect the natural environment. Existing soil and land conditions were ideally suited for a non-typical project, one capable of balancing the needs of customers with environmental protection. Fuel is delivered through five lines of state-of-the-art smart pumps, the first to be installed publicly in Argentina, thus improving customer care and service. On-site services include the Full

store, able to accommodate 180 people, two vehicle oil and diagnostics stations and an interactive Serviclub point, at which club members can find useful information, along with cash points and car washes.

In December of 2011, the La Plata industrial complex beat its production record for naphtha intended for the internal market, with a volume of 207,000 cubic meters, reaching a new annual all-time high of 2,174,000 cubic meters. Full integration of the industrial complex was also completed by uniting the operations and services of the refinery with those of the chemical complex. On the same way, full integration of the Plaza Huincul refinery and the Methanol complex was also achieved.

RESULTS

YPF posted €1,231 million in operating income for 2011, marking a 15.3% drop on the €1,453 million reported in 2010.

This reduction is largely the result of the strikes affecting crude oil production, coupled with rising costs and the temporary suspension of the Petróleo Plus program. The increased income reported from sales of fuel at service stations and products with prices pegged to international prices was unable to offset the overall drop in operating income.

Average annual production stood at 495 kboe/day, down 8.5% on the 541 reported in 2010. Broken down, the decrease was 10.5% in gas, and 6.7% in production of liquids. The 7.6% drop in crude can largely be put down to lower production levels stemming from trade union stoppages, particularly the strike in Santa Cruz, which ran from April to July, and to a lesser extent, the Chubut strike.

UPSTREAM

This area is tasked with the exploration, development and production of hydrocarbons, mainly in Argentinean territory, as the source for the rest of the company's value chain. In Argentina the company has 48 onshore and offshore exploration blocks with a surface area of over 140,000 km², and is the direct or associate operator in 93 production areas located in the Neuquina, Golfo de San Jorge, Cuyana, Noroeste and Austral basins. The company also operates in the United States and Guyana through YPF International.

Finished exploration wells

	As of 31 December 2011 (1)									
	Positive		Negative		Under evaluation		Total			
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Net	
Argentina	18	16	6	3	2	2	26		21	
United States	-	-	1	*	-	-	1		*	
Total	18	16	7	4	2	2	27		21	

	As of 31 December 2010 (1)							
	Positive		Negative		Under evaluation		Total	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Argentina	6	6	8	6	-	-	14	12
United States	-	-	-	-	-	-	-	-
Total	6	6	8	6	-	-	14	12

(1) A gross well is a well in which YPF owns a working interest. The number of net wells is the sum of the fractions of interest held in gross wells.

* Fewer than one exploratory well.

Finished development wells

	As of 31 December 2011 (1)							
	Positive		Negative		Total			
	Gross	Net	Gross	Net	Gross (2)		Net	
Argentina	553	493	8	8	561		501	
United States	-	-	-	-	-		-	
Total	553	493	8	8	561		501	

	As of 31 December 2010 (1)							
	Positive		Negative		Total			
	Gross	Net	Gross	Net	Gross		Net	
Argentina	709	616	8	7	717		623	
United States	-	-	-	-	-		-	
Total	709	616	8	7	717		623	

(1) A gross well is a well in which YPF owns a working interest. The number of net wells is the sum of the fractions of interest held in gross wells.

(2) Excluding 98 injection wells. When added, these make up the 659 reported as development wells.

* Fewer than one exploratory well.

Acreage

The table below displays information on YPF's developed and undeveloped acreage, by geographical area, as of 31 December 2011:

(km ²)	31 December 2011							
	Developed (1)				Undeveloped (2)			
	Gross (3)		Net (4)		Gross (3)		Net (4)	
Argentina	6,046		4,484		172,069		95,343	
Guyana	-		-		8,400		2,520	
United States	117		16		1,161		672	
Uruguay	-		-		8,500		3,400	
Total	6,163		4,500		190,131		101,935	

- (1) Developed acreage is the area assignable to production wells.
- (2) Undeveloped acreage covers the surface area in which no wells have been drilled, or where wells have not been completed to the point of permitting oil and gas production in economically viable quantities, regardless of whether said area contains proven reserves. The amounts displayed pertain to acreage in terms of both exploration and operation.
- (3) Gross acreage figures do not take into account YPF's percentage stake in it.
- (4) Net acreage is the sum of the fractions of interest held in gross acreage.

Main production concessions by country

The following table provides figures on the main YPF production concessions by country at 31 December 2011, likewise stating the percentage that YPF holds in each concession.

	Main blocks	% Repsol	Operated (O) / Not operated (NO)	Liquid (L) / Gas (G)
Argentina				
	Loma La Lata	100%	O	L - G
	Los Perales	100%	O	L - G
	San Roque	34%	NO	L - G
	Chihuido La Salina	100%	O	L - G
	Acambuco	23%	NO	L - G
	Chihuido Sierra Negra	100%	O	L - G
	Manantiales Behr	100%	O	L - G
	El Portón	100%	O	L - G
	Barranca Baya	100%	O	L - G
	Puesto Hernández	84%	NO	L
	Seco León	100%	O	L - G
	Aguada Toledo - Sierra Barrosa	100%	O	L - G
	Magallanes	63%	NO	L - G
	Aguada Pichana	27%	NO	L - G
	Desfiladero Bayo	100%	O	L - G
	CNQ 7A	50%	NO	L
	Señal Picada	100%	O	L - G
	Tierra del Fuego	30%	NO	L - G
	Vizcacheras	100%	O	L - G
	Lomas del Cuy	100%	O	L - G
	Chihuido La Salina Sur	100%	O	L - G
United States				
	Neptune	15%	NO	L
	Neptune North	15%	NO	L

Average realization price for crude oil and gas by geographical region

	At 31 December 2011		At 31 December 2010	
	Average crude oil realization price (€/Bbl)	Average gas realization price (€/Boe)	Average crude oil realization price (€/Bbl)	Average gas realization price (€/Boe)
Argentina	42.76	9.66	37.49	9.78
United States	72.46	17.50	56.10	22.93

Note: source data in dollars converted at the accumulated average dollar/euro exchange rate for the period in question.

DISCOVERIES

Conventional

In 2011, YPF completed the drilling of ten exploration wells at the Neuquina basin (five of them in non-operated areas). Of the total wells drilled, four discovered resources (Triquileu sur x-1, Jagüel Casa de Piedra este x-1 and x2, and Chachahuen Sur x-2), while three are pending final results.

In January 2012, the company announced the discovery of a conventional oil reservoir in the Chachahuén block, located in the southern reaches of Mendoza province, within the Neuquina basin.

The exploration campaign rolled out over the year involved the drilling of three wells at depths of between 1,000 and 1,500 meters. The wells confirmed the existence of mineralized layers at the Rayoso formation with an average thickness of 10 meters. Two of the wells underwent testing and contributed a combined 500 barrels per day of average density oil (24° API). The third, only recently drilled, is still undergoing trials.

Unconventional

The first stage of development of the 2010-2014 Exploration and Production Development Program has now been completed, the result being 15 vertical wells in the northern area of Loma La Lata and Loma Campana (Neuquén province), with target shale oil found at the Vaca Muerta formation, and with all wells having initial production levels of between 200 and 600 boe per day.

Continuing with explorations at the Vaca Muerta formation, drilling was completed on two vertical wells at the Bajada de Añelo and La Amarga Chica blocks, both located to the north of the formation. The BAñ.x-2 well posted high quality (48° API) crude oil production levels, while positive results were also reported during testing at the LCh.x-3 well, which produced crude oil of 35° API. Output for both wells is keeping pace with previous levels of performance. Existing resources at the area are currently under evaluation and activities are to be stepped up.

It is estimated that the Vaca Muerta formation spans a total area of 30,000 km², of which YPF holds rights over approximately 12,000 km². Initial findings would suggest that 77% of its total area contains oil, with the rest offering a mixture of wet and dry gases.

PRODUCTION

YPF's oil and gas production during 2011 stood at 180.7 Mboe, down 8.5% on figures for 2010. Liquid production was 100.4 Mbbl, while crude oil was 81.4 Mbbl and gas 80.3 Mboe. Union strikes, which took place mainly in the south between April and July, dragged down production by 9.5 Mboe. Without taking into account these strikes and other losses caused by third-parties, crude oil production would have fallen by 2.5% year-on-year.

Within the framework of the Gas Plus program, which focuses on gas production, YPF secured authorization for the "Lajas Tight Gas", "Piedras Negras-Señal Lomita", "Rincón del Mangrullo" and "Precuyano - Cupen Mahuida" projects. For those areas held in association with partners, the company also secured approval for the Gas Plus projects in Aguada Pichana and in Lindero Atravesado.

Net production of liquids and natural gas by geographical area:

	2011			2010		
	Liquids	Natural gas	Total	Liquids	Natural gas	Total
	(Mbbbl)	(bcf)	(Mboe)	(Mbbbl)	(bcf)	(Mboe)
Argentina	99	451	180	107	505	197
United States	1	1	1	1	1	1
Total net production	100	453	181	107	506	197

Production wells by geographical area

	As of 31 December 2011 (1)			
	Crude		Gas	
	Gross	Net	Gross	Net
Argentina	11,559	9,918	841	529
United States	7	1	-	-
Total	11,566	9,919	841	529

	As of 31 December 2010 (1)			
	Crude		Gas	
	Gross	Net	Gross	Net
Argentina	11,036	9,378	831	542
United States	7	1	-	-
Total	11,043	9,379	831	542

(1) A gross well is a well in which YPF owns a stake. A net well is when the sum of the stakes in several wells equals 100%. The number of net wells is the sum of the stakes held in gross wells, expressed in whole numbers and fractions.

RESERVES

At 31 December 2011, YPF's proven reserves, estimated in accordance with the U.S. Securities and Exchange Commission (SEC)'s guidelines and the criteria envisaged under the Petroleum Reserves Management System of the Society of Petroleum Engineers (PRMS-SPE), totaled 1,013 Mboe, of which 585 Mboe (58%) relate to crude oil, condensate and liquefied gases, and the remaining 427 Mboe (42%) to natural gas.

Company reserves fared well over 2011 with the addition of 202 Mboe, 137 of which correspond to oil. Highlights for the year included the addition of a major oil development project in unconventional reservoirs (Vaca Muerta) at the Neuquén Gas business unit, and the extension of concessions for all areas containing reserves of the Mendoza business unit.

In 2011, YPF reported a reserves replacement ratio of 112% for crude oil, condensates, LPG and natural gas combined (153% for crude, condensates and LPG, and 60% for natural gas).

ACTIVITY

YPF's current activity by geographic area						
As of 31 December 2011						
	Acreage (1)				No. of exploration wells being drilled (3)	
	No. of blocks		Net acreage (km ²)(2)			
	Development	Exploration	Development	Exploration	Gross	Net
Argentina	93	48	26,752	73,075	9	6
Guyana	-	1	-	2,520	1	*
United States	5	49	16	672	-	-
Uruguay	-	2	-	3,400	-	-
Total	98	100	26,768	79,667	10	6

(1) Operated and non-operated by YPF.

(2) Gross acreage is the size of an area in which YPF owns a stake. The net acreage is the sum of the stakes in gross acreage.

(3) A gross well is a well in which YPF owns a stake. A net well is when the sum of the stakes in several wells equals 100%. The number of net wells is the sum of the stakes held in gross wells, expressed in whole numbers and fractions.

* Fewer than one exploratory well.

Argentina

YPF's exploration activity in Argentina focused on the following areas in 2011:

Offshore. YPF is currently the operator of three blocks:

- CAA40 and CAA46, in the Malvinas basin (Argentina), where the Malvinas x.1 well was drilled 490 meters underwater and with a final depth of 2,000 meters to tap oil reserves with negative results. YPF held a 33.5% interest. In December, 100% of the CAA-40 and 50% of the CAA46 blocks were returned to the Argentinean Secretary for Energy due to expiry of the first exploratory period, and YPF's interest was increased to 100%.
- Block E1, in the Colorado basin (Argentina), at a depth of 1,600 meters, which is at an early well planning stage. YPF holds a 35% interest.

YPF also owns a 30% interest in block E3 of the Colorado basin, with the operator being one of its partners. Geological and geophysical studies were conducted during 2011 to define and design the seismics to be taken.

Onshore

Unconventional

- Shale oil: against the backdrop of the 2010-2014 Exploration and Production Development Program, fifteen vertical exploration wells were drilled in 2011 at the Vaca Muerta formation, in Loma La Lata (Neuquén province). The positive findings, along with the seismic and geological studies conducted, point to the existence of technically recoverable resources within the area. The first exploratory step-out well was the BAñ.x-2 at the Bajada de Añelo block, which proved to be productive. The second step-out well was the LACH.x-3 within the La Amarga Chica block. Both turned in healthy results on par with levels seen in the northern sector of Loma La Lata and Loma Campana.

In relation to activity outside the northern area of Loma La Lata and adjacent blocks, work was completed on the ChSN.xp-623 well within the Chihuido de la

Sierra Negra block. The lower 150 meters were stimulated, resulting in high quality (37° API) oil. The well is currently awaiting final results.

In addition, the company drilled the LCav.x-2 well in the Bandurria block, the MMo.x-1 well in the Mata Mora block, and the LAm.x-2 well in the Loma Amarilla block, while drilling was started on the Corr.x-1 well in the Corralera block.

- Shale gas: The LLLK.x-2h well was brought on-stream midway through December, marking the first horizontal well at the Vaca Muerta formation to target shale gas. As a part of the 2010-2014 Exploration and Production Development Program, work was started in December on the CA.x-5 well in the Cerro Arena block, and on the LDMo.x-1 well in the Loma del Molle block, both intended for shale gas production at the Vaca Muerta formation.

Conventional

- San Juan province: the Ansilta es-1 appraisal well (Tamerías area) was drilled at a depth of 2,507 meters below surface, without evidence of oil or gas. Due to the negative findings, the block will be returned at the end of the second exploratory period in March 2012.
- Chubut province: the Las Coloradas es-1 appraisal well (Gan Gan block) was drilled in the south-western sector of the Cañadón Asfalto basin (Área Gan Gan). At 1,600 meters below surface, the well discovered economic basement before reaching a final depth of 2,065 below surface. This new information will enable the company to adjust its prospecting model in an area where the only available information to date has come from potential methods on account of the extensive basalt coverage, with only scant 2D seismic data available. Soil samples were also collected between Gorro Frigio and Sierra de la Manea for geochemical analysis, covering 500 km² of the CGSJ V/A area.
- Mendoza province: after interpreting the 3D seismics taken in the fourth quarter of 2010, the company defined the final position of two exploration wells within the Los Tordillos Oeste block, Mendoza province, in collaboration with Sinopec Argentina (formerly Occidental Exploration and Production), which holds a 50% interest. For both projects, the respective environmental authorizations have been sought from the local authorities and are expected to be obtained midway through 2012, whereupon the drilling phase will start. This particular venture will enable the company to meet its investment commitments for the first period, which has been extended by virtue of article 1 of Provincial Resolution 546/09.
- La Rioja province: the company recorded 300 kilometers of regional 2D seismics in the area of Bolsones Bermejo and Pagancillos (Bolsón del Oeste block). The main objective here is to obtain a better picture of the geometry of the formations and make out potential structures in order to drill a well in 2012. A geochemical soil sample was also taken over 150 km² of the area west of Guandacol.
- Frontier areas: drilling of the Puesto Chacaico x-1 well was completed in the Río Barrancas block, reaching a final depth of 836 meters. The well presented impregnations of fresh oil and gas at various units of the lower cretaceous layer, thus confirming the existence of an active oil system for this frontier sector of the Neuquina basin.
- Borde de Cuenca play: exploration got under way in search of heavy crude oils on the border of the Neuquina basin, in southern Mendoza province. The working plan envisages the drilling of at least 15 appraisal wells at various

depths, the aim being to define the extension of the play and the thickness of its mineral layers.

Regarding field development activities, a total of 659 development wells had been drilled by year-end 2011, including 98 injection wells. Together with secondary, repair and infrastructure activities, these entailed a total investment in development of \$1,510 million.

During 2011, YPF continued to work on improving its facilities and streamlining oil and gas production. New simulations of reservoirs and facilities were conducted so as to continue optimizing compression capacity and above-ground installations.

YPF's key initiatives for the improvement of productive assets include:

- Neuquén Gas: during 2011, the company continued to implement its integral low-pressure operational plan for the Lomo la Lata field, upgrading a further primary separator and compression station, while also completing optimization work on the compression station interconnection system, thereby helping to minimize losses and rendering the internal piping system more flexible. Similarly, the pilot production facility was started up at ultra low pressure by installing mobile motor compressors at the wellhead. Moreover, a program was rolled out in the area of Aguada Toledo-Sierra Borrosa to drill 10 new wells and repair 14 existing production and injection wells within the framework of the integral secondary recovery plan, which also envisages upgrading above-ground installations. In the same area, development of non-conventional gas (tight gas) at the Lajas formation got started in the fourth quarter of 2011 through fracturing activity at existing wells and the drilling of new wells. The work is being carried out via the Lajas temporary joint venture, in association with Vale do Río Dolce.
- Mendoza: models were updated to incorporate the information obtained in 2010 from the Llanquanelo field, while delineation work and cold production testing continued through the drilling of two new wells in other areas of the field and in deeper reservoirs. The planned drilling work for the Loma de la Mina reservoir was completed with eight new wells located at various positions within the block. Drilling also continued on eight directional wells at Cerro Fortunoso and two new wells were drilled at Valle del Río Grande, with one of them obtaining the information needed to initiate unconventional oil investigations in 2012. In order to continue developing the Desfiladero Bayo field, five production wells were drilled and three conversions made in the northern sector. In addition, four replacement injection wells were drilled and four conversions carried out within the Desfiladero Bayo Infill area, the aim being to start bringing the field towards the injectivity levels required to meet development targets. In 2011, seven new wells were drilled, three of which were directional wells for the Chihuido de la Salina reserve (two at the Chihuido la Salina Centro-Norte field and one at Chihuido la Salina Norte) and four being horizontal wells, two located in the El Portón reserve. With regards to workover activity, a total of 12 repairs were carried out, five at the El Portón Sur field (Área de Reserva El Portón), one at the Chihuido La Salina Norte reservoir and five at the Chihuido La Salina Centro-Norte reservoir (Área de Reserva Chihuido La Salina). At Mendoza Norte, work continued on the Vizcacheras Pinch Out project with the drilling of 10 wells, associated workover and installation work. Wells were also repaired and reactivated in the La Ventana block.
- Neuquén and Río Negro: at the El Medanito field (fully owned by YPF), the aggressive drilling campaign in 2010 (across the mid-west region) was followed in 2011 by another intensive drilling campaign, including a new pilot water injection facility (in the south-west of the field). The drilling program scheduled for 2012 includes ongoing mass development throughout the area, and

completion of the construction work started two years previously on various installations.

- **Chubut:** the Manantiales Behr Full Development project includes the El Alba, La Carolina, Grimbeek and Sur Manantiales projects. The Chabut region currently has 840 oil-producing wells and 15 free gas-producing wells. A total of 196 wells were drilled in 2011, including 87 infill wells at the Grimbeek block and 109 development wells divided among the four aforementioned projects, with total investment climbing to \$283 million for the period. The overriding objective of this new project is to ensure full development and exploitation of new areas, with the possibility of gradually constructing new wells, implementing new assisted recovery projects and enhancing development with the corresponding above-ground installations with a view to improving the recovery factor within the area. Within the Chabut reserve, the project offering the greatest primary development potential is La Carolina, which now includes a pilot polymer injection facility at Grimbeek II, surfactant injection equipment at Sur Manantiales Behr and infill well drilling potential throughout certain sectors.
- **Santa Cruz:** in 2011, 13 integral development projects were rolled out at four areas under development (Las Heras, El Guadal, Los Perales and Cañadón Seco), comprising a total pipeline of 79 projects. The main development projects include Cerro Grande, Maurek, Seco and León Los Perales. As a result of these projects, a total of 65 wells have been drilled, which, including the costs of associated resources, entailed a total estimated investment of \$154 million.

Turning our attention to the development of new exploration and production businesses, it is worth highlighting the following work:

2010-2014 Exploration and Production Development Program: in 2010, collaboration agreements were signed with 12 provinces, whereby YPF undertook to assess the exploration potential of their sedimentary basins. The signatory provinces were Entre Rios, Formosa, Chaco, Santa Cruz, Buenos Aires, Córdoba, Santa Fe, San Juan, La Rioja, Salta, Misiones and Tucuman. In 2011, technical meetings were held with representatives of the provinces and three of the four phases envisaged for the 2010-2012 period have now been concluded. It is expected that the report detailing opportunities will be delivered within the first four months of 2012.

Acreage under concession: 10-year extensions were officially awarded for 16 operational blocks in Mendoza province, effective from 2011 onward, with investment in exploration activity to hit the \$54 million mark.

New acreage: YPF was heavily involved in the 2011 license bidding rounds for Chubut and Mendoza provinces. The company is now finalizing negotiations for the awarded areas.

International expansion

International business focused primarily in 2011 on assessing exploration opportunities in South America. At present, YPF is staging talks in the following countries:

- **Colombia:** negotiations have been held for the following five blocks: Catguas, Carboneras, COR12, COR14 and COR33. The first two blocks are located in the Catatumbo basin, while the others can be found in the Cordillera Oriental basin. The company is currently awaiting official approval from the relevant government bodies. YPF's interest in the blocks ranges from 10% to 60%, and

the company is set to be the operator in four blocks. The total area of the new acreage is 3,398 km². The exploration activity to be carried out over the next two years requires the company to obtain 180 kilometers of 2D seismics and 50 km² of 3D seismics, plus the drilling of two wells to tap unconventional resources.

- Peru: YPF is awaiting the award from the Peruvian government of blocks 180, 182 and 184 within the Huallaga basin, and block 176 in the Ucayali basin. Whatever the outcome, YPF holds a 25% stake in the consortium created with Repsol (operator, 25%) and Ecopetrol (50%).
- Paraguay: in September 2011, YPF was awarded a prospecting permit for Manduvira, located within the Chacoparaná basin.
- Uruguay: on 30 May 2011, YPF's Management Committee green-lighted the signing of a prospecting agreement with the state-owned ANCAP and the creation of a YPF subsidiary in Uruguay. The area is located onshore, within the Chacoparaná basin. YPF also holds offshore interests in areas 3 and 4 of the Punta del Este basin, and is the operator of one of them.
- Chile: during 2011, YPF successfully secured the San Sebastián (40%) and Mazarri/Lago Mercedes (50%) onshore blocks.

Non-operated areas

In September 2010, there was an incident on the offshore AM-2 platform of the Magallanes field, operated by Sipetrol (in which YPF holds a 50% interest) and located in the Strait of Magellan. In the wake of the accident, the field was out of production until December 2010, whereupon it began to operate at 30% capacity. This situation remained unchanged over 2011. The AM-2, AM-3 and AM-6 platforms were successfully started up on 22 December 2011, with connections yet to be completed from AM-1 to the TurboCompressor 200 (TC200) located at AM-2. Production climbed to an average of 800 cubic meters per day of crude oil and 1.8 Mm³/d of gas. When brought into service, the machine will operate at the AM-1 platform and will contribute an additional 600,000 cubic meters of gas per day and approximately 60 cubic meters a day of crude oil.

In Aguada Pichana, operated by Total Austral and in which YPF holds a 27.27% interest, the Las Cárceres project was delineated and implemented. 3D seismics were taken at Cárceres Oeste towards the end of December 2011 and work is in progress to interpret the findings. The AP.xp-1001 exploration well targeting shale gas was drilled at Vaca Muerta (first shale gas well to be deployed by the temporary joint venture) and is currently awaiting termination.

Moving to the CNQ 7A block, operated by Pluspetrol and in which YPF holds a 50% interest, delineation work was successfully completed on the El Corcobo Norte, Jagüel Casa de Piedra, Cerro Huanul Sur and Puesto Pinto reservoirs, and development work is already in progress. In December 2011, injection processes were started under the pilot polymer injection project taking place at the El Corcobo Norte field.

The JCPE-x1 / JCPE-x2 exploration wells were drilled in 2011 and have proved to be economically successful.

United States

The Neptune field maintained stable production levels of 10,000 bbl/day for over six months in a row.

Despite the absence of any new drilling work, satisfactory reservoir responses effectively meant that up to 3.5 Mbbbl (gross) of proven reserves could be added, with the replacement ratio topping 80%.

The consortium running the Neptune field approved the development of the SA01ST1 well at the W2 site, following the proposal put forward by the technical team of Maxus E&P.

As no new wells were drilled in 2011, production came in significantly lower than originally expected, at over 1.5 Mbbbl. Despite this, rising crude oil prices will help to offset part of the deficit.

Maxus' committee approved the extension of 35 exploration blocks, paving the way for new business opportunities in the future.

Natural gas

YPF's natural gas sales totaled 12,280 million cubic meters in 2011, down by approximately 5.5% on the volume sold in 2010, and with the most significant drop in sales witnessed in the industry segment. In Argentina, YPF enjoys a market share of roughly 30%. The average price of natural gas sold by the company climbed 4.4% year-on-year, chiefly due to withering volume within the less profitable segments.

As a part of a program launched by the Argentinean government, an LNG regasification ship, located in Bahia Blanca, was kept in operation over the year to introduce 2,222 million cubic meters of gas (up 23% on the same figure for 2010) into the country's gas network. Of this total, 1,218 million cubic meters were injected over the five winter months to meet increased demand, equivalent to approximately 8 Mm³/d.

In both April and December 2011, YPF carried out work to modify and upgrade Bahía Blanca installations, managing to push up natural gas injection capacity from 10 to 12.5 million cubic meters a day in April, and subsequently up to 14.5 million cubic meters a day. Further improvement work is expected to increase natural gas injection capacity to 17 million cubic meters a day in April of 2012.

In addition, the Escobar temporary joint venture (jointly owned by Enarsa and YPF in equal shares), with YPF acting as operator, closed the year having successfully developed, constructed and started up the Escobar LNG terminal.

The terminal, which is currently being operated by YPF, regasifies LNG through a ship capable of regasifying 17 million cubic meters a day and with 151,000 cubic meters of LNG storage capacity. Since its start-up in May 2011, the terminal has regasified 1,375 billion cubic meters.

ENARSA and YPF have also created a temporary joint venture with the aim of executing and operating the Cuatros LNG project. Each company will have an equal 50% stake, with YPF operating the venture.

This project will be located in Bahía Blanca and is currently undergoing development.

REFINING, LOGISTICS AND MARKETING

YPF has three refineries: La Plata (in the province of Buenos Aires), Lujan de Cuyo (in Mendoza) and Plaza Huincol (in Neuquén). La Plata has a distillation capacity of 189,000 barrels per day and a daily conversion capacity of 119,000 barrels; Luján de Cuyo has a distillation capacity of 105,500 barrels per day and the same conversion capacity; and Plaza Huincol has a distillation capacity of 25,000 barrels per day. Furthermore, the La Plata refinery has a lubricant manufacturing plant with a capacity of 860 cubic meters/day of finished base oils.

Logistics for crude oil is articulated through three companies in which YPF holds a stake (Oldelval, Termap and Oiltanking Ebytem), along with chartered tankers and two company-owned pipelines (Puesto Hernández - Lujan de Cuyo and Puerto Rosales - La Plata). Product logistics is mostly carried out through two company-owned multi-purpose pipelines (Lujan de Cuyo-San Lorenzo-La Matanza and La Plata-La Matanza), three loading ports, 12 tankers, eight barges, four tow boats, 16 terminals (nine with associated ports), six LPG plants, 54 airport filling stations and 1,600 trucks.

It also owns a 50% holding in Refinor, a company engaged in the refining, transportation and marketing of fuel (70 service stations in total, effectively meaning 35 given YPF's 50% stake) and derivative products in north-west Argentina.

YPF refineries processed 45.2 thousand cubic meters/day in 2011, 4.2% less than in 2010. This reduction was largely due to trade union conflicts that affected operations of crude oil coming from the Gulf of San Jorge over the first half of the year, coupled with limited availability of crude oil from Neuquén and the scheduled stoppages and strikes at various units.

Despite these hurdles, refining performance over 2011 in terms of LPG, gasoline and medium distillates remained high.

According to the latest benchmarking studies, maintenance and mechanical availability standards for the YPF refinery units are among the best of their kind worldwide.

The load and, therefore, use of conversion units was optimized, thus allowing production of gasolines for the domestic market to reach 3.7 million cubic meters, representing an 8.8% increase year-on-year and the highest level seen in recent years.

In 2011, YPF continued to position itself in the marketing of IFO (naval bunker fuel). The improvements made in logistics have helped position the company as one of the main suppliers in the region and increased its market share from 14% in 2007 to 41.4% in 2011.

The following table shows the capacity of YPF refineries at 31 December 2011:

Refining capacity (1)	Primary distillation (kbbbl/d)	Conversion ratio (2) (%)	Lubricants (thousand tons per year)
Argentina			
La Plata	189	69	256
Luján de Cuyo	106	110	—
Plaza Huincul	25	—	—
Refinor(3)	13	—	—
Total (4)	333	74	256

(1) Information reported in accordance with Repsol Group criteria for integration in the financial statements: all the refineries report at 100%, except Refinor (50%).

(2) Expressed as the ratio between equivalent FCC capacity and primary distillation capacity.

(3) Total primary distillation capacity: 26,100 barrels/day.

(4) This refers to YPF's total distillation capacity in Argentina (three YPF refineries, plus the stake in the Refinor refinery).

The table below provides a breakdown of YPF refinery production, by main product type:

Millions of tons	As of 31 December	
	2011	2010
Refinery intake		
Crude	14.3	15.4
Other refinery intake	0.4	0.4
Total	14.7	15.8

Thousands of tons	As of 31 December	
	2011	2010
Refining production		
Intermediate distillates	7,013	7,067
Gasoline	3,711	3,762
Fuel oil	914	1,440
LPG	620	674
Asphalts	221	205
Lubricants	165	181
Other (except petrochemicals)	1,008	936
Total	13,652	14,264

Utilization of refining capacity in 2011 stood at roughly 89%, versus the 93.2% reported in 2010.

Logistics activity climbed 3% year-on-year. High occupation levels were also achieved for road, sea and river transport, as well as in the use of pipelines, terminals and ports.

Investments in refining and logistics totaled €396 million in 2011, marking a 42% increase in relation to the previous year (€148 million).

With effect from 1 January 2010, Law 26,093 on Biofuels imposed the obligation to market gasoline with bioethanol and diesel oil with biodiesel (fatty acid methyl ester, or FAME). For this purpose, YPF completed the necessary upgrades to the San Lorenzo and Dock Sud terminals and the refineries so that they could take delivery of FAME. The process culminated with the construction of facilities for the reception and

processing of bioethanol at the Lujan de Cuyo, Montecristo, San Lorenzo, La Matanza and La Plata terminals, with work still in progress at the Barranqueras, Villa Mercedes and Junín terminals.

There is ongoing investment to build bioethanol and FAME delivery installations for gasoline and diesel oil mixing, respectively, at the remaining loading terminals, and also to increase the transport capacity of the Puesto Hernandez oil pipeline as it travels to the Lujan de Cuyo industrial complex.

Likewise, the Monte Cristo, Luján de Cuyo, San Lorenzo, La Matanza, La Plata and Barranqueras terminals now have automated operations, continuing with the schedule for the remaining plants. The investment needed to construct storage tanks to enhance logistics and meet market demand has also been approved.

Due to changes in the available crude oil basket within the domestic market (very acidic crudes with higher solid contents), YPF has continued to implement its refinery investment plan by incorporating new process machinery and equipment and improving metallurgy at the facilities.

In line with the objective of reducing sulfur content in gasolines and diesel oils to improve fuel quality, the company continued with its investment projects for the hydro-treatment of diesel oil and gasolines.

In this regard, a new diesel oil hydro-treatment plant is currently being built and assembled at the La Plata refinery, with the new arrival to have a processing capacity of 5,000 cubic meters per day. The new facility will produce a diesel oil containing 10 parts per million (ppm) of sulfur. Construction also started on the new Coke Unit "A", which will increase existing processing capacity by roughly 70%.

Work is also in progress at the Luján de Cuyo refinery to install a diesel oil hydro-treatment plant with a capacity of 2,640 cubic meters/day and to construct a new gasoline hydro-treatment unit.

A compression system has been brought online at the La Plata and Luján de Cuyo refineries, whereby part of the gases typically sent to the flare pit for burning can now be recovered for use as fuel gas in furnaces and boilers. In the case of Luján de Cuyo, daily recovery is equivalent to 76,800 normal cubic meters of fuel gas per day, while at La Plata, daily recovery equates to 130,000 normal cubic meters of fuel gas. The upgrades also herald a significant environmental improvement by curbing CO₂ emissions. La Plata has become the company's first industrial project to be classified as a Clean Development Mechanism (CDM), while the Lujan de Cuyo project is currently being assessed by the United Nations.

In 2011, YPF rolled out an investment plan to increase existing storage, segregation and fuel shipment capacity across the country and to increase crude oil storage capacity at its refineries. The plan will effectively increase storage capacity by 160 thousand cubic meters of diesel oil, 50 thousand cubic meters of gasoline and 180 thousand cubic meters of crude.

In terms of sales, YPF targets various market segments (retail, agro, industry) through a nationwide network of 1,557 points of sale, allowing the company a market share of over 57% for all gasolines and diesels combined.

YPF manages 181 service stations directly through the company Opessa (fully owned), with fuel sales accounting for 16.6% of total sales made by the Retail segment.

In the area of convenience stores, Full and Full Express models (the latter being a more simplified version) are now accounting for an increasing proportion of stores, with 359 and 29 retail outlets nationwide, respectively, including the company's own network and franchises.

In line with the company's objective of unifying and enhancing the overall image of the service station network under the concepts of modernity and rationality, an image

improvement plan was implemented at 80 stations. In October, YPF unveiled its first flagship service station called Nordelta, which features a host of new technologies (digital labeling, corporate television, etc.).

In the Agricultural segment, YPF has nine bases for the distribution of diesel across Argentina, known as “YPF Directos” and forming a one-stop sales system that has helped consolidate the company’s position in a sector experiencing unbridled growth and of vital importance for the ongoing economic development of the country.

These bases are used to market products such as diesel fuels, fertilizers and agrochemicals, and accept various forms of payment, including cereal grains (mainly soya), which can be processed to produce flours and oil for sale chiefly abroad. In terms of grain exchanges, total business in 2011 topped 850,000 tons.

In the case of oil, part was earmarked for the production of FAME, a key component of the diesel oil the company produces commercially (at December 2011, the percentage of FAME mixed in diesel oil stood at 7%).

In terms of synergies with Chemicals, YPF began selling a new product known as FS Glyphosate II, which is formulated and produced internally.

In the Mining segment, 20 commercial agreements have now been signed to supply diesel oil and/or lubricants to various mining companies throughout the country. With the objective to improving the service provided to this segment, two company-owned bases were opened, namely YPF Minero Valles (Salta province) and YPF Montecristo (Córdoba province), and the company is currently weighing up the merits of constructing two new bases in Quilla (Santa Cruz province) and Albardón (San Juan province).

In 2011, the company spearheaded nationwide sales of the *N-Premium* high-octane gasoline (grade 3), securing a market share of 63.9% and improving its mix to naphtha to 29.2%, in comparison to the 22.6% reported in 2010.

Focusing on diesel oil, the company has been following an aggressive sales policy for the low-sulfur (D-Euro) *Premium* product, recommended for all high-performance engines, reaching a market share of 62.9% within the retail segment and a fuel mix of 18.5% vs. the 9.7% seen in 2010.

This strategy allowed the company to deliver a larger portion of Ultradiesel to the industry, transportation and agro segments, catering to existing demand while minimizing imports of the product.

In relation to lubricants, the Elaión light lube range (high performance product for light vehicles) turned in a positive performance, posting a year-on-year increase of 12.5% in product sales.

Towards the end of 2011, and to meet the needs of an increasingly demanding market, the company developed a new line of products specially designed to protect engines regardless of what fuel type is used. The formulation features Flexlub technology with groundbreaking compounds capable of neutralizing the effects of contaminants and guaranteeing a clean engine.

In 2011, sales were up 13% year-on-year for high-end heavy lubes, premium lubricants for heavy diesel engines represented by the Extravida range, meeting the most stringent quality standards.

During the year, YPF launched its first line of car care products, identified as *Obsesión*, which brings together a family of products under a single concept, with modern and appealing packaging and an image more typically associated with the cosmetics sector. The range includes antifreezes, coolants, anti-corrosion protection, brake fluids, windscreen wiper liquid, car wash products, polish, silicone restorers, upholstery cleaners, engine cleaners, air fresheners and multi-purpose oils.

In the Commercial area, strategy is focused chiefly on bringing management in line with the highly competitive environment, positioning and consolidating high value-added products and services while exploring new business alternatives.

International growth will be magnified by creating a company-owned enterprise to supply a full range of lubricants throughout Chile and fuels for the aeronautics market, thus complementing the existing sale of lubricants in Brazil.

CHEMICALS

Chemicals business production takes place at the Ensenada industrial complex, integrated with the La Plata refinery, and also at the Plaza Huincul methanol complex, which houses the Plaza Huincul refinery. Likewise, YPF carries out chemical activity at the Bahia Blanca complex through its investee company Profertil.

These industrial complexes have an aggregate production capacity in excess of 2 million tons per year, intended for market segments such as modified naphthas, resins, detergents, automotives, solvents, biodiesel, agrochemicals and fertilizers.

International prices for the main chemical products continued to rally over 2011, building on the improvement first noted towards the end of 2009. Methanol prices increased as construction of new facilities remains in limbo and supply struggles to keep up with demand.

The aromatics margin was up slightly on the previous year on the back of a 34% increase in the aromatics mix, which outpaced the 31% reported for virgin gasoline. The improvement in aromatics was driven by an excellent showing from the xylene value chain (which jumped almost 40%).

YPF improved its aromatics and methanol sales mix, with sales in Argentina increasing by 12.8% in comparison to 2010. The main driver of this growth were sales of methanol to the biodiesel production segment, which accounted for 46% of methanol sales.

Construction and assembly of the new Continuous Catalytic Regenerator (CCR) reforming unit continued during 2011. Once completed, the unit will increase the production of aromatics by 50% to meet growing internal demand for octane components used in high quality gasoline and hydrogen production, which is needed for gasoline and diesel oil hydro-treatment processes at the La Plata refinery. Estimated investment for this project is approximately €250 million, making it the largest petrochemical investment in Argentina over the last decade.

In April, Profertil began to construct a new storage facility in Puerto General San Martín (Santa Fé province), with a fertilizer storage capacity of 200,000 tons. Estimated total investment amounts to €45 million.

The following table shows the production capacity of the main petrochemical products:

Tons per year	Capacity
Ensenada:	
Aromatics	
BTX (benzene, toluene, xylene)	244,000
Paraxylene	38,000
Orthoxylene	25,000
Cyclohexane	95,000
Solvents	66,100
Olefins and derivatives	
MTBE	60,000
Butene I	25,000
Oxo-alcohols	35,000
TAME	105,000
LAB/LAS	
LAB	52,000
LAS	25,000
Polybutenes	
PIB	26,000
Maleic	
Maleic anhydride	17,500
Plaza Huincul:	
Methanol	411,000
Bahía Blanca	
Ammonia/urea	933,000

INVESTMENTS

Operating investments totaled €2,182 million, in comparison to the €1,537 million reported in 2010. Close to 69% of these funds were earmarked for hydrocarbon exploration and production development projects, while nearly 27% were used to finance the modernization of refineries and chemical production equipment.

GAS NATURAL FENOSA

RESULTS

As of 31 December 2011, Repsol owns 30% of the Gas Natural Fenosa Group, which is proportionally consolidated in the accounts. The operating income contributed by the Gas Natural Fenosa Group climbed 0.7% in 2011 to reach €887 million, in comparison to the €881 million reported in 2010.

Despite capital gains from sales of assets failing to match figures for 2010, operating income has remained steady during the two years. This can be explained by the improvements seen in electricity distribution activity in Spain and the rise in wholesale gas sales margins, offsetting the weaker earnings from electricity sales in Spain and electricity distribution in Latin America and the inevitable absence of any income from the assets divested in 2010 and 2011.

The results highlight the fundamentals underpinning the Gas Natural Fenosa business model, which aims to strike an appropriate balance between regulated and deregulated

business in the gas and electricity markets, with a growing, diversified contribution made by its international presence.

The main operating highlights for the business are described below. In the interests of clarity, the figures shown below are those generated by Gas Natural Fenosa, even though the Group's holding in the company is 30%.

Gas distribution

Spain

Business in Spain includes the compensated gas distribution activity, the ATR (third-party network access services) and secondary transport, as well as non-compensated distribution activities (rental of gas meters, connections to customers, etc.).

Within the framework of the Action Plan approved by the Spanish National Antitrust Commission (CNC) in relation to the Unión Fenosa acquisition process, Gas Natural Fenosa undertook to disinvest in certain gas distribution assets.

Accordingly, 30 April 2010 saw the sale of low-pressure gas distribution assets comprising 507,726 supply points and 3,491 kilometers of distribution network, and on 30 June 2011 the company once again honored its commitments with the CNC stemming from the purchase of Unión Fenosa by selling a further 304,456 natural gas supply points, with consumption totaling 1,439 GWh in the autonomous community of Madrid, to the Madrileña Red de Gas Group.

Sales from regulated gas business in Spain amounted to 201,231 GWh in 2011, down 2.9% on the same figure for 2010.

Gas Natural Fenosa has continued to expand its distribution network and number of supply points, although it should be noted that the figures provided have been offset by the divestments made to date.

At year-end, the distribution network spanned 43,871 kilometers, down 2.4% year-on-year, while the number of supply points came in at 5,050,000, 4.2% less than in 2010, reflecting the divestments carried out in furtherance of the Action Plan approved by the CNC in relation to the acquisition of Unión Fenosa.

Latin America

This concerns the gas distribution activity in Argentina, Brazil, Colombia and Mexico. In 2011, the number of gas supply points reached 5,882,000. Year-on-year growth rates remain high, showing an increase of 217,000 supply points, with Colombia turning in a particularly solid performance, where new supply points amounted to 108,000.

Sales from gas activity in Latin America, which include gas sales and third-party network access services, amounted to 191,031 GWh, 5% down on the same figure for 2010. This minor reduction is largely due to the drop in sales to the Brazilian electricity generation sector, given that water reserves in 2011 remained much higher than in 2010, resulting in lower demand for natural gas.

The gas distribution network has been extended by a further 1,339 kilometers over the last 12 months, reaching 65,831 kilometers at year-end 2011, representing growth of 2.1%.

Italy

Business in Italy includes third-party network access services and rate-regulated gas sales.

Gas Natural Fenosa reached a total of 440,297 supply points in the gas distribution business in Italy, up 4.3% on the same figure for year-end 2010.

Gas distribution activity stood at 3,578 GWh, marking an increase of 5.6% in comparison to 2010. The distribution network was extended by 887 kilometers to reach 6,736 kilometers at the close of the year.

Power distribution

Spain

This business includes regulated power distribution activity and customer network services, mainly connection and link-up rights, metering, and other services associated with third-party access to the company's distribution network. Electricity supply points experienced mild growth of 0.8% in 2011 to reach 3,748,000.

In 2011, power effectively supplied fell by 1.6% to 33,916 GWh, reflecting the drop in nationwide consumption stemming from the prevailing economic gloom and the relatively mild weather conditions experienced towards the end of the year.

Latin America

Business here encompasses regulated power distribution in Colombia, Guatemala, Nicaragua and Panama.

In May 2011, Gas Natural Fenosa reached an agreement with the British private equity fund Actis to sell its interests in the distribution companies DEORSA and DEOCSA, both engaged in power distribution in Guatemala, along with its interests in a number of other energy companies within the country. As a result of the divestment, the results for electricity distribution business in Guatemala relate solely to the first five months of the year.

Sales from electricity distribution activity in Latin America represented 17,706 GWh, marking a moderate drop of just 1.6% despite the divestment in Guatemala, while the client portfolio slid 27.3%.

Moldavia

Business in Moldavia involves regulated power distribution and marketing at a tariff in the capital and metropolitan area and in the country's central and southern regions. Gas Natural Fenosa distribution in Moldavia accounts for 70% of the country's total.

Demand for electrical power within the context of Gas Natural Fenosa's distribution business in Moldavia climbed by 3.3%, while supply points, which totaled 819,506 at year-end, also experienced year-on-year growth. Sales from the electricity distribution business stood at 2,445 GWh.

Electricity

Spain

The electricity business in Spain includes power generation activities, the wholesale and retail marketing of electricity in the deregulated Spanish market, the supply of electricity at the tariff of last resort and electricity trading in wholesale markets.

In 2011, electricity demand across the peninsula fell by 2.1% in comparison to the previous year. After correcting this percentage to factor in the effects of employment and temperature, the actual drop in demand was 1.2%.

Gas Natural Fenosa power generation throughout the Iberian Peninsula amounted to 38,081 GWh in 2011. Of this amount, 35,701 GWh came from ordinary system generation, and 2,380 GWh from special system generation. This represents a year-on-year slump of 0.7% as a whole, broken down as 0.3% under the ordinary system and 5.9% under the special system. Gas Natural Fenosa's accumulated share in ordinary system generation at 31 December 2011 was 20.8%, slightly higher than the previous year.

Hydroelectric production in 2011 totaled 2,892 GWh, marking a year-on-year drop of 39.1% due to a very dry year from a hydrological view. Power generation at combined cycle plants in 2011 amounted to 23,967 GWh, down on figures for 2010. Nuclear power production showed a slight improvement on figures for 2010. The upshot for Gas Natural Fenosa of the enactment of the Royal Decree on the Guarantee of Supply is that the national coal-fired plants affected by the new law are operating non-stop with production levels of 4,464 GWh, in comparison to the 772 GWh reported in 2010.

Sales from the electricity marketing business came in at 35,905 GWh.

Latin America

This section relates to power generation assets in Mexico, Puerto Rico, Panama and the Dominican Republic.

Power generated in Latin America stood at 17,506 GWh in 2011, down on the same figure for 2010 largely on account of the drop reported in Mexico, where production was impacted by the sale of the combined cycle plants in 2010.

Kenya

This section includes power generation in the African country. In 2011, fuel-based power generation reached 767 GWh, comfortably outstripping 2010 production on the back of heavy demand for thermal power production in Kenya, in turn due to a very dry year in terms of water availability and, therefore, a drop in dam water levels.

Infrastructure

This business includes the development of integrated liquefied natural gas projects; oil and gas exploration, development and production; sea transport management and operation of the Maghreb-Europe gas pipeline.

Gas transportation activity carried out in Morocco through the companies EMPL and Metragaz represented a total volume of 111,855 GWh, up 1.9% on the previous year. Of this figure, 80,569 GWh were transported to Gas Natural Fenosa through the company Sagane, while 31,286 GWh were earmarked for Portugal and Morocco, representing growth of 7.7%.

Regarding gas exploration and production at the Tanger-Larache project (Morocco), in which the company holds a 24% stake, a number of different development options for the first well are currently being explored.

Supply and marketing

This business area is engaged in the supply and marketing of gas (wholesale and retail) both in Spain and abroad, and of other products and services related to retail marketing and also marketing of the gas tariff of last resort in Spain.

Gas Natural Fenosa's marketing in the Spanish gas market reached 169,204 GWh, representing a year-on-year drop of 8.4%, chiefly due to lower sales to households on account of the divestments carried out to date. Supplies to third parties in the Spanish market came in at 67,698 GWh, revealing a 2.4% increase.

Supplies to the international market climbed noticeably to reach 71,733 GWh, marking an increase of 30.9%.

Unión Fenosa Gas

This business embraces the gas supply and marketing activities carried out by Unión Fenosa Gas, including the liquefaction infrastructure in Damietta (Egypt), regasification infrastructure in Sagunto (Spain) and management of the shipping fleet.

Gas supplied to the Spanish market reached 56,937 GWh, representing a year-on-year drop of 4.3%. In addition, 26,503 GWh of energy was handled through international sales.

Investments

Repsol operating investments over the year in relation to its stake in Gas Natural Fenosa amounted to €582 million, in comparison to the €463 million reported in 2010.

Gas Natural Fenosa channeled most of its investments into regulated gas and electricity distribution activities.

Spain remains the main recipient of Repsol investment, while Mexico and Colombia are the main beneficiaries of investment in Latin America.

CORPORATE AREAS

PEOPLE MANAGEMENT

At year-end 2011, Repsol had a consolidated workforce of 46,575 people representing over 70 different nationalities. Of this figure, a total of 39,622 employees were working at companies under the direct control of Repsol. All the information presented in this section refers to these employees. The company's employees work in more than 30 countries, chiefly in Spain (43%) and Argentina (37%), but also in countries such as Peru (9%), Portugal (3.1%), Ecuador (2.3%) and Uruguay (2%). Of the total number of employees, 48% work in the Downstream division, 39% in YPF, 7% in Upstream and LNG, and 6% in corporate departments.

The breakdown of the workforce is 1% executive personnel, 6% technical managers, 44% technicians, 3% administrative staff and 46% operators. Permanent work contracts account for 88% of the total, while women represent 27% of the total workforce.

Change in the organizational structure

With the aim of reorganizing the company to reflect the current level of implementation of the Strategic Plan and also rendering the company's management more efficient, the senior management of Repsol was restructured in 2011 through the creation of a new General Department for Economics, Finance and Investee Companies (which has assumed control of YPF and Gas Natural Fenosa investee companies, along with the duties of the Corporate Media Department and of the former General Department for Economics and Finance), and by making the General Upstream and Downstream departments directly accountable to the Executive Chairman's Office.

To ensure that Repsol continues to consolidate its position and grow in the countries where it operates, the decision was reached to adapt the organizational model by enlarging the role of country heads and, through this, magnifying the company's global vision at country-level.

In relation to the business units, the main changes were the restructuring of Repsol Sinopec Brasil to reflect the new corporate scheme and the creation of Repsol Nuevas Energías UK.

Diversity and balance

Repsol's Diversity and Balance Committee remained continued in 2011 to rolling out specific measures to encourage and foster diversity and work-life balance, articulated through multi-disciplinary teams tasked with proposing and promoting groundbreaking initiatives geared towards ensuring diversity and work-life balance, such as telecommuting, recruiting people with disabilities, making working hours more flexible, adapting installations and managing time efficiently.

According to the findings of a survey polling the opinions of 2,538 employees, telecommuting is considered an internally valued tool for guaranteeing a proper work-life balance. Telecommuters, bosses, work colleagues and managers alike were all quick to point out that the trust bosses place in their telecommuters has a positive

bearing on their involvement, motivation and productivity. The program was extended in 2011 to cover industrial facilities and commercial offices in Spain. At year-end, a total of 818 people worldwide were making use of the scheme, illustrating that this approach to work is becoming increasingly widespread and key to retaining and attracting talent.

Another company initiative is for Repsol workers to carry out their work under flexible conditions, effectively meaning they can adapt their working hours to suit their needs, provided their work allows for this and always respecting the practices, customs and restrictions in place in the country or region in question.

The concept of flexible working hours encompasses the different ways in which hours can be redistributed, whether calculated daily, weekly/monthly or on a seasonal basis.

The company also operates the following paid leave system, always in strict accordance with the practices and customs of each country or region:

- Maternity leave: workers can claim minimum paid maternity leave of 12 weeks owing to the birth of a child.
- Breastfeeding leave: provided the preceding maternity leave lasts less than six months, mothers are entitled to claim paid breastfeeding leave equivalent to one hour per day, which will last for three months following her return to work from maternity leave. This leave can be taken as two separate half hours of absence, or pooled and taken together as one period of eight full working days.
- Paternity leave: fathers can claim minimum paid paternity leave of three working days owing to the birth of a child.
- Leave following the death of a family member up to the second degree of relationship: workers are entitled to paid leave of three business days upon the death of a family member, or five business days if they need to travel.
- Marriage leave: workers can take minimum paid leave of five business days if they wish to marry or register officially as de facto partners.

These measures improve upon the minimum legal requirements in most of the countries where Repsol is present. In the case of Spain, all employees enjoy the following benefits beyond those provided for at law:

- The age of minors is increased to 12 years for the purpose of claiming working hour reductions on family-related grounds.
- De facto couples receive the same treatment as married couples, including the 15-day leave if they register as a de facto couple.

The VI Spanish Framework Agreement envisages more flexible starting times for work and the option of reducing the lunch break in order to leave work earlier. It also allows workers to reduce working hours by making use of telecommuting.

Likewise, time management is to be rendered more efficient through a number of different initiatives, such as publishing an interactive guide on good e-mail use and the efficient management of meetings. The interactive guide has now been consulted by 9,362 employees.

In terms of equal opportunities, Repsol treats diversity as a concept that enriches the company and stimulates innovation and creativity. With this in mind, the program to integrate people with different disabilities is perhaps the most widely known and recognized externally.

The program started life in 2005 in Spain, and its gradual implementation has shaped a new reality within Repsol, which currently has a total of 578 workers with different disabilities; 400 under direct contracts of employment and a further 178 employed through alternative channels in Spain (3.2% of the workforce, compliant with legal

requirements). In addition, 65 people with differing disabilities work in Argentina, 24 in Ecuador, 24 in Peru and 14 in Portugal. Of these, 20% are engaged in technical work.

In 2011, the company paid particular attention to hiring workers with disabilities within the industrial area and there were ongoing campaigns and initiatives to raise awareness. A total of 6,502 people have now taken part in the events organized at various of the company's work centers.

Repsol has agreements in place with different organizations, associations and foundations, which advise the company on issues relating to disabilities and with which the company has maintained close ties since the start of the program. In Spain, these include the Framework Cooperation Agreement between Repsol, ONCE and their respective foundations, with action geared towards developing and enhancing the social integration and acceptance of people with disabilities.

In 2011, Repsol Perú was awarded the "Socially Responsible Company" accolade in recognition of its responsible management as part of its business culture and strategy.

The Provincial Government of Pichincha handed Repsol Ecuador the "General Rumiñahui" award for socially responsible work committed to the community under the "large multinationals" category, with honorable mention for the good practices of "Community support and corporate volunteering" and "Labor inclusion of disabled people".

Moreover, and for the second year running, the Proyecto Padres Foundation in Argentina gave YPF honorable mention in the "Towards a family-responsible company" award.

In January 2011, Repsol received the Ability Award for the Best Large Private Company. The accolade, which is awarded in the presence of Queen Sofía of Spain, provides public recognition for Spanish companies and institutions that develop sustainable business models and make people with disabilities part of their value chain, whether with employees, suppliers or customers.

Repsol YPF, S.A. was one of only 36 companies to receive the *Igualdad en la Empresa* (Equality in Business) badge. This badge is promoted by the Spanish government and is awarded to companies whose equal treatment and opportunities policies for workers deserve special recognition.

In October 2011, a new Welfare Services Program was launched for all permanent and part-time employees working in Spain, along with their family members (spouse or de facto partner, children, parents-in-law, parents and grandparents), with the aim of supporting them with any health-related problems they may be experiencing. The services on offer include home care for the elderly, specialist treatments, and telephone alarm systems for dependent senior citizens or minors, among others.

The program provides all beneficiaries with a bank of free sessions/services that can be taken at home if the employee or a family member falls ill (psychologist, nurse, physiotherapist), along with telepharmacy services and private tutors for ill children or those in recovery, among others services.

2011 climate survey

In 2011, the company conducted its third climate survey to poll the opinions of all permanent employees (excluding YPF). Final participation in the study was 82%. The aspects to receive the highest score were: company vision, issues related to Repsol's appeal as an employee, and diversity and balance.

Close to 500 reports containing results have been generated to meet the information needs of the different departments and confidentiality has been observed for all the reports.

The results were disclosed to all employees in 2011. Workshops were also initiated during the year to identify underlying causes, with the process culminating in the first quarter of 2012. The resulting analyses are helping the company to shape more efficient improvement actions.

These actions now feature in the annual people management plans and in the action plans of the different businesses. Repsol has also defined certain lines of action running across the entire company, which will be developed further in 2012.

Start of the cultural change process

In 2011, the company initiated a process of cultural change, leading to changes in approaches to work and in people management.

Now, for example, bosses are essential as the forerunners of this new culture and as disseminators of the values that Repsol is committed to: responsibility, transparency, innovation, collaboration or team work and equal opportunities.

One of the most significant projects helping the change to take root is the construction of the new corporate headquarters. The proposed new campus is helping to make new approaches to work a reality. The building has been designed with space very much in mind as a means of championing these new approaches, such as working in open, unrestricted areas, bringing people from different areas and businesses together within a single space, utilizing the best technologies to improve productivity and communication, and making working hours more flexible.

Attracting the finest talent

Within a complex labor market, Repsol remains unflinchingly committed to implementing programs aimed at capturing, motivating and incentivizing top talent, offering them an appealing place to work and guaranteeing and promoting equal opportunities in their professional development.

In this regard, it is worth highlighting the work carried out to attract and develop young talent through technical master's courses held at Repsol's advanced training centre (*Centro Superior de Formación Repsol*, or CSFR), which in 2011 had 85 students from different countries, and to recruit executive personnel through the New Professionals Plan, through which 35 people joined the company's ranks during the year. Repsol's commitment to young professionals is to be stepped up in 2012, which marks the start of the new Repsol Master's in Energy Management.

In 2011, the company established a specific job marketing strategy for capturing and retaining talent in industrial divisions. Not only was Repsol involved in job fairs, forums and seminars in communities lying close to its industrial facilities, thus increasing university attendance levels within these same communities, but it also carried out various job selection processes within these areas of influence. It is worth noting in this regard that in keeping with the commitment of the company's industrial divisions to recruiting people with different disabilities, nine disabled people were selected in 2011 to take part in chemical plant operator courses at the company's various facilities.

Over the course of the year, 16 new educational cooperation agreements were signed with new universities and educational centers, with the company welcoming 365 new scholarship holders. The *Impulsa* scholarship scheme has been optimized to provide certain scholarship holders with advanced online training in languages and general

skills, including the option to attend conferences on the areas of the company where they work.

Major improvements have been made to the Employment Channel on repsol.com. These include a new home page, which now features added videos to make the web page more dynamic. Page content has also been redefined, with information now being clearer and more accessible, and also job offers. The Employment Channel obtained the best score in the job category from the KWD Webranking study, in which repsol.com once again cemented its website leadership, having now held on to its title for six years running in the Spanish edition of the study.

Repsol remains abreast of social trends. For this reason, and reflecting its commitment to technological development across all company processes, Repsol investigates and tracks its image and position throughout the social networks so as to seize any opportunity to improve upon its image as employer and use new sources of recruitment.

Talent management

One of Repsol's goals is to have sufficient internal talent to guarantee that its strategic objectives are duly met. It therefore has suitable mechanisms in place to profile and develop all company employees. The company has a raft of corporate diagnostic tools to measure people's capacities, performance, knowledge and management style. Based on the findings, it plans out the most suitable paths for development (mobility, training, hands-on development and best practices), which can therefore shape the development and career plan for both management and technical staff.

One of the key factors in 2011 was working on the management style of bosses. Apart from the information reporting and implementation plans discussed above, the company launched a number of training workshops for bosses, covering conduct and behavior and techniques for assessing and providing feedback. A total of 224 bosses completed the workshops in 2011, which will continue to be staged over 2012. In order to help develop and hone the management style of bosses, the first convention for bosses from the industrial division was held in Tarragona. This pilot project will now be exported to other facilities and businesses.

Bosses were provided with leadership training, with attendance totaling 254 bosses under the "Communicate to lead" program delivered in five different countries. Management style and corporate development tools were also provided to bosses in Peru, Portugal and Brazil.

Since the launch in March 2011 of a new range of executive training initiatives based on the *Repsol Style*, 161 executives completed a total of 10 training schemes over the course of the year.

Another course of action was to strengthen leadership skills in multicultural working environments for those executives who have an international team under them. With this in mind, a specific training program was given to 38 people (17 managers and 21 bosses), while various open-door conferences have also been held on multiculturalism.

In 2011, the company consolidated the systems it uses to assess and develop the talent of its employees, such as People Review, which provides a detailed assessment of people, generating a shared vision of each of them: their strengths, areas of improvement and professional profile. These assessments pave the way for development plans and other specific actions, and envisage mobility throughout the company. In 2011, 1,907 people were assessed, including 27 in Portugal, 40 in Peru and 93 in Venezuela and Trinidad y Tobago.

The Development Center evaluates the level of development of certain acts or conduct of the person by conducting individual and group tests. It is worth highlighting the four Developments Centers held in Brazil and Peru to assess a total of 29 people. The tool has evolved to take on a new combined format, embracing online and in-person dimensions. Boss involvement has been further bolstered following completion of the process to design an Individual Development Plan, which is agreed upon between boss and collaborator.

With a view to improving knowledge and developing people by country, a program of development interviews has been rolled out, with participation in 2011 amounting to 58 people in Brazil and 17 in the United States.

The Assessment-Feedback scheme was also introduced in 2011 to see what perception superiors, team members, peers and internal clients have of the subject's conduct and actions. This scheme started life as a pilot initiative for the heads of the service station network in Spain. Overall, the pilot program has evaluated 122 bosses, with the involvement of 969 people. The program integrates the initial assessment with subsequent follow-up and support actions for bosses and will be gradually extended to other company bosses over time.

In 2011, a diagnostic was conducted on the quality and distribution of technical knowledge within the LNG and YPF Upstream areas and within the Corporate Department for Organization, Processes and Systems, through an assessment of technical skills or critical knowledge. A total of 1,043 people were evaluated as part of the process.

Since January 2011, 7,081 work migrations and 3,373 changes of job classification have been carried out. Within the management team, there have been 60 appointments and 60 migrations.

Training

Repsol is a company committed to people, valuing, promoting and facilitating employee training as the key driver behind their personal and professional development. Training must be focused on developing people's knowledge, skills and attitudes in order to reach the objectives of the different businesses and units, while being aligned with the company's strategy and geared towards developing Repsol's culture and leadership style.

With the aim of improving the management of existing and future training within the company, new functionalities were designed and launched in 2011 to facilitate and streamline training management for employees and bosses alike, thus meeting the need to standardize corporate people management tools within a single, more accessible and user-friendly online environment.

In 2011, more than 1,541,161 hours of training were given to over 37,201 employees across the globe.

A particular milestone was the training provided to new Repsol employees through entry-level master's courses, encouraging them to take Repsol up on the wealth of opportunities it has to offer.

Continuing with the work started in 2010, the company is continuing to develop the specific programs of each business, based on a common working structure and focusing on the process of thinking out employee training and learning needs, encompassing not only strategic needs for each area/unit, but also the job suitability and professional and personal development of our employees.

In line with this tactic of developing training as a strategic lever for attaining the objectives and challenges of each area and of the company as a whole, the concept of e-learning was also strengthened considerably during 2011 through Repsol's Virtual Learning Environment, launched in 2010. This drive forward has led to the launch of online activities and mixed training courses, whereby online training is supplemented with on-site modular training provided over a relatively long period of time (between three months and two years). The new environment also gave rise to the launch in 2011 of new programs aimed at specific groups from the sales divisions, executive staff, and other people who work within the company or who are to change from one area or business to another.

International careers

Repsol currently has 661 expatriates working within the company.

A particular highlight in 2011 was the company's ability to respond quickly to the needs arising from new projects that the company had started in various countries. Proof of this was the recruitment of 166 employees with international profiles and the 39 migrations of existing employees between different countries, thus providing the company with specific experience in key areas to be able to tackle the new challenges facing it. Repsol action within the Libya business unit, which focused on the welfare of employees and their family members given the complex situation affecting the country since the evacuation, illustrates the management style for those posted or assigned abroad, characterized by an integral process that responds not only to the different needs of the company, but also the needs of employees and their family members.

Employee remuneration

A single, standardized calendar was implemented worldwide in 2011, coordinated with the company's Annual Performance Assessment calendar. Thanks to the calendar, the company is now better positioned to match up individual performance assessment with recognition-related decisions, such as pay rises, promotions or mid-term incentives. The upshot of this integration process is added coherency, equality and simplicity in reaching pay-related decisions, which now operate on the same clock worldwide. The aim of this move is to relate and explain the impact of performance on the pay package, offering the employee an overall view of the result of his or her yearly performance and the lines to be followed on the path to future development.

It is also worth noting that in 2011 the Annual General Meeting approved two pay systems articulated through the delivery of shares:

- the 2011-2012 Share Acquisition Plan intended for Repsol YPF Group executives and employees in Spain, whereby interested employees can receive up to 12,000 euros of their yearly remuneration for 2011 and 2012 as company shares, with the share price being equivalent to the closing price for Repsol YPF shares on the interconnection system (continuous market) for the Spanish stock markets on the date the shares are delivered to the beneficiary, scheduled to take place during October, November and December. Over the 2011 period, shares totaling €6.6 million were delivered to the 1,553 Group employees who opted for the plan.
- Plan to Deliver Shares to the Beneficiaries of Multiyear Pay Schemes, divided into five cycles and intended for the Chief Executive Officers, the rest of the management team and other Group employees that are already beneficiaries of certain multiyear cash pay-out schemes. The new program will allow these

employees to invest in Repsol YPF, S.A. shares by up to 50% of the gross multiyear incentive they receive during the start year of each cycle. Participants in each of the cycles will be entitled to receive one Repsol YPF, S.A. share for every three shares acquired in the initial investment pertaining to each cycle provided the beneficiary does not dispose of his or her shares within the term of three years. A total of 350 employees signed up for the first cycle of the plan, leading to the delivery of 227,498 shares.

Performance assessment

2011 marked a full year of operation of the Repsol performance system, known as *Gestión por Compromisos* (Management by Commitments), which affects employees who fall outside the scope of the company's collective bargaining agreement, except for YPF, which in 2011 implemented a new performance assessment model called GPS.

For those employees covered by the collective agreement, assessment campaigns were staged in 2011 throughout certain areas of the Refining and Chemicals businesses and throughout central services, at Repsol YPF S.A.

Model of contribution

Owing to the challenges posed by the new economic and social climate, which has pushed companies into adapting to market conditions, the Repsol Group has conducted a review of its people management model. Thus, at year-end 2010, and based on the findings of the working environment diagnostic involving all group employees, interviews were held with all members of the company's senior management in order to compile information on how the model can be improved.

The management concluded by suggesting two courses of action associated with the aim of recognizing the contribution made by the human team that makes up Repsol:

- Adapting the performance assessment system for managers and staff with special duties within the company, known as GxC (*Gestión por Compromisos* - Management by Commitments), to bring it in line with currently existing needs, three years after its initial implementation.
- Exploring the possibility of implementing models to improve levels of commitment among everyone making up the company -attempting to recognize all contributions of value, regardless of the organizational or professional level from which they emanate- and to peg suitable recognition to the contribution.

Since the nineteen nineties, the Repsol Group has been introducing elements to make people management more dynamic, thus ensuring that all Group companies remain competitive in the different markets in which they operate. First of all, the Negotiation Committee of the most recent VI Framework Agreement (collective bargaining agreement governing the main aspects of the negotiations between the different Group companies in Spain) was fully aware of the need make changes in the direction of the economic system, which, while maintaining the purchasing power of salaries, now pegs additional pay increases to the achievements of the company.

Secondly, the improvement in business results can be put down to the contribution made by all people that make up the company. Aligning the objectives of all these people will lead to a quantifiable improvement in earnings, which will undoubtedly help offset the negative effects of the prevailing crisis in business throughout Spain.

The agreement, which remains in effect until 31 December 2013, envisages the following pay items:

- Salary increase reflecting the consumer price index (IPC) and additional increase of 0.5% in 2011, 0.3% in 2012 and 0.2% in 2013, payable only if the Group accomplishes a specific net income in each year.
- Implementation of a variable pay system for people covered by the collective bargaining agreement. This pay item is intended to ensure that the commitment of everyone working for the Repsol Group in Spain is geared towards attaining the key objectives of each organizational unit. A culture of measuring efficiency will also be introduced throughout the organization.
- Agreement to create a joint company/trade union committee to develop an assessment system that can be applied to all activities relating to people management.

These initial achievements and agreements have paved the way for a new company model demanding increased commitment from everyone, reflecting and adapting to the diversity of the people that make up Repsol, and bringing about growing levels of personal and professional development.

Innovation and Improvement

The Innovation and Improvement initiative originated, in 2011, as senior management's commitment to generate an effective lever to enable Repsol to respond rapidly to a changing environment and to enable it to "invent the future". Similarly, it represents a response to the needs and expectations collected through interviews and focus groups of managers at the highest levels and with the greatest knowledge in the whole Group, carried out during 2010 as part of an extensive process reflecting on the strategic management of Quality and Knowledge Management Functions.

So, the main milestone in this area in 2011 was the development of different Innovation and Improvement units in the businesses and the corporate area in order to promote innovation in the company, where this is seen to be a fundamental competence with which Repsol needs to equip itself to survive and evolve in a changing environment with growing uncertainty. Activity in 2011 was aimed at responding to the main challenges across the board this project involves:

Culture of innovation

The initiative was defined, clarifying its purposes and objectives, validating it with all interested parties and defining a set of initiatives aimed at achieving a culture of innovation in Repsol. The basic concepts and fundamental values this project represents for the company are collected in what has been called the Innovation Address, endorsed by Executive Management, which places each Repsol professional at the centre of the innovation process.

To drive this initiative, from a system perspective, the main levers were identified and adaptation was made to the 2011 survey, so as to include specific aspects of innovation and improvement, enabling them to be assessed and considered within this analysis. All of this enabled a reference point to be determined as regards the culture of innovation already existing in Repsol.

A key milestone in facilitating this is the organizational arrangement chosen to carry it out. An Innovation Network has been set up, providing this with a common language and aims through specific awareness raising and training activities, needed to enable leadership of this cultural change project.

The Network is intended to encourage and watch over the promotion of the culture of innovation, involving exchanges of experiences and good practices through initiatives in the Master Plan (including knowledge management), which have a horizontal and multidisciplinary nature with respect to all the company's areas.

As an aim, innovation is one of the cardinal points on which the Repsol Master Plan for Energy Management is structured, in which nearly 100 new Repsol professionals will participate in 2012. Following the principle of "learning while doing", while they carry out their project they will make use of various innovation techniques, with the assistance of the same experts who are working in our business units.

Furthermore, self-assessment processes have been continued as per Repsol's own model, which has formal recognition from EFQM and Fundibeq as "good management practice", ensuring alignment of the diagnostic process with the business strategy, the incorporation of improvement initiatives and monitoring of action plans.

In this regard, specific actions took place in 2011 for the Chemicals, Refining Spain, Upstream Spain and Ecuador and Refining and Marketing Peru business units, and progress was made in developing the Repsol diagnostics model by including for the first time an analysis of effectiveness in deploying functions considered mature in innovation, knowledge and process management based on integral management reflection in the Personnel and Organization Department.

This reflection has been an excellent "field trial" for Repsol's diagnostics model, enabling it to be adjusted for optimized applications in future processes in other areas of the company.

Agility and flexibility

In order to make the company more agile and flexible, initiatives have been promoted aimed at improving project management in the company, accelerating the planning and budgeting process and experimenting with different forms of working and organization.

Likewise, to facilitate rapid access to the information required to respond to the businesses' needs, and continuing along the line begun in 2010, a new search engine was implemented during the year (Autonomy, recognized as the market leader due to its capability to offer results of greatest relevance by capturing the logic underlying documents), to give access to the company's main information sources. Two pilot programs for advanced features based on this are reaching their conclusion. The commissioning is also beginning of platforms for mobile devices which will enable more, better and quicker access to knowledge for employees who are physically moving around, without this being a limitation.

Collaboration and network working

In this field, the dynamics of creating collaborative settings focusing on networked working and exchanging experiences relating to relevant business aspects or knowledge common to its members is maintained. There are now 21 practice communities and 240 interest groups.

The concept of personal work space began to be developed in 2011. The objectives of this are to facilitate employee access to collaborative environments and boost the dynamics of knowledge and experience sharing.

The launch of the first pilot program for a new collaborative environment in the company is worth highlighting, based on the new forms of relationship offered by new technologies, seeking to make it easier to make best use of the talent and knowledge of all Repsol's professionals, regardless of their position and responsibilities.

Similarly, the initiatives to guarantee retaining the knowledge of employees retiring, rotating or changing jobs for transfer to others were continued in 2011. This is supported by the collection of personal experiences recorded and transmitted using audiovisual means. There are other actions in the same line, such as the implementation of specific tools to conserve the “technical memory” of certain businesses, such as the Exploration and Production business with its “Know Howse” environment.

Open organization

The implementation continued in 2011 of an open and collaborative innovation process in which employees can take part, by means of the development of systems for managing ideas in the businesses. This promotes the creation of an environment which channels creativity and encourages participation, involvement and the development of the people who work in the company.

The idea management process has been defined and a new computer tool was assessed, selected and implemented to support it. This represents a development on the path initiated in 2010 and permitted the launching of six campaigns aimed at over 10,000 employees, through which over 3,000 ideas have been contributed.

The open organization dimension also extends outside of Repsol. External innovation programs were launched in all fields in 2011. Examples such as the Inspire Program with the Technical University of Madrid, collaboration with Pasion>IE alongside the IE Business School and Accenture and several projects with the ESADE Creapolis innovation centre and Co-Society complement the Entrepreneur’s Fund managed by Fundación Repsol in the collaborative search for new ideas and innovative projects.

Labor Relations

Repsol signed the VI Framework Agreement with Spain’s largest unions – the CCOO and the UGT – in 2011. This regulates working conditions for all the Group’s workers in Spain. Its contents are being translated to the collective agreements.

As mentioned in the section on compensation, this agreement, valid during the 2011-2013 period, includes a new variable item linked to the business unit’s objectives, guaranteeing the workers’ purchasing power and including the possibility of obtaining additional increases linked to the company’s achievements. Additionally, the commitment to employment stability and to inclusion of disabled people is renewed and it contains advances as regards training, conciliation, health and safety.

A full meeting of the Repsol Union Network was held in Santa Cruz de la Sierra (Bolivia) from 26 to 28 September. Sector and Repsol union organizations from the following countries were present at the meeting: Bolivia, Colombia, Argentina, Brazil, Peru, Ecuador, Mexico and Spain, as well as the International Federation of Chemical, Energy, Mine and General Workers’ Unions (ICEM).

In the meeting session with Group Management representatives, the Group’s industrial and commercial reality, Corporate Social Responsibility policy and specific activity in Bolivia were covered. A presentation was given on the project underway in the Margarita field, highlighting the agreement concluded in application and development of the International Labor Organization’s Convention 169 with the region’s indigenous communities, organized and represented by the Itaka Guasu Guarani People’s Assembly.

Health and Safety

In the health area, the following initiatives were developed in 2011:

- A general framework for action and a model were defined for effective deployment of the health and safety function throughout the Group. This management model includes responsibilities, the governance and supervisory elements and the coordinating bodies necessary to ensure compliance with policy, strategic lines and objectives.
- The Standard for Assessment of Environmental, Social and Health Impacts was approved, responding to the latest trends as regards the assessment of health impacts. This makes it possible to include action with local communities and the consideration of health aspects at an early phase in the projects.
- The projects for expanding the Cartagena and Petronor refineries were completed without serious accidents.
- Continuing with the audit plan in compliance with the internal health regulations, auditing was carried out on the Dynasol centre at Santander.
- Support visits were made to the operations in Algeria and Cuba to assess the emergency plans and evacuation systems established (including availability of appropriate external suppliers).
- A variety of humanitarian aid actions took place as a consequence of the conflict in Libya.
- Training of employees in various health areas (first aid, cardiopulmonary resuscitation, back school, stress management, manual handling of loads, etc) was again a priority area of activity.

The carrying out of a variety of campaigns promoting health and healthy habits in different countries continued (campaigns for early detection of colon and prostate cancer, detection and control of high blood pressure, prevention of malaria and hepatitis A, for prevention of contagious diseases, etc).

The presentation of the Healthy Company 2011 to Repsol Bolivia is to be highlighted, thanks to the actions carried out within the Know How to Live program in the areas of health care, prevention and promotion.

INNOVATION AND TECHNOLOGY

Repsol considers that investment in R&D&i, performed with the calling to be leader, is one of the key factors in making possible a more efficient and sustainable energy system, capable of responding concurrently to the two great challenges in the sector – supply security and reduction of CO₂ emissions – while maintaining the competitiveness of the energy system. For this reason, Repsol invests in R&D to help find solutions to such important challenges, thereby providing value both to the company and to society as a whole.

Uncertainty about what will be the dominant technologies of the future, time to maturity of R&D efforts, economic cycles and pressures to reduce costs at low points in the cycle have led Repsol to develop a Strategic Technology Plan as part of its business strategy. The lines of work set out in the plan cover all the company's businesses: hydrocarbons exploration and production, the natural gas value chain, oil refining and

its products and petrochemicals, and new energies for diversifying energy production and its use.

In 2011, Repsol invested €75 million in R&D activities carried out directly at its technology centers in Spain (Móstoles) and Argentina (La Plata) and a further €7 million in projects undertaken in the company's different business units. Repsol maintains an active policy of collaboration with technology centers, public and private universities and companies in Spain and internationally. The investment earmarked for these types of agreements was €13.7 million. Repsol participates in R&D financing projects run by different government authorities. In 2011 it took part in 12 projects promoted by the Spanish government and four European Union projects.

Repsol has over 500 specialists in its different research centers.

R&D Programs

Upstream. In this area, Repsol develops and applies the most advanced exploration technologies to find new oil and gas fields. The significant discoveries reported in 2008, 2009 and 2010 are a good example of the efficient development and use of these technologies. The Caleidoscopio project, as well as other technologies of its own development, place Repsol at the forefront of the exploration in complex areas. Furthermore, it has signed collaboration agreements with technology companies and has a strategic alliance with the Barcelona Supercomputer Center. The aim is to raise the level of confidence in subsoil images and reduce the uncertainty in the search for oil and gas accumulations. These technologies can be applied in difficult areas, with forecast of reserves thousands of meters down, such as in the Gulf of Mexico and Brazil, where thick layers of salt conceal very high quality reserves.

A significant change in the company's Upstream Technology occurred in 2011, with the definition of a new Strategic Plan for Upstream Technology for the period 2011-2015. After an exercise in internal reflection, the 2011-2015 strategic plan was built on the technological successes of recent years and focuses activity on key strategic lines for the company, such as simulation of wells, illumination of sub-soils, characterization of wells and non-conventional hydrocarbons. The challenge for the new plan is to develop and apply a new generation of technologies to make it possible to successfully tackle and deal with the technological challenges demanded in the company's large investment projects in coming years.

LNG. Advances in the development of liquefaction technologies continued in this area, to be used in floating systems. This will enable the exploitation of gas reserves which cannot currently be used in an economically competitive manner. Repsol also systematically monitors alternative technologies for exploiting gas reserves, such as the conversion of natural gas into liquid fuels, compressed natural gas and hydrate technology as a means of transporting and storing natural gas.

Downstream. In the area of oil refining and its derived products (petrol and diesel, LPG, asphalt, lubricants, specialized products, etc), technological knowledge is applied to optimize the operation of refineries and to enhance product quality, with particular attention paid to advances in energy efficiency and environmental issues.

As an example of the developments in this area, it is possible to mention technologies aimed at achieving the objectives of the multi-year plan for refinery energy efficiency, together with the support for the commissioning and development of tools for optimizing the C-10 project for expanding the Cartagena refinery, works aimed at differentiating fuels using new approaches ranging from petrol and diesel to heavy fuel

oils, the use of more environmentally-friendly lubricants, formulated using regenerated raw materials and biodegradable oils (highlighting the launch of the first product with Ecolabel labeling granted in Spain), the development of processes facilitating the obtaining of new products for formulating tires in more demanding and competitive markets, the innovative development of asphalts of improved environmental quality and support for LPG applications for transport and integrated systems of improved energy efficiency.

In petrochemicals, company programs continued aimed at improving energy efficiency and cost saving and lines of technological development aimed as a priority at obtaining new differentiated and specialty products. Outstanding in 2011 were the industrial production of new grades of hydrogenated rubbers of higher added value developed in Repsol's Technology Centre, the development of new grades of polypropylene for fabrics aimed at markets with high margins, the industrial manufacture of polyethylene with improved properties for production of large-diameter pipes and the development of technologies for producing next generation polyols for polyurethane foams.

New energies. In 2011, the alignment of the technological strategy in new energies continued to drive R&D associated with the challenges the company sets in its business strategy. Outstanding in this sense was the activity related to bioenergy, through the development of new energy crops, the development of technology in microalgae cultivation and in biology for production of biofuels. CO₂ technology was oriented to its transformation into added-value products, electric transport technologies to energy recharging and storage systems and renewable electricity generation was focused on future technologies with synergies with existing capabilities and Repsol's potential for development.

Technology prospecting studies

In order to achieve a future with energy sustainability, Repsol must overcome ambitious technological barriers to arrive at new and better solutions, as well as analyze the potential impacts of social events, scientific findings and the evolution of natural resources. Repsol carries out systematic prospecting studies to visualize future scenarios and, in relation to these, identify opportunities arising from the long-term evolution of technologies in the energy and petrochemical sectors.

These include studies on the use of oils for the production of biofuels, new technologies for engines and fuels, battery technologies for electric vehicles and refining scenarios for 2030. These studies allow Repsol to gain a clearer vision of the future to guide its portfolio of technological investments.

Patent policy

Fully aware of the huge importance and value of research and development work, Repsol is committed to the protection of the results of this work. In 2011, it applied for patents to cover numerous inventions in a range of different fields, such as catalysis to streamline processes, the development of new polyol processes or applications, new products, new Upstream technologies for evaluating underground formations, and new devices and equipment intended for LPG uses.

CORPORATE RESPONSIBILITY

Energy companies assume great challenges and considerable responsibility when facing the challenges of a sustainable energy model that guarantees a safe supply, contributes toward mitigating climate change effects and respects human rights in all applicable areas.

In 2011, the corporate responsibility function that formalizes Repsol YPF's current Corporate Responsibility (CR) model was approved. This model is the way that the company as a whole contributes toward sustainable development. This model comprises:

- The company's values and principles behind its actions arising from the commitments it has acquired through the internal regulations that have developed CR issues, assumed positions and adherence to the principles of various international initiatives.
- The Corporate Responsibility Coordination System, which consists of four components:
 - To ascertain what is expected by the stakeholders (authorities, shareholders, investors, employees, customers, suppliers, communities, partners, etc.) with respect to the company's CR performance.
 - To review CR performance and compare it with the stakeholders' expectations at the corporate, country and main operating center levels.
 - Bring performance closer to expectations through actions involving revising the company's operating processes, training programs, awareness and training or strategic social investment. Each of those actions incorporates specific performance indicators. These actions as a whole make up sustainability plans that are publically acquired commitments that are informed publically.
 - To measure progress by using reputation metrics.
- Government and Corporate Responsibility bodies: the Strategy Committee, Investments and Corporate Social Responsibility of the Board of Directors, the CR Committee at the corporate level and the CR Committees for Spain, Bolivia, Ecuador and Peru. All of the committees are made up of representatives of the areas concerned with fundamental Corporate Responsibility issues such as: Employees and Organization, Communication and External Relations, Community Relations, Legal Services, Safety and Environment, Purchasing and Hiring and Corporate Safety.

Each committee is in charge of applying the company's CR Coordination System at the company and operation levels; track sustainability plans; determine the strategic social investment needs in the country; learn and orient the information appearing in the country's CR Report, if any; learn and orient the information appearing in the country's Global Compact Progress Report, when the company, at the country level, adheres to this initiative and any other national information arising from CR commitments acquired publically by Repsol YPF and coordinate the company's participation in international countrywide initiatives such as the EITI.

Repsol has maintained an active commitment with the ten principles of the United Nations Global Compact since 2003 when it joined this high value initiative to achieve a fairer and more united world.

Furthermore, Repsol is aware that extraction produces a major source of income for governments of countries with natural resources. If they are properly managed, they can and should contribute to their economy's growth very positively. Therefore, from the moment it was launched, the company joined the Extractive Industries Transparency Initiative (EITI), the global initiative that Repsol considers to be best positioned to achieve the goal of increasing the transparency of financial information.

To give a detailed report on the progress and performance of ethical, social and environmental issues, Repsol publishes its Corporate Responsibility Report and the United Nations Global Compact Progress Report annually. Aware of the importance of the impacts generated by the company's activities and operations, and therefore of the relevance of providing a detailed report to interested parties on a local level, Repsol has published the Repsol YPF Ecuador Corporate Responsibility Report for the third consecutive year. Furthermore, in 2011, a Corporate Responsibility Report for the La Pampilla refinery in Peru was published for the first time.

Repsol's presence in international sustainability indexes is proof of how the company has been able to win the trust of those analysts and institutional investors who understand that corporate responsibility is a good indicator of the quality of management and governance of a company.

Yet another year, the company's performance in corporate responsibility matters has been recognized and it continues to be a part of the following prestigious sustainability indexes: FTSE4Good, Ethibel Sustainability and Dow Jones Sustainability. For the first time this year, Repsol obtained the maximum score in this last index. Thus, it became the world's most sustainable oil and gas company.

Once again, Repsol received the Gold Class company rating according to the 2011 Sustainability Yearbook as recognition of the companies with the best sustainability and corporate responsibility behavior in the world.

The leadership obtained in 2011 corresponds to the effort made in all company areas. It was driven by its management team because it improved its performance. This recognition demonstrates Repsol's firm commitment to transparency and corporate responsibility and ethical, environmental and social values that are part of its corporate culture.

Repsol Foundation

During 2011, Repsol Foundation has maintained and reinforced its commitment to improve society. To do so, it has held programs with objectives based on social integration, community development, sustainability and imparting art, science and culture.

In order to be present in those areas where it can make the greatest contribution such as energy, the environment and sustainability, it created the Repsol Foundation Entrepreneur Fund. It is a pioneering initiative in Spain to promote and support corporate energy efficiency projects that provide solutions toward improving efficiency and savings and responsible energy use. This initiative, integrated into the commitment to improve current energy models' sustainability, arose with the objectives of attracting talent, promoting innovation and corporate development, generating economic activity and creating jobs. To do so, the Foundation foresees selecting up to five projects out of the ones presented in each tender process. These will receive technical, business, legal and financial advice and financial support for as long as necessary to develop and place them on the market. The selected projects will also be granted access to the necessary investors and business contacts to boost

their commercial development. The Foundation will endow €1.5 million to the Entrepreneur Fund per year.

The Energy Observatory has continued to progress in its energy savings and efficiency studies and publications. The Energy Efficiency and Greenhouse Gas Emission Intensity (GEI) indexes were updated. The former expresses the evolution of global energy efficiency broken down by economic sector in Spain and the latter shows the evolution of greenhouse gas intensities associated with the economic activity.

The aim of Citizen R is to promote responsible citizens. It is a project that specially targets young people and children and encourages a culture of participation, respect and solidarity as well as the importance of responsible energy use, taking care of the environment and energy sustainability. In 2011, the Citizen R caravan, a space equipped with interactive resources for different areas of educational workshops and games traveled to Barcelona, Valladolid and Madrid (Spain) and Lisbon, Sines and Porto (Portugal). In total, it has received more than 22,000 visits of which more than 10,500 were schoolchildren.

Within the framework of the European Year of Volunteering, the Foundation implemented the Volunteer Plan to address social concerns put forth by the group's employees and their environment. At the same time, it contributed toward building a better future in society. The plan, encouraged by the senior management, is conceived by and for volunteers, and it encompasses a wide range of actions, especially in social matters. It has initiatives aimed at training youth and programs that cover activities to help the most underprivileged groups: promoting values, intergenerational cooperation, actions to promote sports, rehabilitation of the environment and others such as online volunteering. The plan already has six fully developed programs that encompass the work of 800 volunteers R nationwide and a wide network of collaborators who help to effectively deploy these activities.

In the area of Education and Training, with the commitment to meet the new training demands, a scholarship program is being developed in cooperation with the Petronor, A Coruña and Tarragona refineries to encourage local youth to get job training. The last time it was offered, more than 65 young people benefitted from the aid. Furthermore, through Repsol Chairs, in order to complete postgraduate education and contribute toward promoting research, Repsol collaborates with Professional Technical Schools for Mining Engineers and Industrial Engineers at the Universidad Politécnica de Madrid and with Universidad Rovira i Virgili de Tarragona.

Likewise, in order to research, acquire knowledge and promote competitiveness and regional development, the Repsol Chair of Competitiveness and Regional Development at Universidad de Lleida was implemented.

Within the field of education, another of the Foundation's objectives is to generate, impart and promote scientific knowledge. With this purpose in mind, a partnership agreement with the Parenting University's Educational Foundation was implemented. It is represented by philosopher and writer José Antonio Marina and its purpose is to develop a project that contributes toward waking young people's interest in science and technology. Furthermore, within the framework of the agreement that Repsol holds with the National Library of Spain, a series of educational and cultural activities to bring science closer to the public and stimulate interest in scientific knowledge were sponsored. Training of South American specialists in preserving their cultural and bibliographic heritage has been encouraged.

The Foundation is becoming increasingly involved in integrating the disabled. Through cultural, sports and educational initiatives, the Foundation has worked toward achieving a social model that enables equal opportunities and facilitates this group's job and social insertion. Thus, in cooperation with Fundación ONCE (ONCE Foundation), they continued with the "Tu Formación no tiene límites. Desarrolla tu

Futuro" (Training is unlimited. Develop your future) program, and the program titled "Campus inclusivos de verano Campus sin límites" (Campuses that include summer. Limitless campuses) in which a total of fifty students with different types of disabilities have participated.

In the scope of the Foundation's commitment with this group, Recapacita (Think it over) was registered. It is an awareness program for society about the difficulties and barriers that disabled persons encounter in their daily lives. The Recapacita tent has traveled to eight Spanish cities (Puertollano, Tarragona, Santander, A Coruña, Arteixo, Bilbao, Murcia and Madrid) with a final balance of 17,000 visitors.

The Repsol Foundation was awarded in 2011 with the Prodis and Discapnet awards as recognition for its efforts integrating the disabled.

In the field of research and social studies, the Foundation conducted the study titled *Social Aspects of Sustainable Mobility*. It shows a cross-section of Spanish society's habits and behaviors in connection with mobility and the impacts caused by the current behavioral models. At the Social Energy Observatory, the *Repsol Energy Efficiency Social Indicator was updated*. This indicator analyzes the habits, beliefs, knowledge and aptitudes of Spanish society in light of energy consumption and it identifies social mechanisms and tools to boost energy efficiency.

In the countries where the company is present, the Foundation conducts programs that promote community development and improvement of the quality of life. It does so by acting with specific projects that are suitable for the needs of each area. Thus, in Peru, a program is being developed that is aimed at low-income youths from Pachacútec and Arequipa in order to make it possible for them to access the educational system and favor subsequent insertion in the workforce.

Also in Peru, construction of Luisa Astrain School was concluded. During the first year of academic activities, 375 students enrolled. With this initiative, the town of Pachacútec will be able to generate opportunities for 1,000 schoolchildren from their infancy. This will enable children in extreme poverty to access a quality education.

In Colombia, the Foundation has contributed toward the building and furnishing of the Integrated Child Development Center (CIDI) in Cartagena de Indias. This was done to solve the health problems identified in the area and reduce infant mortality by offering care to babies.

In Bolivia, the health project that stands out is the consolidation and expansion of the infrastructure of Hospital San José Obrero de Portachuelo in Santa Cruz de la Sierra. This is a township with a very fragile health situation. It has critical maternal and infant mortality indicators in children under five. With that, all of the health needs of the population that exceeds the hospital's current capacity will be covered.

Spreading culture is another factor that helps society's development and progress. Through different initiatives, and in cooperation with other institutions, the Foundation brings literature, music, theater and art to citizens.

These programs and other initiatives are a sample of Repsol Foundation's responsibility and its contribution toward sustained improvement of society and welfare.

YPF Foundation

The YPF Foundation's mission is to consolidate and accompany YPF's commitment to the country through educational, social and cultural initiatives that generate opportunities for development and contributed toward Argentina's growth. Its objectives include:

- To promote the development of education, culture and social and job insertion of the communities where YPF works.
- To be a model of the actions that should be taken for companies and nonprofit organizations.
- To coordinate between the private and public sectors and encourage the implementation of policies that contribute toward the country's sustainable development.
- To strengthen the ties between YPF, its employees and society.
- To generate job opportunities by training youths who have been excluded from the knowledge society.
- To foster the development of society through the transforming and integrating power of art, promoting values and preserving historic heritage.
- To contribute toward preserving and caring for the environment.

The YPF Foundation's actions are reflected through numerous educational, social and cultural initiatives performed with dedication and motivation by the Foundation's staff.

In education, the Gregorio Álvarez Cultural Center was inaugurated so that the inhabitants of Plaza Huincul and Cutral C6 (Neuqu6n) can enjoy the variety of art and cultural activities offered by this new space. The Foundation continued working on reinforcing technical education and several different programs that make it possible to socially include youths through vocational training oriented toward creating job opportunities.

Culture and art make a positive impact on the community and stimulate its development. They also affirm our identity. The space titled *Arte en la Torre* (Art in the Tower), the itinerant samples of Argentinean artists, the program titled *Argentina Pinta Bien* (Argentina Paints Well) and the cultural cycle have enabled the Foundation to show and promote the talent of Argentinean artists. At the same time, it has stirred the interest of young people nationwide.

Repsol YPF Ecuador Foundation

To root itself in its firm social commitment, Repsol voluntarily decided to create a foundation in Ecuador with the main objective of working toward developing the native and mestizo communities located in territories of block 16's indirect influence. The Repsol YPF Foundation was founded on 11 May 2001.

Three priority lines of intervention to improve the populations living conditions were identified from a study of the area's socioeconomic and cultural conditions. The first one concerns education and job insertion; the second is oriented toward health and sanitation and the third refers to reinforcing productive and business capacities at the micro and local levels. Furthermore, since 2010, the Inclusive Business Model has been implemented. Besides creating corporate benefits, it creates social and financial value when integrating low-income persons in many companies' productive activities.

In 2011, the Repsol YPF Ecuador Foundation participated in twenty social development projects. Out of these projects, eight were executed during the fiscal year, and they entailed expenditures. The remaining twelve, on the other hand, were projects being tracked in which accompaniment and technical assistance prevailed. Within the foundation, there is the conviction that the supported initiatives' sustainability requires an injection of funds. However, once this process has concluded, it will be necessary to continue accompanying the projects through ongoing tracking until they are completely autonomous.

A total of 11,095 people benefitted from the programming carried out by the Repsol YPF Ecuador Foundation using its own funds, with resources contributed by institutions, counterparties, strategic allies and the community itself.

The effort to generate proposals to seek additional funding is held in place to engage multilateral cooperation institutions and other companies to join the initiatives to support social and environmental development projects.

SAFETY AND ENVIRONMENT

For Repsol YPF, attention to safety and the environment plays a central role in managing its activities. Repsol YPF's principles for safety and the environment are defined in its Health, Safety and Environment Policy. It is applicable in all company activities. In the policy, the company pledges to conduct its activities while considering the following to be essential values: safety, people's health and protecting the environment.

Additionally, safety is one of the company's fundamental and unwavering ethics that should guide all actions and commitments.

The basis for safety and environmental management is the management system. This system is comprised of an extensive body of regulations, procedures, technical guidelines and management tools that are applicable in all company activities. They are being continuously updated to be adapted to the sector's best practices.

The Management Committee establishes the safety and environmental objectives and strategic guidelines. These are the basis for drawing up objectives and plans of action for all of the company businesses. These plans consider the necessary actions for the PCDA of management, investments and associated expenses and the adaptations to new legislative requirements.

Additionally, the duties of the Board of Directors' Audit and Control Committee include learning and orienting the company's safety and environmental policy, directives and objectives.

Repsol YPF's 2011 Corporate Responsibility Report lists the most notable actions carried out during the year to improve safety and to protect and conserve the environment. It also includes the development of the most relevant indicators.

Safety

The frequency of accidents with doctor's note included (company personnel plus contractor) decreased by 21% with respect to the previous year, thus meeting the annual objective set. This objective is part of the annual objectives of the Repsol YPF employees who have variable pay linked to goals attained.

The goal is to achieve zero accidents in Repsol's activities. In the last five years, the frequency with doctor's note included has decreased by more than 60%. Nevertheless, during 2011, Repsol has had to lament a total of four fatal accidents involving contractor personnel during the activities (two of those deaths occurred in traffic accidents).

The safety management system is aligned with international standard OHSAS 18001 (Occupational Health and Safety Management System). Repsol encourages

progressive certification of company centers according to that standard as a way to promote PCDA and obtain external validation of management systems. Currently, all the refineries and chemical plants, practically all lubricant and specialty facilities, several exploration and production facilities and a growing number of facilities for other activities are certified. (See detail of certified facilities at www.repsol.com).

Among the noteworthy safety milestones in new projects is the company's significant challenge that has brought about the expansion projects for the Cartagena refinery and fuel oil reduction projects at the Petronor refinery. Both of them are in Spain and are remarkable due to their magnitude. To guarantee safety in developing these projects, several activities have been carried out. These include: incorporating better international construction management practices, management of the necessary general services to meet construction workers' needs, compliance with regulations and standards due the high degree of coordination between Repsol's specialists and outsourcing company professionals, preventive observations made by specialized technicians and monitoring and tracking of materials and welding quality. Close to 22,200 people belonging to more than 700 contracting companies have participated in the projects. During the more than 37 million total hours worked, a frequency index of 1.05 was achieved. This figure is far inferior to the construction sector's average in Spain.

Environment

The environmental management system is aligned with international standard ISO 14001. Repsol encourages progressive certification of company centers according to that standard as a way to promote PCDA and obtain external validation of management systems. Currently, all the refineries and chemical plants, all lubricant and specialty facilities, practically all exploration and production facilities and a growing number of facilities for other activities are certified. (See detail of certified facilities at www.repsol.com).

In 2011, significant environmental investments were made that were aimed at improving the environmental quality of petroleum products, minimizing air emissions, increasing energy efficiency, optimizing water consumption, reducing the contaminating load of dumps and improving spill prevention systems. All of this was done by applying the available best practices and technological innovation. Also of note is the effort undertaken to identify, evaluate and correct the possible past contamination situations. In note 35 of the Consolidated Financial Statements, information on assets, provisions, expenses and future actions of an environmental nature is listed.

In addition, Repsol YPF was recognized by *Newsweek* magazine as the company with the best environmental performance in the energy sector in Green Ranking 2011. This ranking assesses the environmental practices of the 500 major companies traded worldwide. It considers three categories: environmental impacts, the environmental management system and transparency on the environmental report. This year, the company's transparency was quite positively evaluated in the report on environmental issues. Moreover, it was highly evaluated in the environmental management system category. That was because of the programs, initiatives and certifications implemented in the entire organization to meet the commitments set forth in the Safety, Health and Environment Policy.

This recognition is the result of the company's joint effort to improve its environmental performance, and it shows Repsol YPF's commitment as a beacon in its sector.

Spill prevention

Repsol YPF has adopted cutting-edge techniques in preventing and remedying pollution, managing accidental spills and maintaining the facilities. In this regard, the company has a marine and river spill management regulation that lays down the common basic directives for managing, preventing and responding to incidents caused by marine and river spills of oil and gas and toxic and potentially hazardous substances in all company activities.

In response to two spills on the Tarragona (Spain) seacoast in early 2011, Repsol YPF, as an extension of the actions carried out to date, drew up an Integrated Plan of Action along the Tarragona seacoast. Its purpose is to contribute to improving environmental protection, reinforcing the quality and safety of company operations on the seacoast and it has an associated investment of €131 million in the next four years. This investment is mainly assigned toward guaranteeing the integrity and reliability of the Upstream facilities (Casablanca platform) and downstream facilities (dock and outdoor rack), that Repsol YPF has along the Tarragona seacoast.

The plan's scope on the Casablanca platform amounts to an estimated investment of €50 million focused on performing actions aimed at extending the platform's life and implementing the best available technologies. Furthermore, at the dock and outdoor rack facilities, an estimated investment of €81 million should be made. It is focused on extending the facilities' reliability over time and implementing technological improvements that will make it possible to have facilities with the best safety standards on the market.

The 2011 Corporate Responsibility Report lists the actions taken during the year.

Safety during offshore operations

Repsol YPF has a great deal of experience in offshore operations and it has performed deepwater operations both in the Gulf of Mexico and elsewhere. As part of the PCDA cycle, the company's standards and procedures are periodically reviewed and the lessons learned, recommendations and international best practices are incorporated.

In this regard, Repsol YPF has emergency response plans for those scenarios that may have an environmental impact. They include responses to oil and gas spills.

These contingency plans are drawn up according to the scenarios with the most risk based on local regulations, internal rules and the industry's best practices. They are reviewed and updated beforehand, both at the beginning of the drilling operations and after changes have been produced that may affect the operations' normal operation. These plans are subject to approval processes that are both internal and by the appropriate government authorities in the country of operation.

Before implementing the well construction operations, all of the most significant risks are identified and actions aimed at avoiding damage to people, the environment and the facilities are implemented. Measures are taken through documentation to ensure that all technical aspects have been properly implemented and verified. Additionally, the services commissioned are subject to periodic supervision and inspection during the operations in order to ensure that the local regulations, internal rules and the industry's best practices are applied.

In addition, Repsol YPF is a member of the OSR (Oil Spill Response), Clean Gulf Associates (CGA) and other mutual benefit societies or consortiums that intervene in large spills. These consortiums provide technical support and equipment for environmental emergencies.

SUSTAINABLE ENERGY AND CLIMATE CHANGE

During 2011, the 2012-2020 Carbon Strategy was reviewed and updated. Its objective is to boost the company's vision of a more diversified and less carbon intensive energy supply. The Carbon Strategy's end goal is to have a common method of acting that harmonizing the existing initiatives and detects synergies with an integrated focus.

After the creation of the New Energies business unit in 2010, currently deploying its plans of action, Repsol considers it necessary to prioritize carbon intensity reduction activities in company operations. It focuses on the following areas:

- Energy efficiency to reduce CO₂ emissions and energy consumption through carrying out systematic plans that enable reduction opportunities to be developed.
- Carbon Markets that focus on mitigating the deficit foreseen in the European Union Emissions Trading Scheme (EU ETS), development of MDL projects and procurement of Certified Emission Reductions (CER).
- Prospecting and development of technologies that enable CO₂ to be transformed into added value products.
- Biofuel strategy for research, development, production, mixing and distribution.
- Development of new technologies for transport that contribute toward guaranteeing the supply with cleaner fuels with a lesser impact on the environment.
- Integration of carbon management throughout the company's value chain.

Repsol YPF's Management Committee is in charge of approving the company's carbon strategy as well as evaluating its implementation. Additionally, since 2005, the duties of the Board of Directors' Audit and Control Committee include learning and orienting the company's safety and environmental policy, directives and objectives including climate change aspects.

Repsol YPF has set a strategic objective of reducing 2.5 million tons of equivalent CO₂ during the 2005-2013 period. This is displayed in annual reduction objectives with respect to a business as usual scenario. They are approved by the company's Management Committee. They are part of the annual objectives for most of the Repsol YPF employees who receive goal-oriented variable pay. A reduction of roughly half a million tons of equivalent CO₂ was brought about in 2011 through specific energy savings actions. The accumulated decrease as a consequence of all actions taken between 2006-2011 amounts to 2.1 million tons of equivalent CO₂ more than 80% of the strategic objective).

Within the scope of energy efficiency, of note is the certification by an external entity of the Energy Management System of the A Coruña refinery in conformity with the new ISO 50001 standard. This is the first certified facility with these characteristics in the world. Implementing this system enables:

- Consolidating energy management criteria and good practices, applying them homogeneously among areas, systematizing work methods, prioritizing opportunities for improvement and ensuring that those efficiency criteria are present in all activities performed.

- Decreasing energy consumption due to the incorporation of all energy management-related activities in one PCDA cycle. To do so, it is fundamental to have tools to identify, analyze and implement opportunities to save as well as to efficiently monitor both energy consumption and the related processes or activities.

This system lies within Repsol YPF's commitment to efficiently use energy at its facilities in order to preserve natural resources, reduce atmospheric emissions and contribute toward mitigating climate change effects.

After this experience's success, this certification was extended to the Puertollano refinery with the implementation of an Energy Management System to obtain ISO 50.001 certification.

COMMUNICATIONS

Repsol believes that communications is a key element in its relationship with society, and, in order to adequately manage it, makes available to its main stakeholders various online and offline tools with which to effectively and transparently report on its activities and businesses. The company is betting on a communications strategy that is based on proximity, truthfulness and speed as the main principles of its General Communications Management strategy.

Shareholders and investors

Many ways to learn about the company's everyday activity are made available to these groups. Since it became a listed company in 1989, Repsol has maintained an Investor Information Bureau (OIA) and an Investor Relations Management, through which it serves its investors and securities analysts. In recent years, analyst coverage of the company has greatly increased, reaching a total of 41 analysts that effectively follow the company's evolution.

In order to serve shareholders' information needs, Repsol makes the OIA available to them. Shareholders can personally visit the bureau, call the free line 900 100 100 or write via regular post or email, in order to obtain any information required. The OIA answered some 50,000 calls in 2011 (and average of 190 per day). The most frequent questions concerned share values, the Annual General Meeting, dividend payment dates, and relevant company facts.

Moreover, all the relevant company information can be found on the corporate website (www.repsol.com), as well as specific contents in the "Shareholders and investors" section, which had more than 250,000 visits in 2011. The website also includes a number of email addresses (the generic address being infoaccionistas@repsol.com), to which inquiries can be addressed and at which publications can be requested. In 2011, more than 5,000 emails were received in 2011, mainly requesting information about Repsol.

The Investor Relations Management constantly communicates with institutional investors and securities analysts. In 2011 roadshows (meetings with institutional

investors outside the Repsol offices) were held in Europe, the United States and Asia, in which senior management took part, as well as 11 other meetings in which the investor relations team took part. Moreover, Repsol attended 12 sector conferences, both in Europe and in the United States, during which meetings with institutional investors were also set up. If the visits to the company offices are added, an approximate total of 600 institutional investors were contacted in 2011. Finally, the Investor Relations Management held a field trip (a visit in which analysts and institutional investors can learn about a representative asset of the company, in which the senior and the local management take part) in Argentina and Bolivia, with the attendance of 38 analysts following the company's evolution.

Media

The aim of the General Communications Management is to serve the media under the principles of transparency, proximity, rigor and truthfulness. To this end, Repsol has various channels through which it manages information requests from the media.

The main activities of the Repsol Group in 2011 were made known to the media through more than 60 press releases, all of which are available in the corporate website (www.repsol.com) Press Room. The press releases issued by industrial facilities in Spain, those issued in countries where the company operated, those pertaining to sports sponsorship project, and those relative to specific businesses, such as liquated petroleum gas (LPG) or the Repsol Foundation, should also be taken into account.

In order to maintain a close relationship with media professionals, in 2011 a number of press conferences and information sessions were held. These include the presentation by the Repsol chairman, Antonio Brufau, of the 2010 results in the press conference which took place on 24 February, as well as the media session following the Annual General Meeting of 15 April 2011.

Furthermore, media professionals took part in the visit that the Prince of Asturias and the Prince of Wales made to the Repsol Technology Center on the occasion of a Spanish-British seminar on seaweed biofuels (31 March), in the opening of the first sustainable fuel station in the world (13 April) and in the first Spanish biofuel-based flight (3 October), among other events.

On the occasion of the launch of the extension to the Cartagena refining plant, which constitutes the largest industrial investment in the history of Spain, of more than 3,000 million euro, the General Communications Management scheduled a number of visits to the new facilities for international, national, regional and local media.

The corporate website includes a Press Room where information about the Repsol Group and its activities is available to media professionals. In addition to press releases, it includes graphic and multimedia files, publications, specific dossiers and newsletters intended for journalists from all over the world.

In 2011 *News* was presented: a new tool for media relations, created to provide Repsol stories and projects from a point of view less concerned with current events, but rather of a didactic nature. *News* is sent to more than 2,000 journalists and has been warmly received. Social network activity also started, more specifically on Twitter, where press releases are announced, as well as the most relevant company and energy sector data.

Another of the 2011 novelties was the Spanish translation and distribution of the well-known book *How the Energy Industry Works* among journalists, institutions, universities and associations, as well as in Repsol offices all over the world. It is a highly didactic work, and thus a tool for everyday use by non-experts in the energy industry.

In order to respond to journalists' requests for information, the General Communications Management makes available to them an email address (prensa@repsol.com), through which more than 4,000 inquiries and requests for information were received in 2011. This figure proves that high media interest in Repsol activities. By means of this channel, the company answers, on a daily basis, quickly and effectively, to the many requests from the media.

As a result of the constant work of the General Communications Management, in March 2011 the Barcelona Chamber of Commerce, Industry and Shipping awarded Repsol the Llotja Award in recognition of its commitment to providing truthful, full and accessible information to journalists, investors, and the general public, mainly through its Annual Reports and its website.

Repsol on the Internet

With 10 years' experience in the digital world, the www.repsol.com website is reputed for its multi-content strategy. By means of this strategy, Repsol seeks to approach various public segments with interesting contents which make it possible to acquire information about and follow the company in real time, as well as to generate close relationships and conversations through its four blogs and its ever-growing social network presence.

This recognition comes from prestigious organizations, with expertise in the medium and in the generation of relationships of trust, which have counted Repsol among the best for another year. The international consultancy KWD, which evaluates almost 1,000 European companies in its annual KWD ranking, points out that Repsol has headed the Spanish ranking for eight consecutive years, and that, moreover, in 2011 it has entered the top 5 of the best European companies. The Spanish Association for Business Accountancy and Administration, among others, has also awarded Repsol – for the sixth time – the AECA Award as the Ibex 35 company with the best financial information on the Internet.

In 2011, repsol.com developed three lines of action to be so successful. Firstly, creating new digitalized contents, audiovisual, interactive, and web-locatable, which makes it easier to learn about Repsol, its brands and products, and the way in which it works. The new Innovation and Technology channel, the Products and Services redesign and the renovated sections, About Us and Corporate Responsibility, are examples of this.

Secondly, being accessible to users through its presence in mobile devices, such as smartphones and tablets through Repsol Guide applications and the generation of contents visible in these environments.

And thirdly, promoting dialogue and interaction through a greater emphasis on the web 2.0, where the new Technological Innovation blog joins the dialogue already started by the blogs of Dani Pedrosa, Marc Márquez and Cuchara de Palo, as well as through the consolidation of the Box Repsol and Repsol Guide profiles, which in 2011 have reached the three-year mark in the main social networks: Facebook and Twitter.

The result has been a monthly average of over 70 million viewed pages and five million visits to the repsol.com website, as well as massive social network activity, reaching 100,000 Facebook followers and 22,000 Twitter followers, which amount to a 67% and 400% increase with respect to 2010, respectively.

INTANGIBLE ASSETS MANGEMENT

A significant part of the value of a company lies in its intangible assets. A company's brand and reputation are two key strategic values for differentiation and the generation of trust among the various stakeholders.

For this reason, Repsol promotes the management of these intangible assets from the Communications, Corporate Reputation and Brand Strategy Management.

Brand strategy

The brand constitutes a key asset in Repsol's strategy: an intangible asset which can concentrate all the company's value, making them pervasive throughout the organization, and conveying them in each of its relations with the various stakeholders.

For this reason, in 2011 the Strategic Brand Plan was launched, with the aim of giving the brand a strong, consistent and differentiating personality in its verbal and visual expression, managing its implementation in all its points of contact and in its communication with all its audiences, and creating an internal culture which is fully aligned with the brand.

Repsol has been recognized as one of the best Spanish brands in the 2011 Superbrands Awards. This organization recognizes excellence in branding as synonymous with market consolidation, a guarantee of quality and trust for the public in more than 80 countries all over the world.

In 2011 Repsol also ranked among the top-ten Spanish companies in the biannual ranking published by Interbrand, a world-renowned company in brand valuation. In 2011, the Repsol brand came eighth, improving its position with respect to 2009, when it was ninth. Their bet on internationalization, innovation, new technologies, and adaptation to new consumption patterns are the main features of the brands heading the ranking.

Reputation

Repsol understands corporate reputation as the capacity to generate trust, respect and admiration among all our stakeholders. This trust is a differentiating element, as proved by the fact that companies with the best reputations are also those which are most highly valued. A good reputation makes them more competitive because it has direct impact on financial results, talent attraction and loyalty, product recommendation and crisis management.

This is particularly relevant in such sensitive sectors as the energy sector, always in the spotlight due to its direct work with natural resources and its main role in people's welfare. This places very high standards on Repsol's work.

As a pioneering company as regards reputation, Repsol was one of the four founding companies of the Corporate Reputation Forum and in 2011 became one of the sponsors of the *Corporate Excellence Centre for Reputation Leadership*, an idea laboratory in which the main Spanish companies come together to professionalize brand and corporate reputation management on a global level.

In Repsol reputation is managed with the aim of promoting constant improvement of the organization and its external recognition. To this end, its reputation is continually

measured, and a Strategic Corporate Reputation Plan has started to be deployed. Special emphasis has also been placed on online reputation management.

In 2011 has maintained and improved its position among the top ten in the main national and international reputation rankings, such as the Spanish Business Reputation Monitor (MERCOS) and the *Fortune's World Most Admired Companies* index, both by sector and by country.

SPORTS SPONSORSHIP

In 2011, Repsol took part in the top racing competitions in the world, such as the World Motorcycling Championship, which is the best testing ground for its fuels and lubricants. It is precisely the experience acquired in the development of specific products for top competitions that enables Repsol to remain a leader in the research and development of products that can fulfill its customers' high expectations.

The 2011 season was exceptional as regards the world titles won by the Repsol pilots taking part in international competitions. In MotoGP, Repsol won the World Championship with Casey Stoner. Moreover, Repsol Honda Team was the team World Champion. Repsol's Australian pilot won ten of the seventeen great championships. Dani Pedrosa won three times, and only bad luck prevented him from reaching the end of the season with options to winning the championship. Andrea Dovizioso came third at the end of the season. As an example of the supremacy of the Repsol team, two of our pilots have stepped onto the podium in fifteen of the seventeen main competitions.

Marc Márquez, the latest 125cc World Champion, debuted in the Moto2 category. The Cervera pilot did not disappoint his fans and, after a difficult start to the season, he won seven races and reached the end of the season as the leader in his category. An unfortunate accident in the penultimate race brought his options to winning the championship to an end. Even though he failed to win the prize, the Repsol pilot has been confirmed as a sports and media phenomenon, which makes him a wonderful ambassador for the brand, both on and off the race track.

Repsol won the Trial Indoor and Outdoor World Championship in the men's category and the Outdoor World Championship in the women's category for another year. Toni Bou has won ten world championships. The 26-year old is on the verge of becoming the pilot who has won the most awards ever in the history of this specialty. As for Laia Sanz, she has established herself, with eleven world championships, as the best in her category.

Repsol remained the personal sponsor for Marc Coma, who in January won the 2011 Dakar rally in the motorcycle category.

In the Spain Speed Championship, which has become the best testing ground for the World Championship, the Repsol team took the first three positions in the 125cc category.

Other sponsorships

Repsol is a company committed to Olympic sports through its collaboration with the ADO plan, which helps many young sportspeople to live the dream of taking part in the Olympic Games. In this way, Repsol is betting on consolidating the excellent status of Spanish sports with a view to the 2012 London Olympics.

As a novelty, this year the Group started sponsoring an acrobatic flight team which has won the World Sub-championship, the Spanish Championship, and has taken part in a number of aerial exhibitions.

NEW REPSOL HEADQUARTERS

Construction on the new Repsol headquarters commenced in November 2008, and works were practically complete in 2011.

In 2011, the above-ground structure was completed and 100% of the façade was executed; installation work came to an end, and the commissioning phase is currently underway. The garden trees were also planted in October. Moreover, the interior landscaping work has started.

The internal refurbishment was also completed in terms of the design of the various areas, and work continued on the design and functioning of the main services, with the collaboration of the members of the Campus Team (which consists of 54 representatives of the various Group units, channeling area participation and opinion in the change project) and trade union representatives. The degree of completion of the internal refurbishment project is 52%.

The 2011 frequency index of accidents involving absence has remained under five, which constitutes a landmark in the building sector.

Finally, work has been performed with all units to study in detail its actual move to the company's campus. Work has been completed with an implementation simulation, checking the functioning of each area, and detecting special needs.

In November and early December, almost 1,000 employees have visited the trial office, which was expressly refurbished for the occasion, as well as the most striking areas in the building.

Campus occupancy is scheduled to start between April and June 2012.

The future Repsol headquarters will have a ground floor plus four office and service floors. It will also have two underground facility floors, as well as parking for 1,800 vehicles. The project comprises more than 5,000 square meters, which will provide various services for employees. The buildings will constitute a ring making it possible to enjoy an almost 10,000 square meter garden with trees. In addition, a new green area will be created in the business campus perimeter. Repsol has banked on sustainability since the project design phase.

ANNUAL REPORT ON CORPORATE GOVERNANCE

LISTED COMPANIES

ISSUER

YEAR 2011

TAX REGISTRATION NUMBER: A78374725

Name: REPSOL YPF, S.A.

**MODEL FORM OF ANNUAL REPORT ON CORPORATE GOVERNANCE OF
LISTED COMPANIES**

Read the instructions for completion at the end of this report for a better understanding of the model form and assistance for completion.

A OWNERSHIP STRUCTURE

A.1 Complete the following table on the capital of the company:

Date latest modification	Capital (€)	Number of shares	Number of voting rights
12-15-2000	1,220,863,463.00	1,220,863,463	1,220,863,463

State whether there are different classes of shares with different associated rights:

Yes No

A.2 Give details on the direct and indirect holders of significant interests in your company at year-end, excluding directors:

Name of shareholder	Number of direct voting rights	Number of indirect voting rights (*)	% total voting rights
Sacyr Vallehermoso, S.A.	0	122,208,433	10.010
CaixaBank, S.A.	156,794,359		12.843
Petróleos Mexicanos	0	115,884,041	9.492
Blackrock Inc.	0	37,475,651	3.07

(*) Through

Name of the indirect holder of the stake	Through: Name of the direct holder of the stake	Number of direct voting rights	% total voting rights
Sacyr Vallehermoso, S.A.	Sacyr Vallehermoso Participaciones Mobiliarias, S.L.	122,208,433	10.010
Petróleos Mexicanos	Financial entities	115,884,040	9.492
Petróleos Mexicanos	Pemex Internacional España, S.A.	1	0.000
Blackrock Inc.	Blackrock Investment Management (UK) LTD.	37,475,651	3.07

Indicate the principal movements in the shareholding structure during the year:

Name of shareholder	Date of transaction	Description of transaction
Banco Bilbao Vizcaya Argentaria, S.A.	01/25/2011	Falling below 3% of the share capital
Banco Bilbao Vizcaya Argentaria, S.A.	01/28/2011	Exceeding 3% of the share capital
Banco Bilbao Vizcaya Argentaria, S.A.	02/01/2011	Falling below 3% of the share capital
Banco Bilbao Vizcaya Argentaria, S.A.	02/04/2011	Exceeding 3% of the share capital
Banco Bilbao Vizcaya Argentaria, S.A.	02/21/2011	Falling below 3% of the share capital
Banco Bilbao Vizcaya Argentaria, S.A.	04/06/2011	Exceeding 3% of the share capital
Banco Bilbao Vizcaya Argentaria, S.A.	04/15/2011	Falling below 3% of the share capital
Banco Bilbao Vizcaya Argentaria, S.A.	04/18/2011	Falling below 3% of the share capital
Banco Bilbao Vizcaya Argentaria, S.A.	07/05/2011	Exceeding 3% of the share capital
Banco Bilbao Vizcaya Argentaria, S.A.	09/12/2011	Falling below 3% of the share capital
Barclays PLC	07/01/2011	Exceeding 3% of the share capital
Barclays PLC	07/04/2011	Falling below 3% of the share capital
Blackrock, Inc	03/07/2011	Exceeding 3% of the share capital
BNP Paribas, Societé Anonyme	07/11/2011	Exceeding 3% of the share capital
BNP Paribas, Societé Anonyme	07/15/2011	Falling below 3% of the share capital
BNP Paribas, Societé Anonyme	07/18/2011	Exceeding 3% of the share capital
BNP Paribas, Societé Anonyme	07/19/2011	Falling below 3% of the share capital
Caixa Bank, S.A.	01/19/2011	Exceeding 10% of the share capital
Crédit Agricole, S.A.	08/30/2011	Exceeding 3% of the share capital
Crédit Agricole, S.A.	09/02/2011	Falling below 3% of the share capital
J.P. Morgan Securities Ltd.	06/30/2011	Exceeding 3% of the share capital
J.P. Morgan Securities Ltd.	07/01/2011	Falling below 3% of the share capital
J.P. Morgan Securities Ltd.	07/04/2011	Exceeding 3% of the share capital
J.P. Morgan Securities Ltd.	07/05/2011	Falling below 3% of the share capital
J.P. Morgan Securities Ltd.	07/07/2011	Exceeding 3% of the share capital
J.P. Morgan Securities Ltd.	07/14/2011	Falling below 3% of the share capital
J.P. Morgan Securities Ltd.	07/15/2011	Exceeding 3% of the share capital
J.P. Morgan Securities Ltd.	07/19/2011	Falling below 3% of the share capital

Petróleos Mexicanos	08/30/2011	Exceeding 5% of the share capital
Repinves, S.A.	01/19/2011	Falling below 5% of the share capital
Sacyr Vallehermoso, S.A.	12/21/2011	Falling below 20% of the share capital
Sacyr Vallehermoso Participaciones Mobiliarias, S.L.	12/21/2011	Falling below 20% of the share capital

A.3 Complete the following tables on directors' shareholding interests in the company:

Name of Director	Number of direct voting rights	Number of indirect voting rights (*)	% total voting rights
Antonio Brufau Niubó	237,602	-	0.019
Isidro Fainé Casas	242	-	0.000
Juan Abelló Gallo	1,000	81,926	0.007
Paulina Beato Blanco	100	-	0.000
Artur Carulla Font	33,344	-	0.003
Mario Fernández Pelaz	4,000	0	0.000
Ángel Duráñez Adeva	5,950	-	0.000
Javier Echenique Landiribar	-	17,200	0.001
María Isabel Gabarró Miquel	5,816	1,832	0.001
José Manuel Loureda Mantiñán	50	27,200	0.002
Juan María Nin Génova	242	-	0.000
Pemex Internacional España, S.A.	1	-	0.000
Henri Philippe Reichstul	50	-	0.000
Luis Carlos Croissier Batista	1,200	-	0.000
Luis Suárez de Lezo Mantilla	8,038	-	0.001

(*) Through

Name of the indirect holder of the stake	Through: Name of the direct holder of the stake	Number of direct voting rights	% total voting rights
Juan Abelló Gallo	Arbarin SICAV, S.A.	81,926	0.007

Javier Echenique Landiribar	Bilbao Orvieto, S.L.	17,200	0.001
Jose Manuel Loureda Mantiañan	Prilou, S.L.	27,200	0.002

Total % of voting rights held by the Board of Directors	0.035
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Complete the following tables on directors with stock options in the company:

Name of Director	Number of direct option rights	Number of indirect option rights	Number of share equivalents	% total voting rights

A.4 Indicate family, commercial, contractual or corporate relationships among significant shareholders known to the company, if any, except any that are insignificant and those deriving from ordinary commercial business:

Names of related persons or companies	Type of relationship	Brief description

A.5 Indicate commercial, contractual or corporate relationships between significant shareholders and the company and/or its group, if any, except any that are insignificant and those deriving from ordinary commercial business:

Names of related persons or companies	Type of relationship	Brief description
Caja de Ahorros y Pensiones de Barcelona	Corporate	Repsol YPF and Caja de Ahorros y Pensiones de Barcelona (controlling shareholder of Caixaholding Bank, S.A.U. and CaixaBank, S.A.) participate in Gas Natural SDG, S.A., which has as business purpose, among other activities, supply, production, piping and distribution of any type of combustible gas. Repsol YPF and Caja de Ahorros y Pensiones de Barcelona have also signed an agreement in relation to Gas Natural SDG, S.A., considered by both entities as a concerted action of which the <i>Comisión Nacional del Mercado de Valores</i> (CNMV) has been duly notified.

A.6 Indicate any shareholders' agreements of which the company has been notified in pursuance of Art. 112 of the Securities Market Act. Describe briefly, if any,

indicating the shareholders bound by the agreement:

Yes No

Involved in the shareholder agreement	% of capital affected	Brief description of the agreement
Sacyr Vallehermoso, S.A., Petróleos Mexicanos and PMI Holdings, B.V.	29.502	On August 29, 2011, Sacyr Vallehermoso, S.A. communicated by means of the Material Fact number 149479 the subscription of a shareholders' agreement with Petróleos Mexicanos in relation to Repsol YPF, S.A., having, among others, the purpose of: (i) regulating the jointly exercise of the voting rights between Pemex and Sacyr; and (ii) establishing certain restrictions to the transfer of shares belonging to Sacyr or Pemex.

Indicate any concerted actions among company shareholders of which the company is aware:

Yes No

Involved in the concerted action	% of capital affected	Brief description of the agreement
Sacyr Vallehermoso, S.A., Petróleos Mexicanos and PMI Holdings, B.V.	29.502	On August 29, 2011, Sacyr Vallehermoso, S.A. communicated by means of the Material Fact number 149479 the subscription of a shareholders' agreement with Petróleos Mexicanos in relation to Repsol YPF, S.A., having, among others, the purpose of regulating the jointly exercise of the voting rights between Pemex and Sacyr.

Expressly indicate any change or break-up of those agreements or concerted actions, if any, that has taken place during the year:

On December 20, 2011 Sacyr Vallehermoso, S.A. communicated by means of the Material Fact number 155225: (i) the transfer to certain of its lender banks of 122,086,346 shares of Repsol YPF, S.A: representing a 10% of its share capital; (ii) the subsequent reduction to the 10.01% of the stake holding in Repsol of it fully owned affiliate Sacyr Vallehermoso Participaciones Mobiliarias, S.L.U.; and (iii) the modification of the terms and conditions of the shareholders agreement entered into with Petróleos Mexicanos and PMI Holdings, B.V on August 29, 2011, which should, therefore, be considered terminated.

After that, on January 31, 2012 Sacyr Vallehermoso, S.A. and Petróleos Mexicanos communicated, by means of the Material Fact number 157258, the subscription of an early termination agreement, by virtue of which the parties agreed to early terminate the shareholders' agreement, declaring that they had nothing to claim each other and waiving the exercise of any action or right that they might had in accordance to said shareholders agreement.

A.7 Indicate any individuals or entities that exercise or may exercise control over the company in pursuance of Article 4 of the Securities Market Act:

Yes No

Individual or corporate name

Comments

A.8 Complete the following tables on the company's treasury stock:

At year-end:

Number of direct shares	Number of indirect shares (*)	Treasury stock/capital (%)
122,086,346	0	10

(*) Through:

Individual or corporate name of direct shareholder	Number of direct shares
Total:	0

Give details on any significant variations during the year, according to the provisions of Royal Decree 1362/2007:

Date of notice	Total direct shares acquired	Total indirect shares acquired	% of share capital
20/12/2011	122,086,346		10

Gain/(loss) obtained during the year on trading in own shares (thousand euro)	10,248
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A.9. Indicate the terms and conditions of the authorisation granted by the General Meeting to the Board to buy or sell own shares.

The Annual General Meeting of Shareholders of Repsol YPF, S.A. held on second call on April 30, 2010, adopted the following resolution under item six on the Agenda:

“First. To authorize the Board of Directors for the derivative acquisition of shares of Repsol YPF, S.A., by sale, purchase, exchange or any other onerous legal business modality, directly or through controlled companies, up to a maximum number of shares, that added to those already own by Repsol YPF, S.A. and its subsidiaries, not exceeding 10% of the share capital and for a price or equivalent value that may not be lower than the nominal value of the shares nor exceed the quoted price on the stock market.

The shares so acquired may be disbursed among the employees and directors of the Company and its Group or, if appropriate, used to satisfy the exercise of option rights that such persons may hold.

This authorization, which is subject to the compliance of all other applicable legal requirements, shall be valid for 18 months, counted as from the date of the present General Shareholders Meeting, and leaves without effect the authorization granted by the last Ordinary General Shareholders Meeting held on the 14th May 2009.

Second. To authorize the Board of Directors to delegate, pursuant to the provisions of article 141.1 of Joint Stock Companies Act, the delegated powers contemplated in section first of these resolutions."

A.10 Indicate any constraints established in law or the Articles of Association on the exercise of voting rights and legal restrictions on the acquisition and disposal of shares in the capital.

Indicate whether there are any legal constraints on the exercise of voting rights:

Yes No

Maximum percentage of voting rights that may be exercised by one shareholder by legal constraint	3%
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Indicate whether the Articles of Association establish any constraints on the exercise of voting rights:

Yes No

Maximum percentage of voting rights that may be exercised by one shareholder by a constraint under the Articles of Association	
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Description of the constraints established in law or the Articles of Association on the exercise of voting rights
<p>Article 34 of Royal Decree-Law 6/2000 establishes certain constraints on the exercising of voting rights in more than one principal operator in any one market or sector. Among others, it lists the fuel production and distribution, liquefied petroleum gas production and supply and natural gas production and supply markets. The principal operators are the entities holding the five largest shares of the market in question.</p> <p>These constraints are as follows:</p> <ul style="list-style-type: none"> - Individuals or entities directly or indirectly holding more than 3% of the capital or voting rights of two or more principal operators on the same market may not exercise the voting rights corresponding to the excess over that percentage in more than one of such operators. - No principal operator may exercise the voting rights corresponding to an interest of more than 3% in the capital of another principal operator on the same market. <p>These constraints shall not be applicable to parent companies that are principal operators in respect of their subsidiaries that are in the same position, provided this structure is imposed by law or the result of a mere redistribution of securities or assets among group companies.</p> <p>The <i>Comisión Nacional de Energía</i> (CNE), regulator of the energy market, may authorise exercise of the voting rights corresponding to the excess provided this does not favour the exchanging of strategic information or imply any risks of coordination of their strategic actions.</p>

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Indicate whether there are any legal restrictions on the acquisition and disposal of shares in the capital:

Yes No

Description of the legal restrictions on the acquisition or transfer of interests in the share capital

A.11 Indicate whether the General Shareholders' Meeting has resolved to take measures to neutralise a takeover bid under Act 6/2007.

Yes No

If so, explain the measures approved and the terms on which the constraints would become ineffective:

B MANAGEMENT STRUCTURE OF THE COMPANY

B.1 Board of Directors

B.1.1 State the maximum and minimum numbers of Directors stipulated in the Articles of Association:

Maximum number of directors:	16
Minimum number of directors:	9

B.1.2 Complete the following table with details of the members of the Board:

Name of Director	Representative	Position	Date first appointment	Date last appointment	Election procedure
Antonio Brufau Niubó		Chairman	07/23/1996	04/15/2011	Cooptation
Isidro Fainé Casas		Vice-Chairman	12/19/2007	05/14/2008	Cooptation
Juan Abelló Gallo		Vice-Chairman	11/29/2006	04/15/2011	Cooptation
Paulina Beato Blanco		Director	12/29/2005	04/30/2010	Cooptation
Artur Carulla Font		Director	06/16/2006	04/30/2010	General Meeting
Luis Carlos Croissier Batista		Director	05/09/2007	04/15/2011	General Meeting
Mario Fernández Pelaz		Director	04/15/2011	04/15/2011	General Meeting
Ángel Duráñez Adeva		Director	05/09/2007	04/15/2011	General Meeting
Javier Echenique Landiribar		Director	06/16/2006	04/30/2010	General Meeting
María Isabel Gabarró Miquel		Director	05/14/2009	05/14/2009	General Meeting
José Manuel Loureda Mantiñán		Director	01/31/2007	04/15/2011	Cooptation

Juan María Nin Génova		Director	12/19/2007	05/14/2008	Cooptation
Pemex Internacional España, S.A.	José Manuel Carrera Panizzo	Director	01/26/2004	04/30/2010	Cooptation
Henri Philippe Reichstul		Director	12/29/2005	04/30/2010	Cooptation
Luis Suárez de Lezo Mantilla		Director and Secretary	02/02/2005	05/14/2009	Cooptation

Total Number of Directors	15
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Indicate any retirements from the board during the year:

Name of director	Type of director at the time of retirement	Date of retirement
Luis del Rivero Asensio	External Proprietary Director	12/20/2011
Carmelo de las Morenas López	External Independent Director	04/15/2011

B.1.3 Complete the following tables on the types of board members:

EXECUTIVE DIRECTORS

Name of director	Committee proposing appointment	Position in company's organisation
Antonio Brufau Niubó	Nomination and Compensation Committee	Executive Chairman
Luis Suárez de Lezo Mantilla	Nomination and Compensation Committee	General Counsel and Secretary of the Board of Directors

Total number of executive directors	2
Executive directors / total directors (%)	13.33

EXTERNAL PROPRIETARY DIRECTORS

Name of director	Committee proposing appointment	Name of significant shareholder represented or that proposed appointment
Isidro Fainé Casas	Nomination and Compensation Committee	Caixa Bank, S.A.
Juan Abelló Gallo	Nomination and Compensation Committee	Sacyr Vallehermoso, S.A.
José Manuel Loureda Mantiñán	Nomination and Compensation Committee	Sacyr Vallehermoso, S.A.
Juan María Nin Génova	Nomination and Compensation Committee	Caixa Bank, S.A.
Pemex Internacional España, S.A.	Nomination and Compensation Committee	Petroleos Mexicanos

Total number of proprietary directors	5
Institutional dir. / total directors (%)	33.33

INDEPENDENT NON-EXECUTIVE DIRECTORS

Name of director	Profile
Paulina Beato Blanco	Phd Economics, University of Minnesota, Professor of Economic Analysis, Commercial Expert and Economist of the State. Former Executive Chairperson of Red Eléctrica de España, Director of CAMPSA and major financial institutions. Formerly Chief Economist in the Sustainable Development Department of Inter-American Development Bank and Consultant in the Banking Supervision and Regulation Division of the International Monetary Fund. Currently she is advisor to the Iberoamerican Secretary General (Secretaría General Iberoamericana), professor for Economic Analysis and member of a special Board for promoting Knowledge Society in Andalusia.
Artur Carulla Font	Graduate in Economics. His professional activity began in Arbora & Ausonia, S.L. in 1972, where he held several positions until he was appointed Executive Director. In 1988 he joined Agrolimen, S.A. like Strategy Director. In 2001 he is appointed Managing Director of Agrolimen, S.A. Currently, he is Chairman of Agrolimen, S.A. and its participated companies; Affinity Petcare, S.A., Preparados Alimenticios, S.A. (Gallina Blanca Star), Biocentury, S.L., The Eat Out Group, S.L. and Reserva Mont-Ferrant, S.A.; Director and Secretary of Arbora & Ausonia and Consorcio de Jabugo, S.A.; Member of the Regional Board of Telefónica in Catalonia, member of Advisory Board of EXEA Empresarial, S.L. and member of Advisory Board of Roca Junyent. He is also Vice-Chairman of Círculo de Economía, Vice-Chairman of Foundation ESADE, Member of Foundation Lluís Carulla, Member of IAB (International Advisory Board) of the Generalitat de Catalunya, Member of the Management Board of Instituto de la Empresa Familiar, Member of Foundation MACBA (Museo de Arte Contemporáneo de Barcelona) and Member of FUOC (Fundació per a la Universitat Oberta de Catalunya).
Luis Carlos Croissier Batista	He has been the professor in charge of economic policy of the Universidad Complutense of Madrid. During his long professional tenure, amongst other positions, he was Subsecretary of the Ministry of Industry and Energy, President of the National Institute of Industry (Instituto Nacional de Industria, I.N.I.), Minister of Industry and Energy and President of Spanish Securities Market Commission (Comisión Nacional del Mercado de Valores). Currently he is Director of Adolfo

	Dominguez, S.A., Testa Inmuebles en Renta, S.A., Eolia Renovables de Inversiones SCR, S.A., Grupo Copo de Inversiones, S.A., and Sole Director of Eurofocus Consultores, S.L.
Mario Fernández Pelaz	Graduate in Law at Deusto University in 1965. He has been Professor of Mercantile Law in the Faculty of Law of Deusto University and in the Faculty of Business Science at the same University, and Professor of different Masters at Deusto University. In his long professional career, he has served, among other charges, as Minister and later Vice-president of the Basque Government, Chairman of the Central Administration-Basque Government Transfers Mixed Committee, Chairman of the Basque Financial Council, Chairman of the Economic Committee of the Basque Government, Member of the Arbitration Committee of the Basque Autonomous Community. He was also Executive Director of BBVA Group and member of the Executive Committee from 1997 to 2002, and Main Partner of Uría Menéndez from that date to June 2009. Currently he is Chairman of BBK (Bilbao Bizkaia Kutxa) and Executive Chairman of Kutxabank, S.A. He has also published on mercantile and financial matters.
Ángel Duráñez Adeva	BA Economics, Professor of Commerce, chartered accountant and founding member of the Registry of Economic Auditors. He joined Arthur Andersen in 1965 where he was Partner from 1976 to 2000. Up to March, 2004 he headed the Euroamerica Foundation, of which he was founder, entity dedicated to the development of business, political and cultural relationships between the European Union and the different Latin American Countries. Currently he is Director of Mediaset España Comunicación, S.A., Director of Quantica Producciones, S.L., Member of the Advisory Board of FRIDE (Foundation for the international relations and the foreign development), Chairman of Arcadia Capital, S.L. and Información y Control de Publicaciones, S.A., Member of Foundation Germán Sánchez Ruipérez and Foundation Independiente and Vicepresident of Foundation Euroamérica.
Javier Echenique Landiribar	Ba Economics and Actuarial Science. Former Director-General Manager of Allianz-Ercos and General Manager of BBVA Group. Currently Chairman of Banco Guipuzcoano, Vice chairman of Banco Sabadell, S.A., Director of Telefónica Móviles México, Actividades de Construcción y Servicios (ACS), S.A., Grupo Empresarial Ence, S.A. and Celistics, L.L.C., Delegate of the Board of Telefónica, S.A. in the Basque region, Member of the Advisory Board of Telefónica Spain, Member of Foundation Novia Salcedo, Foundation Altuna

	and Member of the <i>Círculo de Empresarios Vascos</i> .
María Isabel Gabarró Miquel	Graduate in Law at the University of Barcelona in 1976. In 1979 she joined the Bar of Notaries. She has been a board member of important entities in different sectors: financial, energy, telecommunications, infrastructure and also property, where she was also a member of the Nomination and Compensation Committee and of the Audit and Control Committee. Currently, she is registered on the Bar of Notaries of Barcelona, since 1986, and is a member of the <i>Sociedad Económica Barcelonesa de Amigos del País</i> .
Henri Philippe Reichstul	Ba Economics, University of São Paulo and Phd at Hertford College, Oxford. Former Secretary of the State Business Budget Office and Deputy Minister of Planning in Brazil. From 1988 to 1999 he held the position of Executive Vice President of Banco Inter American Express, S.A. From 1999 to 2001 he was Chairman of Brazilian State Oil Company Petrobrás. He is Member of the Strategic Board of ABDIB, Member of Coinfra, Member of the Advisory Board of Lhoist do Brasil Ltda., Member of the Supervisory Board of Peugeot Citroen, S.A., Member of the International Advisory Board of Group Credit Agricole, Member of the Board of Directors of Gafisa, Member of the Board of Directors of Foster Wheeler and Vice-Chairman of the Board of the Brazilian Foundation for Sustainable Development.

Total number of independent directors	8
Independent directors / total directors (%)	53.33

OTHER EXTERNAL DIRECTORS

Name of Director	Committee proposing appointment

Total number of external directors	
external directors / total directors (%)	

State reasons why they cannot be considered external proprietary or independent directors:

Indicate any variations during the year in the type of each director:

B.1.4 Explain why proprietary directors have been appointed at the proposal of shareholders with less than a 5% interest in the company, if appropriate:

Indicate whether any formal requests for presence on the Board have not been met from shareholders with an interest equal to or greater than that of others at whose request proprietary directors have been appointed. If so,

explain why such requests have not been met:

Yes No

Name of shareholder	Explanation

B.1.5 Indicate whether any director has retired from office before the end of his/her term, whether he/she explained the reasons for such retirement to the Board, and how, and if done in a letter addressed to the entire Board, explain at least the reasons stated therein:

Yes No

Name of Director	Retirement reasons
Luis Fernando del Rivero Asensio	On December 20, 2011 Mr. del Rivero communicated to the Company, by means of a letter, his resignation from the position of Director due to the sell, by Sacyr Vallehermoso to its financing entities, of a 10% stake in Repsol.

B.1.6 Indicate the powers delegated to the Managing Director(s), if any:

Name of Director	Brief description

B.1.7 Name the Board members, if any, who are also directors or executives of other companies in the same group as the listed company:

Name of director	Name of group company	Position
Antonio Brufau Niubó	YPF, S.A.	Chairman
Luis Suárez de Lezo Mantilla	YPF, S.A.	Director

B.1.8 Name the company directors, if any, who are on the Boards of non-group companies listed on Spanish stock exchanges, insofar as the company has been notified:

Name of Director	Listed Company	Position
Antonio Brufau Niubó	Gas Natural SDG, S.A.	Vice-Chairman
Isidro Fainé Casas	Abertis Infraestructuras, S.A.	Vice-Chairman
Isidro Fainé Casas	Telefónica, S.A.	Vice-Chairman
Isidro Fainé Casas	Caixa Bank, S.A.	Chairman
Luis Carlos Croissier Batista	Adolfo Domínguez, S.A.	Director
Luis Carlos Croissier Batista	Testa Inmuebles en Renta, S.A.	Director
Ángel Durández Adeva	Mediaset España Comunicación, S.A.	Director
Javier Echenique Landiribar	Banco Sabadell, S.A.	Vice-Chairman
Javier Echenique Landiribar	Actividades de Construcción y Servicios (ACS), S.A.	Director
Javier Echenique Landiribar	Grupo Empresarial ENCE, S.A.	Director
José Manuel Loureda Mantiñán	Testa Inmuebles en Renta, S.A.	Director
Juan María Nin Génova	Caixa Bank, S.A.	Vice-Chairman and Managing Director
Juan María Nin Génova	Gas Natural SDG, S.A.	Director

Luis Suárez de Lezo Mantilla	Gas Natural SDG, S.A.	Director
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B.1.9 Indicate and, if appropriate, explain whether the company has established rules on the number of boards on which its directors may sit:

Yes No

Description of rules

B.1.10 With regard to recommendation number 8 of the Unified Code, indicate the general policies and strategies of the company reserved for approval by the full board:

Investment and financing policy	YES
Definition of the structure of the group of companies	NO
Corporate governance policy	YES
Corporate social responsibility policy	YES
Strategic or business plan, management objectives and annual budget	YES
Pay policy and senior executive performance assessment	YES
Risk management and control policy and regular monitoring of the internal information and control systems	NO
Dividend policy, treasury stock policy, especially limits	YES

B.1.11 Complete the following tables on the aggregate directors' remuneration accrued during the year:

a) In the reporting company:

Remuneration	Thousand euro
Fixed remuneration	8,325
Variable remuneration	7,369
Attendance fees	0
Statutory payments	0
Stock options and/or other financial instruments	0
Others	56
TOTAL:	15,750

Other Benefits	Thousand euro
Advances	0
Loans granted	0
Pension Plans and Funds: Contributions	2,671
Pension Plans and Funds: Obligations contracted	0
Life assurance premiums	294
Guarantees furnished by the company for directors	0

b) For company directors who are on other Boards and/or in the top management of group companies:

Remuneration	Thousand euro
Fixed remuneration	611
Variable remuneration	0
Attendance fees	0
Statutory payments	0
Stock options and/or other financial instruments	0
Others	0
TOTAL:	611

Other Benefits	Thousand euro
Advances	0
Loans granted	0
Pension Plans and Funds: Contributions	0
Pension Plans and Funds: Obligations contracted	0
Life assurance premiums	0
Guarantees furnished by the company for directors	0

c) Total remuneration by type of director:

Types of directors	By company (thousand euro)	By group (thousand euro)
Executive	11,482	611
External proprietary directors	1,840	0
External independent directors	2,428	0
Other external directors	0	0
TOTAL:	15,750	611

d) Regarding profit attributed to the controlling company:

Total directors' remuneration (thousand euro)	16,361
Total directors' remuneration / profit attributed to parent company (%)	0.74

B.1.12 Name the members of top management who are not executive directors and indicate the aggregate remuneration accrued in their favour during the year:

Name	Position
Pedro Fernández Frial	Executive Managing Director Downstream
Nemesio Fernández-Cuesta Luca de Tena	Executive Managing Director Upstream
Miguel Martínez San Martín	Chief Financial Officer and Executive Managing Director of Participated Entities
Cristina Sanz Mendiola	Executive Managing Director of Human Resources and Organization
Antonio Gomis Sáez	Executive Managing Director of Repsol Argentina
Isidoro Mansilla Barreiro	Audit and Control Director
Miguel Ángel Devesa del Barrio	Chief Financial Officer (C.F.O.)
Begoña Elices García	Executive Managing Director of Communications and Chairman's Office
M ^a Victoria Zingoni	Investor Relations Director
Pedro Antonio Merino García	Studies and Analysis of Environment Director

Total remuneration top management (thousand euro)	18,022
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B.1.13 Indicate globally whether any golden handshake clauses have been established for the top management, including Executive Directors, of the company or its group in the event of dismissal or change of ownership. State whether these contracts have to be notified to and/or approved by the governing bodies of the company/group companies:

Number of beneficiaries	12
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	Board of Directors	General Meeting
Body authorising the clauses	YES	NO

Is the General Meeting informed on the clauses?	NO
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B.1.14 Explain the process for establishing the remuneration of the Board members and the relevant articles of the Articles of Association:

Processes for establishing the remuneration of the Board members and articles of the Articles of Association
<p>Article 45 of the Repsol YPF, S.A. Articles of Association provides as follows:</p> <p><i>“Directors, in their position as members of the Board of Directors and due to their carrying out the function of supervision and group decision as befits this body, shall be entitled to receive from the Company an amount equivalent to 1.5% of the clear profit, which may only be allocated after attending to the requirements of the legal reserve and others that may be compulsory, and of providing the shareholders with a dividend of at least 4%. The Board of Directors is responsible for fixing the exact amount to be paid within this limit, as well as its distribution among the various Directors, taking into account the positions held by each Director on the Board and its committees. The Company is authorised to make advance payments on account of future participation in profits.</i></p> <p><i>Directors may be additionally remunerated by means of granting company shares, share options or other securities giving the right to obtain shares, or through remunerative systems linked to the stock market value of the shares. The application of these systems must be approved by the General Shareholders' Meeting, which shall determine the value of the shares to be taken as a reference, the number of shares to be given to each Director, the exercise price of any option rights, the period the</i></p>

agreed system should last and as many conditions as deemed appropriate.

The payments established by this article shall be compatible with and independent of the salary, remuneration, termination compensation, pension or compensation of any kind established for those members of the Board of Directors who carry out executive functions, whatever the nature of their relationship with the Company, be it employment (common or special of top management), commercial or for the provision of services. Information regarding these remunerations shall be disclosed in the Annual Report and in the Annual Report on Corporate Governance.

The Company may take out an insurance policy covering civil liability for the Directors and members of the management team."

With regard to the Directors' compensation, Article 5.3.c of the Regulations of the Board of Directors reserves to the full Board of Directors the decision to approve Directors' compensation and, in the case of Executive Directors, any additional consideration for their management duties and other contract conditions.

Article 24 of the Regulations of the Board of Directors of Repsol YPF, S.A. provides as follows:

"Article 24. Directors' Compensation

1. The position of Director of Repsol YPF, S.A. shall be compensated as provided for in the Articles of Association.

The Nomination and Compensation Committee shall propose the criteria it considers appropriate to achieve the purposes of this article to the Board of Directors, and it is the Board's responsibility to approve said proposal and determine the final distribution of the overall sum, within the limits stipulated in the Articles of Association to that end. Within each term of office the Board may order payments, at the intervals it sees fit, to be credited to the amounts owed to each Director for the work done in said period.

2. Directors' compensation shall be transparent. The Annual Report shall provide an individual breakdown of the compensation received by each Director for the performance of his functions as such during the period, showing the different categories of compensation.

3. External Directors shall in all cases be excluded from the Company-funded benefit systems providing assistance in the event of termination of employment, death, or any other circumstances, as well as from long-term incentive programs such as stock purchase options."

Finally, Article 33 of the Regulations of the Board of Directors provides that the Nomination and Compensation Committee shall propose to the Board its compensation policy, assessing the responsibility, dedication, and incompatibilities demanded of the Directors; and, in the case of the Executive Directors, propose to the Board the additional consideration for their management duties and other contract conditions.

Indicate whether approvals of the following decisions are reserved to the full Board:

Upon recommendation by the chief executive, the appointment and possible removal of senior executives and their compensation clauses.	NO
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Directors' compensation and, in the case of executive directors, the additional consideration for their management duties and other contract conditions.	YES
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B.1.15 Indicate whether the Board of Directors approves a detailed compensation policy and specify the aspects it regulates:

Yes No

Amount of fixed remuneration, indicating the details of attendance fees for Board and Committee meetings and an estimate of the fixed annual remuneration	YES
Variable compensation	YES
Principal features of the welfare systems, estimating the annual cost or equivalent amount	YES
Conditions to be respected in the contracts of those performing top management duties and executive directors	YES

B.1.16 Indicate whether the Board submits to voting at the General Meeting, as a separate item on the agenda and with advisory nature, a report on the director compensation policy. If so, explain the aspects of the report on the compensation policy approved by the Board for future years, the most significant changes in those policies in respect of the policy applied during the year and an overall summary of how the compensation policy was applied during the period. Describe the role played by the Compensation Committee and whether external counselling has been used, and if so, the identity of the external advisers:

Yes No

Issues that the compensation policy report passes upon
The Company plans to submit the approval of the report on the Board remuneration policy to a consultative vote at the next General Meeting of shareholders.
In the Board meeting held on February 23, 2011, the Board examined the report on the remuneration policy that had been previously approved by the Nomination and Compensation Committee on its meeting of February 16, 2011. This report was made available to shareholders when the call to meeting was published for the Annual General Meeting held on April 15, 2011.
The report contains explanations on the general principles behind the Directors' pay policy, and the break-down of the remuneration structure, differentiating between the fixed remuneration due to membership on the Board of Directors of Repsol YPF, the fixed remuneration due to membership on the Board of Directors of subsidiaries and the fixed remuneration for performing executive duties. The annual and multi-annual variable pays are also included.

Role of the Compensation Committee
According to article 33.4.a) of the Board of Directors Regulation, the Nomination and Compensation Committee is responsible for proposing the Board the remuneration policy for said Board, evaluating in its proposal the responsibilities, dedication, and incompatibilities required to the Directors, as well as for the Executive Directors, propose the Board their additional remuneration for carrying out their executive functions and other conditions of their agreements.
To these effects, in the meeting held on February 16, 2011, the Nomination and Compensation

Committee informed favourably the Report on the Remuneration Policy of the Repsol YPF's Directors which was subsequently approved by the Board of Directors in the meeting held on February 23, 2011 and made available to the shareholders when the call to meeting was published for the Annual General Meeting held on April 15, 2011.

	Yes	No
Has external counselling been used?	X	
Identity of the external counsels	Hay Group	

B.1.17 Name any Board members who are also directors or executives of companies holding significant interests in the listed company and/or companies in its group:

Name of director	Name of significant shareholder	Position
Isidro Fainé Casas	Caja de Ahorros y Pensiones de Barcelona	Chairman
Isidro Fainé Casas	Caixa Bank, S.A.	Chairman
José Manuel Loureda Mantiñán	Valoriza Gestión, S.A. (Sacyr Vallehermoso Group)	Chairman
José Manuel Loureda Mantiñán	Vallehermoso División Promoción, S.A. (Sacyr Vallehermoso Group)	Director
José Manuel Loureda Mantiñán	Sacyr, S.A.U. (Sacyr Vallehermoso Group)	Director
José Manuel Loureda Mantiñán	Testa Inmuebles en Renta, S.A. (Sacyr Vallehermoso Group)	Director
José Manuel Loureda Mantiñán	Somague S.G.P.S., S.A. (Sacyr Vallehermoso Group)	Director
Juan María Nin Génova	Caja de Ahorros y Pensiones de Barcelona	General Manager
Juan María Nin Génova	Caixa Bank, S.A.	Vice-Chairman and Managing Director

Describe any significant relationships other than those contemplated in the previous section between board members and significant shareholders and/or companies in their group:

Name of director	Name of significant shareholder	Description of relationship
Juan Abelló Gallo	Sacyr Vallehermoso, S.A.	Representative of Nueva Compañía de Inversiones, S.A. in the position of Vice-Chairman of Sacyr Vallehermoso, S.A.
Juan Abelló Gallo	Sacyr Vallehermoso, S.A.	Indirect holder of 9.623% of the share capital of Sacyr Vallehermoso, S.A.
Luis Carlos Croissier Batista	Sacyr Vallehermoso, S.A.	Director of Testa Inmuebles en Renta, S.A.
José Manuel Loureda Mantiñán	Sacyr Vallehermoso, S.A.	Indirect holder of 12.65% of the share

		capital of Sacyr Vallehermoso, S.A. through Prilou, S.L. and Prilomi, S.L.
José Manuel Loureda Mantiñán	Sacyr Vallehermoso, S.A.	Representative of Prilou, S.L. in the position of Director of Sacyr Vallehermoso, S.A.

B.1.18 Indicate whether any modifications have been made during the year to the Regulations of the Board of Directors:

Yes No

Description of amendments
<p>On February 23, 2011 the Board of Directors amended Articles 9 (<i>Calling and place of meeting</i>), 25 (<i>President of the Board of Directors</i>) and 32 (<i>Audit and Control Commission</i>) of the Board of Directors Regulation in order to: (i) include in the corporate governance system of Repsol the position of the Lead Independent Director following the best practices on this matter; and (ii) adapt Article 32, regarding the Audit and Control Commission, to the wording provided in the Additional Rule number 18 of the Securities Market Act regulating the Auditing Committee in entities issuing securities listed in regulated markets by virtue of the Reformation Auditing Act (Act 12/2010 of June 30).</p> <p>Additionally, on September 28, 2011, the Board of Directors amended Articles 19 (<i>Non compete obligation</i>) and 22 (<i>Related-party transactions</i>) of the Board of Directors Regulation in order to increase the existing protection mechanisms for non-compete obligations and related-party transactions. Article 19 was amended to reinforce the actions to be taken in those cases in which a Director of the Company carries out, either on its own account either on behalf of a third party, activities competing with those carried out by the Company. The aim of the amendment of Article 22 was to reinforce the approval regime for related-party transactions between the Company and its directors, relevant shareholders or related persons. These amendments were made in accordance to the latest law developments on this matter, the international principles on corporate governance such as the American Law Institute Principles and the Green Paper of the European Commission “The EU Corporate Governance Framework” of April 5, 2011.</p>

B.1.19 Describe the procedures for appointment, re-election, assessment and removal of directors. Indicate the competent bodies, the formalities and the criteria to be followed in each of these procedures.

Appointment

Board members are appointed by the General Meeting, without prejudice to the right of the Board to nominate shareholders to fill any vacancies that arise, up to the next succeeding General Meeting.

No-one who is affected by the prohibitions established in section 213 of the Stock Company Act or who is incompatible under prevailing legislation, particularly under the Senior Central Government Positions (Incompatibilities) Act 5/2006 of April 10 and the Senior Positions in the Madrid Regional

Government (Incompatibilities) Act 14/1995 of April 21, may be a director or hold any senior position in the company.

Directors shall be persons who, apart from meeting the requirements stipulated for the position in the law and the Articles of Association, have recognised prestige and sufficient professional experience and expertise to perform their duties as such.

Within its powers of proposal to the General Meeting or appointment by cooptation, the Board may not propose as candidates or appoint as Directors any persons affected by any of the incompatibilities or prohibitions established in law, the Articles of Association or regulations or any persons, companies or entities in a situation of permanent conflict of interest with the company, including competitors of the company or their directors, executives or employees, or any persons related to or proposed by them.

Furthermore, persons may not be nominated or appointed as External Independent directors if they:

- a) Have been employees or Executive Directors of Group companies, unless 3 or 5 years, respectively, have passed since the end of that relationship.
- b) Receive from the Company, or its Group, any sum of money or benefit whatsoever other than Directors' compensation, unless such sum or benefit is insignificant.

Dividends and pension supplements received by Directors by virtue of a former professional or employment relationship shall not be counted for the purpose of this section, provided such supplements are unconditional and, therefore, the company paying them cannot suspend, modify or revoke them at its own discretion, unless the director in question has defaulted his obligations.

- c) Be or have been in the past 3 years a partner of the External Auditor or person responsible for the auditors' report during that time, of the Company or any other company in its Group.
- d) Be Executive Directors or Senior Executive of any other company in which any Executive Director or Senior Executive of the Company is an External Director.
- e) Have or have had in the past year any significant business relationship with the Company or with any company in its Group, directly or as a significant shareholder, Director or Senior Executive of an entity having or that has had such a relationship.

Business relationships shall be those of suppliers of goods or services, including financial services, or of advisers or consultants.

- f) Be significant shareholders, Executive Directors or Senior Executives of a company that receives, or has received in the past 3 years, significant donations from the Company or its Group.

Those who are mere sponsors or trustees of a Foundation receiving donations shall not be considered included in this group.

- g) Be the spouse, persons having equivalent emotional ties or relatives up to the second degree of an Executive Director or Senior Executive of the Company.
- h) Not have been proposed for appointment or re-election by the Nomination and Compensation Committee.
- i) Be in any of the cases contemplated in paragraphs a), e), f) or g) above in respect of any significant shareholder or shareholder represented on the Board. For the blood relationship contemplated in g), the limitation shall be applicable not only to the shareholder, but also to its External Proprietary Directors in the Company.

External Proprietary Directors who lose this status when the shareholder they represent sells its shares in the Company may only be re-elected as External Independent Directors when the shareholder they represented up to that time has sold all of its shares in the Company.

A Director who holds a shareholding interest in the Company may be appointed as External Independent Director, provided he meets all the conditions established in this article and does not hold a significant interest.

The Nomination and Compensation Committee, consisting exclusively of External Directors, shall assess candidates' adequate knowledge, experience and expertise to sit on the Board; define, in consequence, the duties and qualifications required of candidates to fill any vacancy and assess the time and dedication required to adequately perform their duties

This Committee shall also ensure that whenever new vacancies are foreseen or on appointing new directors, the selection procedures are not affected by implicit bias that could entail some kind of discrimination and that women who meet the professional profile sought are deliberately sought and included among the potential candidates, informing the board on the initiatives taken in this respect and the results thereof.

Nominations for the appointment of directors submitted by the Board to the General Meeting and appointments made by cooptation must be approved by the Board (i) upon proposal of the Nomination and Compensation Committee, in the case of External Independent Directors, or (ii) subject to a report by said Committee for other directors.

Any Director affected by proposals for appointment, re-election or retirement shall abstain from participating in the discussions and voting of such matters.

Voting on proposals for appointment, re-election or retirement shall be by secret ballot.

Re-election

Directors shall hold office for a maximum of four years, after which they shall be eligible for re-election for one or several periods with an equal maximum duration. Directors appointed by cooptation shall hold office up to the first General Meeting following their appointment, at which their appointment shall be subject to ratification.

The Nomination and Compensation Committee shall be responsible for assessing the quality of their work and dedication of the directors proposed during their previous term in office.

Proposals to the General Meeting for the re-election of Directors shall be approved by the Board (i) upon proposal of the Nomination and Compensation Committee, in the case of External Independent Directors, or (ii) subject to a report by said Committee for other directors.

Assessment

At least once a year, the Board of Directors shall assess its functioning and the quality and efficiency of its work. It shall also annually assess the work of its Committees, based on the reports they submit to it.

The Chairman shall organise and coordinate this regular assessment of the Board with the Chairmen of the Committees.

Cessation

Directors shall retire from office upon expiry of the term for which they were appointed and in all other cases stipulated in law, the Articles of Association and the Regulations of the Board of Directors.

The Board shall not propose the removal of any External Independent Director before the end of the period for which he was appointed, unless it has justified reasons for doing so, based on a report by the Nomination and Compensation Committee. In particular, such a proposal shall be justified if the Director (i) has defaulted the duties corresponding to his position; (ii) is in any of the situations described in section B.1.20 below; or (iii) falls into any of the circumstances described above, by virtue of which he may no longer be considered an External Independent Director.

The removal of External Independent Directors may also be proposed following takeover bids, mergers or other similar corporate operations causing a change in the capital structure of the Company, insofar as may be necessary to establish a reasonable balance between External Proprietary Directors and External Independent Directors, according to the ratio of capital represented by the

former to the rest of the capital.

Directors shall also tender their resignations in any of the circumstances defined in the following section.

B.1.20 Indicate the events in which directors are obliged to retire.

Directors shall tender their resignations and step down from the Board, should the latter consider this appropriate, in the following events:

- a) If they fall into circumstances of incompatibility or prohibition contemplated in law, the Articles of Association or applicable regulations.
- b) If they receive a serious warning from the Nomination and Compensation Committee or the Audit and Control Committee for defaulting their obligations as directors.
- c) If, in the opinion of the board, in view of a report by the Nomination and Compensation Committee:
 - (i) Their remaining on the Board could jeopardise the interests of the company or adversely affect the functioning of the Board or the standing and reputation of the Company; or
 - (ii) If the reasons why they were appointed disappear. Directors shall find themselves in this position, particularly in the following cases:
 - External Proprietary Directors, when the shareholder they represent or that nominated them directors transfers its entire shareholding interest. They shall also offer their resignation and, should the Board deem fit, step down from the Board, in the corresponding proportion, if the shareholder reduces its shareholding interest to a level requiring a reduction in the number of its External Proprietary Directors.
 - Executive Directors, when they cease to hold the executive positions outside the board to which their appointment as director was linked.

B.1.21 Explain whether the Chairman of the Board is the Chief Executive Officer of the company. If so, state what measures have been adopted to limit the risks of one single person accumulating powers:

Yes No

Measures for limiting risks
According to Article 25 of the Regulations of the Board of Directors of Repsol YPF, S.A., the Chairman of the Board shall be the Chief Executive Officer of the Company. Notwithstanding this, section 5 of said articles provides also that: <i>“When the Chairman of the Board of Directors holds the role of CEO, the Board shall appoint, upon proposal by the Appointments and Remuneration Committee, an independent director who, under the</i>

name of Lead Independent Director, may perform the following tasks:

- a) Request to the Chairman of the Board, when he deems appropriate, the calling of the Board.
- b) Request the inclusion of items on the Board's meetings agenda according to Article 9.3 of these Regulations.
- c) Coordinate and give voice to the concerns of external directors.
- d) Lead the Board's evaluation of the Chairman.
- e) Call and chair meetings of independent directors as he deems necessary or desirable."

Additionally, Article 9 of the Regulations of the Board of Directors provides that "The Chairman may call additional Board meetings whenever he deems appropriate. The call shall be mandatory when requested by the Lead Independent Director or by at least one-quarter of the directors, without prejudice to the provision of Article 17.2.e) of these Regulations. The Chairman shall draw up the agenda for meetings, although any of the directors may, prior to call, request the inclusion of any business they consider ought to be transacted at the meeting. Such inclusion is mandatory when the request has been made 48 hours prior to the date specified for the meeting."

On the other hand, said article 25 also stipulates that the Chairman of the Board shall act at all times in accordance with the decisions and criteria established by the General Shareholders' Meeting and the Board of Directors.

Article 4 of the Regulations of the Board of Directors reserves the following duties and powers to this corporate body:

"The Board shall approve the company strategy and the organisation needed to put it into practice, and oversee and ensure that Management meets the targets set and respects the company's objects and social interest; approve acquisitions and disposals of assets which are, for whatsoever reason, considered especially important for the company or its subsidiaries; establish its own organisation and procedures and those of the Top Management and, in particular, amend these Regulations; exercise any powers that the General Meeting has granted to the Board -which the Board may delegate solely if expressly so indicated in the resolution adopted by the General Meeting- and any other powers granted to it in these regulations."

Similarly, Article 5 of the Regulations of the Board reserves to the Board in full the following issues:

1. Submission of the Annual Accounts and Management Report of Repsol YPF, S.A. and consolidated companies, as well as any other proposals which must legally originate with the Company's administrators, to the Ordinary Shareholders Meeting.
2. The general strategies and policies of the Company, such as:
 - a) The Strategic Plan of the Group, management objectives and Annual Budgets;
 - b) The investment and financing policy;
 - c) The corporate governance policy;
 - d) The corporate social responsibility policy;
 - e) Top Management pay policy;
 - f) Risk management and control policy; and
 - g) Dividend policy, treasury stock policy and, especially, the limits thereon.
3. The following decisions:
 - a) Appointment of Directors in the event of vacancies, up to the next succeeding General Meeting, and acceptance of resignations tendered by Directors;
 - b) Appointment and removal of the Chairman, Vice-Chairmen, Secretary and Vice-Secretary of the Board and the Directors who are to sit on the different

Committees contemplated in the Regulations of the Board, and the delegation of powers to any of the Board members, on the terms stipulated in the law and Articles of Association, and revocation of such powers;

- c) Directors' compensation and, in the case of executive directors, additional consideration for their management duties and other contract conditions.
4. The annual and half-year financial reports, which Repsol YPF, being a listed company, is obliged to publish.
5. The following investments and transactions, save when approval corresponds to the General Meeting:

- a) Incorporation of new companies and entities or initial acquisition of stakes in existing companies and entities whenever they entail a long-standing investment of more than six million euro for the Repsol YPF Group or are unrelated to the main activity of the company.

In other cases, the first paragraph of e) below will be applicable. By exception, decisions on investments in the incorporation of new companies and entities or initial acquisition of stakes in existing companies or entities provided for in sufficient detail in the Group's annual budgets and strategic plan shall be left up to the Chairman.

- b) Creation or acquisition of shares in special purpose vehicles whenever they go beyond the ordinary administration of the company.
- c) Mergers, takeovers, spin-offs or concentrations of strategic importance of interest for any of the major subsidiaries or investees in which any of the companies in the Repsol YPF group has a direct interest.
- d) Sale of shares in companies or other fixed assets with a value of over thirty million euro; the Delegate Committee shall approve such sales valued at between fifteen and thirty million euro, informing the board at the next meeting of all sales authorised.
- e) Approval of investment projects with a value of over thirty million euro; the Delegate Committee shall approve projects valued at between fifteen and thirty million euro, informing the Board at the next meeting of all investments approved.

By exception, the Chairman shall decide, after discussion by the Management Committee if necessary, whether to approve the following investment projects

- Those involving the prospecting or working of oil fields in fulfilment of commitments deriving from the corresponding contracts, concessions or licences.
- Those performed in fulfilment of legal provisions binding on the company concerned, concerning environmental protection, safety of installations, product specifications or similar.
- Those provided for in sufficient detail in the group's annual budgets and strategic plan.

In these cases, the Chairman shall report on the approval of these investments to the Board or Delegate Committee, depending on their values and as established in the first paragraph of this point e), wherever possible before commencement of the respective projects.

- f) Notes, debentures or other issues made by Repsol YPF, S.A. or its majority-owned or controlled subsidiaries.
- g) Granting of guarantees to secure the obligations of entities not controlled by the group.

<p>h) Assignment of rights over the trade name and trade marks, and over any other patents, technology and any form of industrial or intellectual property of economic importance belonging to Repsol YPF, S.A. or group companies.</p> <p>i) Creation, investment and supervision of the management of employee pension schemes and any other commitments to employees involving long-term financial responsibilities for the Company.</p> <p>j) Signing of long-term commercial, industrial or financial agreements of strategic importance for the Repsol YPF Group.</p> <p>6. Any other business or matter reserved in these Regulations for approval by the full Board.</p> <p>The Chairman, or otherwise the Vice-Chairmen, shall implement the resolutions adopted by the Board in accordance with this article, report on any authorisation or approval given where appropriate or issue instructions to carry out the actions required by the resolutions adopted.</p> <p>Should circumstances so require, the powers of the Board contemplated in 3c), 4 and 5 above may be exercised by the Delegate Committee and subsequently ratified by the full Board.</p> <p>Apart from all this, the Chairman of the Board of Directors shall receive reports and proposals from the Audit and Control Committee, the Nomination and Compensation Committee and the Strategy, Investment and Corporate Social Responsibility Committee, on matters within their respective competence. For greater guarantee, all the members of these Committees shall be External Directors.</p>
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Indicate and, if appropriate, explain whether rules have been established to enable one of the independent directors to request the calling of the Board or the inclusion of new items on the agenda, to coordinate and echo the concerns of external directors and to direct the assessment by the Board of Directors:

Yes No

Explain the rules
<p>The Board of Directors of Repsol YPF, in its meeting held on February 23, 2011, agreed to amend its regulations to, among other matters, incorporate into Company's system of corporate governance the figure of Lead Independent Director. According to current Article 25,5 of the Regulations of the Board of Directors:</p> <p><i>"When the Chairman of the Board of Directors holds the role of CEO, the Board shall appoint, upon proposal by the Nomination and Compensation Committee, an independent director who, under the name of Lead Independent Director, may perform the following tasks:</i></p> <p>a) Request to the Chairman of the Board, when he deems appropriate, the calling of the Board.</p> <p>b) Request the inclusion of items on the Board's meetings agenda according to Article 9.3 of these Regulations.</p> <p>c) Coordinate and give voice to the concerns of external directors.</p> <p>d) Lead the Board's evaluation of the Chairman.</p> <p>e) Call and chair meetings of independent directors as he deems necessary or desirable."</p> <p>Additionally, Article 9 of the Regulations of the Board of Directors provides that <i>"The Chairman may call additional Board meetings whenever he deems appropriate. The call shall be mandatory when requested by the Lead Independent Director or by at least one-quarter of the directors, without prejudice to the provision of Article 17.2.e) of these Regulations. The Chairman shall draw up</i></p>

the agenda for meetings, although any of the directors may, prior to call, request the inclusion of any business they consider ought to be transacted at the meeting. Such inclusion is mandatory when the request has been made 48 hours prior to the date specified for the meeting."

B.1.22 Are special majorities differing from those stipulated in law required for any type of decision?:

Yes No

Explain how resolutions are adopted on the Board, indicating at least the quorum and the majorities required for adopting resolutions:

Adopting resolutions		
Description of resolution	Quorum	Type of majority
Amendment of Article 19 of the Board of Directors Regulation	Half plus one of the Directors	Three quarters of the Board members
Amendment of Article 22 of the Board of Directors Regulation	Half plus one of the Directors	Three quarters of the Board members

B.1.23 Are there any specific requirements, other than those established for directors, to be appointed Chairman?

Yes No

Description of requirements

B.1.24 Indicate whether the Chairman has casting vote:

Yes No

Matters in which there is a casting vote
According to Article 36 of the Articles of Association, save where greater majorities have been specifically established, resolutions of the Board shall be approved by the absolute majority of directors attending, and in the event of a tie, the Chairman or acting chairman shall have the casting vote.

B.1.25 Indicate whether the Articles of Association or the board regulations establish any age limit for directors:

Yes No

Age limit Chairman

Age limit managing director Age limit director

B.1.26 Indicate whether the Articles of Association or the board regulations establish any limit on the term of office for independent directors:

Yes No

Maximum term of office

B.1.27 If there are few or no female directors, explain why and what actions have been taken to remedy this situation.

Explanation of reasons and actions
<p>The appointment of all the Board members has been made objectively, taking account the prestige, expertise and professional experience required to perform their duties, and without any kind of discrimination.</p> <p>On December 19, 2007, the Board of Directors of Repsol YPF, S.A. approved a new consolidated text of its Regulations, which, among other matters, assigned to the Nomination and Compensation Committee the duty of assessing the necessary knowledge, expertise and experience of the Board, defining in consequence the duties and qualifications required of the candidates for filling each vacancy and assessing the time and dedication required to adequately perform their duties.</p> <p>Furthermore, Article 33 of the Regulations of the Board of Directors expressly provides that the Nomination and Compensation Committee ensure that whenever new vacancies are foreseen or on appointing new directors, the selection procedures are not affected by implicit bias that could entail some kind of discrimination and that women who meet the professional profile sought are deliberately sought and included among the potential candidates, informing the board on the initiatives taken in this respect and the results thereof.</p>

In particular, state whether the Nomination and Compensation Committee has established procedures to ensure that the selection procedures are not affected by implicit bias that could hamper the selection of female directors and that women with the required profile are deliberately included among the candidates:

Yes No

Describe the main procedures

B.1.28 Indicate whether there are any formal processes for proxy voting in the board of directors. If so, briefly describe these.

Without prejudice to the directors' duty to attend the meetings of the bodies they belong to or, if they are unable for justified reasons to attend the meetings to which they have been called, to issue the appropriate instructions to the director who is to represent them, if any, each Board member may grant a proxy to another member, with no limit on the number of proxies that may be held by any director for attendance of Board meetings.

Absent directors may grant proxies by any written means, including telegram, telex or telefax addressed to the Chairman or Secretary of the Board.

B.1.29 State the number of meetings held by the Board of Directors during the year, indicating, if appropriate, how many times the Board has met without the Chairman:

Number of Board meetings	12
Number of Board meetings held without the Chairman	0

Number of meetings held by the different Committees of the Board:

Number of meetings of the Delegate Committee	5
Number of meetings of the Audit Committee	10
Number of meetings of the Nomination and Compensation Committee	5
Number of meetings of the Nomination Committee	
Number of meetings of the Compensation Committee	

B.1.30 Indicate the number of meetings held by the Board of Directors during the year without the attendance of all its members, counting as non-attendance any proxies made without specific instructions:

Number of non-attendances by directors during the year	1
Non-attendances / total votes during the year (%)	0.52

B.1.31 Indicate whether the individual and consolidated annual accounts presented for Board for approval are previously certified:

Yes No

If appropriate, name the person(s) who certify the individual or consolidated annual accounts of the company before they are approved by the Board:

Name	Position
Antonio Brufau Niubó	Chairman
Miguel Martínez San Martín	Chief Financial Officer and Executive Managing Director of Participated Entities

B.1.32 Explain the mechanisms, if any, established by the Board to avoid a qualified auditors' report on the individual and consolidated accounts laid before the General Meeting.

The Audit and Control Committee, set up on 27 February 1995, has as main duty, the supporting to the Board in its supervisory duties, through regular checking of the preparation of economic and financial reporting, the effectiveness of its executive controls and the independence of the external auditors, as well as supervising the internal audit department, and checking the compliance with all the legal provisions and internal regulations applicable to the Company.

This Committee has the following duties, among others:

- Supervise the integrity and process of preparing the financial information on the company and its group, ensuring compliance with all requirements, adequate definition of the consolidated group and correct application of the accounting principles.
- Regularly check the internal control and risk management systems, ensuring that the principal risks are identified, handled and reported on adequately.
- Prior to their submission to the board, analyse the financial statements of the company and its consolidated group included in the annual, half-year and quarterly reports and any other financial information that the company is

obliged to publish regularly by virtue of being a listed company, with the necessary requirements to ensure that they are correct, reliable, adequate and clear. For this purpose it shall have all the necessary information and such degree of aggregation as it may deem fit, assisted as necessary by the top management of the group, particularly its financial management and the company's auditor. It shall, in particular, see that the annual accounts that are to be submitted to the board are certified by the Chairman, the Managing Director(s), if any, and the Chief Finance Officer (CFO) pursuant to the internal or external regulations applicable from time to time.

- Regularly receive information from the external auditors on the audit plan and results of their work, and check that the executives heed their recommendations.
- Regularly require the auditors, at least one a year, to assess the quality of the group's internal control procedures.
- Be informed of any situations requiring adjustments that may be detected during the work of the external auditors whenever they are significant, considering this to mean any situations which, per se or in combination with others, may cause a material impact or damage to the net worth, results or reputation of the group. This consideration shall be left to the discretion of the external auditors, who shall, in case of doubt, opt for notification. The Chairman of the Committee shall be notified accordingly as soon as the auditors become aware of the situation in question.
- Oversee the degree of fulfilment by the audited units of the corrective measures recommended by the internal audit department in previous audits.

The committee shall be informed of any significant irregularities, anomalies or defaults detected by the internal audit department in the course of its work.

For this purpose, the members of this Committee shall have the necessary experience, capacity and dedication to perform their duties. Moreover, the Chairman shall have experience in business management and a working knowledge of accounting procedures, and at least one of the members shall have the financial experience that may be required by the regulatory bodies of the stock markets on which the stocks or shares of the company are listed.

B.1.33 Is the Secretary of the Board a Director?

Yes No

B.1.34 Explain the procedures for appointment and removal of the Secretary of the Board, indicating whether a report is issued by the Nomination Committee and whether they are approved by the full Board.

Procedure for appointment and removal

As provided in Article 42 of the Articles of Association, the Board chooses its Secretary and Vice-Secretary, if any, who may or may not be Directors.

Moreover, pursuant to Articles 5 and 33 of the Regulations of the Board of Directors, the Board shall appoint or remove its Secretary and Vice-Secretary, subject to a report by the Nomination and Compensation Committee.

Does the Nomination Committee issue a report on the appointment?	YES
Does the Nomination Committee issue a report on the removal?	YES
Does the full Board approve the appointment?	YES
Does the full Board approve the removal?	YES

Is the Secretary of the Board commissioned especially to see that the good governance recommendations are heeded?

Yes No

Remarks
Article 42 of the Articles of Association establishes that the Secretary will ensure that the Board actions comply in form and substance with the law and that the company's procedures and rules of governance are respected.
Furthermore, in pursuance of Article 27 of the Regulations of the Board of Directors, the Secretary of the Board is commissioned to ensure compliance with any provisions issued by regulatory bodies and heeding of their recommendations, if any, and to ensure that the corporate governance principles of the company are observed.

B.1.35 Describe any mechanisms established by the company to preserve the independence of the auditor, financial analysts, investment banks and rating agencies.

One of the powers of the Audit and Control Committee contemplated in Article 39 of the Articles of Association is that of receiving information on any issues that may jeopardise the independence of the External Auditors.

In development of this provision of the Articles of Association, the Regulations of the Audit and Control Committee establish, as one of its duties, ensuring the independence of the External Auditors, in two ways:

- a) Avoiding any factors that may compromise the warnings, opinions and recommendations of the External Auditors, and
- b) Establishing and overseeing any incompatibilities between auditing and consultancy services and any others, the limits on concentration of the External Auditor's business and, in general, all other rules established to guarantee the independence of the auditor.

According to these duties, in 2003 the Audit and Control Committee agreed on a procedure to approve previously all the services, auditing or otherwise, provided by the External Auditor, whatever their extent, scope and nature. This procedure is regulated in an Internal Rule mandatory for the whole of the Repsol YPF Group.

In addition, article 32 of the Regulations of the Board of Directors (the *Audit and Control Committee*) provides that the Committee shall receive, annually, from the External Auditor written confirmation of its independence towards the Company or entities related to the same directly or indirectly, as well as the information of the additional services of any type provided to these entities by said Auditors or companies, or by the people or entities linked to the latter, in accordance with that established in the regulations governing the activity of auditors. The Committee shall issue annually, prior to the delivery of the Auditing report, a report stating an opinion on the independence of the Auditors. In any case, this report must make a declaration on the additional services provided and referred to.

Furthermore, Repsol YPF Group has the Investor Relations Division whose responsibilities include ensuring that the information supplied by the Company to the market (financial analysts and investment banks, amount other) is transmitted fairly, commensurate and in useful time and, according with the Repsol YPF Group Internal Conduct Regulations Regarding the Securities Market, that such information is accurate, clear, complete and, when required by the nature of the information, quantified, and shall by no means be misleading or confusing.

B.1.36 State whether the Company has changed its external auditor during the year. If so, name the outgoing and incoming auditors:

Yes No

Outgoing auditor	Incoming auditor

Did the Company have any disagreements with the outgoing auditor? If so, explain what they consisted of:

Yes No

Description of the disagreement

B.1.37 State whether the firm of auditors does any work for the Company and/or its Group other than standard audit work and if so, declare the amount of the fees received for such work and the percentage it represents of the fees invoiced to the company and/or its group:

Yes No

	Company	Group	Total
Cost of work other than auditing (thousands of euro)	455	808	1263
Cost of work other than auditing / Total amount invoiced by the auditors (%)	21.41	14.07	16.05

B.1.38 State whether the auditors' report on the Annual Accounts of the previous year contains any qualifications. If so, indicate the reasons given by the Chairman of the Audit Committee to explain the contents and scope of those qualifications.

Yes No

Description of reasons

B.1.39 State the number of years in succession that the current firm of auditors has been auditing the annual accounts of the company and/or its group. Indicate the ratio of the number of years audited by the current auditors to the total number of years that the annual accounts have been audited:

	Company	Group
Number of years in succession	21	21

	Company	Group
Number of years audited by current auditors / No. years that the company has been audited (%)	100	100

B.1.40 Indicate the company board members' shareholdings, reported to the company, in companies engaging in the same or similar activities as those within the company's or group's scope of business. Indicate their positions or duties in these companies:

Name of director	Name of company	% stake	Position or duties
Antonio Brufau Niubó	Gas Natural SDG, S.A.	0.008	Vice-Chairman
Isidro Fainé Casas	Gas Natural SDG, S.A.	0.011	-
José Manuel Loureda Mantiñán	Valoriza Gestión, S.A.	0.000	Chairman
José Manuel Loureda Mantiñán	Vallehermoso División Promoción, S.A.	0.000	Director
Juan María Nin Génova	Gas Natural SDG, S.A.	0.000	Director
Luis Suárez de Lezo Mantilla	Gas Natural SDG, S.A.	0.002	Director
Luis Suárez de Lezo Mantilla	Repsol - Gas Natural LNG, S.L.	0.000	Director

B.1.41 Indicate, with details if appropriate, whether there is an established procedure for directors to receive external advice:

Yes No

Details of procedure
The Regulations of the Board of Repsol YPF, S.A. expressly recognise the directors' right to advisory services. Article 23 provides as follows: - The Directors shall likewise have the power to propose to the Board, by majority vote,

the contracting at the Company's expense of legal advisers, accountants, technical, financial, and commercial experts, and experts of any other kind they consider necessary to the Company's interests, to provide assistance in the performance of the Directors' functions in regard to concrete problems of some magnitude and complexity relating to their positions.

- Said proposals must be submitted to the Chairman of the Company through the Secretary of the Board. The Board of Directors may veto their approval on the grounds that they are unnecessary to the performance of the assigned functions, or that the number is disproportionate to the importance of the problem and to the Company's assets and income, or that the technical assistance in question could be adequately provided by experts within the Company.

Furthermore, the Regulations of the Board of Directors establish that the Audit and Control Committee, the Nomination and Compensation Committee and the Strategy, Investment and Corporate Social Responsibility Committee may obtain counselling from lawyers or other independent professionals, in which case the Secretary of the Board shall, at the request of the Chairman of the Committee, take whatever action may be necessary to engage the services of such lawyers or other professionals, which shall be provided directly to the corresponding Committee.

B.1.42 Indicate, with details if appropriate, whether there is an established procedure for directors to obtain sufficiently in advance any information they may need to prepare the meetings of the governing bodies:

Yes No

Details of procedure

The Regulations of the Board of Directors of Repsol YPF, S.A. establish that the notice of call to Board meetings shall be sent to each director at least 48 hours prior to the date specified for the meeting, and shall include the agenda. The minutes of the previous meeting shall be enclosed, regardless of whether they have been approved, and any information considered necessary and that is available.

The Regulations of the Board of Directors of Repsol YPF, S.A. contemplate procedures to ensure that directors have the necessary information sufficiently in advance to prepare Board meetings. In this regard, Article 23 provides as follows:

- The Directors shall have access to all the Company's services and may obtain, with the broadest possible powers, the information and advising they need on any aspect of the Company provided they request it in connection with the performance of their functions. The right to information extends to the subsidiaries, whether national or foreign, and shall be channelled through the Chairman or the Secretary of the Board of Directors or of the appropriate Board Committee, who shall respond to Directors' requests and directly furnish them the information, offering them access to appropriate sources or taking all necessary measures to answer questions.

B.1.43 Indicate, with details if appropriate, whether the company has established rules obliging directors to report and, if necessary, resign in any cases that could be detrimental to the company's reputation:

Yes No

Explain the rules

According to Article 16 of the Regulations of the Board of Directors, Directors shall offer

their resignation and, should the board deem fit, step down as directors if, in the opinion of the Board, in view of a report by the Nomination and Compensation Committee, their remaining on the board could jeopardise the interests of the company or adversely affect the functioning of the board or the standing and reputation of the company.

In this regard, Article 17 of the Regulations of the Board of Directors provides that Directors shall notify the board as soon as possible and keep it up to date on any situations in which they may be involved and that could be detrimental to the standing and reputation of the company, to enable the board to assess the circumstances, particularly in pursuance of the preceding paragraph.

B.1.44 Indicate whether the Company has been notified by any Board member that he has been sued or is being tried for any of the offences contemplated in Article 124 of the Joint Stock Companies Act:

Yes No

Name of Director	Criminal Case	Comments

Indicate whether the Board has studied the case. If so, give a reasoned explanation of the decision made as to whether or not the director in question should remain in office.

Yes No

Decision made Should or shouldn't remain in office	Reasoned explanation

B.2. Board of Directors Committees

B.2.1 List all the committees of the Board of Directors and their members:

DELEGATE COMMITTEE

Name	Position	Type
Antonio Brufau Niubó	Chairman	Executive
Isidro Fainé Casas	Member	Proprietary
Juan Abelló Gallo	Member	Proprietary
Javier Echenique Landiribar	Member	Independent
Artur Carulla Font	Member	Independent
Pemex Internacional España, S.A.	Member	Proprietary
Henri Philippe Reichstul	Member	Independent
Luis Suárez de Lezo Mantilla	Member & Secretary	Executive

AUDIT AND CONTROL COMMITTEE

Name	Position	Type

Ángel Durández Adeva	Chairman	Independent
Paulina Beato Blanco	Member	Independent
Javier Echenique Landiribar	Member	Independent

NOMINATION AND COMPENSATION COMMITTEE

Name	Position	Type
Artur Carulla Font	Chairman	Independent
María Isabel Gabarró Miquel	Member	Independent
José Manuel Loureda Mantiñán	Member	Proprietary
Juan María Nin Génova	Member	Proprietary
Mario Fernández Pelaz	Member	Independent

STRATEGY, INVESTMENT AND CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Name	Position	Type
Juan María Nin Génova	Chairman	Proprietary
Juan Abelló Gallo	Member	Proprietary
Luis Carlos Croissier Batista	Member	Independent
María Isabel Gabarró Miquel	Member	Independent
José Manuel Loureda Mantiñán	Member	Proprietary
Pemex Internacional España, S.A.	Member	Proprietary

B.2.2 Indicate whether the following duties correspond to the Audit Committee:

Supervise the integrity and process of preparing the financial information on the company and its group, ensuring compliance with all requirements, adequate definition of the consolidated group and correct application of the accounting principles	YES
Regularly check the internal control and risk management systems, ensuring that the principal risks are identified, handled and reported on adequately	YES
Guarantee the independence and efficiency of the internal audit department; propose the selection, appointment, re-election and removal of the chief audit officer; propose the budget for this department; receive regular information on its activities; and check that the top management heeds the conclusions and recommendations of its reports	YES
Establish and oversee a mechanism whereby employees may report, confidentially and, if appropriate, anonymously, any potentially important irregularities, especially financial and accounting irregularities, that they may detect within the company	YES
Submit proposals to the Board for the selection, appointment, re-election and replacement of the external auditors and the terms and conditions of their engagement	YES

Regularly receive information from the external auditors on the audit plan and results of their work, and check that the executives heed their recommendations	YES
Guarantee the independence of the external auditors	YES
In the case of groups, encouraging the group auditors to audit the group companies.	YES

B.2.3 Describe the rules of organisation and procedure and the responsibilities attributed to each Committee.

Delegate Committee

The Delegate Committee consists of the Chairman of the Board and up to a maximum of seven directors from the three existing categories (executive, proprietary and independent), endeavouring to maintain a similar proportion to that existing on the Board of Directors. Its members shall be appointed with a majority of at least two-thirds of the current Board members.

All the powers of the Board are permanently delegated to the Delegate Committee, except those that may not be lawfully delegated and those considered as such by the Articles of Association or the Regulations of the Board of Directors.

The Chairman of the Delegate Committee shall be the Chairman of the Board and the Secretary shall be the Secretary of the Board, who may be assisted by the Vice-Secretary.

Whenever the business is sufficiently important, in the opinion of the Chairman or three members of the Delegate Committee, the resolutions adopted by the Delegate Committee shall be submitted to the full Board for ratification. The same shall be applicable in any business referred by the Board to be studied by the Delegate Committee, while reserving the ultimate decision thereon. In all other cases, the resolutions adopted by the Delegate Committee shall be valid and binding with no need for subsequent ratification by the Board.

At the end of the meeting, the Secretary issues the minutes of the resolutions adopted, that will be reported to the Board at the following full Board meeting, and makes available to the Board members a copy of the minutes. Five meetings were held in 2011.

Audit and Control Committee

The Audit and Control Committee consists of at least three directors appointed by the Board on the basis of their experience and expertise in accounting, auditing or risk management. Executive directors may not sit on this Committee.

The Board shall appoint the members of this Committee for a term of four years.

Without prejudice to one or several re-elections, they shall retire at the end of that term, when they retire from the Board or whenever so resolved by the Board, subject to a prior report by the Nomination and Compensation Committee. The chairman shall hold office as such for a maximum of four years, after which he shall not be eligible for re-election until one year has passed, without prejudice to his continuation or re-election as member of the Committee.

This Committee, set up on 27 February 1995, supports the Board in its supervisory duties, through regular checking of the preparation of economic and financial reporting, executive controls, supervision of the systems for recording and controlling the company's hydrocarbon reserves, the internal audit department and the independence of the external auditors, as well as checking compliance with all the legal provisions and internal regulations applicable to the company. This Committee is competent to submit proposals to the Board regarding the appointment of external auditors, extension of their appointment, their removal and the terms of their engagement. It shall also inform the General Meeting, through its Chairman, on any issues raised by shareholders regarding matters within its competence.

Its duties shall also include knowing and guiding the company's environmental and safety policies and objectives and drawing up an Annual Report on its activities, on which it shall report to the Board.

The Committee shall appoint one of its members to be Chairman, who shall necessarily be an External Independent Director; the Secretary shall be the Secretary of the Board.

The Committee shall meet as often as necessary, in the opinion of the Chairman, to perform the duties commissioned to it, although an annual calendar of meetings shall be drawn up before the end of each year for the following year, as well as an Action Plan for each year, informing the Board accordingly. Meetings shall be called whenever so requested by any two of its members. Ten meetings were held in 2011.

The Chairman of the Committee shall regularly report to the Board on the actions taken by the Committee.

At least once a year, the Committee shall assess its functioning and the quality and efficiency of its work, reporting to the full Board.

The Secretary of the Committee shall issue minutes of the resolutions adopted at each meeting, which shall be made available to Board members.

Nomination and Compensation Committee

This Committee consists of no fewer than three directors appointed by the Board, taking account of the expertise, skills and experience of the directors and the duties of the Committee. Most of its members shall be External Independent Directors.

The Board shall appoint the members of this Committee for a term of four years. Without prejudice to one or several re-elections, they shall retire at the end of that term, when they retire from the Board or whenever so resolved by the Board, subject to a prior report by the Audit and Control Committee.

This Committee, which was set up on 27 February 1995, has the duties of proposing and reporting to the Board on the selection, appointment, re-election and removal of Directors, Managing Director, Chairman, Vice-Chairman, Secretary, Vice-Secretary and the Directors who are to sit on the different Committees of the Board; proposing the Board compensation policy and, in the case of Executive Directors, the additional consideration for their management duties and other contract conditions; reporting on the appointment of Senior Executives of the Company and their general pay policy and incentives; reporting on the compliance by Directors of the corporate governance principles or the obligations established in the Articles of Association or the Regulations of the Board; and, in general, proposing and informing on any other business related with the above at the request of the Chairman or the Board of Directors.

The Chairman of this Committee shall be one of its members, who shall necessarily be an External Independent Director, and the Secretary shall be the Secretary of the Board.

The Committee shall meet whenever the Board or Chairman of the Board requests reports or proposals within the scope of its duties, and whenever called by the Chairman of the Committee, requested by two Committee members or when reports are required to be able to adopt the corresponding resolutions. Five meetings were held in 2011.

The Chairman of the Committee shall regularly report to the Board on the actions taken by the Committee.

At least once a year, the Committee shall assess its functioning and the quality and efficiency of its work, reporting to the full Board.

The Secretary of the Committee shall issue minutes of the resolutions adopted at each meeting, which shall be made available to Board members.

Strategy, Investment and Corporate Social Responsibility Committee

On December 2007, the Board of Directors of Repsol YPF, S.A. resolved, within the modification of its Regulations, to change the name of the Strategy, Investment and Competition Committee, set up on 25 September 2002, to Strategy, Investment and Corporate Social Responsibility Committee.

The Strategy, Investment and Corporate Social Responsibility Committee consists of no fewer than three directors appointed by the Board, taking account of the expertise, skills and experience of the directors and the duties of the Committee. Most of its members shall be External or Non-Executive Directors.

The Board shall appoint the members of this Committee for a term of four years. Without prejudice to one or several re-elections, they shall retire at the end of that term, when they retire from the Board or whenever so resolved by the Board, subject to a prior report by the Nomination and Compensation Committee.

This Committee has the duties of reporting on the principal highlights, landmarks and reviews of the Group's strategic plan; major strategic decisions for the Repsol YPF Group; and investments or divestments in assets which, by virtue of their value or strategic nature, the Executive Chairman believes should be first considered by the Committee.

It must also be familiar with and steer the policy, objectives and guidelines of the Repsol YPF Group on Corporate Social Responsibility and inform the Board thereon; check and report on the Corporate Responsibility Report of the Repsol YPF Group before it is submitted to the Board; and, in general, perform any other duties related with the matters within its competence and requested by the Board or its Chairman.

One of the members of this Committee shall be appointed Chairman and the secretary shall be the Secretary of the Board.

The Committee shall meet with the established frequency or whenever called by its Chairman or requested by two of its members. Two meetings were held in 2011.

The Chairman of the Committee shall regularly report to the Board on the actions taken by the Committee.

At least once a year, the Committee shall assess its functioning and the quality and efficiency of its work, reporting to the full Board.

The Secretary of the Committee shall issue minutes of the resolutions adopted at each meeting, which shall be made available to Board members.

B.2.4 Indicate, where appropriate, the powers of advising, consultation and, where appropriate, delegations of each Committee:

Committee	Brief description
Delegate Committee	See B.2.3
Audit and Control Committee	See B.2.3
Nomination and Compensation Committee	See B.2.3
Strategy, Investment and Corporate Social Responsibility Committee	See B.2.3

B.2.5 Indicate the existence, if appropriate, of regulations of the board committees, where they are available for consultation and any modifications made during the year. State whether an annual report has been issued voluntarily on the activities of each Committee.

Delegate Committee

The internal regulation of the Delegate Committee is currently set out in the Articles of Association and the Regulations of the Board of Directors.

The Articles of Association and the Regulations of the Board of Directors are entered in the Madrid Trade Registry and accessible to the public through the company's web site (www.repsol.com).

Audit and Control Committee

The internal regulation of the Audit and Control Committee is currently set out in the Articles of Association and the Regulations of the Board of Directors.

The Articles of Association and the Regulations of the Board of Directors are entered in the Madrid Trade Registry and accessible to the public through the company's web site (www.repsol.com).

The Audit and Control Committee has drawn up a Report of its activities during 2011.

Strategy, Investment and Corporate Social Responsibility Committee

The internal regulation of the Strategy, Investment and Corporate Social Responsibility Committee is currently set out in the Regulations of the Board of Directors.

The Regulations of the Board of Directors are entered in the Madrid Trade Registry and accessible to the public through the company's web site (www.repsol.com).

Nomination and Compensation Committee

The internal regulation of the Compensation Committee is currently set out in the Regulations of the Board of Directors.

The Regulations of the Board of Directors are entered in the Madrid Trade Registry and accessible to the public through the company's web site (www.repsol.com).

B.2.6 Does the composition of the Delegate Committee reflect the participation on the Board of the different types of Director?

Yes No

If no, explain the composition of your Executive Committee

C RELATED PARTY TRANSACTIONS

C.1 Indicate whether the full Board has reserved approval, subject to a favourable report by the Audit Committee or any other committee commissioned this task, of any transactions that the company may enter into with directors, significant shareholders or shareholders represented on the Board, or with persons related to them:

Yes No

C.2 List any significant transactions involving a transfer of resources or obligations between the company and/or companies in its group and significant shareholders of the company:

Name of significant shareholder	Name of company or group company	Nature of the relationship	Type of transaction	Amount (thousand euro)
SACYR VALLEHERMOSO, S.A.	GRUPO REPSOL YPF	Commercial	Services received	5,858
SACYR VALLEHERMOSO, S.A.	GRUPO REPSOL YPF	Commercial	Purchase of tangible assets, intangible or other assets	124
SACYR VALLEHERMOSO, S.A.	GRUPO REPSOL YPF	Contractual	Leases	887
SACYR VALLEHERMOSO, S.A.	GRUPO REPSOL YPF	Corporate	Dividends and other distributed profits	256,510
SACYR VALLEHERMOSO, S.A.	GRUPO REPSOL YPF	Commercial	Services rendered	9,873
SACYR VALLEHERMOSO, S.A.	GRUPO REPSOL YPF	Commercial	Sales of goods (finished or outstanding)	68,674
SACYR VALLEHERMOSO, S.A.	GRUPO REPSOL YPF	Commercial	Other incomes	143
SACYR VALLEHERMOSO, S.A.	GRUPO REPSOL YPF	Contractual	Purchase of goods (finished or outstanding)	202
SACYR VALLEHERMOSO, S.A.	GRUPO REPSOL YPF	Contractual	Commitments acquired	41,700
SACYR VALLEHERMOSO, S.A.	GRUPO REPSOL YPF	Contractual	Bonds and guarantees received	35,777
CAIXABANK, S.A.	GRUPO REPSOL YPF	Commercial	Financial expenses	26,418
CAIXABANK, S.A.	GRUPO REPSOL YPF	Contractual	Leases	422
CAIXABANK, S.A.	GRUPO REPSOL YPF	Commercial	Services received	2,004
CAIXABANK, S.A.	GRUPO REPSOL YPF	Commercial	Other expenses	10,639
CAIXABANK, S.A.	GRUPO	Contractual	Financial incomes	35,846

	REPSOL YPF			
CAIXABANK, S.A.	GRUPO REPSOL YPF	Commercial	Sales of goods (finished or outstanding)	124
CAIXABANK, S.A.	GRUPO REPSOL YPF	Commercial	Other incomes	249
CAIXABANK, S.A.	GRUPO REPSOL YPF	Commercial	Services rendered	1,752
CAIXABANK, S.A.	GRUPO REPSOL YPF	Commercial	Sales of tangible assets, intangible or other assets	187,133
CAIXABANK, S.A.	GRUPO REPSOL YPF	Contractual	Financing agreements, loans and capital contributions (lender)	65
CAIXABANK, S.A.	GRUPO REPSOL YPF	Contractual	Financing agreements: loans and capital contributions (borrower)	782,258
CAIXABANK, S.A.	GRUPO REPSOL YPF	Contractual	Bonds and guarantees received	33,826
CAIXABANK, S.A.	GRUPO REPSOL YPF	Contractual	Bonds and guarantees provided	91,764
CAIXABANK, S.A.	GRUPO REPSOL YPF	Corporate	Dividends and other distributed profits	201,099
PETRÓLEOS MEXICANOS	GRUPO REPSOL YPF	Commercial	Services received	357
PETRÓLEOS MEXICANOS	GRUPO REPSOL YPF	Contractual	Purchase of goods (finished or outstanding)	2,750,907
PETRÓLEOS MEXICANOS	GRUPO REPSOL YPF	Commercial	Other expenses	421
PETRÓLEOS MEXICANOS	GRUPO REPSOL YPF	Contractual	Financial incomes	489
PETRÓLEOS MEXICANOS	GRUPO REPSOL YPF	Commercial	Services rendered	29,892
PETRÓLEOS MEXICANOS	GRUPO REPSOL YPF	Commercial	Sales of goods (finished or outstanding)	40,256
PETRÓLEOS MEXICANOS	GRUPO REPSOL YPF	Commercial	Other incomes	3,810
PETRÓLEOS MEXICANOS	GRUPO REPSOL YPF	Contractual	Bonds and guarantees provided	100,291
PETRÓLEOS MEXICANOS	GRUPO REPSOL YPF	Contractual	Commitments acquired	543,524
PETRÓLEOS MEXICANOS	GRUPO REPSOL YPF	Corporate	Dividends and other distributed profits	61,614
PETRÓLEOS MEXICANOS	GRUPO REPSOL YPF	Commercial	Financial expenses	28

C.3 List any significant transactions involving a transfer of resources or obligations between the company and/or companies in its group and the directors or executives of the company:

Name of director or executive	Name of company or group company	Nature of the transaction	Type of transaction	Amount (thousand euro)
Company Executives	Repsol YPF Group	Contractual	Financing Agreements : credits and capital contributions (lender)	584

- C.4 List any significant transactions with other companies in the group that are not eliminated in the consolidated financial statements and which do not, by virtue of their object or terms, correspond to the normal business of the Company:**

Name of group company	Brief description of the transaction	Amount (thousand euro)

- C.5 Indicate whether any company directors have been in any conflicts of interest during the year, pursuant to Article 127 ter of the Joint Stock Companies Act.**

Yes No

Name of Director	Description of the conflict of interest situation
Antonio Brufau Niubó	<p>a) All the resolutions regarding the Chairman's remuneration have been passed without the participation of the Chairman.</p> <p>b) The resolution regarding the submission to the Annual General Meeting of his re-election as member of the Board has been passed, on the Board's meeting of February 23, 2011, without the participation of said Director.</p> <p>c) The resolutions regarding his re-election as Chairman of the Board and member of the Delegate Committee have been passed, on the Board's meeting of April 15, 2011, without the participation of said Director.</p>
Luis Suárez de Lezo Mantilla	All the resolutions regarding the Secretary's remuneration have been discussed and passed without the participation of the Secretary.
Luis Carlos Croissier Batista	<p>a) The resolution regarding the submission to the Annual General Meeting of his re-election as member of the Board has been passed, on the Board's meeting of February 23, 2011, without the participation of said Director.</p> <p>b) The resolution regarding his re-election as member of the Strategy, Investment and Corporate Social Responsibility Committee has been passed, on the Board's meeting of April 15, 2011, without the participation of said Director.</p>
Luis del Rivero Asensio	a) The resolution regarding the submission to the Annual General Meeting of his re-election as

	<p>member of the Board has been passed, on the Board's meeting of February 23, 2011, without the participation of said Director.</p> <p>b) The resolutions regarding his re-election as First Vice-Chairman of the Board and member of the Delegate Committee have been passed, on the Board's meeting of April 15, 2011, without the participation of said Director.</p> <p>c) The resolutions regarding his dismissal as First Vice-Chairman of the Board and member of the Delegate Committee have been passed, on the Board's meeting of October 26, 2011, without the participation of said Director.</p> <p>d) The resolution related to the authorization for the acquisition of treasury shares representing the 10% of Repsol's share capital was approved on the Board's meeting of December 18, 2011, without the participation of said Director.</p>
<p>Juan Abelló Gallo</p>	<p>a) The resolution regarding the submission to the Annual General Meeting of his re-election as member of the Board has been passed, on the Board's meeting of February 23, 2011, without the participation of said Director.</p> <p>b) The resolution regarding his re-election as member of the Strategy, Investment and Corporate Social Responsibility Committee has been passed, on the Board's meeting of April 15, 2011, without the participation of said Director.</p> <p>c) The resolutions regarding his appointment as Vice-Chairman of the Board and member of the Delegated Committee have been passed, on the Board's meeting of October 26, 2011, without the participation of said Director.</p> <p>d) The resolution related to the authorization for the acquisition of treasury shares representing the 10% of Repsol's share capital was approved on the Board's meeting of December 18, 2011, without the participation of said Director.</p>
<p>Jose Manuel Loureda Mantiñan</p>	<p>a) The resolution regarding the submission to the Annual General Meeting of his re-election as member of the Board has been passed, on the Board's meeting of February 23, 2011, without the participation of said Director.</p> <p>b) The resolutions regarding his re-election as member of the Nomination and Compensation Committee and of the Strategy, Investment and Corporate Social Responsibility Committee have been passed, on the Board's meeting of April 15, 2011, without the participation of said Director.</p> <p>c) The resolution related to the authorization for the acquisition of treasury shares representing the 10% of Repsol's share capital was approved on the Board's meeting of December 18, 2011,</p>

	<p>without the participation of said Director.</p> <p>d) Additionally, the resolution regarding the favourable report on the treasury shares acquisition was passed previously by the Nomination and Compensation Committee on December 18, 2011 without the participation of said Director.</p>
<p>Ángel Durández Adeva</p>	<p>a) The resolution regarding the submission to the Annual General Meeting of his re-election as member of the Board has been passed, on the Board's meeting of February 23, 2011, without the participation of said Director.</p> <p>b) The resolution regarding his re-election as Chairman of the Audit and Control Committee has been passed, on the Board's meeting of April 15, 2011, without the participation of said Director.</p>

C.6 Explain the mechanisms established to detect and resolve possible conflicts of interests between the company and/or its group, and its directors, executives or significant shareholders.

The Regulations of the Board of Directors require directors to avoid any direct or indirect conflicts of interest with the Company's interests, notifying the Board whenever any such conflicts inevitably exist. In the event of a conflict, the director affected shall abstain in the discussion and decision dealing with the issues giving rise to the conflict.

Any directors affected by proposals for appointment, re-election or removal shall abstain in the discussions and voting dealing with those matters. Ballots shall be secret.

Directors shall inform the Nomination and Compensation Committee of any other professional obligations they may have and any material change in their professional situation, as well as any affecting the nature or condition by virtue of which they have been appointed Director.

Finally, directors shall tender their resignations and step down from the Board, should the latter deem fit, whenever they incur in any of the events of incompatibility or disqualification established in law, the Articles of Association or Regulations.

In this regard, Articles 19-22 of the Regulations of the Board of Directors set out the obligations to be met by Directors in respect of non-competition, use of corporate information and assets and taking advantage of business opportunities, and the requirements established in respect of related party transactions between the Company and the Directors, significant shareholders represented on the Board or persons related to them.

Similarly, the Repsol YPF Group Internal Conduct Regulations regarding the Securities Market, applicable to directors, top management and the executives of certain departments and divisions with access to privileged information of the company or its

group and who carry out tasks related with the Securities Market, contemplate the preclusion and solving of conflicts of interest in Articles 8.3. and 8.4., as follows:

"To control potential conflicts of interest, the executives and employees of Repsol YPF Group must inform the person responsible for their respective Area, sufficiently in advance for timely decisions to be made and before conducting the transaction or concluding the business in question, of any situation which may potentially involve, and in each concrete circumstance that actually involves, the appearance of a conflict of interest with Repsol YPF, S.A. or any company of its Group.

If the person affected is a member of the Board of Directors, the conflict must be reported to the Board of Directors, which, if it considers fit, will apply for the opinion of the Audit and Control Committee.

In case of a doubt about the existence of a conflict of interest, the executives and employees of Repsol YPF Group must act prudently and inform the person responsible for their respective Area or the Board of Directors, as the case may be, about the specific circumstances of the case, for the appropriate consideration of the situation by the latter.

The general principle to be considered in the resolution of all kind of conflicts of interest is abstention. Therefore, persons subject to conflicts of interest must refrain from making decisions that could affect the individuals or legal entities with which said conflict is posed. They must likewise refrain from exerting any influence on said decision-making and must act with full loyalty to the Repsol YPF Group in all cases. In any situation of conflict of interest between the executives and employees of Repsol YPF Group and Repsol YPF or any company within the Group, the former must act in all moments with loyalty to the Repsol YPF Group, giving preference to the interest of the Repsol YPF Group over its own interests."

Finally, the Ethics and Conduct Regulation for Repsol YPF Employees stipulates in Article 6.4., with regard to executives, that *"Repsol YPF recognizes and respects the financial and business activities of its employees that are not directly related to the activities carried out for the Company provided that these are legal and do not represent a conflict of interests with their responsibilities as Repsol YPF employees.*

Repsol YPF employees should avoid any situation that could give rise to any conflict between their personal interests and those of the Company and will abstain from representing the Company, taking part in or influencing decisions in any situation in which, the employee or any close relative has a personal interest. Employees should always act in accordance with their responsibilities, loyally and defending the interests of Repsol YPF.

Furthermore, employees may not undertake any tasks, jobs, or render any services in the benefit of companies in the sector or those that engage in activities that may, directly or indirectly, compete, or could compete, with those of Repsol YPF.

Repsol YPF employees, who could be affected by a conflict of interests, will inform the head of their Area before undertaking any transaction or closing any business deal, in order to make the appropriate decisions in each specific case thereby avoiding compromising their impartial job performance."

C.7 Are more than one of the Group companies listed in Spain?

Yes No

Name the subsidiaries listed in Spain:

Listed subsidiaries

State whether they have publicly and accurately defined their respective areas of activity and any possible business relationships among them, as well as those between the listed dependent company and the other companies within the Group:

Yes No

Describe the possible business relationships between the parent company and the listed subsidiary, and between the subsidiary and the other companies within the Group

Describe the mechanisms established to resolve possible conflicts of interest between the listed subsidiary and the other companies within the Group:

Mechanisms for the resolution of possible conflicts of interest

D RISK CONTROL SYSTEMS

D.1 General description of the risk policy of the company and/or its group, including details and assessment of the risks covered by the system, together with justification that those systems adapt to the profile of each type of risk.

Repsol YPF operates in numerous countries, under numerous regulatory frameworks and in all areas of the oil and gas business. Consequently, Repsol YPF is exposed to:

- market risks, deriving from the price volatility of oil, natural gas and by-products, exchange rates and interest rates,
- financial risks, including those related to Repsol's liquidity and solvency positions as well as the counterparty risks, deriving from financial arrangements and commercial commitments with suppliers or clients,
- risks related to the strategy of the Company, portfolio management and allocation of resources connected to internal decisions which shall be approved by the Executive Committee or the Board of Directors,
- regulatory and compliance risks related to regulatory changes and to the compliance of the applicable regulation on legal, tax, security and environmental, reporting and corporate governance matters,
- operating risks related to the effectiveness and efficiency of the transactions which could take place in case the existing internal processes were not suitable or wrong (including the risks of accidents and natural catastrophes, uncertainty regarding the geological characteristics of oil and gas fields, safety and environmental risks and

reputation risks, such as those relating to corporate ethics and the social impact of Repsol YPF's business),

- economic environment risks related with external factors to the Company such as the macroeconomic context, the sector in which it performs its activity, country risk, natural disasters, competitors, relations with partners and the different perceptions of the interested parties .

The Company considers the most important risks to be those that could hamper it in achieving the goals established in its Strategic Plan. Repsol YPF manages its assets and businesses prudently. Nevertheless, many of the risks mentioned above are inherent in the activities it performs, are beyond the control of the company and cannot be entirely eliminated.

Repsol YPF has an organisation, procedures and systems that enable it to identify measure, assess, prioritize and control the risks to which the group is exposed, and decide to what extent those risks are to be assumed, managed, reduced or avoided. Risk analysis is an integral element in the group's decision-making processes, both in the centralised governing bodies and in the management of the different businesses, paying special attention in all cases to the existence of several risks at the same time or the effects of diversification that may occur on an aggregate level.

The following independent analysis, supervision and control units specialise in different areas of risk management exist:

- * Audit Projects Unit, focusing on the permanent assessment and improvement of existing controls to ensure that potential risks of whatsoever nature (strategic, operational, financial, environment, regulatory, etc...) that could hamper achievement of the strategic goals of the Repsol YPF Group are identified, measured and controlled at all times. When performing said duty it is specially foreseen that the existing controls of the Company guarantee properly the compliance with the applicable regulation, the safeguarding of the assets, the reliability of the financial information and the managing and prevention of fraud.
- * Credit Risk Management Unit, responsible for:
 - monitoring and controlling the Group's credit risk,
 - coordinating the development of specific rules and regulations concerning market and credit risks of the different business units and corporate areas of the Group and establishing methods for measuring and assessing such risks according to the best practices,
 - analysing and controlling the credit risk generated by the Group's activities, establishing individual third-party credit risk limits,
 - defining the criteria regarding the funding and use of provisions for insolvency, refinancing and judicial claiming of debts,

- acceptance, validation and guarding of guarantees delivered to third parties,
 - the solvency analysis of the financial counterparties,
 - the approval of extensions in client payment conditions.
- * Market Middle Office Unit, responsible for:
- calculating, monitoring, controlling and assessing at market the liquidity positions, foreign exchange and interest rate risk positions,
 - measuring of the risk position and analysis of sensitivity of the result and the value of products and instruments traded for different risk factors,
 - developing and validation of the methodology for measuring and assessing instruments and positions according to best market practices.
- * Risk Monitoring Unit, responsible for:
- coordinating the development of specific rules and regulations concerning commodities price risk of the different business units and corporate areas of the Group, and establishing methods for measuring and assessing these risks according to best practices,
 - monitoring and controlling Group's commodities price risk.
- * Insurance Unit, responsible for:
- analysing and assessing any accidental risks that could affect the assets and activities of the Group,
 - defining the most efficient financing policy for these risks, through an optimum combination of self-insurance and risk transfer measures,
 - taking out such insurance cover as may be considered convenient in each case,
 - negotiating the compensations deriving from insured accidents.
- * Safety and Environment Unit, responsible for:
- defining and monitoring the company's safety and environmental strategic policies and objectives,
 - establishing the corporate rules and regulations (policy, rules, procedures, manuals and guidelines) on safety and environment throughout the company worldwide and the mechanisms required to publicise them,
 - identifying and leading corporate safety and environment projects, counselling business units in their implementation and monitoring the progress,

- establishing key indicators of performance, monitoring the company's performance in safety and environmental matters and proposing actions for improvement,
 - promoting the creation of working groups and exchanging of the best practices in safety and the environment,
 - coordinating safety and environmental audits and following them up.
- * Corporate Responsibility Unit, within the Direction of Corporate Responsibility and Institutional Services, responsible for advising, promoting and coordinating the joint Company's Corporate Responsibility strategy. The Direction of Corporate Responsibility and Institutional Services is responsible of the following duties:
- Monitoring the Company's performance in the 7 principles of the CR, reporting to the Board of Director's Investment, Strategy and Corporate Responsibility Committee, the Executive Committee and the Corporate Responsibility Committee.
 - Monitoring the tools to coordinate the CR system.
 - Propose to the Corporate Responsibility Committee the strategic guidelines of the CR and coordinate in collaboration with the units of the Company the development of the CR multi-annual plans.
 - Coordinating the dialogue with the Company's stakeholders at corporate level and submitting their expectations to the Corporate Responsibility Committee.
 - Proposing corporate government elements, such as corporate regulations, manuals or guides, goals, indicators and other management tools of CR.
 - Consolidate the CR information in a corporate level and coordinate the development of the Company's communication tools on CR at this level, such as the Annual Report on CR, the Repsol YPF's CR website; and prepare the necessary information for quotation in selective sustainability index or required by the shareholders or investors in relation to ethical and social-environmental criteria.
 - Identification and leading of projects and initiatives on CR, advising the units in its implementation and tracking.
- * Compliance and Risk Unit: responsible for monitoring the models for examining and evaluating the internal control and risk procedures, by means of:
- The Internal Control over Financial Information Reporting System ("SCFIR") responsible for defining, monitoring, and continue evaluation of the design and functioning of the Group's SCFIR (on the basis of the COSO model) which ensures reasonably the reliability of the Group's financial reporting in case it

operates adequately.

- Compliance Regulation Programme: responsible for checking the compliance with the formal legal obligations with Public Entities (Governments, Public Administrations and/or Public Authorities) in relation to the activities performed in different countries which contribute to reduce the compliance risks of the Group.
 - Fraud Prevention Programme for the Spanish companies of the Group (in collaboration with other areas): consisting on a formal framework programme containing all the proceedings, regulations and internal controls of the Spanish companies that are under management which enables, reasonably, to identify, document, evaluate, control, reduce and update the penal risks associated to the activities performed by said companies.
 - Risks Map: responsible for providing the Group of a common and uniform methodology for identifying and evaluating the critical risks by all the areas involved, looking after the correct implementation of the method guidelines provided and reporting, periodically, the results obtained to the relevant Responsible or Bodies of the Group that may be determined from time to time.
- * Reserves Control Unit, which aims to make sure that the estimates of Repsol YPF proved reserves comply with prevailing legislation on the different Securities Markets on which the company is listed. It also makes internal audits of reserves, coordinates reserves external audits and assesses the quality controls on reserve reporting, making the appropriate suggestions within a process of continuous improvement and application of best practices.

There are also several functional and business committees responsible for the oversight of the risk management activities performed within their respective areas of responsibility.

D.2 Indicate whether any of the risks (operating, technological, financial, legal, reputational, tax...) affecting the company and/or its group have actually materialised during the year:

Yes No

If so, indicate the underlying circumstances and whether the established control systems worked adequately.

Risks occurred during the year	Causes of risks	Operation of Control Systems
Risks inherent to the Company's business.	Circumstances of business development.	Control systems established by the Company have worked correctly, making possible to manage the risks appropriately.

D.3 Is there a Committee or other governing body responsible for establishing and supervising the control systems?

Yes No

If so, state its duties.

Name of Committee or governing body	Description of duties
Audit and Control Committee	<p>The main duty of the Audit and Control Committee, as advisory body to the Board of Directors, is to support the Board in its oversight duties, among other actions by regularly checking the risk management and internal control systems, to ensure that the principal risks are identified, managed and adequately publicised.</p> <p>With this aim, the Audit and Control Committee monitors the development of the Annual Corporate Audit Plan, drawn up to assess and oversee the correct functioning and adequacy of the established control systems, to ensure that they are sufficient to identify, manage and/or mitigate the operating, financial and reputation risks of the Repsol YPF Group. The Corporate Audit Department informs the Committee on any material irregularities, anomalies or defaults of the audited units reporting to the Board whenever they are considered to represent a significant risk for the Group.</p> <p>Moreover, the Audit and Control Committee ensures that the procedures and systems for recording and internal control of the measuring, assessment, classification and entering in the accounts of the Group's hydrocarbon reserves are sufficient, adequate and efficient.</p> <p>Finally, the Committee is informed by the corresponding divisions of the company and steers the environmental and safety policies, guidelines and objectives of the Repsol YPF Group.</p>

D.4 Identification and description of processes for compliance with the different regulations affecting the company and/or its group.

The Audit and Control Committee supports the Board in its oversight duties, watching over the compliance with all legal and internal laws and regulations applicable to the company. It oversees compliance with applicable national and international rules and regulations on market conduct and data protection and ensures that the Internal Codes of Conduct and Professional Ethics and of Market Conduct applicable to Group employees meet all the legal requirements and are adequate for the company.

The Audit and Control Committee also supervises the preparation and integrity of the financial information on the Company and the Group, checking compliance with the applicable legal requirements and correct application of the accounting principles.

E GENERAL MEETING

E.1 Indicate whether there are any differences between the quorums for General Meetings and the minimums stipulated in the Joint Stock Companies Act and, if appropriate, explain.

Yes No

	% quorum different from that established in Art. 102 Joint Stock Companies Act for general cases	% quorum different from that established in Art. 103 Joint Stock Companies Act for the special cases of Art. 103
Quorum required on first call		
Quorum required on second call		
Description of differences		

E.2 Explain whether there are any differences between the system used for adopting corporate resolutions and the system stipulated in the Joint Stock Companies Act, and if so give details:

Yes No

	Qualified majority other than that established in section 103.2 of the Joint Stock Companies Act for the cases set forth in section 103.1	Other instances in which a qualified majority is required
% established by the entity for the adoption of resolutions		
Describe the differences		

E.3 Describe any shareholders' rights in respect of General Meetings differing from those established in the Joint Stock Companies Act.

According to Article 23 of the Articles of Association, general meetings may be attended by shareholders holding any number of shares, provided they have been recorded in the corresponding accounting record five days prior to the date of the meeting and the shareholder has obtained the attendance card proving that the above requirements have been met. Attendance cards shall be issued by the institutions indicated in law and shall be non-transferable.

The Regulations of the Board of Directors of Repsol YPF S.A. provide as follows regarding shareholders' right to participate and information:

"6.3. The Board of Directors shall take all the measures it sees fit to ensure that the Shareholders Meeting performs its proper functions. To that end it shall place all the legally demandable information, as well as information which is not legally required but is of interest to the Shareholders and can reasonably be furnished, at the Shareholders' disposal prior to the Shareholders Meeting. It shall likewise respond with the greatest possible diligence to information requests and questions from shareholders prior to the Shareholders Meetings or while they are underway.

6.4. The information given to Shareholders and other financial market participants by the Company shall be complete, accurate, fair, symmetrical, and timely.

To achieve maximum transparency and immediacy in the dissemination of information, the Company shall make use of the generally available procedures and technologies to which companies and private citizens have access. To that end, the Board of Directors shall intensify the use of the Company's Web page and determine the contents to be transmitted through that medium, which shall include among other documents the Articles of Association, the Board of Directors' Regulations, the quarterly and annual reports, the notices of Shareholders Meetings, their regulations and the resolutions or decisions adopted at the previous meeting, and any other information considered of interest."

Furthermore, pursuant to Article 5 of the Regulations of the General Shareholders Meeting, concerning shareholders' right to information and participation, the notice of call to General Meetings shall state *"the place and times at which shareholders may consult the documents to be laid before the general meeting and such other reports as may be required by law or decided by the board, without prejudice to the right of shareholders to request and receive, free of charge, copies of all the above-mentioned documents"*.

Article 5 of the Regulations of the General Shareholders Meeting also provides that *"in addition to the requirements stipulated in law or the Articles of Association, as from the date of publication of the notice of call to the general meeting, the company shall publish on its web site the text of all proposed resolutions submitted by the board in connection with the items on the agenda, including, with regard to proposals for the appointment of directors, the information contemplated in Article 47.13 of the Articles of Association ((i) professional and biographic profile, (ii) list of other boards they are on, (iii) indication of the type of director, indicating, in the case of proprietary directors, the shareholder they represent or with which they have ties, (iv) date of first appointment as company directors, and subsequent appointments, and (v) company shares and options they hold).*

An exception may be made to this rule for proposals which the law and Articles of Association do not require to be made available to shareholders as from the notice of call, if the board considers there are just grounds for not doing so.

If a supplementary notice of call is published, the company shall thereafter publish on its web site the text of the proposals contained in that supplementary notice, provided they have been sent to the company."

Article 6.1. of the Regulations for the General Shareholders Meeting further provides that:

"Through the Shareholders' Information Office of the Company's web page, shareholders may at any time, upon entering proof of identification as such, raise any questions or make suggestions relating to the activities and interests of the Company and which they consider should be discussed at a General Shareholders' Meeting.

Once a General Shareholders' Meeting has been called and up to seven consecutive days before the date set for the meeting on first call, shareholders may utilize the same means to comment upon or make suggestions in writing regarding the proposals included on the Agenda thereof.

The Company's Departments will examine the shareholders' questions, suggestions and comments, and the responses will be disclosed, grouped together as pertinent, on the Company

web page or, if the Board of Directors considers it appropriate, they will be considered at the General Shareholders' Meeting, even if they are not included on the Agenda."

Apart from the foregoing and with a view to facilitating access by shareholders to the information on the company, Repsol set up the Shareholders' Information Office mentioned above, offering shareholders a free call service and an e-mail address at which they may request whatever information they may require. Shareholders may also visit the Office, where they will receive personal attention.

E.4 Describe the measures adopted, if any, to encourage the participation of shareholders at General Meetings.

To encourage shareholders to participate in general meetings, Article 6 of the Regulations of the General Shareholders Meeting, establishes shareholders' right to information and participation, indicating that they may raise any questions or make any suggestions in connection with the company's activities or interests which they consider ought to be discussed by the General Meeting, through the Shareholders' Information Office or the company's web site (www.repsol.com).

Apart from these measures, which are expressly contemplated in the Repsol YPF, S.A. Rules of Corporate Governance, the company also encourages shareholders to participate in general meetings with the following measures:

- Publication of the notice of call sufficiently in advance on the Official Commercial Registry Bulletin (*Boletín Oficial del Registro Mercantil -BORME*), in the media with the widest distribution, inserting a copy on the company's web site (www.repsol.com) and on any other means that the Board of Directors decides in order to provide more publicity to the calling. A copy is also sent to the National Securities Stock Commission (*Comisión Nacional del Mercado de Valores*) and to the stock exchanges on which its shares are listed and to the depositaries of its shares, so that they can issue the necessary attendance cards.
- Warning in the notice of call that the general meeting will be held on second call.
- Practices to encourage attendance, by delivering gifts and even, if appropriate, paying attendance premiums.
- Holding general meetings at a large-capacity location with ideal conditions for the procedure and following of the meeting, providing transport.
- Possibility of exercising or delegating the vote through distance means (post or electronic means), providing for shareholders:
 - * A form prepared for postal votes on the company's web site and at the Shareholders' Information Office.
 - * An application on the web site to exercise or delegate the vote by electronic means, for all shareholders having a recognised or advanced electronic signature based on a recognised, valid electronic certificate issued by the Spanish Public Certification Entity (CERES).

- Possibility of fractioning votes through the voting platform and delegation by post and electronic means.
- Assistance and personalized guidance for all shareholders who wish to participate through staff of the Shareholders' Information Office.
- Possibility of connecting to a live broadcast of the meeting through the company's web site (www.repsol.com).
- Publication through the company's web site (www.repsol.com) of the proposed resolutions corresponding to the items on the Agenda and the Board's report on each of the proposed resolutions to be laid before the General Meeting.
- Enabling, with the occasion of the General Shareholders' Meeting, an Electronic Shareholders Forum in the web site of the Company (www.repsol.com), which will be accessible for both individual shareholders and voluntary associations that may be established in accordance with current regulations, in order to facilitate communication prior to the General Shareholders' Meeting. Proposals claiming to be a complement to the agenda posted on the announcement, applications to support such proposals, initiatives to achieve the percentage sufficient to execute a right for minorities under the law, as well as offers or requests for voluntary representation may be published in the Forum.

E.5 Indicate if the Chairman of the Board chairs the General Meeting. List any measures adopted to ensure the independence and correct operation of the General Meeting:

Yes No

Details of measures
The Board traditionally requests, on its own initiative, the presence of a Notary to attend the General Meeting and issue minutes thereof.
Consequently, neither the Chairman nor the Secretary of the General Meeting participate in the preparation of the minutes, for which a notary or other public attesting officer is engaged, with the consequent guarantee of neutrality for the shareholders.

E.6 Indicate any modifications made during the year to the Regulations of the General Shareholders Meeting.

The Annual Shareholders Meeting held on April 15, 2011, approved the following amendments of its Regulations:

- Section 6 of Article 3 ("Powers of the shareholders' meeting").
- Sections 1 and 9 of Article 5 ("Calling").
- First and second paragraphs of Article 8 ("Representation").
- Section 5 of Article 13 ("Deliberation and passing of resolutions").
- Section (iv) of Article 14 ("Voting of resolution proposals").
- Section 2 of Article 15 ("Minute of the Shareholders Meeting").

The above amendments were made to adapt the text of the Regulations of the General Shareholders Meeting to the Companies Act.

The CNMV was notified of the amendments in a letter dated June 2, 2011 and they have been entered in the Madrid Trade Register.

The Regulations of the General Shareholders Meeting may be consulted on the company's web site (www.repsol.com).

E.7 Give details of attendance of General Meetings held during the year:

Date General Meeting	Details of attendance				Total
	% attending in person	% attending by proxy	% Distance voting		
			Electronic vote	Others	
04/15/2011	0.056	64.81	0.003	2.39	67.259

E.8 Give a brief account of the resolutions adopted at the General Meetings held during the year and percentage of votes with which each resolution was approved.

Only one General Shareholders Meeting of Repsol YPF, S.A., the Annual General Meeting, was held during 2011, on 15 April 2011, at which the following resolutions were adopted with the majorities indicated below:

1. Review and approval, if appropriate, of the Annual Financial Statements and the Management Report of Repsol YPF, S.A., of the Consolidated Annual Financial Statements and the Consolidated Management Report, for the fiscal year ended 31st December 2010, and of the proposal of application of its earnings.

Votes for 664,376,571 shares, votes against 90,653 shares, abstentions 138,863 shares.

2. Review and approval, if appropriate, of the management by the Board of Directors during year 2010.

Votes for 653,525,750 shares, votes against 4,497,642 shares, abstentions 6,582,695 shares.

3. Appointment of the External Auditor of the Company and its consolidated Group for 2011 fiscal year.

Votes for 662,586,049 shares, votes against 1,014,923 shares, abstentions 1,005,115 shares.

4. Amendment of Articles 9, 11, 19, 24, 27, 29, 32, 39, 44, 50 and 56 of the By-Laws; and of articles 3, 5, 8, 13, 14 y 15 of the Regulations for the General Shareholders Meetings.

Votes for 660,677,276 shares, votes against 1,397,189 shares, abstentions 2,531,622 shares.

5. Amendment of Article 52 of the By-Laws, related to the application of the earnings.

Votes for 664,068,124 shares, votes against 130,922 shares, abstentions 407,041 shares.

6. Amendment of Articles 40 and 35 of the By-Laws, related to the posts and meetings of the Board of Directors.

Votes for 659,279,646 shares, votes against 3,972,590 shares, abstentions 1,353,851 shares.

7. Re-election as Director of Mr. Antonio Brufau Niubó.

Votes for 548,540,616 shares, votes against 80,044,446 shares, abstentions 24,460,875 shares.

8. Re-election as Director of Mr. Luis Fernando del Rivero Asensio.

Votes for 652,249,957 shares, votes against 9,084,325 shares, abstentions 3,271,805 shares.

9. Re-election as Director of Mr. Juan Abelló Gallo.

Votes for 652,305,622 shares, votes against 9,024,315 shares, abstentions 3,276,010 shares.

10. Re-election as Director of Mr. Luis Carlos Croissier Batista.

Votes for 661,921,474 shares, votes against 908,115 shares, abstentions 1,776,498 shares.

11. Re-election as Director of Mr. Ángel Durández Adeva.

Votes for 662,138,233 shares, votes against 1,611,048 shares, abstentions 856,806 shares.

12. Re- election as Director of Mr. Jose Manuel Loureda Mantiñán.

Votes for 647,550,869 shares, votes against 11,482,567 shares, abstentions 5,572,651 shares.

13. Appointment as Director of Mr. Mario Fernández Pelaz

Votes for 662,276,701 shares, votes against 653,007 shares, abstentions 1,676,379 shares.

14. Delivery shares plan for the beneficiaries of the multiannual compensation plan.

Votes for 644,301,950 shares, votes against 14,919,212 shares, abstentions 5,384,925 shares.

15. Acquisition shares plan 2010-2012.

Votes for 660,195,839 shares, votes against 2,001,568 shares, abstentions 2,408,680 shares.

16. Authorization for the issue of fix rent securities, convertible and/or exchangeable for shares of the Company or exchangeable for shares of other companies, and warrants, with the power to exclude, in full or in part, the pre-emptive subscription rights of shareholders.

Votes for 639,491,756 shares, votes against 22,014,168 shares, abstentions 3,100,163 shares.

17. Delegation of the Powers to complement, develop, execute, amend and formalize the resolutions adopted by the General Shareholders Meeting.

Votes for 664,120,545 shares, votes against 308,091 shares, abstentions 177,451 shares.

- E.9 State whether any restrictions are established in the Articles of Association requiring a minimum number of shares to attend General Meetings:**

Yes No

Number of shares required to attend General Meetings	
--	--

- E.10 Describe and justify the company's policies on proxy votes at General Meetings.**

According to Article 8 of the Regulations of the General Shareholders Meeting, all shareholders entitled to attend may be represented at general meetings by another person, who need not be a shareholder. Proxies shall be granted in writing or by distance communication, especially for each general meeting.

For this purpose, apart from the possibility of sending proxies for attendance and voting at general meetings through the members of "Sociedad de Gestión de Sistemas de Registro, Compensación y Liquidación de Valores S.A." (Iberclear), shareholders also have the Shareholders' Information Office, where they may deliver proxies by post or by hand, and another office opened exclusively for this purpose at the registered office, Paseo de la Castellana no. 278, where attendance cards may be received and the corresponding gifts are handed out.

An application is made available on the web site for electronic proxies, available for shareholders who have a recognised or advanced electronic signature based on a recognised, valid electronic certificate issued by the *Entidad Pública de Certificación Española* (CERES).

- E.11 Indicate whether the company is aware of the policies of institutional investors regarding their participation or otherwise in company decisions:**

Yes No

Describe the policy

- E.12 Indicate the address and access to the corporate governance contents on the**

company's web site.

The information on corporate governance, regulated in Article 539 of the Companies Act, Order ECO/3722/2003 of 26 December, and the *Comisión Nacional del Mercado de Valores* (CNMV) Circular 1/2004 of 17 March, is published in the section "Shareholders and investors" on the company's web site (www.repsolypf.com).

F EXTENT OF COMPLIANCE WITH THE CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree of compliance by the company with the recommendations of the Unified Good Governance Code.

In the event of non-compliance with any recommendations, explain the recommendations, standards, practices or principles applied by the company.

- 1. The bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.**

See sections: A.9, B.1.22, B.1.23 and E.1, E.2.

Comply

- 2. When a dominant and a subsidiary company are stock market listed, the two should provide detailed disclosure on:**

- a) The type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other group companies;**
- b) The mechanisms in place to resolve possible conflicts of interest.**

See sections: C.4 and C.7

Not applicable

- 3. Even when not expressly required under company law, any decisions involving a fundamental corporate change should be submitted to the General Shareholders' Meeting for approval or ratification. In particular:**

- a) The transformation of listed companies into holding companies through the process of subsidiarisation, i.e. reallocating core activities to subsidiaries that were previously carried out by the originating firm, even though the latter retains full control of the former;**
- b) Any acquisition or disposal of key operating assets that would effectively alter the company's corporate purpose;**
- c) Operations that effectively add up to the company's liquidation.**

Comply

- 4. Detailed proposals of the resolutions to be adopted at the General Shareholders' Meeting, including the information stated in Recommendation 28, should be made**

available at the same time as the publication of the Meeting notice.

Comply

5. **Separate votes should be taken at the General Shareholders' Meeting on materially separate items, so shareholders can express their preferences in each case. This rule shall apply in particular to:**
- a) **The appointment or ratification of directors, with separate voting on each candidate;**
 - b) **Amendments to the bylaws, with votes taken on all articles or groups of articles that are materially independent.**

See section: E.8

Comply

6. **Companies should allow split votes, so financial intermediaries acting as nominees on behalf of different clients can issue their votes according to instructions.**

See section: E.4

Comply

7. **The Board of Directors should perform its duties with unity of purpose and independent judgement, according all shareholders the same treatment. It should be guided at all times by the company's best interest and, as such, strive to maximise its value over time.**

It should likewise ensure that the company abides by the laws and regulations in its dealings with stakeholders; fulfils its obligations and contracts in good faith; respects the customs and good practices of the sectors and territories where it does business; and upholds any additional social responsibility principles it has subscribed to voluntarily.

Comply

8. **The board should see the core components of its mission as to approve the company's strategy and authorise the organisational resources to carry it forward, and to ensure that management meets the objectives set while pursuing the company's interests and corporate purpose. As such, the board in full should reserve the right to approve:**

a) **The company's general policies and strategies, and in particular:**

- i) **The strategic or business plan, management targets and annual budgets;**
- ii) **Investment and financing policy;**
- iii) **Design of the structure of the corporate group;**
- iv) **Corporate governance policy;**
- v) **Corporate social responsibility policy;**
- vi) **Remuneration and evaluation of senior officers;**
- vii) **Risk control and management, and the periodic monitoring of internal information and control systems;**

viii) Dividend policy, as well as the policies and limits applying to treasury stock.

See sections: B.1.10, B.1.13, B.1.14 and D.3

b) The following decisions:

i) On the proposal of the company's chief executive, the appointment and removal of senior officers, and their compensation clauses.

See section: B.1.14.

ii) Directors' remuneration and, in the case of executive directors, the additional consideration for their management duties and other contract conditions.

See section: B.1.14.

iii) The financial information listed companies must periodically disclose.

iv) Investments or operations considered strategic by virtue of their amount or special characteristics, unless their approval corresponds to the General Shareholders' Meeting;

v) The creation or acquisition of shares in special purpose entities resident in jurisdictions considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.

c) Transactions which the company conducts with directors, significant shareholders, shareholders with board representation or other persons related thereto ("related-party transactions").

However, board authorisation need not be required for related-party transactions that simultaneously meet the following three conditions:

1. They are governed by standard form agreements applied on an across-the-board basis to a large number of clients;
2. They go through at market rates, generally set by the person supplying the goods or services;
3. Their amount is no more than 1% of the company's annual revenues.

It is advisable that related-party transactions should only be approved on the basis of a favourable report from the Audit Committee or committee handling the same function; and that the directors involved should neither exercise nor delegate their votes, and should withdraw from the meeting room while the board deliberates and votes.

Ideally the above powers should not be delegated with the exception of those mentioned in b) and c), which may be delegated to the Delegate Committee in urgent cases and later ratified by the full board.

See sections: C.1 and C.6

Partial compliance

The Company complies with this recommendation, except for the following sections:

- a.iii) Owing to the complexity and large number of companies in the Repsol YPF Group at present, it has not been considered convenient to expressly include the contents of this recommendation in the company's internal regulations.
- a.vii) The Company complies with this recommendation, except regarding the periodic monitoring of internal information and control systems. In this regard, since recommendation 50.1 of the Unified Code assigns duties to the Audit and Control Committee involving supervision of the information, internal control and risk management systems, and Repsol YPF has been subject to the US Sarbanes-Oxley Act (Section 404) until June 2011, according to which the Audit Committee must oversee and control the functioning of the Internal Financial Reporting Control system, the Company has considered it convenient to assign that Committee the duty of supervising the risk management, internal control and information systems of the company, without prejudice to reporting to the Board on these matters.
- b.i) The Regulations of the Board of Directors does not reserve to the Board the removal of senior officers. The Company considers that this power over the top management should be reserved for the chief executive, since these positions come under his trust and responsibility, without prejudice to reporting to the Board. Nevertheless, the Board of Directors reserves the power to approve any guarantee or golden parachute clauses for senior executives of the company in cases of dismissals or changes of ownership, when the conditions exceed those normally established on the market.
- b.v) The Company complies with this recommendation, except regarding the creation or acquisition of shares in companies domiciled in countries or territories considered tax havens. In this regard, the Company has opted for the Audit and Control Committee to receive information on these matters and ensure that these transactions correspond to appropriate purposes, and for the Top Management to take the appropriate measures to identify and adequately manage them, without prejudice to reporting to the Board on these matters.

Furthermore, this recommendation includes a vague concept (transactions which might impair the transparency of the Group), which the company has not considered it convenient to include in its internal regulations, owing to the uncertainty that could arise in its application.

9. In the interests of maximum effectiveness and participation, the Board of Directors should ideally comprise no fewer than five and no more than fifteen members.

See section: B.1.1

Comply

10. External directors, proprietary and independent, should occupy an ample majority of board places, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.

See sections: A.2, A.3, B.1.3 and B.1.14.

Comply

- 11. In the event that some external director can be deemed neither proprietary nor independent, the company should disclose this circumstance and the links that person maintains with the company or its senior officers, or its shareholders.**

See section: B.1.3

Not applicable

- 12. That among external directors, the relation between proprietary members and independents should match the proportion between the capital represented on the board by proprietary directors and the remainder of the company's capital.**

This proportional criterion can be relaxed so the weight of proprietary directors is greater than would strictly correspond to the total percentage of capital they represent:

1. In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings, despite the considerable sums actually invested.
2. In companies with a plurality of shareholders represented on the board but not otherwise related.

See sections: B.1.3, A.2 and A.3

Comply

- 13. The number of independent directors should represent at least one third of all board members.**

See section: B.1.3

Comply

- 14. The nature of each director should be explained to the General Meeting of Shareholders, which will make or ratify his or her appointment. Such determination should subsequently be confirmed or reviewed in each year's Annual Corporate Governance Report, after verification by the Nomination Committee. The said Report should also disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 5% of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.**

See sections: B.1.3 and B.1.4

Comply

- 15. When women directors are few or non existent, the board should state the reasons for this situation and the measures taken to correct it; in particular, the Nomination Committee should take steps to ensure that:**

- a) The process of filling board vacancies has no implicit bias against women candidates;
- b) The company makes a conscious effort to include women with the target profile among the candidates for board places.

See sections: B.1.2, B.1.27 and B.2.3.

Comply

- 16. The Chairman, as the person responsible for the proper operation of the Board of Directors, should ensure that directors are supplied with sufficient information in advance of board meetings, and work to procure a good level of debate and the active involvement of all members, safeguarding their rights to freely express and adopt**

positions; he or she should organise and coordinate regular evaluations of the board and, where appropriate, the company's chief executive, along with the chairmen of the relevant board committees.

See section: B.1 42

Comply

17. When a company's Chairman is also its chief executive, an independent director should be empowered to request the calling of board meetings or the inclusion of new business on the agenda; to coordinate and give voice to the concerns of external directors; and to lead the board's evaluation of the Chairman.

See section: B.1.21

Comply

18. The Secretary should take care to ensure that the Board's actions:

- a) Adhere to the spirit and letter of laws and their implementing regulations, including those issued by regulatory agencies;
- b) Comply with the company bylaws and the regulations of the General Shareholders' Meeting, the Board of Directors and others;
- c) Are informed by those good governance recommendations of the Unified Code that the company has subscribed to.

In order to safeguard the independence, impartiality and professionalism of the Secretary, his or her appointment and removal should be proposed by the Nomination Committee and approved by a full board meeting, the relevant appointment and removal procedures being spelled out in the board's regulations.

See section: B.1.34

Comply

19. The Board should meet with the necessary frequency to properly perform its functions, in accordance with a calendar and agendas set at the beginning of the year, to which each director may propose the addition of other items.

See section: B.1.29

Comply

20. Director absences should be kept to the bare minimum and quantified in the Annual Corporate Governance Report. When directors have no choice but to delegate their vote, they should do so with instructions.

See sections: B.1.28 and B.1.30

Comply

21. When directors or the Secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, the person expressing them can request that they be recorded in the minute book.

Not applicable

22. The board in full should evaluate the following points on a yearly basis:

- a) **The quality and efficiency of the board's operation;**
- b) **Starting from a report submitted by the Nomination Committee, how well the Chairman and chief executive have carried out their duties;**
- c) **The performance of its committees on the basis of the reports furnished by the same.**

See section: B.1.19

Comply

- 23. All directors should be able to exercise their right to receive any additional information they require on matters within the board's competence. Unless the bylaws or board regulations indicate otherwise, such requests should be addressed to the Chairman or Secretary.**

See section: B.1.42

Comply

- 24. All directors should be entitled to call on the company for the advice and guidance they need to carry out their duties. The company should provide suitable channels for the exercise of this right, extending in special circumstances to external assistance at the company's expense.**

See section: B.1.41

Comply

- 25. Companies should organise induction programmes for new directors to acquaint them rapidly with the workings of the company and its corporate governance rules. Directors should also be offered refresher programmes when circumstances so advise.**

Comply

- 26. Companies should require their directors to devote sufficient time and effort to perform their duties effectively, and, as such:**

- a) **Directors should apprise the Nomination Committee of any other professional obligations, in case they might detract from the necessary dedication;**
- b) **Companies should lay down rules about the number of directorships their board members can hold.**

See sections: B.1.8, B.1.9 and B.1.17

Partial compliance

The Company complies with this recommendation, except regarding the rules on the number of directorships its directors may hold. It considers the obligations that Directors are to meet by virtue of their office, as stipulated in Article 17 of the Regulations of the Board of Directors, sufficient to guarantee the efficient performance by directors of their duties:

- Constantly devote such time and efforts as may be necessary to regularly oversee the issues concerning administration of the company.
- Be informed and adequately prepare meetings of the board and any other delegated

and advisory committees to which they belong, obtaining sufficient information and such collaboration or assistance as they may deem fit.

- Attend meetings of all committees they are on and participate actively in the debates, such that their opinions may contribute effectively to the decision-making process. If they are justifiably unable to attend any meetings to which they have been called, they shall duly instruct another director to represent them.
- Carry out any specific task commissioned by the board that is reasonably within his dedication commitment.
- Inform the Nomination and Compensation Committee of any other professional obligations they may have and any material changes in their professional situation, as well as any that may affect the nature or condition by virtue of which they have been appointed director.

The Nomination and Compensation Committee shall inform the Board on directors' performance of these obligations.

27. The proposal for the appointment or renewal of directors which the board submits to the General Shareholders' Meeting, as well as provisional appointments by the method of co-option, should be approved by the board:

- a) On the proposal of the Nomination Committee, in the case of independent directors.
- b) Subject to a report from the Nomination Committee in all other cases.

See section: B.1.2

Comply

28. Companies should post the following director particulars on their websites and keep them permanently updated:

- a) Professional experience and background;
- b) Directorships held in other companies, listed or otherwise;
- c) An indication of the director's classification as executive, proprietary or independent; in the case of proprietary directors, stating the shareholder they represent or have links with.
- d) The date of their first and subsequent appointments as a company director, and;
- e) Shares held in the company and any options on the same.

Comply

29. Independent directors should not stay on as such for a continuous period of more than 12 years.

See section: B.1.2

Comply

30. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number

should be reduced accordingly.

See sections: A.2, A.3 and B.1.2

Comply

- 31. The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where just cause is found by the board, based on a proposal from the Nomination Committee. In particular, just cause will be presumed when a director is in breach of his or her fiduciary duties or comes under one of the disqualifying grounds enumerated in section III.5 (Definitions) of this Code.**

The removal of independents may also be proposed when a takeover bid, merger or similar corporate operation produces changes in the company's capital structure, in order to meet the proportionality criterion set out in Recommendation 12.

See sections: B.1.2, B.1.5 and B.1.26

Comply

- 32. Companies should establish rules obliging directors to inform the board of any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, with particular mention of any criminal charges brought against them and the progress of any subsequent trial.**

The moment a director is indicted or tried for any of the crimes stated in article 124 of the Public Limited Companies Law, the board should examine the matter and, in view of the particular circumstances and potential harm to the company's name and reputation, decide whether or not he or she should be called on to resign. The board should also disclose all such determinations in the Annual Corporate Governance Report.

See sections: B.1.43, B.1.44

Comply

- 33. All directors should express clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors unaffected by the conflict of interest should challenge any decision that could go against the interests of shareholders lacking board representation.**

When the board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next Recommendation.

The terms of this Recommendation should also apply to the Secretary of the board; director or otherwise.

Not applicable

- 34. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Irrespective of whether such resignation is filed as a significant event, the motive for the same must be explained in the Annual Corporate Governance Report.**

See section: B.1.5

Comply

35. The company's remuneration policy, as approved by its Board of Directors, should specify at least the following points:

- a) **The amount of the fixed components, itemised where necessary, of board and board committee attendance fees, with an estimate of the fixed annual payment they give rise to;**
- b) **Variable components, in particular:**
 - i) **The types of directors they apply to, with an explanation of the relative weight of variable to fixed remuneration items;**
 - ii) **Performance evaluation criteria used to calculate entitlement to the award of shares or share options or any performance-related remuneration;**
 - iii) **The main parameters and grounds for any system of annual bonuses or other, non cash benefits; and**
 - iv) **An estimate of the sum total of variable payments arising from the remuneration policy proposed, as a function of degree of compliance with pre-set targets or benchmarks.**
- c) **The main characteristics of pension systems (for example, supplementary pensions, life insurance and similar arrangements), with an estimate of their amount or annual equivalent cost.**
- d) **The conditions to apply to the contracts of executive directors exercising senior management functions. Among them:**
 - i) **Duration;**
 - ii) **Notice periods; and**
 - iii) **Any other clauses covering hiring bonuses, as well as indemnities or 'golden parachutes' in the event of early termination of the contractual relation between company and executive director.**

See section: B.1.15

Comply

36. Remuneration comprising the delivery of shares in the company or other companies in the group, share options or other share-based instruments, payments linked to the company's performance or membership of pension schemes should be confined to executive directors.

The delivery of shares is excluded from this limitation when directors are obliged to retain them until the end of their tenure.

See sections: A.3, B.1.3

Comply

37. External directors' remuneration should sufficiently compensate them for the dedication, abilities and responsibilities that the post entails, but should not be so high as to compromise their independence.

Comply

38. In the case of remuneration linked to company earnings, deductions should be computed for any qualifications stated in the external auditor's report.

Comply

39. In the case of variable awards, remuneration policies should include technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, atypical or exceptional transactions or circumstances of this kind.

Comply

40. The board should submit a report on the directors' remuneration policy to the advisory vote of the General Shareholders' Meeting, as a separate point on the agenda. This report can be supplied to shareholders separately or in the manner each company sees fit.

The report will focus on the remuneration policy the board has approved for the current year with reference, as the case may be, to the policy planned for future years. It will address all the points referred to in Recommendation 34, except those potentially entailing the disclosure of commercially sensitive information. It will also identify and explain the most significant changes in remuneration policy with respect to the previous year, with a global summary of how the policy was applied over the period in question.

The role of the Remuneration Committee in designing the policy should be reported to the Meeting, along with the identity of any external advisors engaged.

See section: B.1.16

Partial compliance

The company prepared the Report on the Directors' Remuneration Policy, which is made available to shareholders, for their information, at the Ordinary General Shareholders Meeting.

41. The notes to the annual accounts should list individual directors' remuneration in the year, including:

- a) **A breakdown of the compensation obtained by each company director, to include where appropriate:**
 - i) **Participation and attendance fees and other fixed director payments;**
 - ii) **Additional compensation for acting as chairman or member of a board committee;**
 - iii) **Any payments made under profit-sharing or bonus schemes, and the reason for their accrual;**
 - iv) **Contributions on the director's behalf to defined-contribution pension plans, or any increase in the director's vested rights in the case of contributions to defined-benefit schemes;**
 - v) **Any severance packages agreed or paid;**
 - vi) **Any compensation they receive as directors of other companies in the group;**

- vii) The remuneration executive directors receive in respect of their senior management posts;
 - viii) Any kind of compensation other than those listed above, of whatever nature and provenance within the group, especially when it may be accounted as a related-party transaction or when its omission would detract from a true and fair view of the total remuneration received by the director.
- b) An individual breakdown of deliveries to directors of shares, share options or other share-based instruments, itemised by:
- i) Number of shares or options awarded in the year, and the terms set for their execution;
 - ii) Number of options exercised in the year, specifying the number of shares involved and the exercise price;
 - iii) Number of options outstanding at the annual close, specifying their price, date and other exercise conditions;
 - iv) Any change in the year in the exercise terms of previously awarded options.
- c) Information on the relation in the year between the remuneration obtained by executive directors and the company's profits, or some other measure of enterprise results.

Comply

42. When the company has a Delegate Committee, the breakdown of its members by director category should be similar to that of the board itself. The Secretary of the board should also act as secretary to the Delegate Committee.

See sections: B.2.1 and B.2.6

Comply

43. The board should be kept fully informed of the business transacted and decisions made by the Delegate Committee. To this end, all board members should receive a copy of the Committee's minutes.

Comply

44. In addition to the Audit Committee mandatory under the Securities Market Law, the Board of Directors should form a committee, or two separate committees, of Nomination and Remuneration.

The rules governing the make-up and operation of the Audit Committee and the committee or committees of Nomination and Remuneration should be set forth in the board regulations, and include the following:

- a) The Board of Directors should appoint the members of such committees with regard to the knowledge, aptitudes and experience of its directors and the terms of reference of each committee; discuss their proposals and reports; and be responsible for overseeing and evaluating their work, which should be reported to the first board plenary following each meeting;
- b) These committees should be formed exclusively of external directors and have a minimum of three members. Executive directors or senior officers may also attend

meetings, for information purposes, at the Committees' invitation.

- c) Committees should be chaired by an independent director.
- d) They may engage external advisors, when they feel this is necessary for the discharge of their duties.
- e) Meeting proceedings should be minuted and a copy sent to all board members.

See sections: B.2.1 and B.2.3

Comply

45. The job of supervising compliance with internal codes of conduct and corporate governance rules should be entrusted to the Audit Committee, the Nomination Committee or, as the case may be, separate Compliance or Corporate Governance committees.

Comply

46. All members of the Audit Committee, particularly its chairman, should be appointed with regard to their knowledge and background in accounting, auditing and risk management matters.

Comply

47. Listed companies should have an internal audit function, under the supervision of the Audit Committee, to ensure the proper operation of internal reporting and control systems.

Comply

48. The head of internal audit should present an annual work programme to the Audit Committee; report to it directly on any incidents arising during its implementation; and submit an activities report at the end of each year.

Comply

49. Control and risk management policy should specify at least:

- a) The different types of risk (operational, technological, financial, legal, reputational...) the company is exposed to, with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks;
- b) The determination of the risk level the company sees as acceptable;
- c) Measures in place to mitigate the impact of risk events should they occur;
- d) The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

See section: D

Comply

50. The Audit Committee's role should be:

1. With respect to internal control and reporting systems:

- a) Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.

- b) Review internal control and risk management systems on a regular basis, so main risks are properly identified, managed and disclosed.
 - c) Monitor the independence and efficacy of the internal audit function; propose the selection, appointment, reappointment and removal of the head of internal audit; propose the department's budget; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.
 - d) Establish and supervise a mechanism whereby staff can report confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the firm.
2. With respect to the external auditor:
- a) Make recommendations to the board for the selection, appointment, reappointment and removal of the external auditor, and the terms and conditions of his engagement.
 - b) Receive regular information from the external auditor on the progress and findings of the audit programme, and check that senior management are acting on its recommendations.
 - c) Monitor the independence of the external auditor, to which end:
 - i) The company should notify any change of auditor to the CNMV as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.
 - ii) The Committee should ensure that the company and the auditor adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other requirements designed to safeguard auditors' independence;
 - iii) The Committee should investigate the issues giving rise to the resignation of any external auditor.
 - d) In the case of groups, the Committee should urge the group auditor to take on the auditing of all component companies.

See sections: B.1.35, B.2.2, B.2.3 and D.3

Comply

51. The Audit Committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

Comply

52. The Audit Committee should prepare information on the following points from Recommendation 8 for input to board decision-making:

- a) The financial information that all listed companies must periodically disclose. The Committee should ensure that interim statements are drawn up under the same accounting principles as the annual statements and, to this end, may ask the external auditor to conduct a limited review.

- b) The creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.**
- c) Related-party transactions, except where their scrutiny has been entrusted to some other supervision and control committee.**

See sections: B.2.2 and B.2.3

Partial compliance

The Company complies with this recommendation, except for paragraph b) on entities resident in tax havens and transactions that might impair the transparency of the group.

In this respect, Article 32 of the Regulations of the Board of Directors establishes that the Audit and Control Committee shall be informed on the creation or acquisition of shares in companies domiciled in countries or territories considered tax havens. The Committee shall also see that these transactions correspond to appropriate purposes and that top management takes the necessary measures to identify and adequately handle them.

Furthermore, this recommendation includes a vague concept (transactions which might impair the transparency of the Group), which the company has not considered it convenient to include in its internal regulations, owing to the uncertainty that could arise in its application.

- 53. The Board of Directors should seek to present the annual accounts to the General Shareholders' Meeting without reservations or qualifications in the audit report. Should such reservations or qualifications exist, both the Chairman of the Audit Committee and the auditors should give a clear account to shareholders of their scope and content.**

See section: B.1.38

Comply

- 54. The majority of Nomination Committee members - or Nomination and Remuneration Committee members as the case may be - should be independent directors.**

See section: B.2.1

Comply

- 55. The Nomination Committee should have the following functions in addition to those stated in earlier recommendations:**

- a) Evaluate the balance of skills, knowledge and experience on the board, define the roles and capabilities required of the candidates to fill each vacancy, and decide the time and dedication necessary for them to properly perform their duties.**
- b) Examine or organise, in appropriate form the succession of the chairman and the chief executive, making recommendations to the board so the handover proceeds in a planned and orderly manner.**
- c) Report on the senior officer appointments and removals which the chief executive proposes to the board.**
- d) Report to the board on the gender diversity issues discussed in Recommendation**

14 of this Code.

See section: B.2.3

Partial compliance

As mentioned in respect of Recommendation 8 above, the Company considers that the power to remove senior officers of the company should be reserved to the chief executive, since they are positions within his trust and responsibility.

56. The Nomination Committee should consult with the company's Chairman and chief executive, especially on matters relating to executive directors.

Any board member may suggest directorship candidates to the Nomination Committee for its consideration.

Comply

57. The Remuneration Committee should have the following functions in addition to those stated in earlier recommendations:

a) Make proposals to the Board of Directors regarding:

- i) The remuneration policy for directors and senior officers;**
- ii) The individual remuneration and other contractual conditions of executive directors.**
- iii) The standard conditions for senior officer employment contracts.**

b) Oversee compliance with the remuneration policy set by the company.

See sections: B.1.14, B.2.3

Comply

58. The Remuneration Committee should consult with the Chairman and chief executive, especially on matters relating to executive directors and senior officers.

Comply

G OTHER INFORMATION OF INTEREST

If you consider there to be an important principle or aspect regarding the corporate governance practices applied by your company that have not been mentioned in this report, indicate them below and explain the contents.

This section may be used to include any other information, clarification or qualification relating to the previous sections of the report.

In particular, state whether the company is subject to any laws other than the laws of Spain on corporate governance and, if this is the case, include whatever information the company may be obliged to supply that differs from the information included in this report.

1. Note on section A.2.

Due to the fact the company's shares are issued in book-entry form, the company does

not have up-to-date information on the identity of its shareholders or details of their stakes. Therefore, the details set out in this section are obtained from the last information supplied by *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, Sociedad Anónima Unipersonal* (IBERCLEAR), and from the information sent by shareholders to *Comisión Nacional del Mercado de Valores* (CNMV).

Petróleos Mexicanos (Pemex) holds its stake through Pemex Internacional España, S.A. and through several swap instruments (equity swaps) with certain financial entities which enable Pemex to exercise the economic and political rights of a percentage of up to 9.492 % of the share capital of the Company.

2. Note on section A.8.

The amount of 10,248 thousand Euros refers to the patrimonial effect generated due to transactions with shares issued by the Company.

On the other hand, pursuant to the Material Fact of January 11, 2012 with registry number 156304, Repsol YPF has communicated the placement among professional and qualified investors of 61,043,173 of its own shares, representing 5% of the share capital, acquired on December 20th, 2011, retaining 61,043,173 treasury shares, representing 5% of the share capital.

3. Note on section A.10

With regard to the legal restrictions on the purchase or sale of shares in the capital, under Supplementary Provision 11th to the Hydrocarbons Act 34/1998, as drafted in Royal Decree-Law 4/2006 of February 24, prior administrative authorisation by the *Comisión Nacional de Energía* must be sought for certain acquisitions or investments in companies that engage in regulated activities or activities subject to significant oversight by administrative bodies that implies special regulation.

On July 28, 2008, the European Court of Justice determined that Spain had, through the imposition of this requirement of administrative authorisation by the *Comisión Nacional de Energía*, failed to fulfil its obligations under Articles 43 and 56 of the EC Treaty.

4. Note on section B.1.11.

Following the former practice of Repsol YPF, S.A. and to supplement the information supplied in section B.1.11., the sums accrued by members of the Board during 2011, individually and by types of remuneration, or other benefits, are set out in this Annual Report on Corporate Governance.

a) Due to membership of the Board

Under the system established and approved by the Nomination and Compensation Committee, the amounts of the annual remunerations earned in 2010 and 2011 by virtue of membership of each of the Group's managing bodies are as follows:

	Euro	
Governing Body	2010	2011
<hr/>		

Board of Directors	172,287	176,594
Delegate Committee (DC)	172,287	176,594
Audit and Control Committee (ACC)	86,144	88,297
Strategy, Investment and Corporate Social Responsibility Committee (SICRC)	43,072	44,149
Nomination and Compensation Committee (NCC)	43,072	44,149

The amount of the remunerations earned by the members of the Board of Directors for belonging to same in 2011 and payable against the aforesaid assignment in the Articles of Association was EUR 4.974 million, itemised as follows:

Director	Board	Board Committees				TOTAL
		DC	ACC	NCC	SICRC	
ANTONIO BRUFAU NIUBÓ	176,594	176,594	-	-	-	353,188
LUIS SUÁREZ DE LEZO MANTILLA	176,594	176,594	-	-	-	353,188
PEMEX INTERNACIONAL ESPAÑA, S.A.	176,594	176,594	-	-	44,149	397,337
CARMELO DE LAS MORENAS LÓPEZ (1)	58,865	-	29,432	-	-	88,297
HENRI PHILIPPE REICHSTUL	176,594	176,594	-	-	-	353,188
PAULINA BEATO BLANCO	176,594	-	88,297	-	-	264,891
JAVIER ECHENIQUE LANDIRIBAR	176,594	176,594	88,297	-	-	441,486
ARTUR CARULLA FONT	176,594	176,594	-	44,149	-	397,337
LUIS DEL RIVERO ASENSIO (2)	161,878	132,446	-	-	-	294,324
JUAN ABELLÓ GALLO	176,594	-	-	-	44,149	250,175
JOSÉ MANUEL LOUREDA MANTIÑÁN	176,594	-	-	44,149	44,149	264,891
LUIS CARLOS CROISSIER BATISTA	176,594	-	-	-	44,149	220,743
ISIDRO FAINÉ CASAS	176,594	176,594	-	-	-	353,188
JUAN MARÍA NIN GÉNOVA	176,594	-	-	44,149	44,149	264,891
ÁNGEL DURÁNDEZ ADEVA	176,594	-	88,297	-	-	264,891
M ^a ISABEL GABARRO MIQUEL	176,594	-	-	44,149	44,149	264,891
MARIO FERNÁNDEZ PELAZ (3)	117,729	-	-	29,432	-	147,162

(1) Carmelo de las Morenas López resigned from his position of Director on April 15, 2011.

(2) Luis del Rivero Asensio resigned from his position of Director on December 20, 2011.

(3) Mario Fernández Pelaz was appointed Director on April 15, 2011.

It should also be noted that:

- The members of the Board of Directors of Repsol YPF, S.A. have not been granted any loans or advances by any Group company, jointly controlled entity or associate.
- No Group company, jointly controlled entity or associate has pension or life insurance obligations to any former or current member of the Board of Directors of Repsol YPF, S.A., except in the case of the Executive Chairman and the General Counsel whose remunerations, as Executive Directors, are governed by the obligations provided for in their contracts for services, which envisage a defined contribution system.

b) Due to the holding of executive positions and performing executive duties

The fixed monetary remuneration earned in 2011 by the Board members who had performed executive duties in the Group during the year totalled EUR 3.351 million, corresponding EUR 2.368 million to Antonio Brufau and EUR 0.983 million to Luis Suárez de Lezo.

Additionally, the remuneration in kind (housing, etc.), annual variable and multi-annual variable calculated on the basis of the degree to which targets of the Medium Term Incentives Program 2008-2011, accrued by Antonio Brufau, totalled EUR 1.942 million. The remuneration in kind, annual variable and multi-annual variable, multi-annual as a participant of the above program, earned by Luis Suárez de Lezo, totalled EUR 1.033 million.

Furthermore, on an extraordinary basis, a special bonus has been accrued in 2011 connected to the increase of results in 2010 of an amount of EUR 2.772 millions for Antonio Brufau and 1.678 millions for Luis Suárez de Lezo.

The referred amounts do not include those indicated in the section e) below.

c) Due to membership of the Boards of Directors of subsidiaries

The remuneration earned in 2011 by the members of the Board of Directors of Repsol YPF, S.A. in their capacity as directors of other Group companies, jointly controlled entities and associates amounted to EUR 0.611 million, according to the following details:

		Euros	
	YPF	Gas Natural	Total
Antonio Brufau	85,281	289,800	375,081
Luis Suárez de Lezo	83,668	151,800	235,468

d) Due to third-party liability insurance premiums

The Board members are covered by the same third-party liability insurance policy as that covering all the directors and executives of the Repsol YPF Group.

e) Due to retirement and disability insurance policies and contributions to pension plans and long service bonus

The cost of retirement, disability and death insurance policies, and contributions to pension plan and the long service bonus, including the corresponding on account payments, if any, incurred by the Company in relation to Board members who discharged executive duties at the Group during 2011 totalled EUR 2.965 million, of which EUR 2.671 million corresponded to Antonio Brufau and EUR 0.294 million to Luis Suárez de Lezo.

f) Indemnity payments to members of the Board of Directors

No director has received any indemnity payment from Repsol YPF in 2011.

g) Transactions with Directors

Apart from the remuneration earned, the dividends corresponding to the shares they hold and, in the case of External Proprietary Directors, the transactions with significant shareholders, the directors of Repsol YPF did not perform any relevant transaction other than in the normal course of business or other than on an arm's-length basis with the Company or with Group companies.

Notwithstanding the above, the Company has implemented the Delivery Share Plan for Beneficiaries of Pluriannual Remuneration Programmes which has been approved by the shareholders on the Annual General Meeting that took place last April 15, 2011. The purpose of said Plan is to enable its beneficiaries (among which are the Executive Directors and the other members of the Executive Committee), to invest in Repsol's shares up to the 50% of the gross amount that they will receive in accordance with the pluriannual remuneration programme so that if the beneficiary holds the shares during a period of three years and the other conditions of the Plan are met, they will have the right to receive from the Company shares in Repsol YPF to the proportion of one share for every three shares acquired initially.

Both the CEO and the General Counsel have adhered to the Plan subscribing the maximum amount permitted.

h) Related with Company's profit

Remuneration accrued by Executive Board Members, as detailed under sections a, b and c of this note, amounted to EUR 11.482 million, representing the 0.52% of the period's profit.

5. Note on section B.1.12.

For the purposes of this Annual Report on Corporate Governance, Repsol YPF considers "senior management" to members of the Executive Committee of Repsol YPF Group, the other executives who report directly to the Executive Chairman and the Director of Audit and Control.

This description, for informational purposes only, does not replace or is configured as interpreting element of other "senior management" concepts establish in the rules applicable to the Company (as Royal Decree 1382/1985), and has not the effect of creating, recognition, modification or termination of rights or legal or contractual obligations.

The information about senior management supplied in paragraph B.1.12 does not include the managerial staff with condition of executive director.

In addition, it should be noted that until June 16, 2011 Miguel Ángel Devesa del Barrio was the CFO and Miguel Martínez San Martín COO. From that date Miguel Martínez San Martín became the CFO and Executive Managing Director of Participated Entities and Ms. M^a Victoria Zingoni, Director of Investor Relations and Mr. Pedro Antonio Merino García, Director of Studies and Analysis of the Environment began to report directly to the Executive Chairman.

The amount of EUR 18.022 million corresponds to the total remuneration of senior management includes the remuneration of senior management mentioned in paragraph B.1.12. This amount includes, extraordinarily, a special bonus connected with the increase of the results in 2010 which has been accrued in 2011.

This amount does not include the cost of contributions to pension plans, life insurance, contingent plans and award for permanency, which totalled EUR 2.056 million.

6. Note on section B.1.18

On January 25, 2012 and according to the Material Fact number 157042 communicated by the Company, the Board of Directors resolved, unanimously, further to the proposal of the Nomination and Compensation Committee and in line with international best practices and recommendations on Corporate Governance, to amend articles 19 and 22 of the Board of Directors' Regulation with the aim of strengthening the mechanisms to protect the Company's corporate interest in the event of conflicts of interest arising from the designation of a competitor as a Director and the approval of related-party transactions.

The new wording of articles 19 and 22 of the Board of Directors' Regulation is the following:

"Article 19. Non compete obligation

1. *Directors may not engage, on their own or someone else's behalf, in activities whose exercise constitute competition with the Company unless the following requirements are met:*
 - (a) *it is reasonably foreseeable that the competitive situation will not cause harm to the Company or that the foreseeable harm shall be compensated by the expected benefit that the Company can reasonably get for allowing this situation of competition;*
 - (b) *that, having received advice from an independent external consultant renowned in the financial community and once the affected shareholder or Director has been heard, the Nomination and Compensation Committee issues a report assessing compliance with the requirement under paragraph (a) above, and*
 - (c) *that the General Shareholders Meeting agrees expressly to waive the prohibition of competition by the affirmative vote of a majority of disinterested social capital, i.e. the capital present and represented on the General Shareholders Meeting net of shares linked to the affected Director. If the General Shareholders Meeting excuses the non-competition obligation without fulfilling this special majority and the report of the Nomination and Compensation Committee has been unfavourable to the waiver, the Directors shall submit to the courts the compatibility of the resolution with the corporate interest.*
2. *At the time of convening the general meeting called to decide on the waiver of the prohibition of competition, the Board shall make available to the shareholders the reports of the Nomination and Compensation Committee and the independent external consultant referred to in paragraph 1. (b) above and, if appropriate, its own report. The resolutions of the General Shareholders Meeting pursuant to the provisions of this Article shall be submitted under a separate item on the agenda.*
3. *If the competition situation appears after the appointment of a Director, the concerned Director must resign immediately from office.*
4. *For the purposes of this article:*
 - (a) *it will be deemed that a person is carrying out, on its own behalf, competing activities with*

the Company when said activities are carried out, directly or indirectly, through controlling companies according to Article 42 of the Commercial Code.

(b) it will be deemed that a person is engaged on another person's behalf in activities that are competitive when the former has a significant stake or holds a management position in a competitor or another concerted company for the development of a common policy and, in any case, when he has been appointed as Director of the Company at the request of one of those, and

(c) it will be deemed not in competition with the Company (i) companies controlled by it (in the sense of Article 42 of the Commercial Code), and (ii) companies with which Repsol YPF, SA has established a strategic alliance, even if they have the same, similar or complementary purpose, provided the strategic alliance is in force. Directors appointed at the request of the Company or in consideration of a participation it has in the capital of a competitor shall not be considered under the prohibition of competition, for this reason alone.

- 5. Directors may not provide advice or representation services to competing entities with the Company, unless the Board of Directors, following a favourable report from the Nomination and Compensation Committee, authorizes them with the affirmative vote of two thirds of the Board members not affected by the conflict of interest. If these requirements are not complied with, the authorization shall be granted by the General Shareholders Meeting. With the same requirements the Board of Directors may also waive the conflict of interest incompatibility referred to in Article 13.1 above.*
- 6. The amendment of this section shall require the affirmative vote of three fourths of the members of Board of Directors. "*

"Article 22 .- Related-party transactions.

- 1. The transactions performed by the Company, directly or indirectly, with directors, significant shareholders represented on the Board or persons related thereto ("related-party transactions"), shall be subject to substantive and procedural requirements provided in this article.*
- 2. Related-party transactions (i) exceeding the amount of the 5% of the assets of the Group according to the last consolidated annual accounts approved by the General Shareholders Meeting; (ii) aimed at strategic assets of the Company, (iii) that involve transfer of technology relevant to the Company, or (iv) aimed at establishing mechanisms for collaboration and strategic alliances and which are not mere execution agreements of alliances previously established, can only be entered into if the following conditions are satisfied:*
 - (a) the transaction is fair and efficient from the standpoint of the Company's corporate interest;*
 - (b) after obtaining the relevant report of an independent expert renowned in the financial community on the reasonableness and arm's length terms of the related-party transaction, the Nominating and Compensation Committee issues a report assessing the compliance of the requirement under paragraph (a) above, and*
 - (c) the General Shareholders Meeting authorizes the related-party transaction with the favourable vote of a majority of disinterested social capital, i.e. the capital present and represented on the General Shareholders Meeting net of shares linked to the director or shareholder involved in the transaction. If the General Shareholders Meeting authorizes the related-party transaction without complying with the special majority and the report of the*

Nomination and Compensation Committee has been unfavourable to the authorization, the Directors shall submit to the courts the compatibility of the resolution with the Company's corporate interest. Notwithstanding the above, in those cases in which due to special circumstances it is not advisable to wait until the next General Shareholders Meeting, the transaction may be approved by the Board of Directors provided that: (i) the report of the Nomination and Compensation Committee indicated in section (b) above is favourable, and (ii) the resolution is passed with the affirmative vote of at least two thirds of the Board members not affected by the conflict of interest. In this case the Board will inform the following General Shareholders Meeting about the terms and conditions of the transaction.

At the time of convening the general meeting called to decide on the authorization of the related-party transaction, the Board shall make available to the shareholders the reports of the Nomination and Compensation Committee and the independent external consultant referred to in paragraph (b) above and, if appropriate, its own report.

- 3. Related-party transactions other than those referred to in paragraph 2 above will require only the approval of the Board on the report of the Nomination and Compensation Committee. Exceptionally, when reasons of urgency so require, the appropriate transactions may be authorized by the Executive Committee, with subsequent ratification by the full Board.*
- 4. This authorisation shall not be necessary for related-party transactions that meet the following three conditions:*
 - (i) they are performed under contracts with standard terms and conditions that are generally applied to customers contracting the type of product or service in question;*
 - (ii) they are made at prices or rates generally established by the person acting as supplier of the good or service in question or, for transactions involving goods or services for which there are no pre-established prices or rates, on arm's length terms, similar to the market conditions applied in similar commercial relationships maintained with unrelated customers; and*
 - (iii) the value of the transaction does not exceed 1% of the annual revenues of the company.*

Authorisation by the board shall not be required either in insignificant transactions corresponding to the normal business of the company, made on arm's length terms.

- 5. Related-party transactions shall be assessed from the point of view of equal treatment and market conditions and shall be described in the Annual Corporate Governance Report and the regular reporting of the company pursuant to the terms of applicable laws and regulations.*
- 7. The amendment of this section shall require the affirmative vote of three fourths of the members of the Board of Directors. "*

7. Note on section C.2.

In the case of Sacyr Vallehermoso, S.A. and Petr leos Mexicanos commitments acquired correspond to volume of purchases commitments in force at 31 December, 2011 net of volume of sales commitments.

The guarantees cancelled during 2011 amount to EUR 1,145 thousand.

The lease data refer to those leasings in which the Group acts as lessee net from those in which it acts as lesser.

Additionally to the related party transactions mentioned above, at 31 December 2011 the Group has another transactions with “la Caixa” Group, totalled EUR 1,321 million, which include short term investments in a sum of EUR 416 million, exchange rate hedging tools in a sum of EUR 173 million and interest rate hedging tools in a sum of 209 million.

8. Good Tax Practice Code

Repsol YPF is adhered to the Good Tax Practice Code, sponsored by the Large Business Forum and the State Tax Agency, and complies with the provisions contained therein.

Binding definition of Independent Director:

Indicate whether any of the independent directors have or have had any relationship with the company, its significant shareholders or its executives, which, if sufficiently significant or important, would have meant that the director could no longer be considered independent, pursuant to the definition set out in section 5 of the Unified Good Governance Code:

Yes No

This annual report on corporate governance was approved by the Board of Directors of the Company on 28 February 2012.

Indicate whether any Directors have voted against or abstained in connection with the approval of this Report.

Yes No

Name of the director that did not vote in favor of the approval of this report	Reasons (opposed, abstained, absent)	Explain the reasons

ANNEX TO REPSOL YPF, S.A.
2011 CORPORATE GOVERNANCE ANNUAL REPORT

This Annex contains information supplementing the Corporate Governance Annual Report pursuant to Article 61 bis of the Securities Market Act 24/1988 of 28 July, as amended by the Sustainable Economy Act 2/2011 of 4 March.

Since the new contents are not included in the current model of Corporate Governance Annual Report approved by the National Securities Market Commission Circular 4/2007 of 27 December, this Annex sets out the additional information required by the Securities Market Act, Article 61 bis.

1. SECURITIES THAT ARE NOT TRADED ON A REGULATED EU MARKET, INDICATING THE DIFFERENT CLASSES OF SHARES, IF ANY, AND THE RIGHTS AND OBLIGATIONS CONFERRED FOR EACH CLASS OF SHARES

All the Repsol YPF, S.A. (the “**Company**”, or “**Repsol YPF**”) shares have the same voting and economic rights; no shareholders have different voting rights.

The Repsol YPF shares are issued in book-entry form and are listed in the electronic dealing system (continuous electronic market) of the stock exchanges of Spain (Madrid, Barcelona, Bilbao and Valencia) and Buenos Aires (Bolsa de Comercio de Buenos Aires). On December 31, 2011 the Repsol YPF shares issued as *American Depositary Shares* (ADSs) are listed on the OTCQX market.

In addition, the shares and ADSs of the subsidiary YPF, S.A. are listed on the Bolsa de Comercio de Buenos Aires and the New York Stock Exchange (NYSE), respectively, and the shares of Refinería La Pampilla, S.A. are listed on the Lima Stock Exchange.

2. RESTRICTIONS ON THE TRANSFERABILITY OF SECURITIES AND VOTING RIGHTS

This information is set out in Section A.10 and the Note to Section A.10 included in point G (*Other Information of Interest*) in the Corporate Governance Annual Report.

3. RULES FOR AMENDING THE COMPANY’S ARTICLES OF ASSOCIATION

The Repsol YPF’s Articles of Association do not establish any conditions differing from those set out in the Companies Act for amending said Articles. Since the last paragraph of Article 27 of the Articles of Association, on the maximum number of votes that may be cast by a shareholder following the reform of the Companies Act is not applicable, the last

paragraph of Article 22 of the Articles of Association on amendment of that Article 27 is not applicable either.

On the other side, Article 22 of the Articles of Association establishes that in order to adopt valid resolutions to modify the Articles of Association, ordinary or extraordinary shareholders' meetings must be attended, in person or by proxy, by shareholders holding at least fifty per cent (50%) of the subscribed voting capital on first call, or twenty-five per cent (25%) of that capital on second call.

When attended by shareholders representing less than fifty per cent (50%) of the subscribed voting capital, resolutions to alter the articles may only be validly adopted with the favourable vote of two-thirds of the capital present or represented at the general meeting.

4. SIGNIFICANT RESOLUTIONS PASSED BY THE COMPANY WHICH ENTER INTO FORCE OR ARE MODIFIED OR TERMINATED IN THE EVENT OF TAKEOVER OF THE COMPANY FOLLOWING A TENDER BID, AND THE ENSUING EFFECTS

The Company participates in hydrocarbon exploration and operation through joint ventures with other state-owned and private oil companies. The contracts regulating the relationships between members of those joint ventures generally grant the other members a right of pre-emption over the interest of any member that is taken over whenever the value of that interest is significant in respect of the total assets of the transaction or when other conditions established in the contracts are met.

In addition, the laws regulating the oil and gas industry in several countries in which the Company operates require prior authorisation by the competent authorities for any transfer of all or part of the licences for exploration or operating concessions granted, and sometimes also for any change in the control of the concessionaire(s), especially for operators of mining areas.

Moreover, the agreements signed between Repsol YPF and Caja de Ahorros y Pensiones de Barcelona in respect of Gas Natural SDG, S.A., announced through regulatory disclosures to the National Securities Market Commission (CNMV); the Industrial Action Agreement between Repsol YPF and Gas Natural SDG, S.A. contemplated in those agreements and announced in a regulatory disclosure on 29 April 2005; and the Shareholders' Agreement between Repsol YPF and Gas Natural SDG regarding Repsol-Gas Natural LNG, S.L. contemplate a change in the control structure of any of the parties as grounds for termination.

5. AGREEMENTS BETWEEN THE COMPANY AND ITS EXECUTIVES AND EMPLOYEES ESTABLISHING INDEMNITIES FOR RESIGNATION, UNFAIR DISMISSAL OR TERMINATION OF THEIR CONTRACTS DUE TO A TAKEOVER BID

The consequences established in law and collective agreements of the termination of employment or service relationships between employees and the company are not homogenous but vary according to the employee(s) in question, the position they hold, the type of contract they have, the laws and regulations governing their employment or services relationship and other factors.

This notwithstanding, the Company has a single legal statute for executives, set down in the Executive Agreement, which regulates the indemnity payable in different cases of termination of employment, establishing as grounds for compensation those stipulated in prevailing laws. For members of the Executive Committee, these grounds include resignation by the executive following a business succession or major change in ownership of the company bringing about a renewal of the governing bodies or alteration of the contents and approach of the company's main business activity. The indemnities of existing members of the Executive Committee are calculated according to each executive's age, seniority and salary.

A deferred economic compensation is contemplated for Executive Directors on termination of their relationship with the Company, provided that termination is not a consequence of default of their obligations or of their own will whenever this is not justified by any of the grounds contemplated in their contracts. The details of compensations are set out in the Compensation Policy Report, which will be submitted to shareholders at the Annual Shareholders' Meeting 2012.

6. DESCRIPTION OF THE PRINCIPAL CHARACTERISTICS OF THE SYSTEM OF INTERNAL CONTROL AND RISK MANAGEMENT OVER THE FINANCIAL REPORTING PROCESS (SIFCR) OF THE REPSOL YPF GROUP

6.1. Introduction

According to the reference frameworks on internal control, companies must have models enabling them to implement, manage and assess their control systems in order to guarantee their effectiveness.

In this regard, the Repsol YPF Group (the “**Group**”) has an internal control model based on the generally accepted reference methodology framework COSO (*Committee of Sponsoring Organizations of the Treadway Commission*), developed through a process consisting of five components:

1. The **company’s control environment** is the foundation for the other components; it is the control awareness within an organisation. The aim pursued with this component is to establish and promote a collective attitude to achieve effective internal control over the organisation’s processes.
2. **Risk assessment** points to the need to assess all risks inherent in the company’s business and consists of identifying and analysing any factors that could hamper achievement of its strategic objectives and, based on that analysis, designing control activities to reduce the risks and determine how they should be managed.
3. The **control activities** refer to the policies and procedures designed to mitigate the risks identified, which should exist in all duties and at all levels of the company, focusing on the prevention and detection of errors and fraud.
4. **Information and communication** focuses on the need to identify, gather and report significant information in such a way and within a time that will enable each part of the organisation to assume its responsibilities. Management must put across a clear message to all employees regarding the importance of the responsibilities of each one in respect of control.
5. **Monitoring the functioning of the system**, since it is necessary to assess the quality of its performance, its adequate design, adaptation, implementation and effectiveness. The aim pursued by observing this component is to assess on the effectiveness, detecting and correcting any deficiencies identified in the internal control system.

As part of this internal control model, the Group has implemented a System of Internal Control over Financial Reporting (“SICFR”) in accordance the best practices in internal control over financial reporting, which responds to and complies with the requirements established by Securities Market Law 24/1988 of 28 July, as amended by Sustainable Economy Law 2/2011 of 4 March and other legislation in force.

The SICFR has enabled the Group, since its implementation, to respond to the requirements established in US laws and regulations during the time that Repsol YPF was registered with the U.S. Securities and Exchange Commission (“SEC”), particularly the Sarbanes-Oxley Law, following the guidelines issued by the SEC, and the Public Company Accounting Oversight Board (“PCAOB”). Among other issues, those regulations require an opinion by the External Auditor on the effectiveness of the SICFR, which has always been unqualified.

The Argentinean subsidiary YPF, S.A. is currently still registered with the SEC so is bound by the requirements established in the US laws and regulations on internal control over financial reporting.

6.2. The company’s control environment

The control environment lays down the guidelines for the Group’s behaviour and has a direct influence on employees’ level of awareness of control. It is the foundation for all other internal control aspects, providing discipline and structure.

The control environment includes the following elements, tangible and intangible:

- Integrity and ethical values
- Commitment to competence in the different organizational units
- Organisational structure and governability
- Management Philosophy and operating style
- Assignment of authority and responsibilities
- Human Resources policies and procedures

The Governing Bodies and the Management have a strong influence over the control environment through the establishing of rules, a code of conduct and other behavioural patterns, through its actions and behaviour, and by effectively promulgating policies and written procedures.

The SICFR is fully integrated within the organisation through the establishment of an outline of roles and responsibilities for the different bodies and functions, which are duly approved and promulgated within the Group, especially the following:

6.2.1. Board of Directors:

According to the Articles of Association, the Repsol YPF Board of Directors is responsible for governing, managing and administrating the company's businesses and interests in all aspects that are not specifically reserved for the Shareholders' General Meeting. It focuses on its general function of supervision and the consideration of matters of special importance for the Company.

The Regulations of the Board of Directors define the powers to be exercised by the Board, such as presenting the separate and consolidated Annual Financial Statements and Management Reports at the Ordinary Shareholders' Meeting. The Board must draw up those documents in clear, precise terms, endeavouring to avoid a qualified report by the external auditors. The Board must ensure that they give a true and fair view of the equity, financial position and results of the Company and the Group, pursuant to the applicable legal provisions. It must also approve the risk management and control policy and the annual and half-year financial statements which the Company, as a listed company, is obliged to publish regularly.

The Regulations also establish the Board's responsibility for approving the Company's codes of ethics and conduct, regulating its own organisation and functioning and those of the Senior Management, and specific duties related with the Company's trading on stock markets.

The Board deals directly with the members of the Senior Management of the Company and the external auditors, respecting at all times the independence of the latter.

In pursuance of Article 31 of its Articles of Association, at 31 December 2011 the Repsol YPF Board has fifteen members: two executive directors, five proprietary directors and eight independent directors.

The Board of Directors has set up the following Committees, the Delegate Committee with decision-making powers and the others with supervisory, reporting, advisory and proposal duties:

- a) The ***Audit and Control Committee*** of Repsol YPF, set up on 27 February 1995, which main object, according to the Regulations of the Board of Directors, is to support the Board of Directors in its oversight duties, through regular checking of the financial reporting process, the effectiveness of the executive controls and independence of the External Auditor, as well as checking compliance with all legal provisions and internal regulations applicable to the company.

According to the Regulations of the Board of Directors, the duties of the Audit and Control Committee related with the financial reporting process include the following:

- Supervise the process of preparing and presenting, as well as the integrity of, the regulated financial information on the Company and its Group, compliance with all requirements, adequate definition of the scope of consolidation and correct application of the accounting principles.
- Watch over the independence and efficiency of the internal audit department; analyse and approve, if appropriate, the Annual Internal Audit Plan and oversee the degree of fulfilment by the audited units of the corrective measures recommended by the internal audit department in previous actions. The Audit and Control Committee shall inform the Board of any cases that may entail a major risk for the Group.
- Prior to their submission to the Board, analyse the financial statements of the company and its consolidated Group included in the annual, half-year and quarterly reports and any other financial information that the company is obliged to publish regularly by virtue of being a listed company, with the necessary requirements to ensure that they are correct, reliable, adequate and clear. For this purpose it shall have all the necessary information and such degree of aggregation as it may deem fit, assisted as necessary by the top management of the Group, particularly the Finance and Affiliated Companies Department, and with the opinion and recommendations of the external auditor.
- Provide that the Annual Financial Statements to be submitted to the Board of Directors for authorisation are certified by the Executive Chairman and the Chief Financial Officer and Executive Director Affiliated Companies, pursuant to the internal or external regulations applicable from time to time.
- Check all significant changes in the accounting principles applied and the presentation of financial statements, ensuring that adequate notification is given thereof, expressly stating that the committee has checked them.
- Examine the draft ethic and conduct codes and amendments thereto prepared by the corresponding area of the Group and issue an opinion before proposals are submitted to the corporate bodies.
- Oversee with special diligence compliance with the rules on securities market conduct and supervise all actions of the company's Internal Transparency Committee.

- Supervise the sufficiency, adequacy and effective functioning of the recording and internal control systems and procedures in the measuring, valuation, classification and accounting of the hydrocarbon reserves of the Repsol YPF Group, ensuring that they are included in the Group's regular financial reporting in accordance with the sector standards and applicable laws and regulations.

According to the Regulations of the Board of Directors, the Audit and Control Committee is responsible for receiving confidential, anonymous communications expressing their concern over possible dubious practices in accounting or auditing. The Audit and Control Committee has established adequate procedures, mechanisms and controls to receive, process and follow-up any communications received through the communication channel for the Audit and Control Committee, through which the Committee can be informed on any issues related with accounting, internal control and auditing. This channel is available to employees and third parties through the corresponding applications on the corporate web site and the internal portal.

All the members of the Audit and Control Committee are external independent directors with expertise and experience in accounting and auditing. The Chairman of the Committee also has extensive experience in business, risk and financial management and a thorough knowledge of accounting procedures.

The Board appoints the members of this Committee for a term of four years. Without prejudice to their possible reappointment, they shall step down from the Committee on expiry of the aforesaid term, when they cease to be directors or whenever so resolved by the Board following a report by the Nomination and Compensation Committee. The Chairman is appointed for a maximum term of four years, after which he cannot be re-elected until one year after leaving the position, without prejudice to his continuation or re-election as member of the Committee.

- b) According to the Articles of Association and the Regulations of the Board of Directors, the Delegate Committee of Repsol YPF has been permanently delegated all the powers of the Board of Directors except those whose delegation is prohibited by law, the Articles of Association and/or the aforesaid Regulations.

The Delegate Committee consists of the Chairman of the Board and seven directors from the three different groups of directors (executive, proprietary and independent), in a proportion similar to that existing within the Board of Directors.

- c) According to the Articles of Association and the Regulations of the Board of Directors, the Nomination and Compensation Committee of Repsol YPF, set up on 27 February 1995, has among others, duties related to the appointments and compensation of both Directors and Senior Executives of the Company.

Additionally it shall inform the Board of Directors in cases concerning non-compete obligations, use of corporate information and assets, business opportunities and related-party transactions as well as on compliance by directors with the corporate governance principles or the obligations established in the Articles of Association or Regulations of the Board of Directors.

Finally, it also reviews the Corporate Governance Annual Report before its approval by the Board of Directors to check the nature attributed to each director (executive, proprietary, independent or external).

The Nomination and Compensation Committee is entirely made up of external directors, three of which are independent and the other two proprietary. They all have adequate expertise, skill and experience to perform the duties of the Committee.

d) The *Strategy, Investment and Corporate Social Responsibility Committee* of Repsol YPF was created on 25 September 2002. According to the Regulations of the Board of Directors, it is responsible, among other duties, for:

- Inform the Board of Directors and/or Delegate Committee on the principal highlights, landmarks and reviews of the Group's strategic plan and any other major strategic decisions within the Group.
- Inform on investments or divestments in assets which, by virtue of their value or strategic nature, the Executive Chairman believes should be first considered by the committee.
- Know and steer the policy, objectives and guidelines of the Repsol YPF Group on corporate social responsibility and inform the board thereon; check and report on the Corporate Responsibility Report of the Repsol YPF Group before it is submitted to the Board.

The Strategy, Investment and Corporate Social Responsibility Committee is made up entirely of external directors, two of whom are independent and the remaining four proprietary. They all have adequate expertise, skills and experience for the Committee's duties.

6.2.2. Internal Transparency Committee:

The Internal Transparency Committee of Repsol YPF was set up on 29 January 2003 and, as established in its Regulations, its main object is to promote and strengthen whatever policies may be necessary to ensure that the information provided for shareholders, markets and regulatory bodies is true and complete, present fairly its financial position and

the results of its operations and is reported within the deadlines and in compliance with any other requirements stipulated in the applicable laws and standards and the general market and good governance rules binding on the Company, providing support for the Executive Chairman and the Chief Financial Officer and ED Affiliated Companies.

According to its Regulations, the Internal Transparency Committee has the following duties, among others:

- Supervise the establishment and maintenance of the procedures for preparing the information that the Company is obliged to publish according to the applicable rules and regulations or, in general, any information it may announce to the markets, and the controls and procedures designed to ensure that (1) such information is recorded, processed, summarised and announced accurately and in due time and that (2) the information is compiled and submitted to the senior management, including the Executive Chairman and the Chief Financial Officer and ED Affiliated Companies, enabling decisions to be made in advance on the information to be publicly announced and proposing such improvements as it may deem fit.
- Check and ensure that the information set out in the documents to be published, especially announcements or disclosures to be made to the regulators and agents operating on the securities markets on which the Repsol YPF shares are traded, are correct, reliable, adequate and clear.

The members of the Internal Transparency Committee are: the Corporate Director of Tax and Economic Affairs, as Chairman, the Corporate Director for Legal Affairs, as Secretary, the Media Director, Strategy Director, Audit and Control Director, Administrative Economic Director, Investor Relations Director, Corporate Governance Affairs Director, Reserves Control Director, Management Control Director, a representative of General Management of Human Resources and Organisation, a representative of General Management Upstream, a representative of General Management Downstream and a representative of the General Management of YPF.

6.2.3. The Audit and Control Department:

Reporting to the General Counsel and Secretary of the Board of Directors, this Department assesses whether the design and functioning of the internal control and risk management systems in the Group are reasonable, helping to improve them and including any processes to ensure that:

- Any risks that may affect the organisation are adequately identified, measured, ranked and controlled, especially those affecting financial reporting.

- All operations are performed efficiently and effectively.
- The operations are performed in accordance with the applicable laws and regulations and the internal policies, rules and procedures established within the Group, assessing their adequacy and guaranteeing their compliance.
- The assets are adequately protected and reasonably controlled.
- The most important financial, management and operating information is adequately prepared.

It also monitors the assessment of design and functioning of the Group's SICFR reporting the Audit and Control Committee about the results obtained

6.2.4. Business Units and Corporate Areas identified as "owners of the controls":

Within the Group, the different Business Units and Corporate Areas identified as "owners of the controls" are responsible of guarantying the present validity, implementation and functioning of the controls and the adequate design of related processes. Of those Units, those with an especially important role in the development, maintenance and operation of the SICFR are described below:

- a) The Unit that prepares the financial statements and corresponding financial report and defines the inventory of SICFR controls and processes required to guarantee the reliability of the financial information, in coordination with the Audit and Control Department, as a result of its process of defining and assessing the Group SICFR.
- b) The unit that is responsible for ensuring compliance with all tax obligations; giving tax advice; monitoring, assessing and implementing changes in legislation; pinpointing, controlling, monitoring and assessing tax risks; handling tax disputes and conflicts and preparing the tax information for financial statements. According to the Code of Good Tax Practices, this unit is also responsible for reporting annually to the Audit and Control Committee on the tax policies applied by the Company.
- c) The Unit that monitors, analyses, reviews and interprets the accounting regulations and standards set out in the different regulatory frameworks applicable to the Group.
- d) The Unit that ensures the continuity and development of business plans, guaranteeing efficient utilisation of financial resources, optimisation of financial results and adequate monitoring and control of financial, market and credit risks.

- e) The Unit that defines the Annual Training Plan, lays down the instructions and criteria for developing the regulatory framework and establishes the guidelines for defining the organisational structure and sizing of the Group.
- f) The Unit that makes sure that the estimates of proved hydrocarbon reserves of the Repsol YPF Group comply with prevailing legislation on the different securities markets on which the Company is listed. It also makes internal audits of reserves, coordinates certification of reserves by external auditors and assesses the quality controls on reserve reporting, making the appropriate suggestions within a process of continuous improvement and application of best practices.
- g) The Units that provide adequate legal assistance to the Group on issues related with corporate governance and business or corporate areas. This assistance is provided through: (i) legal counselling to provide the necessary legal basis for the actions and decisions of the different corporate and business areas; (ii) preventive legal security to see that the Group acts at all times in accordance with all applicable laws and internal regulations; (iii) defence in legal proceedings; and (iv) legal and corporate management.

6.2.5. Other issues concerning the company's control environment

Internal regulations have been developed to define the lines of responsibility and authority related with the organisational structure, establishing the organisational criteria and principles to ensure adequate sizing and distribution of tasks. These internal regulations have been formally approved and distributed throughout the entire Group through the internal communication network.

A specific body of rules has been developed, identifying the units participating in the preparation of the financial statements and the duties and responsibilities assigned to each unit.

Apart from the internal rules and regulations contemplated hereinabove, such as the Articles of Association, the Regulations of the Board of Directors and the Regulations of the Internal Transparency Committee, the Group also has a "*Code of Conduct and Professional Ethics of the Employees of Repsol YPF*", approved by the Board of Directors following a favourable report by the Audit and Control Committee, which is applicable to all the Group's employees. This code develops the ethical values of the Repsol YPF Group (integrity, transparency, responsibility and safety), the minimum rules of conduct that should guide all employees during the performance of their professional work and the penalties applicable when those rules are broken. Among other aspects, the code lays down the basic principles for action in information transparency, processing of reserved and

confidential information and adequate reflection of transactions in the Company's financial records.

As a general rule, the new employees receive a copy of the Code of Conduct and Professional Ethics on joining the Group and sign an acknowledgement of receipt. Employees also regularly receive information on the applicable rules of ethics.

There is a communication channel on the Code of Conduct and Professional Ethics of the Employees of Repsol YPF, which provides an effective means for submitting consultations or reporting possible breaches of conduct under the code. This channel is accessible to both Group employees and third parties, through internal and/or external communication networks, particularly through the corresponding applications on the corporate web site and the internal portal.

The Ethics Committee, formally created on 4 December 2006, oversees compliance with the Code by all employees of the Repsol YPF Group and resolves the communications received through the channel. The Secretary of this Committee is responsible for processing, confidentially, all communications received through this channel.

According to the Regulations of the Repsol YPF Ethics Committee, the committee consists of the General Counsel and Secretary of the Board of Directors, the Managing Director for Human Resources and Organisation, the Audit and Control Director, the Corporate Director of the Repsol YPF Legal Services and the Corporate Director of Industrial Relations, Occupational Legal Management and Safety in the Workplace.

The Group also has an "Internal Code of Market Conduct", approved by the Board of Directors following a favourable report by the Audit and Control Committee, which meets the requirements stipulated in Spanish law, developing aspects such as rules of conduct for dealings in financial instruments and securities issued by the Group, treatment of inside information, reporting of important information, treasury stock dealing, prohibition of price rigging and the handling and management of conflicts of interest. The Company has formally established mechanisms promoting promulgation and compliance with the Code throughout the organisation.

As regards training programmes and regular refresher courses for employees, the Group has a formally approved Training Plan to support and promote the achievement of the Group's challenges and objectives through training and learning, by means of an integral, homogenous management of training requirements, coordination of that training and assessment of its impact and results.

Along these lines, internal regulations have been drawn up establishing powers and responsibilities in respect of training.

The units involved in preparing and checking the financial information and assessment of the SICFR have a special Training Plan designed to meet the specific training needs of these employees to perform their duties correctly.

6.3. Assessment of financial reporting risks

The Group has a risk map structured into five major types: strategic, operational, financial, environmental and regulatory or compliance (the “**Map**”). It defines the units participating in the management, control and supervision of each risk, the parameters and controls established and the applicable rules and regulations.

The Map is updated each year by the head of each of the different risks identified, within a process coordinated by the Audit and Control Department.

Within the compliance risks, the Group has identified a type called accounting and reporting risks.

An inventory of financial reporting risks has been drawn up to cover the principal risks affecting the reliability of the financial reporting, based on the following categories:

- General environment risks
- Risks in monitoring changes in regulation
- Business transaction risks
- Estimate and subjective calculation risks
- Preparation of financial statement risks

This document, which is subject to annual review, identifies, measures, assesses and categorises the Group’s financial reporting risks.

Updates of the inventory of financial reporting risks are subject to final approval by the Executive Committee and the Audit and Control Committee.

This inventory covers the principal risks associated with the process of preparing the financial statements (separate and consolidated) and other different risks (operational, financial, tax compliance, labour, regulatory, etc.) insofar as they have any effect on financial reporting.

The problems associated with the risk of fraud in financial reporting have also been considered an important factor to be taken into account when designing and implementing the SICFR. Accordingly, a model for preventing fraud in financial reporting has been developed, set out in the manual “Management of fraud risks in financial reporting”, based

on the framework established by the AICPA (*American Institute of Certified Public Accountants*) in its document “*Consideration of Fraud in a Financial Statement Audit*”, Section 316 (*Standard Auditing Statement 99*) and by the *Public Company Accounting Oversight Board* (PCAOB) in its document “*An Audit of Internal Control over Financial Reporting that it is Integrated with an Audit of Financial Statements*” (*Auditing Standard number 5*). This model for preventing fraud in financial reporting identifies a significant number of controls to cover the risk of fraud in financial reporting.

The Group has also a *segregation of duties model* to prevent and reduce the risk of fraud in the financial reporting process and matrixes of incompatibilities defined for each of the major processes have been implemented in the reporting systems covered by the SICFR, enabling it to establish continuous, routine monitoring of any conflicts and detect any cases in which the functions are not performed according to the previously defined profiles.

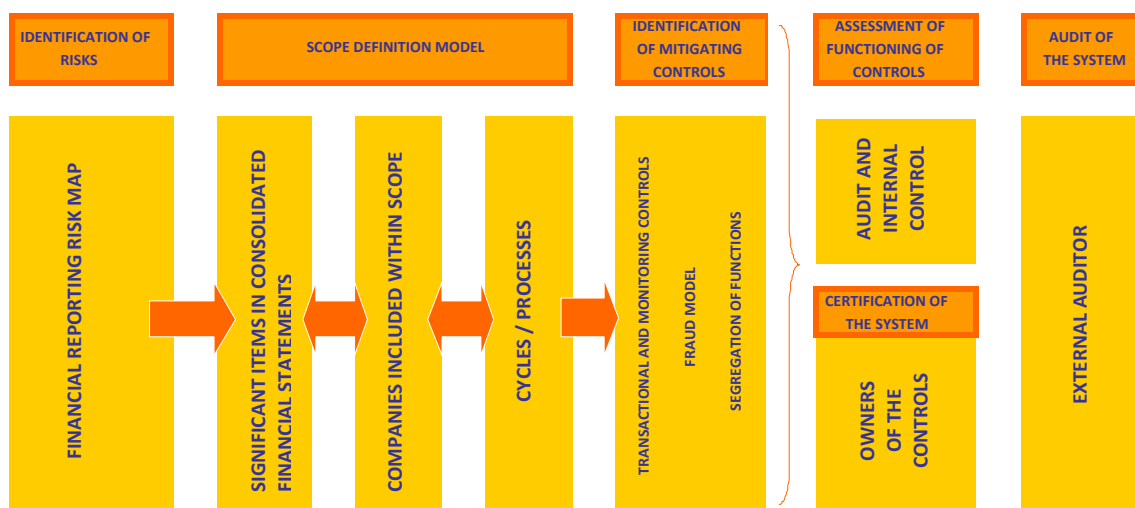
6.4. Control activities

The financial information review and authorisation processes performed by the Board of Directors, Audit and Control Committee and the Internal Transparency Committee have been described hereinabove in the section “The company’s control environment”.

The *Manual of Internal Control of Financial Reporting*, reviewed annually and distributed throughout the Group, describes the methods and main features of the SICFR implemented.

The Group has developed corporate applications covering the processes of monitoring, assessment of functioning and certification of the SICFR, enabling it to maintain and update the model expeditiously and efficiently.

Broadly speaking, the SICFR consists of the following phases:



First of all, the *scope of the model* is defined by identifying the financial reporting risks and associating them with important items, companies and processes of the consolidated financial statements, considering both qualitative and quantitative criteria.

The scope of the Group's SICFR does not include controls over the companies that are integrated in the consolidated financial statements under the method of proportional consolidation, since the Group does not have the exclusive power to implement its own system, modify the existing controls in those companies or to assess their effectiveness. The contribution of the Repsol YPF Group's jointly controlled companies to the main consolidated aggregates at December 31, 2011 is the following:

	Millions of Euros	
	Companies integrated proportionally	Total Group
Current assets	8,275	20,329
Non-current assets	14,520	50,628
Current liabilities	(4,395)	(17,104)
Non-current liabilities	(8,205)	(26,810)
Operating incomes	9,890	63,732
Operating expenses	(7,836)	(58,927)
Net Income attributable to the parent	1,095	2,193

The most relevant companies controlled jointly by the Group on December 31, 2011 are included in Note 25 of the consolidated financial statements

The SICFR model is structured in cycles defined as the set of transaction flows, for which operations are systematized and documented. Business transaction cycles (fixed assets, inventories, acquisitions and income) are identified for the major companies and cross cycles (salaries and human resources, financial management, collections and payments, data processing environment, risk hedging and insurance, environmental management, legal and regulatory management, tax management, financial reporting, credit risk management, estimation of hydrocarbon reserves and *Entity and Company level*) which work in the same way for all the companies included within the scope.

Each cycle consists of *processes*, which are assigned a degree of criticality, and a set of *control objectives* intended to reduce the risks associated with the *potential errors* (validity, valuation, cut-off, integrity, recording and presentation) in the preparation of financial reporting. Following this assignment, the controls that will cover the risks of the process will be defined.

The following types of controls are defined in the SICFR:

- Controls implemented on a process level, used by the Group to guarantee reaching the control objectives of each process.
- Controls implemented on a global level for the entire Group, including general and global controls in relation to the issues included under previous section of this document "The company's control environment", general computer controls, Group-level cross-process controls and anti-fraud controls.

Considering that the information systems affect the Group's transaction flows, some *general computer controls* have been identified to reasonably guarantee the reliability, integrity, availability and confidentiality of the information contained in the most relevant applications for financial reporting.

The general computer controls have a direct effect on the achievement of several control objectives and are considered in the assessment of the SICFR, grouped into the following areas:

- Development of information systems
- Modifications of information systems
- Operations
- Control of access to programmes and data

The controls over applications have the following characteristics:

- They contribute towards guaranteeing the precision, accuracy, authority and validity of the transactions effected in the applications.
- They apply to interfaces with other systems to check that inputs are complete and accurate and outputs are correct.
- In general, they are integrated within the programme logics to prevent and/or detect unauthorised transactions.

The scope of the general computer controls is delimited firstly by the applications covered in the business transaction cycles and cross cycles and secondly by the infrastructure used for those applications, such as technological platforms, servers, data bases or data processing centres.

The Group has internal rules on information systems, which lay down the general guidelines and principles of action for the different processes in this area covered by the general computer controls.

Controls for outsourced activities have been identified within the financial reporting processes to provide reasonable cover for the financial reporting risks and associated control objectives. The Reserves Control Unit engages external firms to audit the reserve estimates made by the operating units within the Group. The most relevant issues identified in these audits serve as basis to determine the reserves, in accordance to the Group Reserves Manual, being presented to the Executive Committee and the Control and Audit Committee.

Methods have also been developed to establish homogenous criteria on estimates and valuations made in the preparation of financial reporting, particularly those concerning crude and natural gas reserves, provisions for lawsuits and other contingencies, calculation of corporate income tax and deferred tax assets, assets impairment test and derivative financial instruments.

The functioning of all the controls of the model is assessed based on their scores in terms of impact on the financial statements and probability of failure. The control tests provide evidence on which to base the report on effectiveness of the SICFR issued by the Group Management at year end.

An internal procedure has also been established defining the calculation methods to be used to assess and classify the deficiencies detected during the assessment of the SICFR. These methods contemplate quantitative and qualitative factors and are based on the reference framework for assessing financial reporting internal control deficiencies developed jointly by the leading firms of auditors, listed companies and other institutions.

At year end, the Company requires the owners of the controls comprising the SICFR to issue a certificate on the validity and effectiveness of the processes and controls for which they are responsible. These are annual certificates in cascade, ending with the certificate issued by the Executive Chairman and the Chief Financial Officer and Executive Director of Affiliated Companies.

The SICFR documents consist essentially of the following: flowcharts of the processes covered by the SICFR, control matrixes identified therein, results of the tests on design and functioning of the controls and certificates of the validity and effectiveness of the controls by their respective owners.

6.5. Information and communication

The Group has integrated information systems both for the bookkeeping of transactions and for preparing the separate and consolidated financial statements. It also has centralised coding and parameterization processes which, together with the Accounting Criteria Manual, guarantee the homogeneity of the information. Finally, there are also tools for processing information on how to obtain and prepare the breakdown of information contained in the notes of the annual report. The systems related with the process of preparation and reporting of economic and financial information conform to the security standards established by the general computer controls.

In this regard, there is a unit responsible for monitoring, analysing and reviewing the accounting laws and regulations contained in the different regulatory frameworks applicable to the elaboration of the consolidated Financial Statements, and for analysing and answering consultations on the interpretation and adequate application of those laws and regulations. The organisational units involved in preparing financial information are formally informed of any new laws, regulations or accounting techniques and the results of the different analyses made.

The Accounting Criteria Manual establishes the accounting rules, policies and principles adopted by the Group. The Manual is revised and updated every six months and whenever there are material changes in the laws and regulations. The Manual is distributed throughout the organisation through its internal communication network.

6.6. Supervision of the functioning of the system

The financial reporting review processes performed by the Board of Directors, Audit and Control Committee and the Internal Transparency Committee have been described hereinabove in the section “The company’s control environment”.

In addition to the supervising mechanisms described above, the Audit and Control Committee analyses and approves, if appropriate, the Annual Internal Audit Plan and any other occasional or *ad hoc* plans that may be required following changes in regulation or to meet the needs of the Group's business organisation.

The annual internal audit plan is designed to assess and supervise the correct functioning and adequacy of the control systems established and to ensure that they enable identification, management and/or reduction of the operating, financial and reputational risks of the Group. As mentioned earlier, the Audit and Control Committee must be informed on the degree of fulfilment of the corrective measures recommended by the Internal Audit Department in previous actions and relies on that department to obtain information on any significant irregularities, anomalies and defaults by audited units, informing the Board of any cases that may entail a major risk for the Group.

Within the annual internal audit plan and based on a defined test plan, the Audit and Control Department performs its design and effectiveness testing strategy on an annual basis.

The Audit and Control Department is responsible for informing the owners of the controls on the results of the tests made on the design and functioning of effectiveness of the SICFR and any weakness detected in the updating and assessment process of the system.

After year-end, the Audit and Control Department reports to the Internal Transparency Committee and the Audit and Control Committee on the outcome of the SICFR assessment. The Audit and Control Committee is also informed of any deficiencies detected by the Audit and Control Department during its assessment of the effectiveness of the SICFR.

As mentioned in the section "The company's control environment", the Audit and Control Commission's duties include establishing liaisons with the external auditor to receive regular information on the audit plan and results of its implementation, and on any other issues concerned with the auditing process and corresponding laws and standards. It also checks that the management team heeds the recommendations made by the external auditor.

The Audit and Control Committee also regularly requires the external auditor, at least once a year, to assess the quality of the internal control procedures and systems, discusses with the external auditor any significant weaknesses detected during the audit and requests an opinion on the effectiveness of the SICFR.

The Group Management has made its assessment of the effectiveness of the SICFR in 2011 and did not detect any significant deficiency, concluding that the SICFR is effective, based on the criteria established by COSO.

6.7. Report of the External Auditor

The Group has submitted to the review of the External Auditor, the effectiveness of its SICFR in relation to the financial information contained in the consolidated financial statements of the Group at December 31, 2011. It is attached herein the Report issued by the External Auditor in relation to its assessment on the effectiveness of the SICFR.

* * *

Repsol YPF, S.A. and Subsidiaries

Auditors' Report on the System of Internal Control over Financial Reporting

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

AUDITORS' REPORT ON THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (SICFR)

To the Board of Directors of Repsol YPF, S.A.:

We have examined the information relating to the System of Internal Control over Financial Reporting (SICFR) of Repsol YPF, S.A. and Subsidiaries ("the Repsol YPF Group") contained in the accompanying "Description of the Principal Characteristics of the System of Internal Control and Risk Management over the Financial Reporting Process (SICFR) of the Repsol YPF Group". This examination includes an evaluation of the effectiveness of the SICFR in relation to the financial information contained in the Repsol YPF Group's consolidated financial statements at 31 December 2011, prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Repsol YPF Group. The objective of this system is to contribute to the transactions performed being presented fairly under the aforementioned accounting framework and to provide reasonable assurance in relation to the prevention or detection of any errors that might have a material effect on the consolidated financial statements. The aforementioned system is based on the rules and policies defined by Repsol YPF Group management in accordance with the guidelines established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its report "Internal Control-Integrated Framework".

A system of internal control over financial reporting is a process designed to provide reasonable assurance on the reliability of financial information in accordance with the accounting principles and standards applicable to it. A system of internal control over financial reporting includes policies and procedures that: (i) enable the records reflecting the transactions performed to be kept accurately and with a reasonable level of detail; (ii) guarantee that these transactions are only performed in accordance with the authorisations established; (iii) provide reasonable assurance as to the proper recognition of transactions to make it possible to prepare the financial information in accordance with the accounting principles and standards applicable to it; and (iv) provide reasonable assurance in relation to the prevention or timely detection of unauthorised acquisitions, use or sale of the company's assets which could have a material effect on the financial information. The limitations inherent to any system of internal control over financial reporting might give rise to errors, irregularities or fraud that might not be detected. Also, the projection to future periods of an evaluation of internal control is subject to risks, including the risk that the internal controls are rendered inadequate as a result of future changes in the applicable conditions or that there is a reduction in the future in the degree of compliance with the policies or procedures established.

Repsol YPF Group management is responsible for maintaining the system of internal control over the financial information included in the consolidated financial statements and for evaluating its effectiveness. Our responsibility is limited to expressing an opinion on its effectiveness, based on the work performed by us in accordance with the requirements established in Standard ISAE 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) for the issuance of reasonable assurance reports.

A reasonable assurance engagement includes understanding the system of internal control over the financial information contained in the consolidated financial statements, evaluating the risk of there being material errors therein, performing tests and evaluations of the design and operating effectiveness of the system, and performing such other procedures as we consider appropriate. We consider that our examination provides a reasonable basis for our opinion.

In our opinion, at 31 December 2011, the Repsol YPF Group maintained, in all material respects, an effective system of internal control over the financial information contained in its consolidated financial statements, and this internal control system is based on the rules and policies defined by Repsol YPF Group management in accordance with the guidance established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its report "Internal Control-Integrated Framework". Also, the disclosures contained in the information relating to the SICFR which is included in the Repsol YPF Group's corporate governance annual report at 31 December 2011 are in accordance, in all material respects, with the requirements established by Securities Market Law 24/1988 of 28 July, as amended by Sustainable Economy Law 2/2011 of 4 March, and other legislation in force.

As described in the accompanying "Description of the Principal Characteristics of the System of Internal Control and Risk Management over the Financial Reporting Process (SICFR) of the Repsol YPF Group", the SICRF does not include controls over the companies that are integrated in the consolidated financial statements under the method of proportional consolidation, since Repsol YPF Group does not have the exclusive power to implement its own system, modify the existing controls in those companies or to assess their effectiveness. The contribution of the Repsol YPF Group's jointly controlled companies to the main consolidated aggregates at 31 December 2011 is detailed in section 6.4 of the accompanying "Description of the Principal Characteristics of the System of Internal Control and Risk Management over the Financial Reporting Process (SICFR) of the Repsol YPF Group". As a result, our work did not include an examination of the effectiveness of the internal control system over the generation of the financial information of the aforementioned companies included in the consolidated financial statements of the Repsol YPF Group.

This examination does not constitute an audit of financial statements and is not subject to the Consolidated Audit Law approved by Legislative Royal Decree 1/2011 of 1 July, and, therefore, we do not express an audit opinion under the terms of the aforementioned legislation. However, we have audited, in accordance with the audit regulations in force in Spain, the consolidated financial statements of Repsol YPF, S.A. and Subsidiaries prepared by the directors of Repsol YPF, S.A. in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Repsol YPF Group, and our report dated 28 February 2012 expresses an unqualified opinion on the aforementioned consolidated financial statements.

DELOITTE, S.L.



Jorge Izquierdo Mazón

28 February 2012

Repsol YPF, S.A. and Subsidiaries

Auditors' Report

Consolidated Financial Statements for
the year ended December 31, 2010 and
Consolidated Management Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Repsol YPF Group (see notes 3 and 38). In the event of a discrepancy, the Spanish-language version prevails.

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Repsol YPF Group (see notes 3 and 38). In the event of a discrepancy, the Spanish-language version prevails.

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
Repsol YPF, S.A.:

We have audited the consolidated financial statements of Repsol YPF, S.A. and Subsidiaries (the Repsol YPF Group), which comprise the consolidated balance sheet at December 31, 2010, the related consolidated income statement, consolidated statement of recognised income and expenses, consolidated statement of changes in equity, consolidated cash flow statement and notes to the consolidated financial statements for the year then ended. As indicated in note 3 to the accompanying consolidated financial statements, the directors are responsible for the preparation of the Repsol YPF Group's consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group. Our responsibility is to express an opinion on the consolidated financial statements taken as a whole based on our audit work performed in accordance with the audit regulations in force in Spain, which require examination, by means of selective tests, of the evidence supporting the consolidated financial statements and evaluation of whether their presentation, the accounting principles and policies applied and the estimates made comply with the applicable regulatory financial reporting framework. Our work did not include an examination of the consolidated financial statements of Gas Natural SDG, S.A. and Subsidiaries, in which at December 31, 2010 the Repsol YPF Group held a 30.129% ownership interest, and whose assets and net profit represented 20.3% and 7.7%, respectively, of the corresponding consolidated figures of the Repsol YPF Group at the date. The consolidated financial statements of the aforementioned investee were audited by other auditors and our opinion as expressed in this report on the consolidated financial statements of Repsol YPF, S.A. and Subsidiaries is based, with respect to these investees, solely on the report of the other auditors.

In our opinion, based on our audit and on the report of the other auditors, the accompanying consolidated financial statements for 2010 present fairly, in all material respects, the consolidated equity and consolidated financial position of Repsol YPF, S.A. and Subsidiaries at December 31, 2010, and the consolidated results of their operations and the consolidated cash flows for the year then ended, in conformity with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group.

The accompanying consolidated management report for 2010 contains the explanations which the directors of Repsol YPF, S.A. consider appropriate about the situation of the Repsol YPF Group, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated management report is consistent with that contained in the consolidated financial statements for 2010. Our work as auditors was confined to checking the consolidated management report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Repsol YPF, S.A. and Subsidiaries.

DELOITTE, S.L.
Registered in ROAC under no. S0692



Jorge Izquierdo Mazón
24 February 2011

**CONSOLIDATED FINANCIAL STATEMENTS OF REPSOL YPF, S.A.
AND INVESTEES COMPRISING THE REPSOL YPF, S.A. GROUP
FOR THE FINANCIAL YEAR 2010**

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish language version prevails.

REPSOL YPF, S.A: AND INVESTEEES COMPRISING THE REPSOL YPF GROUP
Consolidated Balance Sheets at December 31, 2010 and 2009

ASSETS	Note	Millions of euros	
		12/31/2010	12/31/2009
Intangible Assets:		7,453	6,818
a) Goodwill	5	4,617	4,733
b) Other intangible assets	6	2,836	2,085
Property, plant and equipment	7	33,585	31,900
Investment property	8	26	35
Investments accounted for using the equity method	10	585	531
Non-current financial assets	12	1,789	1,732
Deferred tax assets	24	1,993	2,021
Other non-current assets	12	322	273
NON-CURRENT ASSETS		45,753	43,310
Non current assets held for sale	11	340	746
Inventories	13	5,837	4,233
Trade and other receivables		8,569	6,773
a) Trade receivables	14	5,795	4,644
b) Other receivables	14	2,405	1,909
c) Income tax assets		369	220
Other current financial assets	12	684	713
Cash and cash equivalents	12	6,448	2,308
CURRENT ASSETS		21,878	14,773
TOTAL ASSETS		67,631	58,083

Notes 1 to 38 are an integral part of these consolidated balance sheets.

REPSOL YPF; S.A: AND INVESTEEES COMPRISING THE REPSOL YPF GROUP
Consolidated Balance Sheets at December 31, 2010 and 2009

LIABILITIES AND EQUITY	Note	Millions of euros	
		12/31/2010	12/31/2009
EQUITY			
Issued Share capital		1,221	1,221
Share premium		6,428	6,428
Reserves		247	247
Retained earnings		13,309	12,619
Profit attributable to the equity holders of the parent		4,693	1,559
Dividends		(641)	(519)
EQUITY	15	25,257	21,555
Financial assets available for sale		6	2
Hedge transactions		(131)	(120)
Translation differences		(992)	(1,486)
ADJUSTMENTS FOR CHANGES IN VALUE	15	(1,117)	(1,604)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	15	24,140	19,951
MINORITY INTERESTS	15	1,846	1,440
TOTAL EQUITY		25,986	21,391
Grants	16	110	124
Non-current provisions for contingencies and expenses	17	3,772	3,097
Non-current financial liabilities	19	14,940	15,411
a) Bank borrowings, bonds and other securities		14,805	15,268
b) Other financial liabilities		135	143
Deferred tax liabilities	24	3,387	3,395
Other non-current liabilities	22	3,663	2,672
NON-CURRENT LIABILITIES		25,872	24,699
Liabilities related to non-current assets held for sale	11	153	185
Current provisions	17	404	282
Current financial liabilities:	19	4,362	3,499
a) Bank borrowings, bonds and other securities		4,224	3,433
b) Other financial liabilities		138	66
Trade payables and other payables:		10,854	8,027
a) Trade payables	23	4,539	3,491
b) Other payables	23	5,550	4,127
c) Income tax liabilities	23	765	409
CURRENT LIABILITIES		15,773	11,993
TOTAL EQUITY AND LIABILITIES		67,631	58,083

Notes 1 to 38 are an integral part of these consolidated balance sheets.

REPSOL YPF, S.A. AND INVESTEES COMPRISING THE REPSOL YPF GROUP
Consolidated Income Statements for the years ended December 31, 2010 and 2009

	Millions of euros		
	12/31/2010	12/31/2009	
	Note	Amount	Amount
Sales		53,663	45,827
Services rendered and other income		1,872	1,450
Changes in inventories of finished goods and work in progress inventories		517	94
Income from reversal of impairment losses and gains on disposal of non-current assets		3,188	371
Allocation of grants on non-financial assets and other grants	16	15	16
Other operating income		1,175	1,274
OPERATING REVENUE	26	60,430	49,032
Supplies		(36,184)	(31,433)
Personnel expenses		(2,411)	(2,087)
Other operating expenses		(9,916)	(8,503)
Depreciation and amortisation of non-current assets		(3,947)	(3,620)
Impairment losses recognised and losses on disposal of non-current assets		(351)	(145)
OPERATING EXPENSES	26	(52,809)	(45,788)
OPERATING INCOME		7,621	3,244
Finance income		159	173
Finance expenses		(1,086)	(1,012)
Changes in the fair value of financial instruments		(255)	192
Net exchange gains/ (losses)		173	148
Impairment and gains/ (losses) on disposal of financial instruments		1	31
FINANCIAL RESULT	27	(1,008)	(468)
NET INCOME BEFORE TAX AND SHARE OF RESULTS OF COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD		6,613	2,776
Income Tax	24	(1,742)	(1,130)
Share of results of companies accounted for using the equity method	10	76	86
Net income for the year from continuing operations		4,947	1,732
Net income for the year from discontinued operations		-	12
CONSOLIDATED NET INCOME FOR THE YEAR		4,947	1,744
Net income attributable to minority interests		(254)	(185)
NET INCOME ATTRIBUTABLE TO THE PARENT		4,693	1,559
EARNINGS PER SHARE ATTRIBUTABLE TO THE PARENT			
Basic (euros)	15	3.84	1.29
Diluted (euros)		3.84	1.29

Notes 1 to 38 are an integral part of these consolidated income statements.

REPSOL YPF, S.A. AND INVESTEEES COMPRISING THE REPSOL YPF GROUP

Consolidated Statements of Recognised Income and Expenses for the years ended December 31, 2010 and 2009

	Millions of euros	
	<u>12/31/2010</u>	<u>12/31/2009</u>
CONSOLIDATED NET INCOME FOR THE YEAR (from the Consolidated Income Statement)	4,947	1,744
INCOME AND EXPENSES RECOGNISED DIRECTLY IN EQUITY:		
From measurement of financial assets available for sale	6	51
From cash flow hedges	(73)	(12)
Translation differences	811	(427)
From actuarial gains and losses and other adjustments	(15)	14
Entities accounted for using the equity method	(25)	4
Tax effect	(96)	(157)
TOTAL	608	(527)
AMOUNTS TRANSFERRED TO THE CONSOLIDATED INCOME STATEMENT		
From measurement of financial assets available for sale	(1)	(30)
From cash flow hedges	93	44
Translation differences	(172)	(1)
Tax effect	(25)	(7)
TOTAL	(105)	6
TOTAL RECOGNISED INCOME/ (EXPENSE)	5,450	1,223
a) Attributable to the parent company	5,128	1,032
b) Attributable to minority interests	322	191

Notes 1 to 38 are an integral part of these consolidated statements of recognised income and expense.

REPSOL YPF, S.A. AND INVESTEES COMPRISING THE REPSOL YPF GROUP
Consolidated statements of changes in equity for the years ended December 31, 2010 and 2009

Millions of euros	Equity attributable to equity holders of the parent							
	Capital and reserves							
	Issued share capital	Share premium and reserves	Treasury shares and own equity instruments	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 12/31/2008	1,221	17,468	(241)	2,555	(1,169)	19,834	1,170	21,004
Restatements	-	-	-	-	-	-	-	-
Restated opening balance	1,221	17,468	(241)	2,555	(1,169)	19,834	1,170	21,004
Total recognised income / (expense)	-	8	-	1,559	(535)	1,032	191	1,223
Transactions with shareholders or owners								
Dividend payments	-	(1,153)	-	-	-	(1,153)	(208)	(1,361)
Transactions with treasury shares or own equity (net)	-	(11)	241	-	-	230	-	230
Changes in the scope of consolidation	-	-	-	-	-	-	286	286
Other changes in equity								
Equity-settled transactions	-	2,455	-	(2,555)	100	-	-	-
Other changes	-	8	-	-	-	8	1	9
Closing balance at 12/31/2009	1,221	18,775	-	1,559	(1,604)	19,951	1,440	21,391
Restatements	-	-	-	-	-	-	-	-
Restated opening balance	1,221	18,775	-	1,559	(1,604)	19,951	1,440	21,391
Total recognised income / (expense)	-	(8)	-	4,693	443	5,128	322	5,450
Transactions with shareholders or owners								
Dividend payments	-	(1,160)	-	-	-	(1,160)	(225)	(1,385)
Transactions with treasury shares or own equity instruments (net)	-	-	-	-	-	-	-	-
Changes in the scope of consolidation	-	180	-	-	44	224	312	536
Other changes in equity								
Transfers between equity accounts	-	1,559	-	(1,559)	-	-	-	-
Other changes in equity	-	(3)	-	-	-	(3)	(3)	(6)
Closing balance at 12/31/2010	1,221	19,343	-	4,693	(1,117)	24,140	1,846	25,986

Notes 1 to 38 are an integral part of these consolidated statements of changes in equity.

REPSOL YPF, S.A: AND INVESTEES COMPRISING THE REPSOL YPF GROUP
Consolidated Cash Flow Statements for the years ended December 31, 2010 and 2009

	Notes	Millions of euros	
		12/31/2010	12/31/2009
Net income before tax and share of results of companies accounted for using the equity method	28	6,613	2,776
Adjustments to net income		2,583	3,973
Depreciation and amortisation of assets	6 and 7	3,947	3,620
Other adjustments to result (net)		(1,364)	353
Changes in working capital		(1,693)	(590)
Other cash flows from operating activities		(1,861)	(1,394)
Dividends received		72	86
Income tax received / (paid)		(1,627)	(1,168)
Other proceeds from / (payments for) operating activities		(306)	(312)
Cash flows from operating activities		5,642	4,765
Payments for investing activities:	5-8 and 30	(5,106)	(9,003)
Group companies, associates and business units		(41)	(4,463)
Property, plant and equipment, intangible assets and investment properties		(4,858)	(4,348)
Other financial assets		(207)	(192)
Proceeds from divestments:	31	5,060	1,093
Group companies, associates and business units		4,719	413
Property, plant and equipment, intangible assets and investment properties		171	373
Other financial assets		170	307
Other cash flows		(27)	56
Cash flows used in investing activities		(73)	(7,854)
Proceeds from / (payments for) equity instruments	15	-	230
Disposal		-	230
Proceeds from/ (payments for) financial liabilities	19	488	4,665
Issues		11,200	10,618
Return and redemption		(10,712)	(5,953)
Payments for dividends and payments on other equity instruments	15	(806)	(1,935)
Other cash flows from financing activities		(1,141)	(455)
Interest payments		(962)	(776)
Other proceeds from / (payments for) financing activities		(179)	321
Cash flows used in financing activities		(1,459)	2,505
Effect of changes in exchange rates		30	(30)
Net increase / (decrease) in cash and cash equivalents		4,140	(614)
Cash and cash equivalents at the beginning of the year	12	2,308	2,922
Cash and cash equivalents at the end of the year	12	6,448	2,308
COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		31/12/2010	31/12/2009
(+) Cash and banks		2,120	1,079
(+) Other financial assets		4,328	1,229
TOTAL CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		6,448	2,308

Notes 1 to 38 are an integral part of these consolidated statements of cash flow.

REPSOL YPF, S.A. AND INVESTEEES COMPRISING THE REPSOL YPF, S.A. GROUP

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(1) **GENERAL INFORMATION**

Repsol YPF, S.A. and investees comprising the Repsol YPF Group (hereinafter “Repsol YPF,” the “Repsol YPF Group” or the “Group”) constitute an integrated group of oil and gas companies which commenced operations in 1987. The companies comprising the Group are listed in Appendix I.

The Repsol YPF 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, the transportation of oil products, liquid 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 conducts its activities in a number of countries, primarily Spain and Argentina.

The corporate name of the parent of the Group of companies that prepares and files these Financial Statements is Repsol YPF, S.A.

Repsol YPF, S.A. is registered at the Madrid Commercial Register in volume 3893, page 175, sheet no. M-65289, entry no. 63°. Its Employer 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, at Paseo de la Castellana, 278, where the Shareholder Service Office is also located, the telephone number of which is 900.100.100.

Repsol YPF, S.A. is a private-law entity incorporated in accordance with Spanish legislation, which is subject to the Capital Companies Law (*Ley de Sociedades de Capital*) approved by Legislative Royal Decree 1/2010 of July 2, and all other legislation related to listed companies.

Repsol YPF, S.A.’s shares are represented by book entries and are fully 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 the date of these Financial Statements, Repsol YPF, S.A.’s shares are traded in the form of *American Depositary Shares (ADSs)* on the New York Stock Exchange (NYSE). However, on February 22, 2011, the Company officially filed to delist its ADSs from the NYSE. The ADSs are expected to trade on the NYSE for the last time on March 4, 2011.

These consolidated Financial Statements for 2010, which were prepared by the Board of Directors of Repsol YPF, S.A. at a meeting held on February 23, 2011, and the Financial Statements of the investees will be submitted for approval by the shareholders at the respective General Shareholders’ Meetings, with no modifications expected.

The consolidated Financial Statements for 2009 were approved at the General Shareholders’ Meeting of Repsol YPF, S.A. held on April 30, 2010.

(2) **REGULATORY FRAMEWORK**

The activities of Repsol YPF S.A. and its main subsidiaries are subject to extensive regulation, whose main aspects are described below.

Spain

Spain currently has legislation which implements liberalization of the oil industry, a manifestation of which is the Hydrocarbons Sector Law 34/1998 of October 7, which has been amended by several provisions, including the Law 12/2007 of July 7, and implemented through numerous royal decrees and ministerial orders. This Law establishes the criteria for allocating powers among the Spanish Government and regional administrations.

The Spanish National Energy Commission (“*Comisión Nacional de Energía*”) is a public agency of the Ministry of Industry, Tourism and Commerce, with power as regulatory authority, which is in charge of ensuring effective competition, objectivity and transparency in the electricity and liquid and gaseous hydrocarbons markets, seeking the benefit of all market participants, including consumers.

Royal Decree-Law 4/2006 expanded the functions of the Spanish National Energy Commission by introducing the requirement to obtain a prior administrative authorization in relation to certain acquisitions or investments in companies that engage in regulated activities or activities that, although not regulated in the strict sense, are subject to significant oversight by administrative bodies in Spain. Notwithstanding this, on July 28, 2008, the European Court of Justice declared that the obtaining of the aforementioned administrative authorization (regarding acquisitions carried out by Community Companies) is contrary to sections 43 and 56 of the EC.

Sector regulations establish and ascribe specific treatment to the so-called “main” and “dominant” operators. Royal Decree-Law 5/2005, of March 11, obliges the Spanish National Energy Commission (CNC) to publish a list of main and dominant operators in each market or sector.

Dominant operators are defined as those commanding a share of more than 10% of the corresponding benchmark market.

A main operator, on the other hand, is any operator ranked among the top five players by market share in the following markets or sectors: (i) the generation and supply of electric power within the Iberian Electricity Market (MIBEL); (ii) the production and distribution of fuels; (iii) the production and supply of liquid petroleum gas; (iv) the production and supply of natural gas; (v) wireless telephony; and (vi) fixed telephony.

Designation as a dominant operator, as far as prevailing legislation is concerned, simply implies certain regulatory restrictions in the electricity sector, specifically in relation to the generation of primary energy, importing of electricity into the MIBEL and acting as a representative agent of the special regime in the market.

However, the definition of main operators is, on the other hand, significant. Article 34 of the Royal Decree-Law 6/2000, of June 23, following the amendments introduced by Law 14/2000 of December 29, establishes a series of limitations related to the acquisition of voting rights in the equity of companies qualifying as main operators and serving on their boards of directors. Specifically, article 34 stipulates that any natural or legal person holding an equity interest in two or more companies qualifying as main operators in the same market, and holding a 3% or higher equity interest, cannot exercise the voting rights in excess of this ownership threshold in more than one company. It further stipulates that such persons cannot appoint members of the governing bodies of another main operator either directly or indirectly.

Royal Decree-Law 6/2009 definitively repealed supplementary provision twenty-seven of Law 55/1999 (amended by Law 62/2003), which stipulated prior authorization by the authorities for the acquisition by public entities or entities majority-owned or controlled by public entities of shareholdings of 3% or more in energy companies (the so-called “energy golden share”). This rule had been questioned by the European Court of Justice in a ruling handed down on February 14, 2008.

Liquid hydrocarbons, oil and petroleum derivatives

In Spain, hydrocarbon deposits and underground storages existing on Spanish territory and in the territorial marine subsoil and ocean bottoms which are under Spanish sovereignty are considered public properties.

Also some of the activities falling within the scope of Law 34/1998 may be subject to authorizations, permits and/or concessions. Article 19 of Law 25/2009, of December 22, which amends several pieces of legislation for their adaption to the Law on free access to service activities and its exercise; modifies the Hydrocarbon Act, Law 34/1998 of October 7, implying, among other aspects, the elimination of the need to obtain authorization prior to acting as natural gas supplier, LPG wholesaler, bulk LPG retailer or petroleum product wholesaler, further establishing the obligation that interested parties must make a responsibility statement and issue notification prior to commencing its business operations. In addition, direct natural gas consumers are obliged to report the start of its business operations.

Construction and operation of refining, transportation and fixed storage facilities are subject to prior authorization, the granting of which requires meeting the relevant technical, financial, environmental and safety requirements.

Third parties may freely access transportation and fixed storage facilities of oil products, such as the facilities of Compañía Logística de Hidrocarburos S.A. (“CLH”), on conditions agreed on an objective and non-discriminatory basis. However, the Spanish Government has the discretion to establish access tolls for mainland territories and for those areas of the Spanish territory where alternative transport or storage facilities do not exist or are insufficient. As of the date of this annual report, the Spanish Government has not exercised this discretion.

Pursuant to Royal Decree Law 6/2000, no physical or legal person may hold, directly or indirectly, ownership of more than 25% of the capital stock of CLH. This same Royal Decree further provides that the aggregate ownership interest in CLH of entities with refining capacity in Spain may not exceed 45% of CLH’s capital.

Petroleum derivative prices have been liberalized, with the exception of LPG, which is subject, in some cases, to maximum retail prices. Prices of bulk LPG and LPG sold in bottles that are less than 8 kilograms or more than 20 kilograms have been liberalized.

By means of Ministerial Order ITC/2608/2009, of September 28, the Spanish Government updated the system for setting the quarterly maximum before-tax sales price for bottled LPG, affecting containers holding 8kg or more but less than 20kg, with the exception of containers of LPG blends for use as fuel, by modifying the formula for automatically setting the maximum sales prices indicated in the abovementioned order in an effort to uphold consumer interests in the face of international price volatility. Specifically, the changes introduced in the abovementioned Ministerial Order consist of introducing two new concepts to the formula: (i) a 0.25 weighting factor which means that price changes will only incorporate the 25% of the increase or decrease in international prices of reference; and (ii) a threshold of 2% for implementing the price revision mechanism so that prices are only increased or decreased if international prices increase or decrease by more than this threshold.

The retail marketing of LPG cylinders may be carried out freely by any natural or legal person.

Natural gas

Law 12/2007 of July 2, which amended Law 34/1998 on the hydrocarbon sector and incorporated into Spanish Law the European Parliament Directive 2003/55, incorporates measures for achieving a completely liberalized market which will be the basis for greater competition, price reduction and improvement in the quality of service to the end-user.

This legislation establishes the framework for eliminating the tariff system and creates the role of the supplier of last resort with ultimate liability for supplying customers lacking sufficient bargaining power. Moreover, these suppliers are subject to a price cap ("*last resort tariff*"), which is set by Spain's Ministry of Industry, Tourism and Commerce. Royal Decree 104/2010, of February 5, regulates the start-up of last resort supply in the natural gas segment; while the Ministerial Order ITC/1506/2010 establishes the methodology for calculating this last resort tariff.

Business operations in the natural gas sector can be classified into: (i) regulated activities, essentially the transport (including storage, regasification and transport *per se*) and distribution of natural gas; and (ii) deregulated activities: production, supply and retailing of natural gas.

Prevailing legislation stipulates functional unbundling (separation) obligations which imply accounting unbundling, in order to prevent cross subsidies and increase toll and tariff calculation transparency, legal unbundling, by means of separate companies, and also separation of regulated activities by requiring them to operate independently of the other companies in their consolidated groups.

In accordance with European Union directives (Directive 2003/55/EC, of June 26, and Directive 98/30/EC, of June 22), the supply of natural gas is fully deregulated in Spain, which means that all Spanish consumers are qualified and are accordingly free to choose their natural gas provider since January 1, 2003. Sector deregulation was substantially reinforced by the elimination since July 1, 2008 of the regulated tariff supply by the distribution companies, which meant that all consumers are required to participate in the deregulated market.

The construction, operation, modification and closing of basic network and carrier network facilities require prior government authorizations.

Enagás, S.A., the Natural Gas System Operator, is responsible for the coordinating and ensuring that the system works properly. Law 12/2007 limits equity ownership interests in Enagás, S.A. to 5%, caps voting rights at 3% as a general rule, although this cap falls to 1% in the case of companies carrying out business activities related to the gas sector and; in any case, the aggregate ownership interest of shareholders whose business activities relate to the gas sector cannot exceed 40%.

Since January 1, 2003, no company or group of companies acting in the natural gas sector can collectively provide natural gas for consumption in Spain in an amount in excess of 70% of domestic consumption. The Spanish Government is authorized to modify that percentage based on changes in the sector and the sector's business structure.

Minimum safety stock

Royal Decree 1766/2007, amending Royal Decree 1716/2004, regulates the obligation to maintain a minimum stock in the oil and natural gas sectors, the obligation to diversify the natural gas supply and the activities of the Corporation of Strategic Reserves of Petroleum Products (CORES). The minimum safety stock requirement imposed on wholesalers in 2009 was equivalent to 90 days of sales calculated on the prior 12-month sales; and 92 days in 2010. In both years, Repsol YPF was obliged to directly maintain a stock corresponding to 50 days of sales, while the remaining stock required to make up the difference with the abovementioned safety stock requirement are held by the CORES corporation on behalf of the various operators.

Spanish legislation does not require these reserves to be handled, measured or stored in any specific manner; indeed any products accounted for by the operators as part of their inventories in the ordinary course of their business operations qualify as strategic reserves to this end. Compliance with the safety stock rules implies regular reporting that minimum levels are held; however, the operators subject to these rules are free to use the inventories held for this purpose so long as the total balance does not fall below the minimum threshold.

Electricity sector regulation in Spain

The deregulation of the Spanish electricity sector began in 1997 with the passage of the Electricity Sector Act (Law 54/1997, of November 27), incorporating into Spanish law Directive 96/92/EC concerning common rules for the internal market of electricity, establishing the rules for sector deregulation across the European Union countries, and subsequent enacting regulations, noteworthy, among which are the Royal Decree 1955/2000, of December 1, that regulates power transmission, distribution, marketing and supply, and the procedures for authorization of electric power facilities, and Royal Decree 2019/1997, of December 26, organizing and regulating the Electricity Production Market. The Electricity Act was later amended by Law 17/2007, of July 4. Meanwhile, Royal Decree 661/2007, of May 25, amended the rules governing the production of electricity under the so-called special regime.

Business operations in the Spanish electricity sector can be classified into: (i) regulated activities – power transport and distribution; and (ii) deregulated activities – power generation and retailing.

The first ones require prior administrative authorization, their remuneration is regulated and are subject to specific obligations. In contrast, the second activities are not regulated and are therefore not subject to intervention by the authorities. The retail business in particular is based on the principles of freedom contracting and customer freedom to choose supplier. As a deregulated business, retail prices of electricity are established freely between the parties.

Installation of new generation facilities is deemed a deregulated activity, notwithstanding the pertinent administrative authorizations. Facilities with installed capacity of under 50 MW which fall into one of the categories itemized in the Electricity Act (co-generation installations and those producing power from a renewable primary source) are deemed Special Regime facilities. These facilities can choose between selling the power they produce to the network-owning distributor at a pre-defined feed-in tariff or selling the electricity produced freely to the market through a system managed by the market operator at the price established by this organized market (exchange mechanism) plus certain applicable incentives and/or premiums.

Companies engaged in regulated business activities according to the Law, must have as exclusive object the development of such activities and cannot develop deregulated activities. However, group companies within a consolidated group can engage in regulated and deregulated business activities so long as they are carried on by separate group companies.

The electricity system has been in deficit in recent years, a situation which has led to the accumulation of an annual tariff deficit or shortfall, which has had to be financed by the power utilities companies. To remedy this situation, Royal Decree-Law 6/2009, of April 30, established a series of measures designed to address the tariff deficit, creating a state-guaranteed securitization fund, as well as the introduction of a “social voucher” (an electricity tariff discount for household consumers meeting certain social, usage and income criteria which is to be financed by the power generators).

In Spain, the main duty of Spain’s Technical System Operator, Red Eléctrica de España, S.A., is to ensure power supply security and the correct functioning of the generation and transmission system.

Legislative regulation approved in 2010 that does not specifically affect the hydrocarbon or electricity sectors

In line with widespread international legal instruments, Organic Law 5/2010, of June 22, introduced the concept of criminal liability of companies and other legal entities into the Spanish Criminal Code. As of December 23, 2010, date on which it came into effect, companies may be held criminally liable for crimes committed in their name or on their behalf, and in their benefit, by their actual or de facto legal representatives or directors.

This list of crimes for which legal entities may be held criminally liable includes corruption in the private sector, corrupt behavior in international transactions, money laundering, computer hacking and crimes against natural resources or the environment, among others.

Law 12/2010, which amends the Audit Act, the Securities Markets Act and the Companies Act and, introduces a number of legislative amendments, including new Audit Committee modifications for entities whose securities are listed on official secondary exchanges, requiring that at least one member of the audit committee should be an independent Director and that this member should be appointed based on his or her knowledge and experience of accounting and audit matters, and tasking the audit Committee, among other duties, with the issuance of an annual report on the independence of the External auditor.

Legislative Royal Decree 1/2010, of July 2, which enacted a new text of the Capital Companies Law, entered into force on September 1, 2010 and incorporates former regulation of public limited companies, limited liability companies and partnerships limited by shares and, with few exceptions, the provisions contained in the Securities Market Act with respect to listed companies. In relation with listed companies, article 515 of the new legislation, entering into force on July 1, 2011, nullifies provisions of company's bylaws with the direct or indirect effect of limiting the number of votes that can be exercised by a single shareholder or by companies belonging to a consolidated group.

Argentina

Exploration and production

The Argentine oil and gas industry is regulated by Law No. 17,319 (the "Hydrocarbons Law"). The Argentine Government, through the Secretariat of Energy, issues regulations to complement this Law. The regulatory framework of this Law was established on the assumption that the reservoirs of hydrocarbons were national properties and Yacimientos Petrolíferos Fiscales Sociedad del Estado, YPF, S.A.'s predecessor, was responsible for their operation under a different framework than private companies.

In 1992, Law No. 24,145 (referred to as the "YPF Privatization Law,") regulated the privatization of YPF and initiated a process for the transfer of hydrocarbon reservoirs from the Argentine Government to Provinces, in whose territories they were located. The YPF Privatization Law established that the exploration licenses and exploration concessions in force at the time this Law was passed would be transferred on expiration of the corresponding legal and/or contractual terms.

The YPF Privatization Law awarded YPF 24 exploration licenses and 50 exploration concessions and other transportation concessions. The Hydrocarbons Law limits the number and total surface area of the exploration licenses or exploration concessions which an entity may hold.

In October 2004, the Argentine Congress enacted Law No. 25,943 creating a new state-owned energy company, Energía Argentina S.A., ("ENARSA."). The corporate purpose of ENARSA is the study, exploration and exploitation of solid, liquid or gas hydrocarbon deposits, the transport, storage, distribution and commercialization of these products and their derivatives products, as well as the transportation and distribution of natural gas, and the generation, transportation, distribution and sale of electricity. This Law granted ENARSA all exploration concessions with respect to offshore areas located beyond 12 nautical miles from the coastline up to the outer boundary of the continental shelf that were vacant at the time the Law went into effect in November 2004.

In accordance with the current legal system (new Article 124 of the Argentine Constitution, Decree 546/2003, Law No. 26,197) oil and gas regulation (both legislative and regulatory) falls under the jurisdiction of the National Government, whereas the application of the Hydrocarbons Law and its supplementary regulations will correspond to the Provinces or to the State, depending on where the fields are located.

In October 2006, Law No. 26,154 created an incentive regime aimed at encouraging hydrocarbons exploration and operation and which applies to new exploration permits awarded in respect of offshore areas. Interested parties must go into partnership with ENARSA in order to avail themselves of the numerous benefits of this regime.

In November 2008, by virtue of the Decree of the National Executive Power No. 2014/2008, the program “*Petróleo Plus*” was set up and aimed to increase the production and stocks through new prospecting and exploitation investments. To this goal, it establishes a system of tax incentives for those exploitation companies that increase their production and stocks within the provisions of the program.

Natural gas

The Natural Gas Law passed in June 1992 mandated the privatization of the company operator Gas del Estado Sociedad del Estado and established the regulatory framework governing the transport and distribution of natural gas, while also providing for the deregulation of natural gas prices. It also designated natural gas transport and distribution activities as national public services.

The regulatory framework applicable to the transport and distribution of natural gas establishes an open access system under which producers such as YPF have open access to the transport capacity available in the transport and distribution systems on a non-discriminatory basis.

Argentina has built cross-border gas pipelines to enable natural gas producers to export their output. However, in recent years, the Argentine authorities have adopted a series of measures to restrict natural gas exports from Argentina, including orders to supply the domestic market (Fuel Undersecretariat Ruling 27/04 and Resolution 265/04) that implements an export cutoff scheme of natural gas; Resolution 659/04, establishes a Program for Rationalizing Gas and the Use of Transport Capacity; and Resolution 752/05, creates a Permanent Additional Injection mechanism.

Energy Secretariat Resolution 24/2008, amended by Resolution 1031/2008, created an incentive program for the production of natural gas called “Gas Plus,” designed with the objective of stimulating the production of natural gas deriving from new reserve findings, new fields, as well as the production of tight gas, etc. The natural gas produced under this program is carved out from the 2007-2011 Agreement (described in the *Market Regulation* section below) and therefore the its commercial price is not subject to the price conditions provided for in the Natural Gas Producer Agreement 2007-2011.

Refining and transport

Crude oil refining activities are subject to authorization by the Argentine Government, and to compliance with national, provincial and municipal safety and environmental regulations. Oil companies must be registered in the registry of oil companies held by the Secretariat of Energy.

Decree 2014/2008 created the “*Refino Plus*” program designed to encourage the production of diesel and petrol fuels. The decree entitles refineries that undertake construction of a new refinery, add capacity at an existing refinery and/or convert existing refineries to receive export credits.

The Hydrocarbons Law authorizes the Executive National Power of the Argentine Government to grant 35-year concessions for the transport of oil, gas and derivative products, subject to presentation of the pertinent competitive tenders. Law 26,197 vested Argentina’s provincial governments with the same power. Holders of operating concessions are entitled to receive a concession for transporting their production of oil, gas and derivatives thereof. The terms of these transport concessions can be extended for an additional period of 10 years.

Liquefied Petroleum Gas (LPG)

Law No. 26,020 establishes the basic regulatory framework for the industry and marketing of LPG. The authority established the volumes and sales prices of LPG through various resolutions. In October 2008 Argentina’s Secretariat of Energy ratified the Stability Agreement of LPG prices in the local market. The validity of the pact has been extended to December 31, 2011.

Market regulation

The Hydrocarbons Law authorizes the Executive National Power of the Argentine Government to regulate the Argentine oil and gas markets and prohibits the export of crude oil during periods in which the authorities determine domestic production to be insufficient to satisfy domestic demand. In the event of restrictions on the export of crude oil and derivatives or the free circulation of natural gas, the oil deregulation decrees entitle producers, refiners and operators to receive a price at least equal to the price of similar grades of imported crude oil and derivatives in the case of oil, and no less than 35% of international price of crude *Arabian Light Oil* in the Case of Natural Gas, quoted in cubic meters.

A significant number of rules concerning a broad range of issues affect the various markets, for example, the Energy Secretariat Resolution 1102/04 regarding the creation of a register of fuel and hydrocarbon supply points, Energy Secretariat Resolution 1104/04 regulating creation of a bulk sales price information module and Decree 652/02 enacting a gasoil supply stability regime and, in general, other rules with different scopes.

By the enactment of several rules, the Fuels Undersecretariat restored a record system for the hydrocarbons and derivatives exports and set forth some obligations concerning supply to the local market, including the obligation to import some products as allowances for export, when necessary to meet internal demand. On October 11, 2006, the Secretariat of Internal Commerce demanded refining companies and/or wholesalers and/or retailers that they must satisfy the fuel-oil demand in the whole territory of Argentina to meet market growth.

Resolution No. 394/07 of November 16 increased the taxes on crude and derivative exports in Argentina. According to the new scheme when the export price is fixed over the reference price (60.9 dollars/barrel), the producer shall have the right to collect US\$42 per barrel and the rest up to the reference price shall be withheld by the Argentine Government as an export tax. In the event that the export price is under the international reference price, but above US\$45 per barrel, a 45% retention shall apply. In the event that the export price is under US\$ 45 per barrel, the withholding percentage shall be fixed within 90 days' term. This same method shall apply to the exports of other oil products and lubricants using different reference prices, withholding percentages and prices allowed for producers, depending on the cases.

On June 14, 2007 the Resolution No. 599/07 of the Secretariat of Energy passed a proposal in agreement with the natural gas producers concerning the supply of natural gas to the domestic market for the period 2007 to 2011 (“2007-2011 Agreement”). YPF signed the agreement.

Resolution 459/07 issued by Argentina’s Ministry of Federal Planning, Public Investment and Services, created the “Energy Substitution Program” (*Programa de Energía Total*) in order to mitigate gas and electricity shortages by encouraging industrial users to substitute natural gas and electricity with gasoil, fuel-oil and LPG. Subsequently, regarding the implementation of this program, a number of new resolutions and rules enacted the general programs for the supply of gaseous and liquid fuels.

On February 2, 2011, the Argentine Secretary of Home Trade issued Resolution No. 13/2011 stipulating that liquid fuel sales prices should be pushed back to those prevailing on January 28, 2011. This regulation also stipulates that the nation’s refineries and oil companies must supply the internal market with specified fuel volumes calculated as a function of the amounts supplied in the preceding year adjusted by the positive correlation between growth in demand for fuel and gross domestic product.

Venezuela

Venezuela’s Basic Hydrocarbons Law (LOH) regulates the migration from the former Operating Agreements to Mixed-Ownership Enterprises. On June 20, 2006, the Popular’s Power for Energy and Petroleum Ministry (MENPET for its initials in Spanish) approved the incorporation of Mixed Enterprise Petroquiriquire, S.A., in which Repsol has a 40% ownership interest, while Corporación Venezuela del Petróleo, S.A. (CVP), a PDVSA subsidiary, holds a 60% stake. On the same date, the national executive authorized the direct grant of a Non-Associated Natural Gas Operating License to the corporation Quiriquire Gas, S.A., owned 60% by Repsol and 40% by PDVSA GAS, S.A. This Gas License was granted in March 2007.

On September 2, 2009, Venezuela’s National Assembly authorized Petroquiriquire, S.A. to pursue exploration and exploitation activities in Barúa-Motatán as part of its corporate purpose as mixed enterprise. The exploration and exploitation rights for this block were granted by the National Executive via Presidential Decree No. 7,121, published on December 15, 2009. On February 10, 2010, the incorporation of the Barúa-Motatán division in the Mixed Enterprise was approved at an Extraordinary Shareholders’ Meeting. That same day, the Amendment to the Transformation to Mixed Enterprise Agreement was signed, along with related documentation, effectively: (i) incorporating the Barúa-Motatán Geographic Division within Petroquiriquire, S.A., and (ii) authorizing amendment of the Mixed Enterprise’s Bylaws and the Hydrocarbon Sale-Purchase Agreement.

On February 10, 2010, the MENPET awarded the operating concession for Carabobo 1 to the consortium made up of Repsol (11%), Petronas (11%), OVL (11%) and Indoil (7%), for a combined equity interest of 40%, and CVP, with a 60% stake. The Decree creating the Mixed Enterprise Petrocarabobo, S.A. and the MENPET Resolution delimiting its geographic area were published in the Official Gazette of the Bolivarian Republic of Venezuela on May 7, 2010. The Agreement governing the Incorporation and Administration of Mixed Enterprise Petrocarabobo, S.A. was signed on May 12, 2010 and on June 25, 2010 the Enterprise was incorporated in the Companies Register. On July 29, 2010, Petrocarabobo, S.A.'s Transfer Decree was published in the Official Gazette (Note 30).

Bolivia

The Bolivian oil and gas industry is regulated by Law No. 3,058 of May 19, 2005 (the "Hydrocarbons Law").

On May 1, 2006 Supreme Decree 28,701 (the "Nationalization Decree") was published, which nationalized the country's oil and gas and transferred the ownership and control thereof to the Bolivian state company Yacimientos Petrolíferos Fiscales Bolivianos (YPFB). Furthermore, the shares required to enable YPFB to control at least 50% plus one vote in different companies, among them Empresa Petrolera Andina, S.A., currently known as YPFB Andina S.A. (YPFB Andina), were nationalized.

As a result, Repsol signed a shareholders' agreement that stipulates, among other provisions: (a) a two-year period of joint operation of YPFB Andina, during which time Repsol is entitled to appoint some executives in certain business areas; (b) mutual right of first refusal over any share sale; (c) certain "Mutually Agreed Decisions" to be taken jointly by the management and boards of Repsol and YPFB.

At the date of authorizing the accompanying consolidated Financial Statements for issue, the joint operation period had terminated, which means that the "Appointment of Executive Personnel" clause applies. This clause stipulates that as a minority shareholder, Repsol is entitled to propose the persons to be nominated by the Board to certain positions.

Operating contracts

According to the Hydrocarbons Law and the Nationalization Decree, Repsol YPF E&P Bolivia S.A. and its subsidiary YPFB Andina S.A. signed with YPFB the Operating Contracts establishing the conditions for the prospecting and production of hydrocarbons in Bolivia, effective as of May 2, 2007.

In compliance with the terms laid down in the Operating Contracts, on May 8, 2009, Repsol YPF E&P Bolivia S.A. signed the pertinent natural gas and liquid Hydrocarbon Delivery Agreements (Delivery Agreements) with YPFB for the various operating areas in which it operates, as well as the Payment Method Agreement, which regulate the terms of Operating Contract Holder Remuneration.

In relation with these Operating Contracts, significant legislation was issued in 2008 and 2009 which had the effect of: (i) setting the conditions and parameters for the recognition and approval by YPFB of the Recoverable Costs within the framework of the Operating Contracts; (ii) amending the regulations governing the settlement of royalties and investments with the Bolivian Treasury to conform with the terms of the Operating Contracts; and (iii) regulating the tendering, contracting and purchase of materials, works, goods and/or services by Operating Contract Holders.

Further, in compliance with what is established in Ministerial Order 101/2009, the amended Development Plan corresponding the Operating Contract governing the Caipipendi Area, and the Margarita and Huacaya Fields was presented. This Development Plan was approved by YPFB on March 8, 2010.

Lastly, in respect of the Delivery Agreements, Ministerial Order 088/2010 of March 25, which repealed Ministerial Order 291/2009 of October 29 and amended the Ministerial Order 255/2006, established that the allocation of the hydrocarbons produced to be made by YPFB will be formulated by field and market in accordance with the volumes committed to in the Delivery Agreements signed with YPFB. The order of priority for allocation of natural gas is: (1) Internal Market; (2) Export Markets, in the chronological order in which YPFB entered into the various Natural Gas Purchase Agreements; and for liquid hydrocarbons, the priority order is: (1) Internal Market; (2) Export Market.

At the date of the Financial Statements, the reconciliation of the Holder Remuneration calculation with YPFB was still pending.

New Bolivian Constitution

Bolivia enacted its new Constitution on February 7, 2009, stipulating in relation to the oil and gas sector, among other matters, that:

(i) Hydrocarbons are the inalienable and imprescriptible property of Bolivians; (ii) by virtue of belonging to the Bolivian people, securities evidencing a residual ownership interest in Bolivia's natural resources may not be listed and traded on securities markets or used to securitize or pledge financial transactions; (iii) the state, on behalf of the Bolivian people and as their representative, exercises ownership of all the country's oil and gas production and is the sole entity authorized to market this output; (iv) all income received from the sale of oil and gas shall be the property of the state; (v) the state shall define the oil and gas policy and shall promote its comprehensive, sustainable and equitable development and guarantee energy sovereignty; (vi) YPFB is the sole entity authorized to control and manage the oil and gas productive and commercial chain; (vii) YPFB may not transfer its rights and obligations in any form or under any regime, tacitly or expressly, directly or indirectly; YPFB is authorized to enter into service agreements with Bolivian and foreign public, mixed or private entities for the execution of certain production chain activities on YPFB's behalf in exchange for compensation or a service fee; (viii) YPFB may incorporate mixed economy associations or companies for the execution of hydrocarbon-related activities, in which YPFB must hold a mandatory interest of no less than 51% in these entities' total share capital.

It is management's understanding that the new Constitution will require enactment of a series of additional laws and regulations.

Ecuador

On March 29, 2006, by Law No. 2006-42, Ecuador demanded from the contractors of all the prospecting and exploitation joint contracts of hydrocarbons the payment of at least 50% of the so-called "surpluses of crude oil," that is, the difference between the participation value of each contractor, according to the oil price at the date of the execution of the contract (calculated on the basis of the monthly average of the sale price expressed in fixed values) and its value in accordance to the oil price at the date of sale by the contractors. Later on, Executive Decree No. 662, of October 4, 2007, increased the state's participation to the 99%.

On June 9, 2008, the companies constituting the consortium of contractors of the Block 16, in disagreement with the application of this new encumbrance, filed with the ICSID an application for international arbitration pursuant to the Equity Contract (Note 34).

On March 12, 2009, Repsol YPF Ecuador S.A. (Ecuador Branch), as operator of Block 16, signed a modified Participation Agreement which extended the concession to operate Block 16 from January 31, 2012 to December 31, 2018, although the Participation Agreement would be terminated early if a Services Agreement to replace this Participation Agreement is not negotiated and executed in a period of one year.

In accordance with the provisions set down in the Amended legislation of the Hydrocarbons Law and the Internal Tax Regime Law, of July 27, 2010, the agreements for the exploration and exploitation of hydrocarbons under the various contractual forms must be modified to reflect the amended hydrocarbons exploration and exploitation services agreement model provided for in article 16 of the Hydrocarbons Law.

On November 23, 2010, the Ecuadorian state and Repsol entered into an agreement transforming the former contract into a hydrocarbons (crude oil) exploration and exploitation service agreement covering Block 16 in the Amazon Region.

In addition, on January 22, 2011, Repsol signed an agreement with the Ecuadorian state amending the services agreement covering the Tivacuno Block. The Company is currently in the process of executing the documents needed to file the new agreement with the Hydrocarbons Registry.

Lastly, in accordance with article 408 of Ecuador's Constitution, published on October 20, 2008, the state retains a portion of the profits obtained on the sale of hydrocarbon resources; this state retention may not be less than the profit retained by the company producing the fuel.

Other countries

Repsol YPF's operations are subject to an extensive variety of legislation and regulatory frameworks in the other countries in which it operates. All aspects of the activities performed, including, inter alia, land occupancy, production rates, royalties, price-setting, environmental protection, export rates, exchange rates, etc., are covered by such legislation and regulatory frameworks. The terms of the concessions, licenses, permits and agreements governing the Group's interests vary from one country to another. These concessions, licenses, permits and agreements are generally awarded or jointly carried out with government bodies or state companies and occasionally with private sector organizations.

(3) **BASIS OF PRESENTATION AND ACCOUNTING POLICIES**

3.1 Basis of presentation

The accompanying consolidated Financial Statements are presented in millions of euros and were prepared from the accounting records of Repsol YPF, S.A. and of its investees. The consolidated Financial Statements are presented in accordance with the International Financial Reporting Standards (IFRSs) as endorsed by the European Union at December 31, 2010. Accordingly, they present fairly the Group's consolidated equity and financial position at December 31, 2010, the consolidated results of operations, the changes in consolidated equity and the consolidated cash flows in the year then ended.

The preparation of the consolidated Financial Statements in accordance with IFRS, which is the responsibility of the Board of Directors of the Group's parent company, makes it necessary to make certain accounting estimates and for the directors to use their judgment when applying the Standards. The most complex areas, the areas in which the directors' judgment is most required and the areas in which significant assumptions or estimates have to be made are detailed in Note 4 (Accounting Estimates and Judgments).

3.2 New standards issued

A) Below is a list of the standards, interpretations and amendments thereof under the International Financial Reporting Standards endorsed by the European Union that are mandatorily applicable to the Group's consolidated Financial Statements for the first time in 2010:

- Revised IFRS 3 *Business Combinations*.
- Amendment to IAS 27 *Consolidated and Separate Financial Statements*.
- Amendment to IAS 39 *Eligible Hedged Items*.
- Amendments to IFRS 2 *Group Cash-settled Share based Payment Transactions*.
- Improvements to *IFRS's - 2007-2009*.
- Revised IFRS 1 *First-time Adoption of IFRS*.
- Amendments to IFRS 1 *Additional Exemptions for First-time Adopters*.
- Amendment to IFRS 5 *to incorporate the changes introduced following the Improvements to IFRS's 2006-2008*.
- IFRIC 12 *Service Concession Arrangements*.
- IFRIC 17 *Distributions of Non-Cash Assets to Owners*.

IFRS 3 *Business Combinations* introduces significant changes, most notably with respect to the accounting treatment of acquisition-related costs, the measurement of non-controlling interests and the accounting treatment of business combinations achieved in stages (step acquisitions). IFRS 3, as amended, applies prospectively to business combinations completed on or after January 1, 2010.

IAS 27 *Consolidated and Separate Financial Statements* introduces significant novelties with respect to changes in a parent's ownership interests in a subsidiary, differentiating between transactions giving rise to a loss of control and those in which control is retained. These amendments apply prospectively to transactions carried out on or after January 1, 2010.

IFRIC 12 *Service Concession Arrangements* establishes infrastructure used in a service concession arrangement complying with the following conditions: a) the grantor controls or regulates what services the operator must provide; and b) the grantor controls any significant residual interest in the infrastructure at the end of the term of the arrangement; shall not be recognized as property, plant and equipment of the operator, and it establishes that the operator shall recognize an intangible asset or a financial asset, depending on the nature of the arrangement.

The application of the standards, interpretations and amendments listed above, has not had a material impact on the Group's 2010 consolidated Financial Statements. Nevertheless, the first-time application of IFRIC 12 has resulted in certain reclassifications among balance sheet headings (Note 6).

- B) At the date of preparation of the accompanying consolidated Financial Statements, interpretations and amendments thereof published by the IASB and endorsed by the European Union that have not been applied because the date of mandatory application is subsequent to the date of these consolidated Financial Statements date, and the Group has opted not applying early adoption, are the following:

Mandatory application in 2011:

- Revised IAS 24 *Related Party Disclosures*.
- Amendments to IAS 32 *Classification of Rights Issues*.
- Amendments to IFRS 1 *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*.
- Annual improvements to *IFRS 2008-2010*.
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*
- Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirements*.

At the date of preparation of the accompanying consolidated Financial Statements, the Group is assessing the impact of the application of these standards, amendments, and interpretations.

- C) At the date of preparation of the accompanying consolidated Financial Statements the standards, interpretations and amendments thereof that have been issued by the IASB but not yet endorsed by the European Union are the following:

- IFRS 9 *Financial Instruments*. (1)
- Amendments to IFRS 7 *Disclosures of transfers of financial assets*.
- Amendments to IFRS 1 *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*.
- Amendments to IAS 12 *Deferred tax: Recovery of Underlying Assets*.

(1) This constitutes phase one of the three-phase project plan for the replacement of IAS 39: "Financial instruments - Recognition and measurement".

None of these standards is applicable at the date of preparation of the accompanying consolidated Financial Statements.

3.3 Accounting policies

3.3.1) Basis of consolidation

Repsol YPF's consolidated Financial Statements include the investments in all their subsidiaries, associates and joint ventures.

All the **subsidiaries** over which Repsol YPF exercises direct or indirect control were fully consolidated. Control is the power to govern the financial and operating policies of a company so as to obtain benefits from its activities. Control is, in general but not exclusively, presumed to exist when the parent owns directly or indirectly more than half of the voting power of the investee.

The share of the minority interests in the equity and profit of the Repsol YPF Group's consolidated subsidiaries is presented under "Minority interests" within Equity in the consolidated balance sheet and "Net income attributable to minority interests" in the consolidated income statement, respectively.

Joint ventures are proportionately consolidated and, accordingly, the consolidated Financial Statements include the assets, liabilities, expenses and income of these companies only in proportion to Repsol YPF Group's ownership interest in their capital. Joint ventures are those over which there is shared control and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

The assets, liabilities, income and expenses corresponding to the joint ventures are presented in the consolidated Balance Sheet and consolidated Income Statement in accordance with their specific nature.

In the case of either non-monetary contributions to a joint controlled entity in exchange for an equity interest, either in the case of sales of assets to a joint controlled entity, the Group only recognizes that portion of the gain or loss that is attributable to the interests of the other venturers.

Associates are accounted for using the equity method. These are companies over which the investor has significant influence but does not exercise effective or joint control. Significant influence is the power to affect financial and operating decisions of a company and is presumed to exist when the investor holds an interest of 20% or more. The equity method involves recognizing under "Investments accounted for using the equity method" in the Consolidated Balance Sheet, the net assets and goodwill, if applicable, of these companies only in proportion to the ownership interest in their capital. The net profit or loss obtained each year through these companies is reflected, only in proportion to the ownership interest in their capital, in the Consolidated Income Statement as "Share of results of companies accounted for using the equity method."

Losses incurred by an associate attributable to the investor that exceed the latter's interest in the associate are not recognized, unless the Group is obliged to cover them.

Appendix I contains a list of the consolidated subsidiaries, associates and joint ventures in which Repsol YPF, S.A. has direct and indirect ownership interests, which were included in the scope of consolidation, as well as the changes in the consolidation scope in 2009 and 2010.

The balances, transactions and profits between the fully consolidated companies were eliminated on consolidation. All balances, transactions and profits derived from transactions between the proportionately consolidated companies and other Group companies were eliminated in the proportion of its effective integration. The profit or loss on transactions between Group companies and associates was eliminated in proportion to the Group's percentage of ownership of these companies.

The accounting policies and procedures used by the Group companies were standardized with those of the parent for the purpose of presenting the consolidated Financial Statements using uniform measurement bases.

The Financial Statements of the investees whose functional currency differs from the presentation currency (Note 3.3.4) are translated as follows:

- The assets and liabilities in each of the balance sheets presented are translated at the exchange rates prevailing on the balance sheet date.
- Income and expense items making up each income statement heading are translated at the exchange rate on the transaction date. For practical reasons, the Group generally applies the average exchange rate for the period in which the transactions were completed.
- Any exchange differences arising as a result of the foregoing are recognized as a separate component of "Adjustments for changes in value" of equity called "Translation Differences."

On the disposal of a company whose functional currency is not the euro, or in the event of partial disposals resulting in loss of control, the exchange differences posted as a component of equity relating to that company are recognized in the income statement when the gain or loss on disposal is recognized. This accounting treatment also applies to partial disposals resulting in the loss of joint control or significant influence.

Since amended IAS 21 took effect on January 1, 2010, on the partial disposal of a subsidiary that includes a foreign operation that it does not result in the loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in equity is re-attributed to the non-controlling interests in that foreign operation. In any other partial disposal of a foreign operation, only the proportionate share of the cumulative amount of the exchange differences recognized in equity corresponding to the reduction in the Group's ownership interest is reclassified to profit or loss.

The exchange rates against the euro of the main currencies used by the Group companies at December 31, 2010 and 2009 were as follows:

	12/31/2010		12/31/2009	
	Year End Rate	Cumulative Average Rate	Year End Rate	Cumulative Average Rate
Dollar	1.34	1.33	1.44	1.39
Argentine Peso	5.29	5.16	5.45	5.18
Brazilian Real	2.23	2.33	2.51	2.77

3.3.2) Current/Non-current classification

In the accompanying consolidated balance sheet, assets and liabilities maturing within 12 months are classified as current items and those maturing within more than 12 months as non-current items.

3.3.3) Offsetting of balances and transactions

As a general rule, in the consolidated Financial Statements neither assets and liabilities nor income and expenses are offset, except (i) when offsetting is required or permitted by a given standard or interpretation and (ii) when offsetting better reflects the substance of the transaction.

In this respect, revenue and expenses arising on transactions in which the Group has an unconditional and legally-enforceable right to set-off and intends to settle on a net basis or to realize the asset and settle the liability simultaneously are presented at their net amount in the income statement.

3.3.4) Functional currency and foreign currency transactions

a. Functional currency

The items included in these consolidated Financial Statements relating to the Group companies are measured using their functional currency, which is the currency in the main economic environment in which they operate. The consolidated Financial Statements are presented in euros, which is the Repsol YPF Group's functional and presentation currency.

b. Foreign currency

Transactions in currencies other than the functional currency of an entity are deemed to be "foreign currency transactions" and are translated to the functional currency by applying the exchange rates prevailing at the date of the transaction. At each year end, the foreign currency monetary items on the balance sheet are measured at the exchange rate prevailing at that date and the exchange rate differences arising from such measurement are recorded as "Net exchange gains/(losses)" within "Financial result" in the consolidated income statement in the year incurred. This does not apply to the accounting treatment of monetary items that qualify as hedging instruments (section 3.3.23 of this Note).

3.3.5) Goodwill

Goodwill represents the excess of the cost of a business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities that meet the pertinent recognition criteria at the date of acquisition. Goodwill is recognized as an asset at the acquisition date.

In the event of a shortfall, the value of the assets, liabilities and contingent liabilities acquired must be re-assessed. If after this re-assessment the shortfall continues to exist, it is recognized in profit or loss under "Other operating income" in the consolidated income statement.

Goodwill is not amortized and is subsequently measured at cost less any accumulated impairment losses (section 3.3.10 below).

3.3.6) Other intangible assets

The Repsol YPF Group initially recognizes intangible assets at acquisition or production cost, except in the case of the emission allowances received for no consideration as described in section b) below. This cost is amortized on a straight-line basis over the assets' useful lives, except for the assets with indefinite useful lives described below, which are not amortized but are tested for impairment at least annually, and whenever indicators of impairment are detected. At each balance sheet date, these assets are measured at cost less accumulated amortization and any accumulated impairment losses.

The main intangible assets of the Repsol YPF Group are as follows:

a) Leasehold assignment, surface and other rights

This heading primarily includes the costs associated with the various forms of agreements for acquiring service station association rights, reflagging rights and image rights of publicity and the associated exclusive supply agreements. This heading also includes other usufruct and surface rights. These costs are amortized over the related contract terms, which range from 5 to 50 years.

b) Emission allowances

Emission allowances are recognized as an intangible asset and are measured at acquisition cost.

Allowances received for no consideration under the National Emission Allowance Assignment Plan, are initially recognized at the market price prevailing at the beginning of the year in which they are issued, and a balancing item is recognized as a grant for the same amount under deferred income, which is charged against income as the corresponding tons of CO₂ are consumed.

These allowances are not amortized as their carrying amount equals their residual value and, therefore, the depreciable basis is zero, as their value is constant until delivery to the authorities; the allowances may be sold anytime. Emission allowances are subject to an annual impairment test (section 3.3.10. below). The fair value of the emission allowances is measured based on the average market price on European Union Allowances Exchange for the last trading session of the year provided by the ECX-European Climate Exchange.

The Group records an expense under “Other operating expenses” in the income statement for the CO₂ emissions released during the year, recognizing a provision calculated based on the tons of CO₂ emitted, measured at: (i) their carrying amount in the case of the allowances of which the Group is in possession at year-end; and (ii) the closing list price in the case of allowances of which it is not in possession at year-end.

When the emissions allowances for the CO₂ tons emitted are delivered to the authorities, the intangible assets as well as their corresponding provision are derecognized from the balance sheet without any effect on the income statement.

c) Other intangible assets

This heading primarily includes the following items:

- i. Concessions and others: these are initially recognized at acquisition cost if they are acquired directly from a government or other public sector body, or at the fair value attributable to the concession in question if they are acquired as part of a business combination. They are subsequently measured at acquisition cost less accumulated amortization and impairment loss, if any. These concessions are amortized on a straight-line basis over the term of the concession agreements.

These concessions include contracts for the supply of public services under which the operator has the right to charge tariffs that are established directly with the service’s users, although the competent authorities regulate or control either the tariffs or the users to which service must be provided; moreover, the State retains the residual value in the assets at the end of the term of the arrangement. These concessions are initially recognized at fair value.

This heading also includes power distribution concessions in Spain which are not subject to legal or any other limits. Because these intangible assets are considered to have indefinite useful lives they are not amortized but they are tested for impairment at least annually.

- ii. Exploration permits acquisition costs: the costs incurring to acquire stakes in exploration permits for a given period of time are capitalized under this heading at their purchase price. During the exploration and evaluation phases, these costs are not amortized, although they are tested for impairment at least once a year and whenever indications of impairment are detected, in accordance with the guidelines set forth in IFRS 6 *Exploration for and Evaluation of Mineral Resources*. Any impairment losses detected are recognized – or reversed - in profit or loss in accordance with the general rules established in IAS 36 *Impairment of Assets*. Once the exploration and evaluation phase is completed, if no reserves are found, the amounts previously capitalized are recognized as an expense in the consolidated income statement. If the exploration work yields positive results, giving rise to commercially exploitable wells, the costs are reclassified to “Investments in areas with reserves” (Note 3.3.7 c) at their carrying amount when this determination is made.
- iii. Development costs are capitalized only if all the conditions stipulated in the applicable accounting standard are met. The Group research costs incurred by the Group are expensed in the Income Statement.
- iv. Other costs, including those relating to software and industrial property, are amortized on a straight-line basis over their useful lives (which range between 3 and 20 years).

Trademarks and analogous intangible assets internally developed by the Group are not capitalized; and the related expenses are recognized in the consolidated income statement in the period in which they are incurred.

3.3.7) Property, plant and equipment

The Repsol YPF Group uses the cost model by which items of property, plant and equipment are measured initially at acquisition cost.

a) Cost

The cost of property, plant and equipment includes their acquisition cost, all the costs directly related to the location of assets, making them operational and the present value of the expected disbursements necessary for any costs of dismantling and removing the item or restoring the site on which it is located, when such obligations are incurred under certain conditions. Subsequent changes to the measurement of the dismantling obligations and related liabilities resulting from changes in the estimated cash flows and/or in the discount rate are added to or deducted from the asset's carrying amount in the period in which they are incurred, except where the lower corrected value of the liability is greater than the carrying amount of the associated asset, in which case the surplus is recognized in the income statement.

Borrowing costs that are directly attributable to the acquisition or construction of assets that require more than one year to be ready for use are capitalized as part of the cost of these assets, in accordance with the limits established in the applicable accounting rules.

Personnel expenses and other operating expenses directly attributable to the construction of the asset are also capitalized.

The costs of expansion, modernization or improvements leading to increased productivity, capacity or efficiency or to a lengthening of the useful lives of the assets are capitalized, as long as the general capitalization criteria are met.

Repair, upkeep and maintenance expenses are recognized in the income statement as incurred. Furthermore, certain facilities require periodic reviews. In this respect, the assets subject to replacement are recognized specifically and are depreciated over the average term remaining until the next repairs are carried out.

This heading also includes investments relating to oil and gas exploration and production activities (section c below) and the cost of assets held under finance leases (section 3.3.20 below).

b) Amortization (depreciation)

Property, plant and equipment, other than those items relating to oil and gas exploration and production activities (section c below), are depreciated using the straight-line method on the basis of the acquisition cost of the assets less their estimated residual value, over the years of estimated useful life of the assets, in accordance with the following schedule:

	Years of Estimated Useful Life
	<hr/>
Buildings and other structures	20-50
Machinery and fixtures:	
Machinery, fixtures and tools(1)	8-40
Furniture	9-15
Refineries in service:	
Units	8-15
Storage tanks	20-30
Pipelines and networks	12-18
Gas infrastructure and distribution facilities	20-40
Transport equipment	5-30

(1) In addition, the Group holds an indirect interest, via Gas Natural Fenosa, in hydro-powered generation assets whose depreciation period can be as high as 100 years, where not held under concession, depending on their estimated useful lives.

Depreciation of these assets starts when the assets become available for use.

Land is classified separately from the buildings or facilities that might be located on it and is deemed to have an indefinite useful life. Therefore, it is not depreciated.

c) Recognition of oil and gas exploration and production transactions

Repsol YPF recognizes oil and gas exploration and production transactions using the “successful-efforts” method, whereby the accounting treatment of the various costs incurred is as follows:

- i. The costs incurred in the acquisition of new interests in areas with proved and unproved reserves (including bonds, legal costs, etc.) are capitalized as incurred under “Investments in areas with reserves” associated with proved reserves or unproved reserves, as appropriate.

- ii. *Exploration costs* (geological and geophysical expenditures, expenditures associated with the maintenance of unproved reserves and other expenditures relating to exploration work), excluding exploratory drilling expenditures, are expensed as incurred.
- iii. *Exploratory drilling costs*, including those relating to stratigraphic exploration wells, are recognized as assets under the heading “Other exploration costs” until it is determined whether proved reserves justifying their commercial development have been found. If no proved reserves are found, the capitalized drilling costs are charged to income. However, if as a result of exploratory drilling, including stratigraphic exploratory wells, reserves are found that cannot be classified as proved, their recognition depends on the following:
 - If the area requires additional investments before production can commence, the drilling costs remain capitalized only during the period in which the following conditions are met: (i) the amount of proved reserves found justifies the completion of a productive well if the required investment is made; and (ii) the drilling of additional exploratory or stratigraphic wells is underway or planned for the near future. If either of the aforementioned conditions is not met, the drilling costs or the cost of the stratigraphic wells are charged to income.
 - In all other circumstances, the existence of reserves that can be classified as proved have to be determined within one year from the completion of the prospection work. Otherwise, the related drilling costs are charged to income.

Costs incurred in exploratory drilling work that has yielded a commercially exploitable reserve find are reclassified to “Investments in areas with reserves.” Wells are classified as “commercially exploitable” only if they are expected to generate a volume of reserves that justifies their commercial development on the basis of the conditions prevailing when recognized (e.g. prices, costs, production techniques, regulatory framework, etc.).

- iv. *Development expenditure* incurred in lifting proved reserves and in processing and storing oil and gas (including costs incurred in drilling relating to productive wells and dry wells under development, oil rigs, recovery improvement systems, etc.) are recognized as assets under “Investments in areas with reserves.”
- v. *Future field abandonment and dismantling costs* (environmental, safety, etc.) are estimated, on a field-by-field basis, and are capitalized at their present value when they are initially recognized under “Investments in areas with reserves” in assets in the balance sheet, within “Non-Current Provisions.” This capitalization is recorded against the corresponding provision.

The investments capitalized as described above are depreciated as follows:

- i. Investments in the acquisition of proved reserves are depreciated over the estimated commercial life of the field on the basis of the production for the period as a proportion of the proved reserves of the field at the beginning of the depreciation period.
- ii. Investments relating to unproved reserves or fields under evaluation are not depreciated. These investments are tested for impairment at least once a year and whenever indications of impairment are detected. Any impairment losses detected are recognized – or reversed - in profit or loss in accordance with the general rules established in IAS 36 *Impairment of Assets*.
- iii. Cost incurred in drilling work and subsequent investments to develop and lift oil and gas reserves are depreciated over the estimated commercial life of the field on the basis of the production for the period as a proportion of the proved reserves of the field at the beginning of the depreciation period.

The changes in estimated reserves are considered on a prospective basis in calculating depreciation.

At each balance sheet date or whenever there are indications that the assets might have become impaired, their recoverable amount (see section 3.3.10. of this Note) is compared to their carrying amount. Any impairment loss or reversal arising as a result of this comparison is recognized under “Impairment losses and losses on disposal of non-current assets” or, if applicable, “Income from reversal of impairment losses and gains on disposal of non-current assets” on the consolidated income statement (section 3.3.10. of this Note and Notes 7, 9 and 25).

d) Environmental property, plant and equipment

Property, plant and equipment of an environmental nature, the purpose of which is to minimize environmental impact and to protect and improve the environment, are identified on the basis of the nature of the business activities carried on, based on the Group’s technical criteria, which are based on the guidelines relating to these matters issued by the American Petroleum Institute (API).

Environmental property, plant and equipment and the related accumulated depreciation are recognized in the balance sheet together with other property, plant and equipment, classified by their nature for accounting purposes.

Their cost, depreciation methods and the valuation adjustments to be performed are determined in accordance with the rules relating to these non-current asset items, as explained in sections 3.3.7.a) to 3.3.7.c) of this Note.

3.3.8) Investment property

Investment property are those assets (buildings, land) held either to earn rentals or for capital appreciation or both. These assets are not used by the Group's in the production or supply of goods or services or for administrative purposes. Repsol YPF recognizes investment property using the cost model, applying the same policies as for items of property, plant and equipment (sections 3.3.7a) and 3.3.7.b) above).

3.3.9) Non-current assets and liabilities held for sale and discontinued operations

The Group classifies a non-current asset (or group of assets) as held for sale if the carrying amount of the asset(s) and associated liabilities will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. The sale should be expected to be completed within one year from the date of classification.

These assets or group of assets are presented at the lower of carrying amount and fair value less costs to sell and are not depreciated as long as they are classified as held for sale or form part of a group of assets classified as held for sale.

In addition, the Group classifies as discontinued operations any component (a cash-generating unit or a group of cash-generating units) that represents a separate major line of business or geographical area of operations, or has been sold or disposed of by other means, or that qualifies for classification as held for sale.

Non-current assets held for sale are presented in the consolidated balance sheet separately from other assets under the heading “Non-current assets held for sale,” while the liabilities associated with assets qualifying for this classification are presented under “Liabilities related to non-current assets held for sale” described in the previous paragraphs. The after-tax profits or losses generated by discontinued operations are presented in a single heading “Net income for the year from discontinued operations”.

3.3.10) Impairment of property, plant and equipment, intangible assets and goodwill

In order to ascertain whether its assets have become impaired, the Group compares their carrying amount with their recoverable amount at the balance sheet date (section 3.3.24 below), or more frequently if there are indications that the assets might have become impaired. For that purpose, assets are grouped into cash-generating units (CGUs), to the extent that such assets, when individually considered, do not generate cash inflows that are independent of the cash inflows from other assets or CGUs. The identification of an asset’s CGU implies the use of professional judgment.

To perform this test, goodwill acquired on a business combination is allocated among the cash-generating units or groups of cash-generating units (CGUs) that benefit from the synergies of the business combination and the recoverable amount thereof is estimated by discounting the estimated future cash flows of each unit.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a rate that reflects the weighted average cost of capital employed, which is different for each country and business.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount, and an impairment loss is recognized as an expense under “Impairment losses recognized and losses on disposal of non-current assets” in the consolidated income statement.

An impairment loss is recognized, first applied, as a reduction of the carrying amount of related goodwill allocated to the cash-generating unit. Any impairment losses in excess of the carrying amount of goodwill is then allocated to the assets comprising the CGU on a pro-rata basis of their carrying amount.

The basis for future depreciation or amortization will take into account the reduction in the value of the asset as a result of any accumulated impairment losses.

On the occurrence of new events, or changes in existing circumstances, which prove that an impairment loss recognized on a prior date could have disappeared or decreased, a new estimate of the recoverable value of the corresponding asset is developed, to determine whether it is applicable to reverse the impairment losses recognized in previous periods.

In the event of a reversal, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined in case no impairment loss had been recognized for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognized under “Income from reversal of impairment losses and gains on disposals of non-current assets” in the consolidated income statement. An impairment loss recognized for goodwill cannot be reversed in subsequent periods.

3.3.11) Current and non-current financial assets

The Group classifies its investments when they are initially recognized and reviews their classification at each balance sheet date. The assets are classified on the basis of the purpose for which they were acquired.

This category has, in turn, the following sub-categories:

- a) Financial assets at fair value with changes through profit or loss
 - a.1) Financial assets held for trading: this category comprises derivatives not designated as hedging instruments.
 - a.2) Other financial assets at fair value with changes in profit and loss: this category comprises those financial assets acquired for trading or sale in the short-term which are not derivatives.

- b) Financial assets available for sale

Financial assets available for sale are financial assets that have either been designated as available for sale or have not been classified in any other financial asset category.

- c) Loans and receivables

There are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group delivers goods or provides services or financing to a third party and are assets which it does not intend to sell immediately or in the near term.

d) Held to maturity investments

Held to maturity investments are financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold from the date of purchase to the date of maturity.

A financial asset is initially recognized at fair value (section 3.3.23 of this Note). Transaction costs that are directly attributable to the acquisition or issuance of a financial asset are capitalized upon initial recognition of the asset, except in relation to assets designated as financial assets at fair value through profit or loss.

Subsequent to initial recognition, all financial assets, except for “Loans and receivables” and “Held to maturity investments” are measured at fair value. Equity investments in unlisted companies whose fair value cannot be measured reliably are measured at cost.

In the case of “Other financial assets at fair value with changes in profit and loss,” gains and losses from changes in fair value are recognized in the net profit or loss for the year. In the case of “Financial assets available for sale,” the gains and losses from changes in fair value are recognized directly in equity until the asset is disposed of or it is determined that it has become impaired, at which time the cumulative gains or losses previously recognized in equity are recognized in the profit or loss for the year.

“Loans and receivables” and “Held to maturity investments” are measured at amortized cost, and the accrued interest income is recognized in profit or loss using the effective interest rate method.

An impairment loss on financial assets at amortized cost is recognized when there is objective evidence that the Group will not be capable of collecting all the related amounts under the original terms of the accounts receivable.

The amount of the impairment loss is recognized in the consolidated income statement as the difference between the carrying amount and the present value of the future cash flows discounted at the effective interest rate. The carrying amount of the asset is reduced through an allowance account.

If, in subsequent periods, the value of the financial asset is recovered, the previously recognized impairment loss shall be reversed. The reversal shall not exceed the carrying amount the financial asset prior to the initial recognition of the impairment loss. The amount of the reversal shall be recognized in the income statement for the period.

Finally, an account receivable is considered uncollectible when situations similar to the following occur: dissolution of a company, lack of assets with which to settle the debts or a legal ruling.

Financial assets are initially recognized at face value whenever the effect of not discounting the related cash flows is not significant. Subsequent measurement of these assets is also done at face value.

The Group derecognizes financial assets when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition.

3.3.12) Inventories

Inventories acquired for our own use are stated at the lower of cost and net realizable value. Cost (basically the average cost) includes acquisition costs (less trade discounts, rebates and other similar items), transformation and other costs which have been incurred in bringing the inventories to their present location and condition.

In the case of refinery products, the costs are allocated to income in proportion to the selling price of the related products (isomargin method) due to the existing difficulty to recognize the conversion costs of every product.

The Group assesses the net realizable value of the inventories at the end of each period and recognizes in income the appropriate valuation adjustment if the inventories are overstated. When the circumstances that previously caused the impairment no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed.

Net realizable value is the estimated selling price at year end less the estimated costs of completion and costs to be incurred in marketing, selling and distribution.

In the case of commodities and similar products, it is not necessary to write down their carrying amount below cost so long as management expects that the finished products in which they are to be incorporated will be sold above cost.

Commodities inventories acquired for trading are measured at fair value less costs to sell and changes in fair value are recognized in income. These transactions do not represent a significant volume of the Group's inventories (Note 13).

3.3.13) Cash and cash equivalents

Repsol YPF classifies under "Cash and cash equivalents" liquid financial assets, deposits or financial assets that can be converted into a known amount of cash within three months and that are subject to an insignificant risk of changes in value.

3.3.14) Earnings per share

Basic earnings per share are calculated by dividing the profit for the period attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the period taking into account, where appropriate, any treasury shares held by the Group (Notes 15.1 and 15.4).

3.3.15) Financial liabilities

Financial liabilities are initially recognized at fair value less the transaction costs incurred. Except for derivatives, subsequent to initial recognition, the Group measures its financial liabilities at amortized cost, as none of its financial liabilities are classified as held-for-trading. Any difference between the financing received (net of transaction costs) and repayment value is recognised in the consolidated income statement over the life of the debt instrument in question, using the effective interest rate method.

Preference shares, which are detailed in Note 19 correspond to this liability category. They are initially recognized at fair value net of issuing costs and are subsequently measured at amortized cost, unless they form part of a hedging transaction in which case the criteria set forth in section 3.3.23. of this Note applies.

Trade payables and other payables are financial liabilities which do not bear explicit interest and which, are recognized at face value, when the effect of not discounting them is not material.

The Group derecognizes financial liabilities when the obligations are cancelled or expire.

3.3.16) Provisions

In accordance with prevailing accounting standards, the Group makes a distinction between:

- a) Provisions: present obligations, either legal or assumed by the Group, arising from past events, the settlement of which is expected to give rise to an outflow of resources the amount and timing of which are uncertain; and
- b) Contingent liabilities: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group, or present obligations arising from past events, the amount of which cannot be measured with sufficient reliability or whose cancellation is not likely to give rise to an outflow of resources embodying future economic benefits.

These provisions are recognized when the liability or obligation giving rise to the indemnity or payment arises, to the extent that its amount can be reliably estimated and it is probable that the commitment will have to be settled.

When a contract qualifies as onerous, the related present liabilities are recognized in the consolidated financial statements as provisions.

Contingent liabilities are not recognized in the consolidated financial statements. Notwithstanding the above, whenever it is deemed possible that settlement of such a liability will give rise to an outflow of resources, the existence of these liabilities is disclosed (Note 34).

3.3.17) Pensions and other similar obligations

- a) Defined contribution plans

Repsol YPF has recognized defined contribution pension plans for certain employee groups; directly or indirectly through Group subsidiary YPF and Gas Natural Fenosa (Note 18).

The annual cost of these plans is recognized under “Personnel expenses” in the consolidated income statement.

b) Defined benefit plans

Repsol YPF's defined benefit plans are mostly held through Gas Natural Fenosa. The benefits to which the employees are entitled at the date of their retirement are recognized in the income statement as follows:

- i. The current service cost (the increase in the present value of the defined benefit obligation resulting from employee service in the current period), under "Personnel expenses."
- ii. The interest cost (the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement), under "Financial costs."
- iii. The return on plan assets and changes in the value thereof, less any costs of administering the plan and less any tax payable by the plan itself, under "Financial costs."

The liability recognized with respect to defined contribution pension plans is the present value of the obligation at the balance sheet date less the fair value of plan assets, net of adjustments for past service costs. The obligation under defined benefit plans is calculated annually by independent actuaries in accordance with the projected credit unit method.

Any actuarial gains or losses arising as a result of changes in the actuarial assumptions used are recognized directly in equity under the heading "Reserves."

3.3.18) Government grants

a) Grants related to assets

These are grants related to non-current assets and are measured at either: (i) the amount granted or nominal value; or (ii) the fair value of the assets received, if they have been transferred for no consideration. They are classified as deferred income when it is certain that they will be received.

Among other grants, this heading includes the government grants received by Gas Natural Fenosa pursuant to the agreements in place with Spain's Regional Governments for building power and gas infrastructure in towns and other gas and power related investments for which all the conditions established to them have been met; they are measured at the amount granted.

These grants are recognised in profit or loss on straight line basis over the useful life of the assets they are financing. The consolidated Financial Statements present the assets and the grants received separately.

b) Grants related to income

These are grants that become receivable by the entity and are recognised as income for the period in which they become receivable.

3.3.19) Deferred income

Deferred income relates mainly to income from the assignment of gas transmission pipeline usage rights, the income relating to the natural gas distribution network relocation to be borne by third parties and the net amounts received each year for new connections to the gas or power grids. This income is credited to income on a straight-line basis over the depreciation period of the related non-current assets, which ranges from 20 to 50 years.

This heading also includes the amounts associated with CO₂ allowances received for no consideration (section 3.3.6 b) within this Note).

3.3.20) Leases

Determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

In this category, a distinction can be drawn between:

a) Finance leases

Leases are classified as finance leases whenever the lessor transfers substantially all the risks and rewards of ownership to the lessee. The ownership of the asset may or may not be transferred at the end of the lease term.

When the consolidated companies act as the lessee in finance leases, they present the cost of the leased assets in the consolidated balance sheet, based on the nature of the leased asset, and, simultaneously, recognise a financial liability for the same amount, which will be the lower of the fair value of the leased or the fair value of non-contingent amounts and not related to the provision of services payable to the lessor including, where appropriate, the price of exercising the purchase option, when the exercise thereof is expected with certainty at the beginning of the lease. These assets are depreciated according to criteria applied to the items of property, plant and equipment that are owned or are depreciated over the lease term, whichever is lower, provided there is no reasonable certainty that the lessee shall be granted the ownership at the end of the lease term.

The finance cost derived from the discounted financial liability is allocated to the periods during the lease term through use of a constant interest rate on the remaining financial liability. The resulting finance expense is charged to the heading "Financial result" in the consolidated income statement.

b) Operating leases

Leases in which the ownership of the leased asset and substantially all the risks and rewards incidental to ownership of the leased assets remain with the lessor are classified as operating leases.

Lease costs are recognized under “Other operating expense” in the consolidated income statement as incurred.

When the Group acts as lessor, the resulting income is recognized under “Other operating income” in the consolidated income statement, as accrued.

3.3.21) Income tax

Repsol YPF recognizes in the income statement for the year the accrued tax on the companies’ income, which is calculated taking into account the differences between the timing of recognition for accounting purposes and tax purposes of the transactions and other events in the current year recognized in the financial statements, giving rise to temporary differences and, therefore, to the recognition of certain deferred tax assets and liabilities in the balance sheet. These amounts are recognized by applying to the temporary differences the tax rate that is expected to apply in the period when the asset is realized or the liability is settled.

Deferred tax liabilities are recognized for all taxable temporary differences, unless the temporary difference arises from the initial recognition of goodwill for which amortization is not deductible for tax purposes or unless the exception to the deferred tax liabilities is applicable in cases of taxable temporary differences related to investments in subsidiaries, branches and associates.

Deferred tax assets recognized for temporary differences and other deferred tax assets (tax losses and tax deductions carry forwards) are recognized when it is considered probable that the consolidated companies will have sufficient taxable profits in the future against which the deferred tax asset can be utilized. Additionally, deferred tax assets recognized for temporary differences can only be recorded to the extent that they will reverse in the near future.

The accrued income tax expense includes both the deferred income tax expense and the current income tax expense, which is taken to be the amount payable (or refundable) in relation to the taxable net income for the year (see Note 24).

“Income tax” in the accompanying consolidated income statement includes both the accrued income tax expense and the net provisions recognized in the year for income tax contingencies.

3.3.22) Revenue and expense recognition

Revenues are measured at the fair value of the consideration received or receivable and represents the amounts receivable for the goods and services provided in the normal course of business, net of discounts and any amounts received on account of third parties, such as the Valued Added Tax.

In sales in which the Group acts as agent, the Group does not recognize all the income and expenses associated with the transaction, recognizing as revenue only the margin received or pending to receive.

In order to minimize transport costs and optimize the Group's logistics chain, the Group arranges oil product swaps with other companies in a number of geographical locations. The related agreements include clauses to adjust through an amount of economic consideration the value of the products swapped on the basis of the technical specifications thereof and the delivery and receiving points for the goods. These transactions are not recognized in the income statement as separate purchases and sales.

Sales of goods are recognized when substantially all the risks and rewards have been transferred. Revenue associated with the rendering of services is also recognized by reference to the stage of completion of the transaction at the balance sheet date, provided the outcome of the transaction can be estimated reliably. Interest income is accrued on a time proportion basis, by reference to the principal outstanding and the effective interest rate applicable. Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.

An expense is recognized when there is a reduction of an asset, or an increase in a liability, which can be measured reliably.

As a result of the legislation on oil and gas retailing in force in the countries in which the Group operates, Repsol YPF reflects as both revenue and expenses the excise and analogous duties levied specifically on consumption related to the production and/or sale of oil and gas products.

Transactions between Group companies and between reportable segments are carried out on an arm's length basis. These transactions give rise to income, expenses and profits which are eliminated on consolidation.

Work relating to water management, atmospheric protection, waste management, remediation of soil and subsoil water and the development of environmental management systems are deemed to be environmental expenses and they are recognized for accounting purposes in accordance with the criteria indicated above.

3.3.23) Financial derivatives

The Group arranges derivatives to hedge its exposure to financial and commercial risks due to interest rate and exchange rate fluctuations and to changes in the prices of certain commodities. All financial derivative instruments are initially recognized at fair value at the contract date and are subsequently measured at fair value. The derivatives are recognized as an asset when their fair value is positive and as a liability when it is negative. The differences in fair value are recognized in the income statement, except for specific hedge accounting treatment, where applicable.

For the assessment of financial derivative instruments, in case these are available, quotation market prices at the close of the balance sheet are used. This is the case of the futures contracts.

In the absence of quotation market prices for financial derivative instruments contracted, their fair value is estimated discounting the associated future cash flows according to the interest, exchange rates, credit differentials, volatility, and forward price trends in force on the close of the balance sheet. This assessment method has been applied to the following instruments:

- Mixed currency and interest swaps
- Interest rate swaps
- Forward exchange rate contracts
- Swaps on crude oil prices and products
- Interest rate options

Although the Group applies common assessment market techniques, some changes in the measurement models or in the hypotheses applied therein could lead to different assessments of said instruments than these recognized in the balance sheet, income statement and/or equity.

The Group designates certain derivatives as:

a) Fair value hedges

These are hedges of the exposure to changes in the fair value of an asset or a liability recognized for accounting purposes, an unrecognized firm commitment or an identified portion of the aforementioned asset, liability or firm commitment that can be attributed to a particular risk and might affect the profit for the period.

The changes in the fair value of hedging derivatives that are designated as effective fair value hedges are recognized in the income statement, together with any change in the fair value of the hedged items attributable to the hedged risk.

b) Cash flow hedges

These are hedges of the exposure to changes in cash flows that: (i) are attributed to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction and that (ii) could affect profit or loss for the year.

The effective portion of changes in the fair value of hedging instruments is recognized in equity. The gain or loss relating to the ineffective portion is recognized in the income statement. The cumulative gains or losses recognized in equity are transferred to net profit or loss for the year, in the period in which the hedged items affect the income statement.

c) Hedges of net investment

These are hedges of the exposure to foreign exchange rate changes in relation to investments in the net assets of foreign operations.

Hedges of net investments in a foreign operation are accounted for in a similar way to cash flow hedges, although the exchange rate differences resulting from these transactions are recognized in “Translation differences” under equity in the accompanying consolidated balance sheet.

The cumulative amount of the exchange differences are derecognized from equity, and recognized in the income statement, when the foreign operation is sold or disposed of in any other way.

For the three types of hedges described above, the Group documents at the inception of the transaction the hedging relationship between the hedging instrument and the hedged items, and the risk management objective and strategy for undertaking the hedge. The Group also documents their assessment, both at the inception of the hedge and subsequently. The derivatives used in hedging transactions are highly effective.

Hedge accounting is discontinued when the hedging instrument expires, is sold or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognized in equity is retained in equity until the forecasted transaction occurs.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value with unrealized gains or losses reported in the consolidated income statement.

Long-term oil and gas sale and purchase commitments are analyzed with the aim to determine whether these are in line with the provisions or marketing needs of the normal activity of the Group or whether, on the contrary, these are derivatives and should be recognized in accordance with the criteria set forth in IAS 39.

3.3.24) Methodology for estimating recoverable amount

The recoverable amount of assets is generally estimated on the basis of their value in use, calculated on the basis of future expected cash flows derived from the use of the assets.

In the assessment of the value in use, cash flow forecasts based on the best income and expense estimates available of the CGUs using sector forecasts, past results and future expectations of business evolution and market development are utilized. Among the most sensitive aspects included in the forecasts used in all the CGUs, the purchase and sale prices of hydrocarbons, inflation, employee costs and investments are highlighted.

The cash flows from the exploration and production assets are generally projected for a period that covers the economically productive useful lives of the oil and gas fields and is limited, by the contractual expiration of the operating permits, commitments or contracts. The estimated cash flows are based on production levels, commodity prices and estimates of the future investments that will be necessary in relation to undeveloped oil and gas reserves, production costs, field decline rates, market supply and demand, contractual conditions and other factors. The unproved reserves are weighted with risk factors, on the basis of the type of each one of the exploration and production assets.

The reference prices considered are based on a combination of market prices available in the financial community.

The cash flows of the refining and marketing businesses are estimated on the basis of the projected sales trends, unit contribution margins, fixed costs and investment or divestment flows, including the investments needed to maintain business volumes, in line with the assumptions modeled in each business' specific strategic plans. However, cash inflows and outflows relating to planned restructurings or productivity enhancements are not considered. The cash flows projection period is generally a five-year period, extrapolating the flows of the fifth year for subsequent years without applying any growth rate.

These estimated net cash flows are discounted to present value using the specific cost of capital to each asset based on the currency in which its cash flows are denominated and the risks associated with the cash flows, including country risk. The rates used in 2010 and 2009 for the various businesses are in the following ranges:

	2010	2009
E&P	7.7-19.7%	7.8% - 18.6%
R&M	4.2-15.7%	4.9% - 15.0%

(4) **ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of financial statements in accordance with generally accepted accounting principles makes it necessary to make assumptions and estimates that affect the amounts of the assets and liabilities recognized, the presentation of contingent assets and liabilities at year end and the income and expenses recognized during the year. The actual results could differ depending on the estimates made.

The accounting policies and areas which require the highest degree of judgment and estimates in the preparation of the consolidated financial statements are: (i) crude oil and natural gas reserves; (ii) provisions for litigation and other contingencies; (iii) the calculation of income tax and deferred tax assets; (iv) impairment test of assets (Note 3.3.10 and 3.3.24), and (v) derivative financial instruments (Note 3.3.23).

Crude oil and gas reserves

The Estimation of crude oil and gas reserves is an integral part of the Company's decision making process. The volume of crude oil and gas reserves is used to calculate the depreciation using unit production ratios and to assess the recoverability of the investments in exploration and production assets (Notes 7 and 9).

Repsol YPF prepares its estimates and assumptions in relation to crude oil and gas reserves taking into account the guidelines and the conceptual framework of the definition of proved reserves established for the oil and gas industry by the *U.S. Securities and Exchange Commission (SEC)*. The SEC approved amendments to its reporting requirements applicable to oil and gas exploration and production companies that became effective on January 1, 2010 and which were applied to calculate reserve volumes at December 31, 2009. The application of these amendments had no significant impact on the Group's reserve volumes at that date.

Provisions for litigation and other contingencies

The final cost of settling claims, grievances and lawsuits could vary due to estimates based on differing interpretations of the rules, opinions and final assessments of the amount of the damages. Therefore, any change in circumstances relating to contingencies of this nature could have a material effect on the amount of the provision for contingencies recognized.

Repsol YPF makes judgments and estimates in recording costs and establishing provisions for environmental clean-up and remediation costs which are based on current information regarding costs and expected plans for remediation. For environmental provisions, costs can differ from estimates because of changes in laws and regulations, discovery and analysis of site conditions and changes in clean-up technology. Therefore, any change in the factors or circumstances related to provisions of this nature, as well as changes in laws and regulations could, as a consequence, have a significant effect on the provisions recognized for these costs (Note 34).

Calculation of income tax and deferred tax assets

The appropriate assessment of the income tax expense is dependent on several factors, including estimates of the timing and realization of deferred tax assets and the timing of income tax payments. Actual collections and payments may differ materially from these estimates as a result of changes in tax laws as well as unanticipated future transactions impacting the Company's tax balances.

(5) **GOODWILL**

The breakdown, by company, of goodwill at year-end 2010 and 2009 is as follows:

	Millions of euros	
	2010	2009
YPF S.A.	1,802	1,671
Gas Natural Fenosa Group companies	2,146	2,156
Refap S.A. (1)	-	264
Repsol Portuguesa, S.A.	154	154
Repsol Gas Portugal, S.A.	118	118
Empresas Lipigas S.A.	94	80
EESS de Repsol Comercial P.P, S.A	95	96
Other companies	208	194
	<u>4,617</u>	<u>4,733</u>

(1) In December 2010 the Group sold its interest in the refinery, Alberto Pascualini Refap, S.A. (Note 31).

The changes in 2010 and 2009 in this line item in the accompanying consolidated balance sheet were as follows:

	Millions of euros	
	2010	2009
Balance at beginning of year	4,733	3,055
Additions	6	1,788
Change in the scope of consolidation	(285)	(49)
Translation differences	189	10
Write-downs	(10)	(16)
Reclasifications and others changes	(16)	(55)
Balance at end of year	<u>4,617</u>	<u>4,733</u>

In 2010 the “Changes in the scope of consolidation” subheading includes the derecognition of €291 million of goodwill associated with Alberto Pascualini Refap, S.A., which was sold during the year (Note 31).

In 2009 the most significant amount included under the heading “Additions” corresponded to the acquisition of Unión Fenosa, S.A. by Gas Natural SDG, S.A., which generated goodwill amounting to €1,745 million (representing the Group’s pro rata share corresponding to its shareholding in Gas Natural Fenosa).

The detail of the gross goodwill and accumulated impairment losses at December 31, 2010 and 2009 is as follows:

	Millions of euros	
	2010	2009
Gross goodwill	4,643	4,749
Accumulated impairment losses	(26)	(16)
Net goodwill	<u>4,617</u>	<u>4,733</u>

Testing goodwill for impairment

The detail, of goodwill at December 31, 2010 and 2009 by operating segment is as follows:

	Millions of euros	
	2010	2009
Upstream	85	78
Downstream	584	828
YPF	1,802	1,671
Upstream	1,230	1,141
Downstream	572	530
Gas Natural	2,146	2,156
TOTAL	<u>4,617</u>	<u>4,733</u>

Repsol YPF considers that, based on current knowledge, the reasonably foreseeable changes in key assumptions for determining fair value, on which the determination of the recoverable amounts was based, will not have any material impact on the Group's 2010 or 2009 Financial Statements.

(6) OTHER INTANGIBLE ASSETS

The detail of the intangible assets and the related accumulated amortization at December 31, 2010 and 2009, and of the changes therein is as follows:

	Millions of euros						Total
	Leasehold Assignment, Surface and Usufruct Rights	Flagging Costs	Exclusive Supply Contracts	Emission Allowances	Computer Software	Other Intangible Assets	
COST							
Balance at January 1, 2009	676	210	178	315	402	586	2,367
Additions (1)	3	11	12	13	48	15	102
Disposals and derecognitions	(20)	(33)	(1)	(48)	(3)	(6)	(111)
Translation differences	(8)	(1)	-	-	-	26	17
Change in the scope of consolidation	(5)	-	-	67	21	937	1,020
Reclassifications and other changes (2)	(7)	21	(12)	(89)	(5)	(16)	(108)
Balance at December 31, 2009	<u>639</u>	<u>208</u>	<u>177</u>	<u>258</u>	<u>463</u>	<u>1,542</u>	<u>3,287</u>
Additions (1)	43	7	13	8	59	119	249
Disposals and derecognitions	(21)	(20)	(103)	(4)	(4)	(21)	(173)
Translation differences	18	3	-	-	7	63	91
Change in the scope of consolidation (3)	1	-	-	4	-	(28)	(23)
Reclassifications and other changes (2) (4)	19	4	(5)	(11)	(14)	1,317	1,310
Balance at December 31, 2010	<u>699</u>	<u>202</u>	<u>82</u>	<u>255</u>	<u>511</u>	<u>2,992</u>	<u>4,741</u>
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES							
Balance at January 1, 2009	(253)	(162)	(138)	(86)	(241)	(260)	(1,139)
Depreciation charge for the year	(24)	(23)	(6)	-	(61)	(39)	(153)
Disposals and derecognitions	7	26	-	14	2	1	50
Impairment losses (recognised) / reversed	-	-	-	(50)	-	-	(50)
Translation differences	4	1	-	-	-	(5)	-
Change in the scope of consolidation	(7)	-	-	(4)	3	1	(7)
Reclassifications and other changes (2)	1	4	-	81	-	12	97
Balance at December 31, 2009	<u>(272)</u>	<u>(154)</u>	<u>(144)</u>	<u>(45)</u>	<u>(297)</u>	<u>(290)</u>	<u>(1,202)</u>
Depreciation charge for the year	(31)	(16)	(9)	-	(67)	(116)	(239)
Disposals and derecognitions	17	15	104	-	3	15	154
Impairment losses (recognised) / reversed	(1)	-	-	5	-	-	4
Translation differences	(10)	(2)	-	-	(5)	(16)	(33)
Change in the scope of consolidation	-	-	-	-	-	17	17
Reclassifications and other changes (2) (4)	(46)	-	-	39	11	(610)	(606)
Balance at December 31, 2010	<u>(343)</u>	<u>(157)</u>	<u>(49)</u>	<u>(1)</u>	<u>(355)</u>	<u>(1,000)</u>	<u>(1,905)</u>
Carrying amount at December 31, 2009	<u>367</u>	<u>54</u>	<u>33</u>	<u>213</u>	<u>166</u>	<u>1,252</u>	<u>2,085</u>
Carrying amount at December 31, 2010	<u>356</u>	<u>45</u>	<u>33</u>	<u>254</u>	<u>156</u>	<u>1,992</u>	<u>2,836</u>

(1) Additions in 2010 and 2009 came from the direct acquisition of assets.

(2) In 2010, the column headed "Emission Allowances" includes €211 million corresponding to CO₂ allowances allocated for no consideration for 2010 under Spain's National Allocation Plan and the derecognition of the liability corresponding to 2009 in the amount of €178 million. In 2009, this same heading included €246 million corresponding to the CO₂ allowances allocated for no consideration in 2009 under the National Allocation Plan and the derecognition of the liability corresponding to 2008 in the amount of €214 million.

(3) See Note 30.

- (4) The column headed “Other Intangible Assets” primarily reflects a reclassification of assets pertaining to service concession arrangements in the net amount of €463 million (€89 million of cost net of accumulated amortization in the amount of €524 million) from “Property, plant and equipment” (€19 million) and “Grants” (€6 million).

“Other intangible assets” primarily includes:

- a) Gas supply contracts and other contractual rights acquired as a result of the business combination between Gas Natural and Unión Fenosa, in the amount of €25 million in 2010 and €60 million in 2009.
- b) Assets in the amount of €26 million at year-end 2010 related to service concession arrangements under which the operator has the right to charge an established tariff to the services users, although the competent authorities regulate or control either the tariffs or the users to which service must be provided; moreover, the state retains the residual interest in the assets at the end of the term of the arrangement (Note 3.3.1).

These assets correspond primarily to transport concession agreements covering oil, gas and derivative products in Argentina, obtained as a result of application of the Privatization Law (Note 2), as well as concession agreements under which Gas Natural Fenosa participates in the gas transport and distribution businesses in Argentina, Brazil and Italy and in the power generation business in Costa Rica. The terms of these concessions range from 11 to 35 years and can be extended for additional terms ranging from 10 to 30 years. At the end of the concessions terms, the assets attached to the concessions revert to the corresponding governments and do not give rise to any collection rights whatsoever on the part of YPF or Gas Natural Fenosa.

In 2010 the Group recognized income and expenses incurred during construction phase of these assets in the amount of €21 million; these amounts are recognized under “Other operating income” and “Other operating expenses.”

- c) The costs of acquiring interests in exploration permits in the amount of €82 million at December 31, 2010.
- d) Power distribution concessions which the Group holds through the Gas Natural Fenosa Group in the amount of €42 million at year-end 2010 and €44 million at year-end 2009.

Intangible assets include €207 million of assets with indefinite useful lives at December 31, 2010 (€205 million at year-end 2009). These assets are not amortized but they are tested at least annually for impairment and relate primarily to the power distribution concessions held by the Group in Spain through Gas Natural Fenosa, as outlined above (Note 3.3.6 c).

The leasehold assignment, surface and usufruct rights, the reflagging costs and image rights, the exclusive supply contracts, as well as the administrative concessions and the costs of acquiring interests in exploration permits are legal rights whose ownership is conditioned upon the terms of the originating contract, as described in section 3.3.6 of Note 3.

At year-end 2010, intangible assets included €7 million of assets acquired under finance leases and related specifically to service station association rights.

The Group recognized research and development expenses in the consolidated income statement in the amount of €71 million in 2010 (€75 million in 2009).

(7) PROPERTY, PLANT AND EQUIPMENT

The detail of “Property, plant and equipment” and of the related accumulated depreciation and accumulated impairment losses at December 31, 2010 and 2009, and of the changes therein is as follows:

	Millions of euros							Total
	Land, buildings and other structures	Machinery and plant	Investments in areas with reserves	Other exploration costs	Transport equipment	Other tangible assets	Assets in the course of construction	
COST								
Balance at January 1, 2009	2,143	19,462	29,612	1,848	1,439	1,659	3,384	59,547
Additions	12	261	1,099	583	4	55	2,232	4,246
Disposals and derecognitions	(27)	(372)	(11)	(19)	(8)	(27)	(384)	(848)
Translation differences	(35)	(70)	(1,043)	(72)	(21)	(15)	(5)	(1,261)
Change in the scope of consolidation	107	4,227	326	136	42	31	421	5,290
Reclassifications and other changes (1)	365	1,173	19	4	113	(23)	(1,714)	(63)
Balance at December 31, 2009	2,565	24,681	30,002	2,480	1,569	1,680	3,934	66,911
Additions	24	246	1,537	486	15	120	2,181	4,609
Disposals and derecognitions	(17)	(118)	(3)	(2)	(6)	(75)	(23)	(244)
Translation differences	72	663	2,295	145	51	71	60	3,357
Change in the scope of consolidation	(39)	(661)	(146)	(272)	1	(11)	(124)	(1,252)
Reclassifications and other changes (1) (2)	168	557	378	(500)	394	21	(1,330)	(312)
Balance at December 31, 2010	2,773	25,368	34,063	2,337	2,024	1,806	4,698	73,069
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES								
Balance at January 1, 2009	(700)	(11,808)	(18,150)	(1,030)	(619)	(1,146)	-	(33,453)
Depreciation charge for the year	(48)	(1,144)	(1,886)	(249)	(55)	(85)	-	(3,467)
Disposals and derecognitions	22	335	9	11	8	20	-	405
Impairment losses (recognised) / reversed (3)	-	16	150	-	-	-	-	166
Translation differences	8	66	673	28	15	8	-	798
Change in the scope of consolidation	(8)	29	(203)	(2)	1	1	-	(182)
Reclassifications and other changes (1)	(2)	645	29	10	-	40	-	722
Balance at December 31, 2009	(728)	(11,861)	(19,378)	(1,232)	(650)	(1,162)	-	(35,011)
Depreciation charge for the year	(67)	(1,190)	(2,042)	(263)	(67)	(79)	-	(3,708)
Disposals and derecognitions	9	91	3	-	5	67	-	175
Impairment losses (recognised) / reversed (3)	(4)	(46)	(83)	(82)	-	(11)	-	(226)
Translation differences	(21)	(284)	(1,472)	(60)	(37)	(44)	-	(1,918)
Change in the scope of consolidation	9	273	61	99	-	4	-	446
Reclassifications and other changes (1) (2)	2	123	191	118	351	(27)	-	758
Balance at December 31, 2010	(800)	(12,894)	(22,720)	(1,420)	(398)	(1,252)	-	(39,484)
Carrying amount at December 31, 2009	1,837	12,820	10,624	1,248	919	518	3,934	31,900
Carrying amount at December 31, 2010 (4)	1,973	12,474	11,343	917	1,626	554	4,698	33,585

- (1) In 2010, “Reclassifications and other changes” includes €177 million of reclassifications to “Non-current assets held for sale” related to the the Plana del Vent combined cycle plant and the Enel Unión Fenosa Renovables assets to be spun out to Enel Green Power, all of which are held through Gas Natural Fenosa. Also in 2010, the investment in BBG (€47 million) was transferred to “Non-current assets held for sale.” In 2009, €676 million of assets were reclassified to “Non-current assets held for sale” corresponding to gas distribution assets in Cantabria, Murcia and Madrid, Combined Cycle Generation assets in Mexico, and certain assets located in Colombia, all of which were held through Gas Natural Fenosa. In 2009, changes in this heading also reflect the derecognition of €71 million corresponding to the Gaviota gas storage facility (owned by Repsol Investigaciones Petrolíferas, S.A.) which had been reclassified to “Non-current assets held for sale.”
- (2) In 2009, “Reclassifications and other changes” includes the derecognition of €39 million of assets associated with service concession arrangements which must be recognized as intangible assets under IFRIC 12 (Note 6). In addition, within this subheading, the column headed “Transport equipment” includes €856 million corresponding to the addition of four new methane ships acquired under finance lease arrangements (Note 22).
- (3) See Note 9.
- (4) At December 31, 2010, accumulated impairment charges totaled €81 million.

In 2010, the main additions were made in Spain (€1,932 million), Argentina (€1,516 million), Brazil (€442 million), the rest of Central and South America (€465 million), Libya (€83 million), the United States (€63 million) and Canada (€49 million). In 2009 the main additions were made in Argentina (€896 million), the United States (€265 million), Brazil (€211 million), the rest of Central and South America (€226 million), Libya (€136 million), Canada (€11 million) and Spain (€2,162 million).

The amounts corresponding to non-depreciable assets, that is, land and assets in the course of construction, amount, respectively to €790 million and €4,698 million at December 31, 2010 and €763 million and €3,934 million at December 31, 2009, respectively. The amounts related to land are included within the heading "Land, buildings and other structures" on the previous table.

Property, plant and equipment, included fully depreciated items for an amount of €1,533 million and €0,899 million at December 31, 2010 and 2009, respectively.

Repsol YPF capitalizes financial costs as part of the cost of the assets as described in section 3.3 of Note 3. In 2010 and 2009, the average capitalization cost was 3.76% and 4.52% and the amount of such financial expenses capitalized was €43 million and €22 million, respectively. Such amounts are recorded under the "Financial costs" line item in the consolidated income statement.

Within the heading "Property, plant and equipment" there are some investments carried out by the Group in public concessions, in an amount of €150 million and €122 million at December 31, 2010 and 2009, respectively; these concessions shall revert to the State within a term ranging from 2010 and 2054.

In 2010 and 2009 this heading includes €2,869 million and €2,024 million, respectively, of assets acquired under finance leases. Among the assets purchased under finance leases during these periods we highlight the methane ships purchased for the transport of the LNG in the amount of €1,561 million and €754 million in 2010 and 2009, respectively, as well as gas pipelines and other assets for the transport of natural gas in North America and Canada, which amounted to €1,287 million and €1,245 million December 31, 2010 and 2009, respectively (Note 22).

In accordance with industry practices, Repsol YPF insures its assets and operations worldwide. Among the risks insured are damages to property, plant and equipment, together with the subsequent interruptions in its business that such damages may cause. The Group believes that the current coverage level is, in general, appropriate for the risks inherent to its business.

(8) **INVESTMENT PROPERTY**

The changes in “Investment property” in 2010 and 2009 were as follows:

	Millions of euros		
	Cost	Accumulated Depreciation and Impairment Losses	Total
Balance at January 1, 2009	37	(6)	31
Disposals and derecognitions	(1)	-	(1)
Depreciation charge for the year and other changes	5	-	5
Balance at December 31, 2009	41	(6)	35
Disposals and derecognitions	(2)	1	(1)
Depreciation charge for the year and other changes	2	(10)	(8)
Balance at December 31, 2010	41	(15)	26

The market value at December 31, 2010 and 2009 of the assets comprised in this line item amounts to €9 million and €0 million, respectively.

The income recognized in 2010 and 2009 from investment properties amounted to less than €1 million in each period.

(9) **IMPAIRMENT OF ASSETS**

Repsol YPF Group reviews the carrying amounts of intangible assets, property, plant and equipment and other non-current assets whenever there are indicators of impairment, or at least annually, to determine whether those assets have incurred an impairment loss. These reviews are performed in accordance with the general principles established in Note 3.

In 2010 the Group recognized net impairment losses on non-current assets in the amount of €21 million.

In May 2010, Repsol YPF formally informed the National Iranian Oil Company (NIOC) and Shell of its decision to terminate its participation in the integrated natural gas liquefaction project in Iran (Persian LNG). As a result, the Group has recognized €85 million of impairment charges in connection with the assets capitalized as part of this project, of which €52 million corresponded to assets of the Upstream segment, while the remaining €33 million belonged to the LNG segment.

In 2010, the Group recognized an impairment loss of €1 million in connection with exploration assets in an area in Libya due to uncertainties surrounding the exploitation terms of the associated resources.

In addition, in 2010 the Group recognized impairment charges in connection with several assets associated with the Chemicals business, in the aggregate amount of €14 million, following the optimization of the Group’s productive capacity in Spain.

In 2009 the Group recognized a net reversal of impairment losses on non-current assets in the amount of €74 million.

The amount included a €50 million impairment loss on emission allowances (Note 35), the effect of which was almost totally by the gain resulting from the transfer to the income statement of the deferred revenue recognized in connection with emission allowances allocated in 2009 under Spain's National Allocation Plan.

This balance also reflected the reversal of the impairment provision recognized on the Argentine businesses in prior years in the amount of €172 million. This reversal was the result of the reassessment in 2009 of the configuration of cash generating units (CGUs) into which the Argentine upstream assets were grouped. Until 2008 each field was considered an individual CGU. Since 2009, primarily considering the trends of certain economic, operating and commercial conditions under which the Group operates in Argentina, the aforementioned assets were grouped into four CGUs, which provide a better reflection of the way the Group's current management decisions occur with respect to these assets. The new CGUs are the following: one CGU grouping the field assets with primarily oil reserves and three CGUs grouping field assets with mostly gas reserves, classified by national basin (Neuquina, Northwest and Austral).

(10) **INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**

The most significant investments in associates, which were accounted for using the equity method, at December 31, 2010 and 2009, were as follows:

	Millions of euros	
	2010	2009
Perú LNG Company Llc	193	217
Compañía Logística de Hidrocarburos CLH, SA	19	29
Atlantic LNG Company of Trinidad & Tobago	45	44
Transportadora de Gas del Perú, S.A.	50	41
Transierra, S.A.	24	20
Dynasol Elastómeros, S.A. de C.V.	37	25
Atlantic 4 Company of Trinidad & Tobago	44	41
Oleoducto de Crudos Pesados (OCP), Ltd	30	23
Guará, B.V.	18	-
Other entities accounted for using the equity method	125	91
	<u>585</u>	<u>531</u>

Appendix I lists the Group companies consolidated using the equity method of consolidation.

The changes in 2010 and 2009 in this heading in the accompanying consolidated balance sheet were as follows:

	Millions of euros	
	2010	2009
Balance at beginning of year	531	525
Additions (1)	2	11
Disposals	(23)	(1)
Changes in the scope of consolidation (2)	(13)	128
Result of companies accounted for using the equity method	76	86
Dividends distributed	(72)	(86)
Translation differences	43	1
Reclassifications and other changes (3)	41	(133)
Balance at end of year	<u>585</u>	<u>531</u>

- (1) In 2009 and 2010, additions include equity contributions to Enirepsa.
- (2) In 2009, changes relate primarily to €131 million corresponding to the Group's proportional interest in Gas Natural Fenosa (Note 30).
- (3) Reclassifications in 2009 include the reclassification of a 13% shareholding by Gas Natural Fenosa in Indra Sistemas S.A., which was sold on July 2, 2009, to non-current assets held for sale (€9 million) and the reclassification of Gas Natural Fenosa's remaining 5% stake in this company (€8 million) to available for sale financial assets (Note 12). Both figures represent the Group's proportionate interest in Gas Natural Fenosa.

In 2010, "Disposals" related to the sale of a 5% interest in CLH to BBK and the sale by Gas Natural Fenosa of its investment in Gas de Aragón (Note 31).

The breakdown in 2010 and 2009 of the Group's share in the profits or losses of the most significant companies accounted for using the equity method is as follows:

	Millions of euros	
	2010	2009
Atlantic LNG Company of Trinidad & Tobago	29	34
Compañía Logística de Hidrocarburos CLH, SA	24	26
Atlantic 4 Company of Trinidad & Tobago	19	16
Unión Fenosa (1)	-	14
Other entities accounted for using the equity method	4	(4)
	<u>76</u>	<u>86</u>

- (1) During March and April 2009, Unión Fenosa was consolidated by the Gas Natural Fenosa Group using the equity method (Note 30).

The following companies over which the Group has significant management influence, given that the Group has sufficient representation on the Board of Directors, despite holding an interest of less than 20%, were accounted for using the equity method:

<u>Company</u>	<u>% of ownership</u>
Ensafeca Holding Empresarial, S.L. (1)	18.52%
Sistemas Energético Mas Garullo (1)	18.00%
Gasoducto Oriental, S.A.	16.66%
Guará BV	15.00%
Regasificadora del Noroeste, S.A. (1)	10.50%
CLH	10.00%
Transportadora de Gas del Perú, S.A.	10.00%
Gasoducto del Pacífico (Argentina), S.A.	10.00%

(1) Investees held through the Gas Natural Fenosa Group

The following table provides the key balances of the Repsol YPF Group associates, calculated in accordance with the group's respective shareholding percentage at December 31, 2010 and 2009 (Appendix I):

	<u>Millions of euros</u>	
	<u>2010</u>	<u>2009</u>
Total Assets	1,953	1,903
Total Equity	585	531
Revenues	667	670
Net income for the period	76	86

(11) NON-CURRENT ASSETS AND LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS

The main balance sheet line items classified as assets held for sale and related liabilities at December 31, 2010 and 2009 were as follows:

	<u>Millions of euros</u>	
	<u>2010</u>	<u>2009</u>
Goodwill	20	27
Property, plant and equipment and other intangible assets	280	562
Other non-current assets	22	55
Current assets	18	102
	<u>340</u>	<u>746</u>
Non-current liabilities	59	155
Current liabilities	94	30
	<u>153</u>	<u>185</u>
	<u>187</u>	<u>561</u>

In February 2010, the Group sold 100% of Termobarrancas and the exploration and exploitation license for the Barrancas area to PDVSA; at year-end 2009 the investment in this company was classified to this heading in light of the sale-purchase and cession agreements already entered into with PDVSA and PDVSA GAS, respectively. Upon closing this transaction, €132 million was derecognized from this heading.

On April 8, 2010, Repsol YPF and Enagás signed an agreement for the sale by Repsol YPF to Enagás of its 82% interest in the Gaviota underground storage facility for €87 million. Of this amount, €16 million is conditional upon ministerial approval to the facility's capacity expansion plans. This transaction will close once all the necessary government and anti-trust authorities approvals have been secured; as a result, at December 31, 2010, this asset was classified as a non-current asset held for sale. In 2010 the Group received a €70 million advance payment on this sale; this amount was recognized under proceeds from disposals in the accompanying consolidated cash flow statement (Note 31).

In July 2010, Gas Natural Fenosa agreed to sell Grupo Alpiq the Plana de Vent 400MW combined cycle plant for a total of €60 million (adjusted for Repsol YPF's ownership interest in Gas Natural Fenosa). In addition, Alpiq will acquire an exclusive usage and operating right over another 400 MW facility for a two-year term. At the end of this term, Alpiq will have the right to purchase the facility for a total of €59 million (adjusted for Repsol YPF's ownership interest in Gas Natural Fenosa), in line with the market value of this option. This transaction falls under the scope of the commitments assumed by Gas Natural Fenosa with Spain's anti-trust authority (CNC), when it acquired Unión Fenosa and the close is subject to obtaining the usual authorizations. Since June 30, 2010, the assets for which the sale was agreed, have classified as non-current assets held for sale.

In August 2010, Gas Natural Fenosa and Enel Green Power agreed to terminate the renewable energy venture held by both parties until that time through Enel Unión Fenosa Renovables, S.A. (EUFER), a company in which each held a 50% interest. The agreement will result in each venturer receiving roughly half of EUFER's assets. The transaction was approved on November 10, 2010 by the anti-trust authorities, leaving only the regulatory and government authorizations pending. The portion of the assets and liabilities recognized in Gas Natural Fenosa's consolidated balance sheet to be spun out to Enel Green Power have been considered as non-current assets and liabilities held for sale.

In December 2009, Gas Natural Fenosa agreed the sale of its dual gas and power supply business in 38 Madrid municipalities. This business supplied residential customers, retail premises and small and medium companies (SMEs) from the the shared services structure in this region. This sale was closed in April 2010 once all the necessary permits had been obtained, resulting in the derecognition from this heading of €12 million of assets and €20 million of liabilities (proporcionate to Repsol YPF Group's interest in Gas Natural Fenosa). (Note 31).

In December 2009, Gas Natural Fenosa agreed the sale of several combined cycle power generation operators in Mexico, with combined generating capacity of 2,233 MW, and the Gasoducto del Río gas pipeline. This sale was closed in June 2010 once all the necessary permits had been obtained from the Mexican authorities, resulting in the derecognition from this heading of €397 million of assets and €125 million of liabilities (proporcionate to Repsol YPF Group's interest in Gas Natural Fenosa) (Note 31).

During the first half of 2009, a 13% interest in Indra Sistemas, a company in which Unión Fenosa held an 18% stake, was added to this heading in the amount of €9 million, based on the consideration at June 30, 2009 that its sale was highly probable. The sale closed on July 2, 2009. The remaining 5% stake was then classified as an available-for-sale financial asset. Later, in April 2010, this investment was sold for €38 million (proporcionate to Repsol YPF Group's interest in Gas Natural Fenosa) (Notes 12 and 31).

Discontinued operations in 2009

In 2009 the assets and liabilities associated with Energía Pacífico, S.A. (EPSA) in Colombia which were held through Gas Natural Fenosa were classified as a discontinued operation as they related to a component that represented a significant separate line of business (electricity generation in Colombia) within the Gas Natural Fenosa operating segment (Note 31). The rest of the assets and liabilities associated with the assets and groups considered as held for sale did not represent a separate significant line of business or geographic area of operations, and accordingly were not deemed discontinued operations.

The composition by nature of "Net income for the year from discontinued operations" in 2009 was as follows:

	<u>Millions of euros</u>
Operating revenues	56
Operating expenses	<u>(31)</u>
Operating income	25
Financial result	-
Gain on assets sales	<u>3</u>
Net income before taxes	28
Income Tax	<u>(16)</u>
Net income for the year from discontinued operations	<u>12</u>

No businesses were classified as discontinued operations in 2010.

(12) CURRENT AND NON-CURRENT FINANCIAL ASSETS

The detail of the different concepts that are included on the balance sheets, is as follows:

	<u>Millions of euros</u>	
	<u>2010</u>	<u>2009</u>
Non-current financial assets	1,789	1,732
Non-current derivatives on trading transactions (1)	2	-
Other current financial assets	684	713
Current derivatives on trading transactions (2)	40	20
Cash and cash equivalents	<u>6,448</u>	<u>2,308</u>
	<u>8,963</u>	<u>4,773</u>

- (1) Classified under the heading "Other non-current assets."
 (2) Classified under the heading "Other receivables".

The detail, by type of assets, of the Group's financial assets at December 31, 2010 and 2009, is as follows:

December 31, 2010							
Carrying amount							
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	-	-	150	-	-	-	150
Derivatives	2	-	-	-	-	-	2
Other financial assets	-	64	-	1,509	66	-	1,639
Long term / Non-current	2	64	150	1,509	66	-	1,791
Derivatives	37	-	-	-	-	71	108
Other financial assets (1)	-	346	-	601	6,117	-	7,064
Short term / Current	37	346	-	601	6,117	71	7,172
TOTAL	39	410	150	2,110	6,183	71	8,963

December 31, 2009							
Carrying amount							
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	-	-	173	-	-	-	173
Derivatives	-	-	-	-	-	86	86
Other financial assets	-	72	-	1,339	62	-	1,473
Long term / Current	-	72	173	1,339	62	86	1,732
Derivatives	25	-	-	-	-	137	162
Other financial assets (1)	-	226	-	503	2,150	-	2,879
Short term / Current	25	226	-	503	2,150	137	3,041
TOTAL	25	298	173	1,842	2,212	223	4,773

- (1) Under the headings "Trade receivables" and "Other receivables" from the balance sheet there is an amount of €8,160 million and €6,533 million in 2010 y 2009, respectively, arising out of receivables not included in the breakdown of the financial assets in the previous table.

The classification of the financial assets recognized in the financial statements at fair value, by fair value calculation method level hierarchy, is as follows:

	Level 1		Level 2		Level 3		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
Financial assets held for trading	8	1	31	24	-	-	39	25
Other financial assets at fair value through profit and loss	410	298	-	-	-	-	410	298
Financial assets available for sale (1)	71	103	-	-	-	-	71	103
Hedging derivatives	-	-	71	223	-	-	71	223
Total	489	402	102	247	-	-	591	649

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) Excludes €79 million and €70 million in 2010 and 2009, respectively, corresponding to equity investments in companies that are measured at acquisition cost under IAS 39 (Note 3.3.11. - Current and non-current financial assets).

The composition of current and non-current financial assets by category is as follows:

12.1) Financial assets held for trading

Derivatives not designated as hedging instruments are included within this category.

12.2) Other financial assets at fair value through profit or loss

Financial assets measure at fair value through profit or loss in the years 2010 and 2009 mainly correspond to collective mutual funds.

12.3) Financial assets available for sale

These mainly correspond to minority equity interests in companies over which the Group does not have management influence.

The movement of financial assets available for sale during the years ended December 31, 2010 and 2009 is the following:

	Millions of euros	
	2010	2009
Balance at beginning of year	173	881
Additions	1	240
Disposals	(39)	(87)
Adjustments to fair value	8	48
Changes in the scope of consolidation	(1)	(951)
Raclassifications and other changes	8	42
Balance at end of year	<u>150</u>	<u>173</u>

Additions in 2009 included €39 million corresponding to the outflows to pay for the purchase by Gas Natural of shares in Unión Fenosa, adjusted for the Group's ownership interest in Gas Natural Fenosa. This amount was transferred as a consequence of the full consolidation of Unión Fenosa from February 28, 2009 (Note 30).

In 2010, Gas Natural Fenosa sold 5% interest in Indra for €38 million, generating a before-tax profit of €1 million. In 2009 disposals include the sale of 5% of Enagás for €48 million, which generated before-profit gains of €31 million; this amount was recognized within "Financial result" while "Adjustments for changes in value" was deducted by the same amount. In 2009, Gas Natural Fenosa closed the sale of its 1% interest in Isagen S.A. E.S.P. for €20 million and its 1% interest in Red Eléctrica Corporación S.A. for €11 million; neither transaction generated gains. These disposals were made by Gas Natural Fenosa and the amounts presented correspond to the Group's proportionate interest in this group, except for the percentages, which represent 100% of Gas Natural's interest in those transactions.

In 2010 adjustments due to fair value estimations primarily relate to the investment in West Siberian Resources (€11 million), while in 2009 were related to the investments in West Siberian Resources (€32 million), Enagás (-€10 million) and Unión Fenosa (€2 million).

12.4) Loans and receivables

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

	Millions of euros			
	Carrying amount		Fair value	
	2010	2009	2010	2009
Non-current	1,509	1,339	1,689	1,308
Current	601	503	601	503
	<u>2,110</u>	<u>1,842</u>	<u>2,290</u>	<u>1,811</u>

The non-current balance includes the loan extended to Petersen in relation with the sale of an interest in YPF in the amount of €40 million in 2010 (€13 million at year-end 2009) (Note 31). These balances include principal and interest accrued to year-end. This loan accrues interest at an annual rate of 8.12%. The loan will be repaid in semi-annual installments from May 2013, date in which all accrued interest to that date will also be settled.

In addition, the current and non-current balances include loans to consolidated companies in the amount not eliminated in the consolidation process of €324 and €345 million in 2010 and 2009, respectively.

The current balances includes €26 million at year-end 2010 in relation with the Group's share of the funding of the electricity tariff deficit through Gas Natural Fenosa (€81 million at year-end 2009).

The return accrued on the financial assets disclosed in the table above (without considering financing of the shortfall in regulated electricity tariff settlements) was equivalent to an average interest rate of 7.65% in 2010 and of 7.63% in 2009.

The maturity of non-current loans and receivables is the following:

Due date	Millions of euros	
	2010	2009
2011	-	23
2012	38	23
2013	247	171
2014	75	64
2015	69	64
Subsequent years	<u>1,080</u>	<u>994</u>
	<u>1,509</u>	<u>1,339</u>

12.5) Held-to-maturity investments

The detail of the held to maturity investments at December 31, 2010 and 2009 is as follows:

	Millions of euros			
	Carrying amount		Fair value	
	2010	2009	2010	2009
Non-current financial assets	66	62	66	62
Current financial assets	4	26	4	26
Cash equivalents	3,993	1,045	3,993	1,045
Cash on hand and at banks	2,120	1,079	2,120	1,079
	<u>6,183</u>	<u>2,212</u>	<u>6,183</u>	<u>2,212</u>

Financial investments are mainly from placements in banks and collateral deposits. These financial investments have accrued an average interest of 1.22% and 1.51% in 2010 and 2009, respectively.

The non-current financial assets held-to-maturity mature as follows:

Due date	Millions of euros	
	2010	2009
2011		16
2012	26	25
2013	14	-
2014	3	-
2015	3	-
Subsequent years	<u>20</u>	<u>21</u>
	<u>66</u>	<u>62</u>

(13) INVENTORIES

The "Inventories" composition at December 31, 2010 and 2009 is as follows:

	Millions of euros		
	Cost	Provision of allowance	Net
At December 31, 2010			
Crude oil and natural gas	2,323	-	2,323
Finished and semi-finished goods	2,996	(12)	2,984
Supplies and other inventories	552	(22)	530
	<u>5,871</u>	<u>(34)</u>	<u>5,837</u>
At December 31, 2009			
Crude oil and natural gas	1,425	-	1,425
Finished and semi-finished goods	2,365	(8)	2,357
Supplies and other inventories	473	(22)	451
	<u>4,263</u>	<u>(30)</u>	<u>4,233</u>

In 2010 and 2009 the Group recognized net gains of €4 million and €209 million respectively, in the line item “Changes in inventories of finished goods and work in progress inventories” as a result of the measurement of inventories of finished goods and raw materials at the lower of cost and net realizable value.

In 2010 and 2009, in relation with raw materials, the Group recognized a net expense of €9 and €36 million respectively, under the “Supplies” heading relating to the measurement of raw materials at the lower of cost and net realizable value.

At December 31, 2010 and 2009, the balance of inventories of crude oil, finished and semi-finished goods carried at fair value less costs to sell amounted to €242 million and €175 million, respectively, and the effect of their measurement at market value represented a gain of €6 million in 2010 and a loss of €2 million in 2009.

The Repsol YPF Group complies, both at December 31, 2010 and December 31, 2009, with the legal requirements regarding minimum safety stocks established under prevailing legislation (Note 2) through its Spanish Group companies.

(14) TRADE AND OTHER RECEIVABLES

The breakdown of this heading at December 31, 2010 and 2009 was the following:

	<u>Millions of euros</u>	
	<u>2010</u>	<u>2009</u>
Trade receivables for sales and services	6,084	5,039
Bad debt impairment provision	(289)	(395)
Trade receivables	<u>5,795</u>	<u>4,644</u>
Other trade creditors and other receivables	1,679	1,386
Debtors from personnel transactions	53	50
Receivables from public bodies	633	453
Derivatives held for trading (1)	40	20
Other receivables	<u>2,405</u>	<u>1,909</u>
Income tax assets	369	220
Trade and other receivables	<u>8,569</u>	<u>6,773</u>

(1) This heading includes the items outlined in Note 12.

The changes in the provision for bad debt in 2010 and 2009 were as follows:

	Millions of euros	
	2010	2009
Balance at beginning of the year	395	330
Impairment losses recognized/(reversed)	70	23
Change in the scope of consolidation	-	86
Translation differences	22	(2)
Reclassifications and other movements	(198)	(42)
Balance at end of the year	<u>289</u>	<u>395</u>

(15) EQUITY

15.1) Share capital

The share capital at December 31, 2010 and 2009 consisted of 1,220,863,463 fully subscribed and paid up shares of 1 euro par value each, represented by book entries, and all listed on the Spanish stock exchanges and Buenos Aires Stock Exchange.

At the date of these Financial Statements, Repsol YPF, S.A.'s shares are traded in the form of American Depositary Shares (ADSs) on the New York Stock Exchange (NYSE). However, on February 22, 2011, the Company officially filed to delist its ADSs from the NYSE. The ADSs are expected to be traded on the NYSE for the last time on March 4, 2011.

Repsol YPF's bylaws limit the maximum number of votes that any single shareholder or companies belonging to the same group may cast at the General Meeting at 10% of the voting stock.

Per the most recent information available to Repsol YPF the company's most significant shareholders were the following:

<u>Shareholder</u>	<u>% total over share equity</u>
Sacyr Vallehermoso, S.A. (1)	20.01
Criteria Caixa Corp.	12.97
Petróleos Mexicanos (2)	4.81

(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. and through several swap instruments (equity swaps) with certain financial entities that enable Pemex to exercise the economic and political rights of a percentage of up to 4.81% of the share capital of the Company.

At December 31, 2010, the following Group companies' shares were publicly listed:

Company	Number of listed shares	% of share capital listed	Stock exchanges	Year-end Market Price	Average last quarter	Currency
Repsol YPF, S.A.	1,220,863,463	100%	Spanish stock exchanges (Madrid, Barcelona, Bilbao, Valencia)	20.85	20.01	euros
			Buenos Aires Stock Exchange	112.00	107.72	pesos
			New York Stock Exchange	27.94	27.24	dollars
Gas Natural SDG, S.A.	921,756,951	100%	Spanish stock exchanges (Madrid, Barcelona, Bilbao, Valencia)	11.49	10.90	euros
YPF	393,312,793	100%	Buenos Aires Stock Exchange	200.50	165.24	pesos
			New York (NYSE)	50.37	41.65	dollars
Refinería La Pampilla, S.A.	360,640,000	100%	Lima Stock Exchange	1.68	1.72	Soles
Compañía Logística de Hidrocarburos, CLH	1,779,049	2.54%				
Serie A	90,000	100%	Spanish stock exchanges	28.83	33.16	euros
Serie D	1,689,049	100%	(Madrid, Barcelona, Bilbao, Valencia)			

15.2) Share premium

The share premium at December 31, 2010 and 2009 amounted to €6,428 million. The Spanish Capital Companies Law expressly permits the use of the share premium account balance to increase capital and does not establish any specific restrictions as to its use.

15.3) Reserves

Legal reserve

Under the Spanish Capital Companies Law, 10% of net income for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

Revaluation Reserve

The balance of "Revaluation Reserve" (Royal Decree-Law 7/1996 of June 7) can be used, free of tax, to offset losses (both prior years' accumulated losses, current year losses or losses which might arise in the future), and to increase capital. From January 1, 2007, the balance of this account can be taken to unrestricted reserves, provided that the monetary surplus has been realized. The surplus will be deemed to have been realized in respect of the portion on which depreciation has been taken for accounting purposes or when the revalued assets have been transferred or derecognized. The distribution of these reserves would give rise to entitlement to a dividend double taxation tax credit. If this balance were used in a manner other than as provided for in Royal Decree-Law 7/1996, it would be subject to taxation.

Other reserves

It includes mainly the transition to IFRS reserve, which comprises the adjustments related to the differences between the previous accounting principles and the IFRS, from events and transactions before the transition date to IFRS (January 1, 2004) and all the results created and not distributed as dividends, which had not been recognized in any of the different reserves previously mentioned.

15.4) Treasury shares

The ordinary General Shareholders' Meeting held on April 30, 2010, authorized the Board of Directors to make the "derivative acquisition of Repsol YPF, S.A.'s shares, via sale-purchase, swap or any other onerous transaction, directly or through subsidiaries, up to a maximum number of shares so that the sum of those acquired plus treasury shares already held by Repsol YPF, S.A. and any of its subsidiaries does not exceed 10% of the parent company's share capital, for a price or consideration that shall not be less than the par value of the shares and not more than its quoted price on the stock exchange."

The authorization is valid for 5 years from the date of the General Shareholders' Meeting and nullifies the equivalent resolution ratified at the ordinary General Shareholders' Meeting held on May 14, 2009.

In 2009, Repsol YPF disposed of a total of 12,229,428 treasury shares representing 1.001% of the parent company's share capital. These shares had a par value of €12.22 million and were sold for an aggregate gross amount of €30.47 million.

At December 31, 2010 and 2009 neither Repsol YPF, S.A. nor any of its subsidiaries held any shares of the parent company.

15.5) Adjustments for changes in value

This heading includes:

Financial assets available for sale

It comprises the profits and losses, net of the related tax effect, corresponding to changes in the fair value of non-monetary assets classified within the category of financial assets available for sale.

Hedge transactions

It comprises the effective part, net of the related tax effect, of changes in the fair value of derivative instruments defined as cash flow hedges (section 3.3.23 of Note 3 and Note 21).

Translation differences

This item corresponds to exchange differences recognized in equity as a result of the consolidation process described in Note 3.3.1, and the measurement at fair value of the financial instruments assigned as net investment hedges in foreign transactions in accordance to the method described under section 3.3.23 of Note 3 (Note 21).

The movement in adjustments for changes in value is presented in the consolidated statement of recognized income and expenses by item and before the corresponding tax effect. The tax effects of the changes set out in the 2010 and 2009 statements of recognized income and expense are broken out in the following table:

	Millions of euros					
	Recognised in Equity		Transferred to the Income Statement		Total	
	2010	2009	2010	2009	2010	2009
Measurement of financial assets available for sale	(1)	(15)	-	5	(1)	(10)
Cash flow hedges	19	3	(25)	(12)	(6)	(9)
Translation differences	(120)	(143)	-	-	(120)	(143)
Actuarial gains and losses and other adjustments	6	(2)	-	-	6	(2)
	<u>(96)</u>	<u>(157)</u>	<u>(25)</u>	<u>(7)</u>	<u>(121)</u>	<u>(164)</u>

15.6) Dividends

The detail of the dividends paid by Repsol YPF, S.A. in 2010 and 2009 are as follows:

	December, 31 2010			December, 31 2009		
	% Nominal	Euros per share	Amount (1)	% Nominal	Euros per share	Amount (2)
Ordinary shares	42.5%	0.425	519	147.5%	1,475	1,801
Remaining shares (without vote, recovery, etc.)	-	-	-	-	-	-
Total dividends paid	42.5%	0.425	519	147.5%	1,475	1,801
a) Dividends charged to results	42.5%	0.425	519	147.5%	1,475	1,801
b) Dividends charges to reserves or share premium	-	-	-	-	-	-
c) Dividends in kind	-	-	-	-	-	-

- (1) This amount corresponds to the final dividend paid against 2009 profit.
- (2) This balance corresponds to the interim and final dividends against 2008 profit and the interim dividend from 2009 profit (paid on December 22, 2009) and includes €4 million corresponding to Repsol YPF, S.A. shares held by the Group at the payment date.

The interim dividends for 2010 and 2009 correspond to the before-tax per share dividends distributed by Repsol YPF, S.A. on account earnings for the year underway. In 2010 the interim dividend amounted to €41 million (€0.525 per share before tax) and €19 million (€0.425 per share before tax) in 2009.

The final dividend from 2009 profits, approved by Repsol YPF, S.A.'s shareholders at the General Meeting held on April 30, 2010, totaled €519 million (€0.425 per share before tax).

The proposed distribution of 2010 results, subject to ratification at the next Repsol YPF General Shareholders' Meeting, is for the distribution of a final dividend against 2010 profits, payable from July, 7, 2011, in the amount of €641 million (€0.525 per share before tax).

15.7) Earnings per share

Earnings per share at December 31, 2010 and 2009 is detailed below:

	<u>2010</u>	<u>2009</u>
Net income from discontinued operations (millions of euros)	-	12
Net income attributable to the parent company (millions of euros)	4,693	1,559
Weighted average number of shares outstanding (millions of shares)	1,221	1,211
EARNINGS PER SHARE ATTRIBUTED TO THE PARENT (euros) (1)	<u>2010</u>	<u>2009</u>
Basic	3.84	1.29
Diluted	3.84	1.29

(1) Earnings per share attributable to owners of the parent company in 2009 includes profit from discontinued operations equivalent to €0.01 per share.

15.8) Minority interests

The equity attributable to minority interests at year-end 2010 and 2009 relates to the following companies:

	Millions of euros	
	<u>2010</u>	<u>2009</u>
YPF, S.A.	1,149	790
Gas Natural Fenosa group companies (1)	478	449
Petronor, S.A.	96	93
Refinería La Pampilla, S.A.	98	84
Other companies	25	24
Total	<u>1,846</u>	<u>1,440</u>

(1) This heading includes preference shares issued by Unión Fenosa Preferentes, S.A., part of the Gas Natural Fenosa Group, with a face value of €226 million (proportionate to Repsol YPF Group's interest in Gas Natural Fenosa).

(16) GRANTS

The grants recognized in the consolidated balance sheet in the amounts of €110 million at year-end 2010 and €24 million at year-end 2009 correspond mainly to subsidies for the construction of gas infrastructure (€80 million at year-end 2010 and €108 million at year-end 2009).

Revenues in relation to non-financial assets grants are transferred to the income statement under the heading “Allocations of grants on non-financial assets and other grants”. Meanwhile, grants related to income are recognized in the income statement under the heading “Other operating income” and amounted to €227 million in 2010 (€192 million in 2009).

(17) PROVISIONS

The breakdown of provisions at year-end and the changes in this heading in 2010 and 2009 are as follows:

	Millions of euros						Total
	Current and non-current provisions for contingencies and expenses						
	Provisions for pensions (5)	Provision for field dismantling costs	Provisions for contracts	Environment	CO ₂ Emissions	Other provisions	
Balance at January 1, 2009	66	1,101	472	238	200	1,080	3,157
Period provisions charged to results (1)	34	109	79	70	163	283	738
Reversals of provisions with a credit to results (2)	(20)	(24)	(31)	(2)	-	7	(70)
Provisions released due to payment	(19)	(41)	(43)	(70)	-	(140)	(313)
Changes in the scope of consolidation (3)	186	30	-	-	32	164	412
Translation differences	7	(34)	(14)	(6)	-	(15)	(62)
Reclassifications and other changes (4)	(11)	(3)	(71)	(8)	(215)	(175)	(483)
Balance at December 31, 2009	243	1,138	392	222	180	1,204	3,379
Period provisions charged to results (1)	23	96	99	75	179	563	1,035
Reversals of provisions with a credit to results (2)	(2)	(1)	-	(3)	(1)	(135)	(142)
Provisions released due to payment	(24)	(29)	(43)	(50)	-	(160)	(306)
Changes in the scope of consolidation	(21)	(8)	(5)	-	4	(2)	(32)
Translation differences	15	76	29	14	-	39	173
Reclassifications and other changes (4)	23	161	(55)	(4)	(180)	124	69
Balance at December 31, 2010	257	1,433	417	254	182	1,633	4,176

- (1) Includes €199 million in relation with discounting provisions to the present value in 2010 (€233 million in 2009).
- (2) Includes the cancellation of provisions for certain items recognized by Group companies in several countries, due to changes in the circumstances that had given rise to their initial recognition.
- (3) In 2009 this balance corresponded primarily to the business combination by virtue of which Gas Natural acquired Unión Fenosa (Note 30).
- (4) “Provision for field dismantling costs” includes €178 million in 2010 corresponding to additions to property, plant and equipment and the provision made for field dismantling charges (€33 million in 2009).
- (5) Note 18.

“Other provisions” includes the provisions recognized to cover liabilities deriving principally from tax claims and legal and arbitration proceedings. Note 34 discloses the details of ongoing third-party claims.

Provisions for contingencies and expenses detailed in the table above, include a current balance of €404 million at year-end 2010 (€282 million at year-end 2009). The settlement of non-current provisions for onerous contracts depends on the terms of the originating contract; the longest contract term is 2018. In relation with non-current provisions for field dismantling costs, €488 million falls due within 1 and 5 years from the balance sheet date, while €13 million falls due more than five years from the balance sheet date. In relation with provisions relating to tax, legal and arbitration claims, the nature of the risks provisioned implies that it is not possible to forecast a reasonable settlement timeline.

(18) **PENSION PLANS AND OTHER PERSONNEL OBLIGATIONS**

a) Defined contribution pension plans

Repsol YPF has defined contribution plans for certain employees in Spain, which conform to current legislation. The main features of these plans are as follows:

- i. They are mixed plans to cover retirement, disability and death of the participants.
- ii. The sponsor (Repsol YPF) undertakes to make monthly contributions of certain percentages of serving employees' salaries to external pension funds.

YPF and other subsidiaries outside Spain also have a defined contribution pension plan for their employees and directors of its main companies, in which the company contributes basically the same amount as the participant up to a stipulated ceiling.

Also, the Gas Natural Fenosa Group has defined contribution pension plans for certain employees.

The annual cost charged to “Personnel expenses” in the consolidated income statement in relation to the defined contribution plans detailed above amounted to €2 million in 2010 (€45 million in 2009).

Executives of the Repsol Group in Spain are beneficiaries of an executive pension plan that complements the standard pension plan denominated “Plan de previsión de Directivos” (Management remuneration plan) which covers the participant retirement, disability and death. Repsol YPF makes defined contributions based on a percentage of participants' salaries. The plan guarantees a fixed return equivalent to 125% of the prior year national consumer price index. The plan is instrumented through collective insurances that covers pension obligations, subscribed with an insurance entity. Premiums paid under these policies finance and externalize the Group's commitments in respect of ordinary contributions, as well as the fixed return mentioned above. The officer (or his/her beneficiaries) becomes entitled to receive the plan benefits in the event of retirement, death or total permanent disability, and under certain other circumstances defined in the plan rules. The cost of this plan recognized under “Personnel expenses” in the 2010 and 2009 consolidated income statement was €4 million and €3 million, respectively.

b) Defined benefit pension plans

Repsol YPF, primarily through Gas Natural Fenosa and YPF Holdings, a subsidiary of YPF, has arranged defined benefit pension plans for certain employee groups in Spain, Brazil, Colombia and the United States, among other countries. In addition, in 2009, the Group had defined benefit pension plans through its investment in REFAP in Brazil; although, this investment was sold in December 2010. The breakdown of the provisions recognized in connection with these plans is as follows:

	2010	2009
Spain (b.1)	109	117
Colombia (b.2)	81	67
Brazil (b.3)	17	21
United States (b.4)	30	20
Other	20	18
Total	257	243

b.1) At December 31, 2010 and 2009, the Group maintained, through Gas Natural Fenosa, the following commitments for certain employee groups in Spain:

- Pensions for retirees, disabled employees, widows and orphans in certain employee groups.
- Commitments to top up defined benefit pensions for inactive personnel of the former Unión Fenosa Group retiring before November 2002 and a residual portion of serving employees.
- Retirement and life insurance cover for certain employee groups.
- Gas bill discounts for serving and retired personnel.
- Electricity for serving and retired personnel.
- Commitments through official retirement age to employees opting for early retirement schemes and early retirement schemes.
- Salary supplements and social security contributions for a group of early retirees until ordinary retirement age.
- Healthcare coverage and other benefits.

b.2) At December 31, 2010 and 2009 the Group had the following commitments to certain groups of employees in Colombia:

- Pension commitments to retired employees.
- Electricity for active and retired personnel.
- Healthcare insurance and other post-retirement benefits.

b.3) At December 31, 2010 and 2009, Repsol YPF maintained, through its interest in Gas Natural Fenosa, the following commitments for certain employee groups in Brazil:

- A post-employment defined benefit plan providing cover for retirement, workplace death, disability pensions, and general amounts.

- Post-employment healthcare insurance.
- Other post-employment defined benefit plans guaranteeing temporary pensions, life insurance and general amounts depending on years of service.

b.4) At year-end 2010, YPF Holdings, a YPF subsidiary, maintains a non-contributory pension plan for executives, key management personnel, as well as former employees who worked at some of the Group companies of this subsidiary. Additionally, this company provides medical insurance benefits, life insurance benefits and other employee benefits to certain of its employees who retire early; the company also pays benefits for health and risk of death to disabled employees and benefits for risk of death to retired executives.

Additionally, USA Holdings, Inc., grants medical service benefits, life insurance and other welfare benefits to some of its retired employees.

The breakdown of the main provisions for pension and other similar commitments recognized in the accompanying consolidated balance sheet by country, and the changes in the present value of the related commitments and the fair value of the plan assets, is as follows:

Present value of plan commitments	2010				2009			
	Spain	Colombia	Brazil	U.S.	Spain	Colombia	Brazil	U.S.
At January 1	361	67	73	20	60	-	26	27
Changes to consolidation scope (1)	1	-	(41)	-	312	74	-	-
Annual service cost	1	-	1	1	5	-	1	-
Interest expense	16	6	6	1	14	6	7	2
Actuarial gains and losses	(1)	8	11	4	(4)	(3)	(7)	(6)
Benefits paid	(29)	(10)	(4)	(2)	(24)	(6)	(3)	(2)
Transfers and cancellations	12	-	-	3	(2)	(7)	30	-
Currency translation differences	-	10	6	3	-	3	19	(1)
At December 31	362	81	52	30	361	67	73	20
Fair value of plan assets								
At January 1	244	-	52	-	47	-	17	-
Changes to consolidation scope (1)	1	-	(27)	-	203	-	-	-
Expected return	11	-	5	2	9	-	5	-
Contributions	11	-	-	1	3	-	2	4
Actuarial gains and losses	2	-	2	(3)	(3)	-	3	-
Benefits paid	(29)	-	(3)	-	(15)	-	(2)	(4)
Other movements	13	-	-	-	-	-	18	-
Currency translation differences	-	-	6	-	-	-	9	-
At December 31	253	-	35	-	244	-	52	-
Provision for pensions and similar commitments	109	81	17	30	117	67	21	20

(1) These changes correspond to the sale of 30% of REFAP in 2010 and the acquisition of Unión Fenosa by Gas Natural in 2009.

The amounts recognized in the consolidated income statement for all the above-listed pension plans are the following:

	2010				2009			
	Spain	Colombia	Brazil	U.S.	Spain	Colombia	Brazil	U.S.
Annual service cost	1	-	1	1	5	-	1	-
Interest expense	16	6	6	1	14	6	4	2
Cancellations	-	-	-	-	-	-	-	-
Expected return on plan assets	(11)	-	(5)	(2)	(10)	-	(3)	-
Income statement charge	6	6	2	-	9	6	2	2

The accumulated balance of actuarial gains and losses, net of tax, recognized directly in equity was a net loss of €1 million in 2010 (2009: net gain of €12 million).

The pension plans outlined above are primarily invested in bonds, and to a lesser extent, other securities and real estate assets.

The actual return on plan assets held through Gas Natural Fenosa Group companies in 2010, corresponding principally to Spanish plans, was €16 million (2009: €9 million).

The actuarial assumptions used were the following:

	2010				2009			
	Spain	Colombia	Brazil	U.S.	Spain	Colombia	Brazil	U.S.
Discount rate (1)	2.3% a 5%	8.00%	6.80% - 7.70%	5.54% a 4.65%	2.3% a 5%	8.40%	10.80% - 7.7%	5.54% a 6.11%
Expected return on plan assets (1)	2.3% a 5%	8.00%	6.10% - 6.6%	N/A	2.3% a 5%	8.40%	10.80% - 6.10%	N/A
Assumed salary growth (1)	3.00%	2.70%	2.24%	N/A	3.00%	3.00%	2.24%	N/A
Assumed pension growth (1)	2.50%	2.70%	0.00%	N/A	2.50%	3.00%	0.00%	N/A
Inflation rate (1)	2.50%	2.70%	4.50% - 4%	N/A	2.50%	3.00%	4.50% - 4%	N/A
Mortality table	PERMF 2000	ISS 1980/89 - RV08	AT-83 / AT 2000		PERMF 2000	ISS 1980/89	AT-83 / AT 2000	

(1) annual

c) Medium and long-term incentive plans

The company has implemented a loyalty building program aimed at senior executives and other persons occupying positions of responsibility in the Group, consisting of medium/long-term incentives as part of their benefit package. The purpose of this program is to strengthen the identification of executives and managers with shareholders' interests, based on the company's medium and long-term earnings sustainability as well as the compliance with the strategic business plan targets, while at the same time facilitating the retention by the Group of key personnel.

The President of the Company is not a recipient of any plan of the incentives available to date, although in his current compensation package, the level of success of each program at expiration serves as reference to determine the multi-annual compensation corresponding to each period, which is credited in the following period.

At year-end, the 2007-2010, 2008-2011, 2009-2012 and 2010-2013 incentive programs were in force, although it is important to point out that the first of these plans (2007-2010) was closed, as originally stipulated, on December 31, 2010 and its beneficiaries will their bonuses, if any, during the first quarter of 2011.

The four plans of this type in force (2007-2010, 2008-2011, 2009-2012 and 2010-2013 incentive plans) are independent of each other but their main characteristics are the same. All four are specific pluri-annual remuneration plans covering the stated years. Each plan is tied to the Group attaining a series of strategic objectives. Fulfillment of the respective objectives entitles the beneficiaries of each plan to receive an amount of variable remuneration at medium term in the first quarter of the year following the last year of the plan. However, in each case, receipt of this incentive payment is tied to the beneficiary remaining in the Group's employ until December 31 of the last year of the plan, except in the special cases envisaged in the terms and conditions of the related plan.

In all cases, the pluri-annual incentive payment, if received, will consist of an amount determined at the time the incentive is granted, to which a first variable coefficient will be applied on the basis of the extent to which the objectives set are achieved, which will be then multiplied by a second variable coefficient tied to the beneficiary's average individual performance under the Target Management scheme during the years used for benchmarking under each incentive program; these results are in turn used to determine performance-based pay.

None of these plans involves the delivery of shares or options and the incentive payments are not tied to the value of Repsol YPF shares.

To reflect the commitments assumed under these incentive plans, the Group recognized a charge of €25 million in the 2010 consolidated income statement (2009: €18 million). At year-end 2010, the Group had recognized provisions totaling €50 million to meet its obligations under all the aforementioned plans (€36 million at year-end 2009).

(19) FINANCIAL LIABILITIES

This Note discloses the categories of financial liabilities included in the balance sheet line-items outlined below.

	Millions of euros	
	2010	2009
Non-current financial liabilities	14,940	15,411
Non-current derivatives on trading transactions (1)	1	1
Current financial liabilities	4,362	3,499
Current derivatives on trading transactions (1)	115	42
	19,418	18,953

(1) Derivatives on trading transactions are recognized under "Other non-current liabilities" and "Other payables" in the consolidated balance sheet.

Following is a breakdown of the financial liabilities acquired, most of which are secured with a personal guarantee, at December 31, 2010 and 2009:

December 31, 2010					
	Financial liabilities held for trading	Debts and payable items	Hedging derivatives	Total	Fair value
Bank borrowings	-	4,716	-	4,716	4,776
Bonds and other securities (1)	-	10,089	-	10,089	10,228
Derivatives	6	-	130	136	136
Long-term debts / Non-current financial liabilities	6	14,805	130	14,941	15,140
Bank borrowings	-	1,872	-	1,872	1,872
Bonds and other securities (2)	-	2,352	-	2,352	2,366
Derivatives	219	-	34	253	253
Short-term debts / Current financial liabilities	219	4,224	34	4,477	4,491
TOTAL	225	19,029	164	19,418	19,631

December 31, 2009					
	Financial liabilities held for trading	Debts and payable items	Hedging derivatives	Total	Fair value
Bank borrowings	-	5,343	-	5,343	5,343
Bonds and other securities (1)	-	9,925	-	9,925	10,489
Derivatives	10	-	134	144	144
Long-term debts / Non-current financial liabilities	10	15,268	134	15,412	15,976
Bank borrowings	-	1,807	-	1,807	1,807
Bonds and other securities	-	1,626	-	1,626	1,695
Derivatives	69	-	39	108	108
Short-term debts / Current financial liabilities	69	3,433	39	3,541	3,610
TOTAL	79	18,701	173	18,953	19,586

(1) Includes preference shares amounting to €3,205 million and €3,726 million at December 31, 2010 and 2009, respectively

(2) Includes preference shares amounting to €43 million at December 31, 2010.

At year-end 2010 and 2009, the accompanying consolidated Financial Statements include amounts corresponding to finance leases measured using the amortized cost method (Note 22.1) which are recognized under “Other non-current liabilities” (€2,852 million at year-end 2010 and €1,919 million at year-end 2009) and “Other payables” (€23 million at year-end 2010 and €72 million at year-end 2009).

The classification of the financial liabilities recognized in the financial statements at fair value, by fair value calculation method level hierarchy, is as follows:

	Level 1		Level 2		Level 3		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
Financial liabilities held for trading	60	17	165	62	-	-	225	79
Hedging derivatives	-	-	164	173	-	-	164	173
Total	60	17	329	235	-	-	389	252

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.

Disclosure of maturities relevant to Repsol YPF’s funding at December 31, 2010 and 2009 is provided in paragraph 20.1.2 of the Note 20, concerning liquidity risk.

The breakdown of average balances outstanding and cost by instrument is as follows:

	2010		2009	
	Average volume	Average cost	Average volume	Average cost
Bank borrowings	6,695	3.63%	6,852	4.26%
Preference shares	3,698	3.46%	3,607	3.85%
Obligations	8,695	4.34%	6,267	4.98%
	19,088	3.92%	16,726	4.44%

1

The chart below discloses issues, buybacks and repayments of debt securities (recognised under current and non-current “Bonds and other securities”) in 2010 and 2009:

	Balance at 12/31/2009	(+) Issuances	(-) Repurchases or reimbursements	(+/-) Exchange rate and other adjustments	Balance at 12/31/2010
Bonds and other debt securities issued in the European Union with prospectus	10,697	4,597	(3,804)	(37)	11,453
Bonds and other debt instruments issued in the European Union without prospectus	2	-	(2)	-	-
Bonds and other debt securities issued outside the European Union	852	101	(18)	53	988
TOTAL	11,551	4,698	(3,824)	16	12,441

	Balance at 12/31/2008	(+) Issuances	(-) Repurchases or reimbursements	(+/-) Exchange rate and other adjustments	Balance at 12/31/2009
Bonds and other debt securities issued in the European Union with prospectus	7,756	3,170	(685)	456	10,697
Bonds and other debt instruments issued in the European Union without prospectus	-	-	-	2	2
Bonds and other debt securities issued outside the European Union	651	119	(81)	163	852
TOTAL	8,407	3,289	(766)	621	11,551

On March 26, 2010, the Group, through its subsidiary Repsol International Finance, B.V., signed a €1,500 million Euro Commercial Paper Program (ECP), guaranteed by Repsol YPF S.A. On November 12, 2010, the program was extended to €2,000 million. The balance outstanding at December 31, 2010 was €1,432 million.

Likewise, on January 14, 2010, Gas Natural Fenosa closed three bond issues under its EMTN program, consisting of three tranches in the euromarket with maturities of 5, 8, and 10 years, and amounting to €196 million, €211 million, and €256 million respectively. The balance drawn down at year-end 2010 was €2,094 million, leaving an undrawn balance of €19 million (all figures pro rata for the Group’s shareholding in the Gas Natural Fenosa Group).

In addition, on March 23, 2010, Gas Natural Fenosa agreed a €301 million ECP program. The issuer was Unión Fenosa Finance B.V. The balance drawn down at year-end 2010 was €108 million, leaving an undrawn balance of €193 million (all figures pro rata for the Group’s shareholding in the Gas Natural Fenosa Group).

On March 24, 2010, Gas Natural SDG signed a €1,205 million loan agreement with 18 banks in a “Club Deal” arrangement. The loan is divided into two tranches: €301 million of 3-year paper and €904 million of 5-year paper (amounts proportional to the Group’s shareholding in Gas Natural Fenosa).

As a result of the aforementioned financing arranged by Gas Natural Fenosa, together with collection of the proceeds from the sale of power generation assets in Mexico and gas distribution assets in Madrid, the acquisition financing taken out by Gas Natural to pay for the acquisition of Unión Fenosa was canceled on June 2, 2010.

A bond issued by Repsol International Finance B.V. and guaranteed by Repsol YPF S.A. and carried at €43 million matured on May 5, 2010.

The table below discloses the amounts guaranteed by the Group in 2010 and 2009 for issues, buybacks and redemptions undertaken by associates, joint ventures (at the percentage not consolidated) and non-Group companies:

	Balance at 12/31/2009	(+) Granted	(-) Cancelled	(+/-) Exchange rate and other adjustments	Balance at 12/31/2010
Issues of securities representing debt guaranteed by the Group (guaranteed amount)	28	-	-	2	30

	Balance at 12/31/2008	(+) Granted	(-) Cancelled	(+/-) Exchange rate and other adjustments	Balance at 12/31/2009
Issues of securities representing debt guaranteed by the Group (guaranteed amount)	-	28	-	-	28

In general, the financial debt agreements include the early maturity clauses customary in agreements of this nature.

Bond issues, representing ordinary debt, of Repsol International Finance, B.V. and guaranteed by Repsol YPF, S.A., totaling €4,623 million (relating to a face value of €4,636 million), contain clauses whereby Repsol YPF undertakes to pay interest when due and liabilities at maturity (cross-default provisions) and to not constitute charges or guarantees on Repsol YPF, S.A. assets for this issue or in future issues of debt securities. In the event of default, the trustee, at its sole discretion or at the request of the holders of at least one-fifth of the debentures, or by means of an extraordinary resolution, can declare all the aforementioned debentures issues due and payable. In addition, the holders of the bonds issued in March 2009 many choose to have their bonds redeemed upon a change of control at Repsol YPF provided such change in control results in, if and only if Repsol YPF's credit ratings fall below investment grade status as a result of the change of control.

Additionally, in relation to certain marketable debentures totaling €189 million (relating to a face value of €193 million), YPF, S.A. agreed to certain covenants, including among others, cross-default clauses, and not to create any liens or charges on its assets in excess of 15% of total consolidated assets. In the event of breach of any of these covenants, the trustee, or bondholders holding between 10% and 25% of the total nominal value of the debentures outstanding, depending on the covenant breached, may declare immediately due and payable the principal and accrued interest on all the debentures.

In addition, the Gas Natural Fenosa Group has certain investment projects (relating to renewable energies and Union Fenosa Gas) which have been financed specifically with loans pledged with these projects' equity. The outstanding balance on this project financing at year-end 2010 amounted to €113 million (€295 million at year-end 2009); these figures represent the proporcional Group's interest in Gas Natural Fenosa.

Preference shares

In October 1997 the Repsol YPF Group, through its subsidiary Repsol International Capital, issued preference shares of this company amounting to 725 million dollars under the following terms:

- Dividend : 7.45%, payable quarterly.
- Term : perpetual, with the option for the issuer of early redemption from the fifth year onwards at face value.
- Guarantee : subordinated Repsol YPF, S.A. guarantee.
- Remuneration : payment of preference dividends is conditional upon the obtainment of a consolidated profit or upon the payment of dividends on common shares. If no dividend accrues, there is no subsequent obligation to pay it.

The 100% of the preference shares, which were listed on the NYSE, were redeemed on February 8, 2011. The securities were redeemed for \$25 per preference share plus the balance of dividends accrued and unpaid between December 31, 2010 and the date of cancellation, which totaled \$0.20 for every preference share redeemed. The carrying amount of these preference shares at December 31, 2010 was €543 million (€503 million at year-end 2009).

In May and December 2001, Repsol International Capital issued two new series of preference shares amounting to €1 billion and €2 billion, respectively, under the following terms:

- Dividend : variable at a rate of 3-month Euribor with a minimum of 4% APR and a maximum of 7% APR for the first 10 years, and Euribor plus 3.5% from the tenth year onwards. The dividend is payable quarterly.
- Term : perpetual, with the option for the issuer of early redemption from the tenth year onwards at face value.
- Guarantee : subordinated Repsol YPF, S.A. guarantee.
- Remuneration : preference, non-cumulative dividends, conditional upon the obtainment of a consolidated profit or upon the payment of dividends on common shares.

The carrying amount of the foregoing instruments at December 31, 2010 and 2009 amounted to €3,025 million and €3,044 million, respectively, recorded under the item "Bank borrowings, bonds and other securities" within non-current financial liabilities in the accompanying consolidated balance sheets.

In addition, the Gas Natural Fenosa group, through Unión Fenosa Financial Services USA, has preference shares outstanding for a nominal amount of €183 million. (amount proportional to the Group's shareholding interest in Gas Natural Fenosa). The carrying amount of these preference shares at year-end 2010 was €180 million (€179 million at year-end 2009) and was recognized under "Bank borrowings, bonds and other securities" within non-current financial liabilities in the accompanying consolidated balance sheets.

(20) **FINANCIAL RISK AND CAPITAL MANAGEMENT**

20.1) Financial risk management

The Group businesses expose the financial statements to a series of financial risks: market risk, credit risk and liquidity risk. Repsol YPF has in place a risk management structure and systems that enable it to identify, measure and control the risks to which the Group is exposed.

20.1.1) Market Risk

Market risk is the potential loss faced due to adverse movements in market variables. The Group is exposed to several types of market risks: exchange rate risk, interest rate risk and commodity risk.

The Company monitors exposure to market risk through ongoing sensitivity analysis. These strategies are complemented with other risk management measures when required by the nature of the risk exposure.

For each of the market risk factors detailed below, there is a table depicting the sensitivity of Group profit and equity (within the headings comprising "Adjustments for changes in value") to the main risks to which its financial instruments are exposed, in accordance with the requirements stipulated in IFRS 7 *Financial instruments: disclosures*.

This sensitive analysis uses variations on significant risk factors based on its historical performance. The estimates made depict the impact of favorable and adverse changes. The impact on profit and/or equity is estimated as a function of the financial instruments held by the Group at each year-end.

a) Exchange rate risk

The Group's profit and equity are exposed to fluctuations in the rates of exchange of the currencies in which it transacts. The Group's most significant foreign currency exposure is to the US dollar.

Repsol YPF obtains part of its financing in dollars, either directly or indirectly through the use of foreign exchange derivatives (Note 21).

The sensitivity of net profit and equity to exchange rate risk, via appreciation or depreciation and based on the financial instruments held by the Group at year-end, is illustrated below:

Effect of fluctuations in the euro against the dollar:

	Currency appreciation (+)/ depreciation (-)	2010	2009
Impact on profit after tax	5%	5	23
	-5%	(6)	(25)
Impact on equity	5%	(30)	205
	-5%	33	(226)

In addition, a 5% appreciation of the US dollar against the Brazilian real or the Argentine peso at December 31, 2010 would have resulted in a decrease in profit after tax of €4 million and an increase of €3 million, respectively, whereas in 2009 these appreciation assumptions would have yielded profit increases of €2 million and €35 million, respectively.

Meanwhile, a 5% appreciation of the euro against the Brazilian real or the Argentine peso in 2010 would have resulted in a decrease in equity of €0.9 million and €1.5 million, respectively compared to increases of €18 million and €1 million, respectively, in 2009.

b) Interest rate risk:

Fluctuations in interest rates can affect interest income and expense through financial assets and liabilities with variable interest rates; which can also impact the fair value of financial assets and liabilities with a fixed interest rate.

Repsol YPF occasionally enters into interest rate derivative transactions to mitigate the risk of changes in its finance costs or in the fair value of its debt. Generally, these derivatives are designated as hedging instruments for accounting purposes (Note 21).

At year-end 2010, the net debt balance, including preference shares, at fixed rates (see the Capital Management section at the end of this Note) was €9,917 million (2009: €7,745 million), equivalent to 90% of total net debt including preference shares (2009: 53%).

The sensitivity of net profit and equity to fluctuations in interest rates, based on the financial instruments held by the Group at year-end, is illustrated in the following table:

	Increase (+)/ decrease (-) in interest rate (basis points)	2010	2009
	+50	(5)	(13)
Impact on profit after tax	-50	5	13
	+50	20	20
Impact on equity	-50	(21)	(20)

c) Commodity price risk:

As a result of its trade operations and activities, the Group's results are exposed to volatility in the prices of oil, natural gas and their derivative products.

Repsol YPF enters into derivative transactions to mitigate its exposure to price risk. These derivatives provide an economic hedge of the Group's results, although not always designated as hedging instruments for accounting purposes (Note 21).

The impact of a 10% increase or decrease in crude and oil product prices on net profit, based on the financial instruments held by the Group at year-end 2010 and 2009, is illustrated in the following table.

	10% Increase (+) / decrease (-)	2010	2009
Impact on profit	+10%	(85)	(50)
after tax	-10%	85	50

20.1.2) Liquidity Risk

Liquidity risk is associated to the ability of the Group to finance its obligations at reasonable market prices, as well as to carry out its business plans with stable financing sources.

In accordance with its conservative financial policy, Repsol YPF held sufficient cash, other liquid cash equivalents and undrawn credit lines which cover 78% of total gross debt and 63% if preference shares are included. The Group had €5,690 and €4,680 million in undrawn credit lines at year-end 2010 and 2009, respectively.

The tables below present an analysis on the maturities of the financial liabilities existing at December 31, 2010 and 2009:

December 31, 2010	Maturity date (millions of euros)						Subsequent years	Total
	2011	2012	2013	2014	2015			
Trade payables	4,539	-	-	-	-	-	-	4,539
Other payables	5,550	-	-	-	-	-	-	5,550
Loans and other financial debts (1)	4,071	2,157	2,703	3,140	1,631	4,099	17,801	
Preference Shares (1) (2)	632	137	310	130	130	3,000	4,339	
Derivatives (1) (3)	40	20	11	33	4	15	123	

December 31, 2009	Maturity date (millions of euros)						Total
	2010	2011	2012	2013	2014	Subsequent years	
Trade payables	3,491	-	-	-	-	-	3,491
Other payables	4,127	-	-	-	-	-	4,127
Loans and others financial debts (1)	3,559	2,630	1,772	2,789	3,027	3,382	17,159
Preference Shares (1) (3)	70	57	57	233	55	3,504	3,976
Derivatives (1) (4)	96	26	10	2	14	6	154

NOTE: The amounts shown are the contractual undiscounted cash flows; therefore, they differ from the amounts included on the consolidated balance sheet.

- (1) Corresponding to future maturities of the amounts recognized under the headings "Non-Current financial liabilities" and "Current financial liabilities" including future interest or dividends associated with these financial liabilities.
- (2) The preference shares issued are perpetual, redeemable only at the choice of the issuer. The dollar-denominated preference shares issued by Repsol International Capital were redeemed on February 8, 2011 (Note 19). The above schedule for 2010 is underpinned by the assumption that the preference shares will be redeemed after 2014. The column "Subsequent years" includes only the face value of the instruments. The assumptions made are conventional and must not be interpreted as forecasts of the decisions the Group shall take in the future.
- (3) The schedule for 2009 assumed that the preference shares are redeemed after 2014 with the exception of those issued by Union Fenosa Financial Services USA, a Gas Natural group company, which were assumed to be redeemed in 2013. The column "Subsequent years" includes only the face value of the instruments. The assumptions made are conventional and should not be interpreted as indications of the decisions the Group may take in the future.
- (4) The contractual maturities of the derivatives included under this heading are outlined in Note 21.

20.1.3) Credit Risk

Credit risk is defined as the possibility of a third party not complying with his contractual obligations, thus creating losses for the Group.

Credit risk in the Group is measured and controlled in relation to the customer or individual third party. The Group has its own systems for the permanent credit evaluation of all its debtors and the determination of risk limits with respect to third parties, in line with best practices.

The exposure of the Group to credit risk is mainly attributable to commercial debts from trading transactions, whose amounts are shown on the consolidated balance sheet net of allowances for doubtful accounts for an amount of €7,471 million and €6,001 million, respectively at December 31, 2010 and 2009.

The allowances for doubtful accounts are measured by the following criteria:

- The seniority of the debt
- The existence of bankruptcy proceedings
- The analysis of the capacity of the customer to return the credit granted.

The allowances for doubtful accounts are shown at December 31, 2010 and 2009 in Note 14 detailing trade and other accounts receivables. These allowances represent the best estimates of the Group for the losses incurred in relation to its accounts receivable.

The maximum exposure to credit risk of the Group, according to the type of financial instruments and without excluding the amounts covered by guarantees and other arrangements mentioned below, is detailed below at December 31, 2010 and 2009:

Maximum exposure	Millions of euros	
	2010	2009
- Commercial debts	7,760	6,396
- Derivatives	110	247
- Cash and cash equivalents	6,448	2,308

The credit risk affecting liquid funds, derivatives and other financial instruments is limited because the counterparties are bank or insurance entities carrying high and duly documented credit ratings in accordance with the market conventions regulating these kinds of financial transactions. Likewise, the vast majority of the accounts receivable neither due nor provisioned have a high credit quality according to the valuations of the Group, based on the solvency analysis and the payment habits of each customer.

The Group's credit risk on trade receivables is not significantly concentrated as it is spread out among a large number of customers and other counterparties. The maximum net exposure to a third party, including official bodies and public sector entities, does not exceed 5%, and no single private client accumulates risk exposure of more than 0.1%.

As a general rule, the Group establishes a bank guarantee issued by the financial entities as the most suitable instrument of protection from credit risk. In some cases, the Group has contracted insurance credit policies whereby this transfers to third parties the credit risk related to the business activity of some of their businesses.

Effective third party guarantees extended to the Group amounted to €3,219 million at December 31, 2010 and €2,892 million at December 31, 2009. Of this amount, commercial debts at December 31, 2010 and 2009 covered by guarantees amounted to €1,009 million and €779 million, respectively.

During 2010, the Group executed guarantees received for an amount of €23 million. During 2009 this figure was €24 million.

The following table discloses the aging of the non-provisioned due debt:

Due date	Millions of euros	
	2010	2009
- Non due debt	6,539	5,440
- Due debt 0-30 days	269	173
- Due debt 31-180 days	402	186
- Due debt for more than 180 days (1)	261	201
Total	7,471	6,001

(1) Mainly corresponds to guaranteed debt or debt with official bodies and public entities.

Impaired financial assets are disclosed in Note 12, broken out based on its financial or operational nature.

20.2) Capital Management

Repsol YPF, as an essential part of its strategy, has committed to a policy of financial prudence. The financial structure targeted is defined by this commitment of solvency and the aim to maximize shareholder returns, by optimizing the cost of capital.

Determination of the Group's target capital structure takes into consideration two leverage ratios, specifically the ratio of net debt (including preference shares, as appropriate) and the capital employed, that includes the net debt, including preference shares, plus the equity:

Net Debt / Capital Employed

Net Debt including Preference Shares / Capital Employed

Calculation of these leverage ratios takes into account the following considerations:

- Preference shares are factored into the process of monitoring the Group's leverage ratios on account of their significant weight in the Group's capital structure; however the fact that they are perpetual securities equates them to equity instruments in terms of solvency analysis and creditor claims (Note 19).
- The leverage ratios used net debt concept instead of gross debt in order to factor in the mitigating impact of financial investments. In keeping with its conservative financial policy, Repsol YPF held sufficient cash, other liquid cash equivalents and undrawn credit lines which cover 78% of total gross debt and 63% if preference shares are included. As a result, these ratios provide a better picture of Group solvency when factoring in net debt rather than gross debt.

The breakdown of the calculations of these leverage ratios, based on the following consolidated balance sheet headings at year-end 2010 and 2009, is as follows:

	Millions of euros	
	2010	2009
Non-current financial liabilities	14,940	15,411
Preference shares	3,205	3,726
Other non-current financial liabilities	11,735	11,685
Current financial liabilities	4,362	3,499
Preference shares	543	-
Other current financial liabilities	3,819	3,499
Non-current financial assets	(1,789)	(1,732)
Less: Financial assets available for sale (Note 12)	150	173
Other current financial assets (1)	(158)	(332)
Cash and cash equivalents	(6,448)	(2,308)
Interest rate hedges (Note 21)	(85)	(57)
Net debt including preference shares (2)	10,972	14,654
Equity	25,986	21,391
Capital employed	36,958	36,045
Net debt including preference shares / capital employed	29.7%	40.7%
Less preference shares	(3,748)	(3,726)
Net debt	7,224	10,928
Net debt / capital employed	19.5%	30.3%

- (1) Excludes €26 million in 2010 recognized under “Other current financial assets” in the consolidated balance sheet, corresponding to the funding of the tariff deficit in the regulated electricity segment, to which the Group is exposed via its shareholding in Gas Natural Fenosa (€381 million in 2009).
- (2) Excludes €3,075 million of current and non-current finance leases in 2010 (€2,091 million in 2009). Note 22.1.

The trends in these leverage ratios are monitored systematically. Similarly, leverage projections are a key, and restrictive, input into Group investment decision-making and dividend policy. At year-end 2010, the ratio of net debt to capital employed stood at 19.5% (marking a significant improvement on the year-end 2009 ratio of 30.3%), while the ratio of net debt including preference shares to capital employed stood at 29.7% (also comparing favorably to the year-end 2009 ratio of 40.7%).

The decline in these leverage ratios in 2010 was driven primarily by the cash proceeds from the equity raise at Repsol Brazil (Note 31) and by other disposals closed during the year (REFAP, among others).

(21) **DERIVATIVE TRANSACTIONS**

During 2010 the Repsol YPF Group carried out the following types of hedging transactions:

1. Fair value hedges of assets or liabilities
2. Cash flow hedges
3. Hedges of net investments in foreign operations

In addition, the Repsol YPF Group performed other transactions with derivative instruments in 2010 and 2009 that do not qualify as accounting hedges.

The table below reflects the impact on the balance sheet of derivative instruments at December 31, 2010 and 2009 as a result of changes in their fair value since their origination:

Millions of euros

December 31, 2010

Classification	Non-current Assets	Current Assets	Non-current Liability	Current Liability	Fair Value
Hedge derivative instruments	-	71	(130)	(34)	(93)
Fair Value:	-	67	-	(11)	56
- interest rate	-	43	-	-	43
- exchange rate	-	24	-	(11)	13
Cash Flow:	-	4	(103)	(23)	(122)
- interest rate	-	-	(99)	(18)	(117)
- exchange and interest rate	-	-	(4)	-	(4)
- exchange rate	-	2	-	-	2
- commodities prices	-	2	-	(5)	(3)
Net investment	-	-	(27)	-	(27)
Other derivative instruments	2	37	(6)	(219)	(186)
TOTAL (1)	2	108	(136)	(253)	(279)

(1) Includes derivatives with a negative measurement of €85 million in respect of interest rates.

December 31, 2009

Classification	Noon-current Assets	Current Assets	Non-current Liability	Current Liability	Fair Value
Hedge derivative instruments	86	137	(134)	(39)	50
Fair Value:	84	5	-	(3)	86
- interest rate	84	-	-	-	84
- exchange rate	-	5	-	(2)	3
- commodities prices	-	-	-	(1)	(1)
Cash Flow:	2	2	(127)	(8)	(131)
- interest rate	2	-	(127)	(3)	(128)
- exchange rate	-	2	-	(1)	1
- commodities prices	-	-	-	(4)	(4)
Net investment	-	130	(7)	(28)	95
Other derivative instruments	-	25	(10)	(70)	(55)
TOTAL (1)	86	162	(144)	(109)	(5)

(1) Includes derivatives with a negative measurement of €7 million in respect of interest rates.

The breakdown of the impact of the fair value restatement of derivatives on consolidated profit before tax and on consolidated equity is as follows:

	2010			2009		
	Operating income	Financial result	Adjustments for changes in value	Operating income	Financial result	Adjustments for changes in value
Fair value hedges	10	(30)	-	(1)	62	-
Cash flow hedges	(12)	(81)	20	5	(50)	32
Hedge of a net investment	-	-	(302)	-	-	(83)
Other transactions	(96)	(205)	-	(84)	212	-
Total	(98)	(316)	(282)	(80)	224	(51)

In addition to the impacts outlined in the table above, in 2010, a loss of €11 million was transferred to “Retained earnings” in respect of the translation differences associated with the hedge of the net investment in YPF, in proportion to the shares sold during the year.

There follows a detailed disclosure of the Group’s derivatives at year-end 2010 and 2009, including their fair values, maturity schedules and the related notional amounts.

21.1) Fair value hedges of assets or liabilities

These are hedges of the exposure to changes in the fair value of an asset or a liability recognized for accounting purposes, an unrecognized firm commitment or an identified portion of the aforementioned asset, liability or firm commitment that can be attributed to a particular risk and might affect the net income for the period.

The transactions outstanding at December 31, 2010 and 2009 are as follows:

December 31, 2010	Maturity							Fair Value
	2011	2012	2013	2014	2015	Subs,	Total	
	millions of euros							
Interest rate								
Interest rate collar (EUR) (a)	2,000	-	-	-	-	-	2,000	43
Exchange rate and interest rate								
Cross-currency interest rate swaps	2	1	-	-	-	-	3	-
Exchange rate:								
USD (b)	1,461	-	-	-	-	-	1,461	13
EUR	27	-	-	-	-	-	27	-
BRL	10	-	-	-	-	-	10	-
MAD	2	-	-	-	-	-	2	-
								56

December 31, 2009	Maturity					Subs.	Total	Fair Value
	2010	2011	2012	2013	2014			
	millions of euros							
Interest rate								
Interest rate collar (EUR) (a)	-	2,000	-	-	-	-	2,000	84
Interest rate hedges (floating to fixed-rate swaps): Contract/notional amount (EUR)	1	1	1	1	8	-	12	-
Exchange rate and interest rate								
Cross-currency interest rate swaps (floating to fixed rate):								
Contract/notional amount (BRL)	1	1	1	-	-	-	3	-
Exchange rate:								
USD/Euro: Contract size (USD)	163	-	-	-	-	-	163	3
MAD/Euro: Contract size (MAD)	1	-	-	-	-	-	1	-
Commodity prices:								
Contract size (USD)	1	-	-	-	-	-	1	(1)
								86

(a) Interest rate collar

In May 2001 Repsol YPF arranged a zero-cost interest rate swap option on a notional amount of €1,000 million, tied to the preference shares issued on that date (Note 19).

The characteristics of these options are as follows:

- Repsol YPF sold a right by virtue of which, if the counterparty exercised the right, it would pay 3-month Euribor and receive 7% APR on the aforementioned notional amount, with quarterly settlement periods beginning on June 30, 2001, the first maturity being on October 1, 2001, and the last on June 30, 2011.
- Repsol YPF purchased a right by virtue of which, if it exercised the right, Repsol YPF would pay 3-month Euribor and receive 4% APR on the aforementioned notional amount, with the same quarterly settlement periods and maturity dates as those mentioned in the previous paragraph.

By virtue of these interest rate swap options, the final cost for Repsol YPF of this preference share issue in the first ten years was established at a floating interest rate of 3-month EURIBOR.

Also, in April 2002, effective June 30, 2002, Repsol YPF arranged a zero-cost interest rate swap option on a notional amount of €1,000 million tied to the €2,000 million preference share issue issued in December 2001 (see Note 19).

The characteristics of these options are as follows:

- Repsol YPF sold a right by virtue of which, if the counterparty exercised the right, Repsol YPF would pay 3-month EURIBOR and receive 7% APR on the aforementioned notional amount, with quarterly settlement periods beginning on June 30, 2002, the first maturity being on September 30, 2002, and the last on December 31, 2011.
- Repsol YPF purchased a right by virtue of which, if it exercised the right, Repsol YPF would pay 3-month EURIBOR and receive 4% APR on the aforementioned notional amount, with the same quarterly settlement periods and maturity dates as those mentioned in the previous paragraph.

By these purchase and sale transactions on interest options, of the total sum of the €2,000 million corresponding to the issue of preference shares in December 2001, €1,000 million have been at a floating rate of 3 months EURIBOR, for the period from September 30, 2002 to December 31, 2011.

(b) USD swaps

At year-end 2010, this heading includes hedges linked to the acquisition of methane ships under finance lease arrangements (Note 22) with a notional amount of US\$1,473 million (€1,113 million). The fair value of this hedge at December 31, 2010 implied a loss of €1 million.

The remaining outstanding instruments, whose net fair value at year-end 2010 implied a gain of €4 million, correspond primarily to hedges arranged by the Group through its shareholding in Gas Natural Fenosa.

21.2) Cash flow hedges

These are hedges of the exposure to variability in cash flows that: (i) is attributed to a particular risk associated with a recognized asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecasted transaction; and (ii) could affect profit or loss.

The detail of the most significant transactions is as follows:

December 31, 2010	Maturity						Total	Fair Value
	2011	2012	2013	2014	2015	Subs.		
	millions of euros							
Interest rates								
Swaps (EUR)	777	812	4	3	1	8	1,605	(49)
Swaps (USD)	11	62	11	12	12	329	437	(68)
Swaps (ARS)	3	-	-	-	-	-	3	-
Swaps (MXN)	5	5	4	-	-	-	14	-
Collar (EUR)	1	4	1	1	-	1	8	-
Exchange rate and interest rate								
Cross-currency IRS	2	3	3	3	4	7	22	(4)
Exchange rate:							-	
USD	86	1	-	-	-	-	87	2
Commodity prices (1):								
EUR	52	-	-	-	-	-	52	(1)
USD	26	-	-	-	-	-	26	(2)
								(122)

December 31, 2009	Maturity						Total	Fair Value
	2010	2011	2012	2013	2014	Subs.		
	millions of euros							
Interest rates								
Swaps (EUR)	663	776	814	6	4	37	2,301	(84)
Swaps (USD)	48	12	59	13	13	326	472	(44)
Swaps (ARS)	2	-	-	-	-	-	2	-
Collar (EUR)	2	1	4	1	1	1	9	-
Exchange rate and interest rate								
USD/Euro	244	2	2	2	2	2	254	2
Euro/USD	441	-	-	-	-	-	441	(1)
Commodity prices (1):								
EUR	44	-	-	-	-	-	44	(3)
USD	10	-	-	-	-	-	10	(1)
								(131)

(1) These correspond to natural gas and electricity price swaps arranged by Gas Natural Fenosa.

The Group holds an interest rate swap with a notional amount of €750 million which was arranged to hedge debt issued by its financing subsidiary Repsol International Finance B.V (Note 19). Under this swap, the Group pays a fixed rate of 4.23% and receives 3-month Euribor. The fair value of this instrument at year-end 2010 implied a loss of €29 million (a loss of €42 million at year-end 2009).

At both year-ends, the Group also held interest rate swaps taken out to hedge the financing arranged to fund the investment in the LNG project in Canaport, Canada. Under this swap, the Group pays a weighted average fixed rate of 5.28% and receives 3-month Libor. At year-end 2010 the notional amount hedged was €327 million while the fair value of the instrument implied a loss of €60 million (a loss of €35 million at year-end 2009).

The other outstanding instruments at both balance sheet dates correspond primarily to hedges arranged by the Group through its shareholding in Gas Natural Fenosa.

In 2007 the cash flow hedge provided by two interest rate swaps for a notional amount of €74 million associated with a preference share issue was discontinued as the hedges were no longer effective. The cumulative loss deferred in “Adjustments for changes in value” in respect of this instrument amounted to €6 million at December 31, 2010 (€9 million at year-end 2009). In 2010, a loss €3 million was transferred from “Adjustments for changes in value” to the consolidated income statement (compared to a loss of €4 million in 2009).

21.3) Hedges of a net investment

These instruments hedge the foreign currency risk arising from net investments in foreign operations.

Repsol YPF has arranged forward currency purchase and sale contract as part of its global strategy of management exposure to foreign currency exposure via its foreign investments.

The most significant derivative transactions in existence at December 31, 2010 and 2009 are the following:

December 31, 2010	Maturity					Subs.	Total	Fair Value
	2011	2012	2013	2014	2015			
	millions of euros							
Cross-currency IRSs								
Fixed to fixed: Contract/notional amount (EUR)	-	-	-	158	-	-	158	(27)
								(27)

December 31, 2009	Maturity					Subs.	Total	Fair Value
	2010	2011	2012	2013	2014			
	millions of euros							
Cross currency IRSs								
Fixed to fixed: contract/notional (EUR)	342	-	-	-	158	-	500	(35)
Fixed to fixed: Contract/notional amount (EUR)	300	-	-	-	-	-	300	130
								95

At December 31, 2009, the Group held cross-currency interest rate swaps (CCIRSs) on a notional amount of €300 million, maturing 2010, for which hedge accounting was discontinued on February 21, 2008, since which date these instruments were considered derivatives held for trading (see section 21.4 below). When hedge accounting was discontinued, their fair value implied a gain of €130 million; this asset was recognized in the balance sheet as a hedge of a net investment with a balancing entry under “Adjustments for changes in value.” Since the hedge accounting was discontinued, the changes in the fair value of these instruments were recognized in profit or loss for the year (section 21.4 below). These derivatives were settled in 2010.

Also, at year-end 2009, the Group held CCIRs to hedge investments in foreign operations covering a notional amount of €500 million. Of the total, €342 million was settled in 2010; the change in the fair value of the notional amount settled, recognized in 2010 under the heading translation differences, yielded a loss of €44 million. At year-end 2010, instruments hedging the remaining notional amount of €158 million remained outstanding; the change in the fair value of this portion of the hedge implied €19 million of negative translation differences during the year.

In addition, in 2010 the Group arranged several hedges of net investments. These hedges were arranged and settled during the year. The decline in the fair value of these derivatives between the date they were arranged and the date they were settled amounted to a net loss of €239 million which was recognized within “Adjustments for changes in value.”

In 2009 hedge accounting was discontinued for CCIRs with a notional value of €1,950 million. The increase in the fair value of these derivatives between January 1, 2009 and the date hedge accounting was discontinued, in the amount of €7 million, was recognized in exchange differences within “Adjustments for changes in value.” These instruments were subsequently settled, giving rise to a gain of €68 million, recognized within “Financial result” in the 2009 consolidated income statement.

21.4) Other derivative transactions

Additionally, Repsol YPF has arranged a series of derivatives to manage its exposure to interest rate, foreign exchange and price risk that do not qualified as accounting hedges under IAS 39.

(a) Interest rate contracts

December 31, 2010	Maturity						Subs.	Total	Fair Value
	2011	2012	2013	2014	2015				
	millions of euros								
Floating to fixed IRSs: Contract/notional amount (EUR)	32	-	-	-	-	-	32	(2)	
Interest rate collar (EUR)	5	-	-	-	-	-	5	-	

December 31, 2009	Maturity					Subs.	Total	Fair Value
	2010	2011	2012	2013	2014			
	millions of euros							
Floating to fixed IRSs: Contract/notional amount (EUR)	300	-	-	-	-	-	300	(16)

(b) Exchange and interest rate contracts

December 31, 2010	Maturity					Sig.	Total	Fair Value
	2011	2012	2013	2014	2015			
millions of euros								
Fixed to fixed cross-currency IRSs:								
Contract/notional amount (JPY)	-	-	-	-	-	67	67	(6)

December 31, 2009	Maturity					Subs.	Total	Fair Value
	2010	2011	2012	2013	2014			
millions of euros								
Fixed to fixed cross-currency IRSs:								
Contract/notional (EUR)	300	-	-	-	-	-	300	(2)
Fixed to fixed cross currency IRS:								
Contract/notional amount (JPY)	-	-	-	-	-	1	1	(8)

At December 31, 2009, the Group recognized CCIRSSs for which hedge accounting (as hedges of a net investment) was discontinued in February 2008, since then, these instruments were considered derivatives held for trading (section 21.3 above). The change in the fair value of these instruments between the date hedge accounting was discontinued and year-end 2009 (€2 million) was recognized as a liability within derivatives held for trading. These derivatives were settled in 2010. The fair value of these instruments declined by €1 million between January 1, 2010 and their settlement date and this loss was recognized within “Financial Result” for the year.

(c) Exchange rate contracts

Repsol YPF has arranged other forward contracts as part of its global strategy of managing exposure to foreign currency risk.

December 31, 2010	Maturity					Subs.	Total	Fair Value
	2011	2012	2013	2014	2015			
millions of euros								
Euro/USD	1,555	-	-	-	-	-	1,555	(68)
USD/Euro	1,317	-	-	-	-	-	1,317	(12)
CLP/USD	111	-	-	-	-	-	111	3
USD/PEN	111	-	-	-	-	-	111	-
USD/BRL	328	-	-	-	-	-	328	(4)
CAD/USD	18	-	-	-	-	-	18	-
Euro/NOK	3	-	-	-	-	-	3	-
USD/NOK	2	-	-	-	-	-	2	-

December 31, 2009	Maturity					Subs.	Total	Fair Value
	2010	2011	2012	2013	2014			
millions of euros								
Euro/USD:	2,222	-	-	-	-	-	2,222	7
USD/Euro:	367	-	-	-	-	-	367	(8)
CLP/USD:	74	-	-	-	-	-	74	-
USD/PEN:	12	-	-	-	-	-	12	-
USD/BRL:	329	-	-	-	-	-	329	(2)
CAD/USD:	19	-	-	-	-	-	19	-
JPY/USD:	28	-	-	-	-	-	28	-

(d) Future contracts on commodities

The risk associated with future physical crude oil and other oil product purchase or sale transactions is hedged through the arrangement of derivative instruments, primarily futures and swaps.

The commodity hedges outstanding at December 31, 2010 and 2009 are as follows:

December 31, 2010	Maturity						Subs.	Total	Fair Value
	2011	2012	2013	2014	2015				
	millions of euros								
Purchase Contracts									
BRENT (000 barrels)	3,646	-	-	-	-	-	3,646	5	
WTI (000 barrels)	1,998	-	-	-	-	-	1,998	6	
NYMEX HHO (000 barrels)	60	-	-	-	-	-	60	-	
IPE GO (000 tons)	757	1	-	-	-	-	758	32	
RBOB (000 barrels)	463	-	-	-	-	-	463	2	
Physical Inventory MTM (billions of BTU)	1,362	-	-	-	-	-	1,362	-	
Sale Contracts									
BRENT (000 barrels)	6,294	-	-	-	-	-	6,294	(18)	
WTI (000 barrels)	4,412	-	-	-	-	-	4,412	(14)	
NYMEX HHO (000 barrels)	1,270	-	-	-	-	-	1,270	(3)	
IPE GO (000 tons)	1,207	-	-	-	-	-	1,207	(55)	
RBOB (000 barrels)	523	-	-	-	-	-	523	(1)	
Physical Fixed Price (billions of BTU)	900	-	-	-	-	-	900	-	
Physical Algonquin CityGate (billions of BTU)	1,077	-	-	-	-	-	1,077	-	
Physical Tetco M3 (billions of BTU)	13,165	535	-	-	-	-	13,700	2	
Physical NGI Index.Avg (billions of BTU)	1,162	-	-	-	-	-	1,162	-	
Physical NYMEX (billions of BTU)	24,049	4,500	-	-	-	-	28,549	(10)	
Physical Tenn Z6 (billions of BTU)	7,300	7,300	-	-	-	-	14,600	2	
Swaps									
Brent (000 barrels)	17,080	-	-	-	-	-	17,080	(35)	
JET (000 tons)	81	-	-	-	-	-	81	(1)	
GO (000 tons)	327	-	-	-	-	-	327	(2)	
Fuel Oil (000 tons)	196	-	-	-	-	-	196	-	
Propane (000 tons)	58	-	-	-	-	-	58	-	
Nafta (000 tons)	20	-	-	-	-	-	20	-	
Tetco M3 Basis Swaps	41,130	6,370	-	-	-	-	47,500	(10)	
Henry Hub Basis Swap	8,370	-	-	-	-	-	8,370	-	
Henry Hub Index Swap	8,370	-	-	-	-	-	8,370	-	
Henry Hub Swing Swap	700	-	-	-	-	-	700	-	
Henry Hub Futures	1,810	-	-	-	-	-	1,810	3	

December 31, 2009	Maturity						Total	Fair Value	
	2010	2011	2012	2013	2014	Subs.			
	millions of euros								
Purchase contracts									
BRENT (000 barrels)	1,499	-	-	-	-	-	1,499	3	
WTI (000 barrels)	1,500	-	-	-	-	-	1,500	2	
NYMEX HHO (000 barrels)	62	-	-	-	-	-	62	-	
IPE GO (000 tons)	135	-	-	-	-	-	135	2	
RBOB (000 barrels)	855	-	-	-	-	-	855	-	
Henry Hub (TBTU)	30	-	-	-	-	-	30	-	
Sale contracts									
BRENT (000 barrels)	4,036	-	-	-	-	-	4,036	(6)	
WTI (000 barrels)	4,411	-	-	-	-	-	4,411	(11)	
NYMEX HHO (000 barrels)	982	-	-	-	-	-	982	(2)	
IPE GO (000 tons)	229	-	-	-	-	-	229	(4)	
RBOB (000 barrels)	602	-	-	-	-	-	602	(1)	
Henry Hub (TBTU)	86	-	-	-	-	-	86	1	
Options									
Sale contracts									
Call (000 barrels)	2,000	-	-	-	-	-	2,000	-	
Put (000 barrels)	17,000	-	-	-	-	-	17,000	-	
Sale contracts									
Call (000 barrels)	7,800	-	-	-	-	-	7,800	(1)	
Put (000 barrels)	7,000	-	-	-	-	-	7,000	-	
Fuel oil collar									
CALL (tons)	6,900	-	-	-	-	-	6,900	-	
PUT (tons)	6,900	-	-	-	-	-	6,900	-	
Swaps									
WTI (000 barrels)	1,350	-	-	-	-	-	1,350	(4)	
Brent (000 barrels)	7,268	-	-	-	-	-	7,268	3	
JET (000 tons)	190	-	-	-	-	-	190	(1)	
UNL 87 (000 barrels)	230	-	-	-	-	-	230	(1)	
GO (000 tons)	185	-	-	-	-	-	185	(1)	
Premium Unl (000 tons)	3	-	-	-	-	-	3	-	
Fuel Oil (000 tons)	77	67	67	68	-	-	279	-	
Nafta (000 tons)	188	-	-	-	-	-	188	(1)	
Freight derivatives									
BITRA (000 tons)	240	-	-	-	-	-	240	-	

At year-end 2010, "Other receivables" includes €2 million (2009: €1 million) corresponding to the fair value of commodity purchase agreements measured in accordance with IAS 39, as detailed in Note 3.3.23.

In addition, through its shareholding in Gas Natural Fenosa, at year-end 2010 and 2009 the Group held commodity price derivatives with a negative fair value of €1 million and a notional value of approximately €2 million.

(e) CO₂ emission allowance derivatives

The Group arranges emission allowance future contracts and swaps (EUAs and CERs) which are measured at fair value under IAS 39 with a view to minimizing the cost of the Group's emissions each year. The fair value of these instruments at both year-ends implied a liability of €1 million.

(22) **OTHER NON-CURRENT LIABILITIES**

"Other non-current liabilities" includes the following items:

	Millions of euros	
	2010	2009
Obligations under finance leases	2,852	1,919
Guarantees and deposits	236	284
Other deferred income	193	131
Other	382	338
	<u>3,663</u>	<u>2,672</u>

22.1) Obligations under finance leases

The detail of the amounts payable under finance leases at December 31, 2010 and 2009 is as follows:

	Lease Payments		Present Value of Minimum Lease Payments	
	2010	2009	2010	2009
Within one year	301	219	223	172
Between two and five years, both included	1,169	830	735	553
After six years	<u>5,030</u>	<u>3,696</u>	<u>2,117</u>	<u>1,366</u>
	6,500	4,745	3,075	2,091
Less:				
Future finance expenses	<u>(3,425)</u>	<u>(2,654)</u>		
	<u>3,075</u>	<u>2,091</u>		
Recognised as:				
Non-current obligations under finance leases			2,852	1,919
Current obligations under finance leases			<u>223</u>	<u>172</u>
			<u>3,075</u>	<u>2,091</u>

The effective average interest rate on obligations under finance leases at December 31, 2010 was 6.25% (2009: 5.9 %).

The principal liabilities shown in this heading are as follows:

- On May 15, 2006 the Group signed an agreement with Emera Brunswick Pipeline Company, Ltd. for the transportation of natural gas through a pipeline that connects the Canaport plant with the US border. The agreement has an initial term of 25 years (renewable for up to an additional 30 years). It came into effect in July 2009. At December 31, 2010 and 2009, the amount recognized in this heading was US\$510 million (€382 million) and US\$513 million (€356 million), respectively.
- In addition, on April 21, 2006 the Group signed an agreement with Maritimes & North East Pipeline for the transportation of Canadian natural gas from the Canadian border to Dracut for an initial term of 25 years (renewable for up to an additional 30 years). The agreement became effective IN March 2009, the corresponding liability recognized in this heading at year end 2010 and 2009 amounted to US\$1,297 million (€970 million) and US\$1,312 million (€11 million), respectively.

- In December 2007 Repsol YPF (50%) and Gas Natural Fenosa (50%) jointly acquired a 138,000 m³ methane ship under a 25-year time-charter arrangement. The agreement can be extended for consecutive 5-year periods and represents a combined investment of €164 million, a figure which corresponds to the present value of installment commitments. The amount recognized for this tanker in the Group's consolidated balance sheet at year end 2010 and 2009 amounted to €110 million and €103 million, respectively.
- In 2009 Repsol YPF (50%) and Gas Natural Fenosa (50%) jointly acquired a 138,000 m³ methane ship under a 20-year time-charter arrangement. The agreement can be extended for consecutive 5-year periods and represents a combined investment of €142 million, a figure which corresponds to the present value of installment commitments. The amount recognized for this tanker in the consolidated balance sheet at December 31, 2010 and 2009 amounted to €109 million and €105 million, respectively.
- In 2010, four methane ships purchased for the transport of LNG in Peru were recognized amounting to €818 million. The Barcelona Knutsen, Sevilla Knutsen and Valencia Knutsen tankers, which have a capacity of 173,410 m³, were purchased under a 20-year time-charter arrangement. The agreement can be extended for consecutive 5-year periods. The Castillo de Santiesteban tanker, with a capacity of 173,600 m³ was likewise acquired under a 20-year time-charter agreement with a purchase option upon expiration.
- Finance leases at year end 2010 also include seven other methane tankers acquired prior to 2006 for the transport of LNG, which mature between 2022 and 2029, for €561 million (2009: €570 million). Four of these tankers are owned by Gas Natural Fenosa and the other three by Repsol YPF.

22.2) Guarantees and deposits

This heading includes, among others, deposits received by Repsol Butano, S.A. from the users of gas bottles in accordance with applicable legal regulations. These amounts are refundable when the corresponding contracts are canceled.

(23) **TRADE PAYABLES AND OTHER PAYABLES**

In 2010 and 2009 Repsol YPF had the following accounts payable classified under "Trade payables and other payables":

	Millions of euros	
	2010	2009
Trade payables	4,539	3,491
Obligations under finance leases (Note 22.1)	223	172
Tax Payables	982	909
Hedged items and derivatives on trading transactions at fair value	115	42
Other	4,230	3,004
Other payables	5,550	4,127
Income tax liabilities	765	409
Total	10,854	8,027

The fair value of these current items does not differ significantly from their carrying amount.

At December 31, 2010, the balance of trade payables related to Spanish companies which exceed the payment period established by Spanish Law 15/2010, 2010 amounted to € million.

(24) **TAX SITUATION**

Income tax

In view of the geographical dispersion and markedly international nature of the business activities carried on by the companies comprising the Repsol YPF Group, the Group is subject to various different tax and income tax jurisdictions.

a) In Spain

Most of the entities resident in Spain pay income tax under the special consolidation regime. Under this regime, the companies in the Consolidated Tax Group jointly determine the Group's taxable profit and tax charge, which is allocated among the companies in the Tax Group in accordance with the criteria established by the Spanish Accounting and Audit Institute (ICAC) for the recognition and determination of the individual tax charge.

Repsol YPF, S.A. is the parent of Consolidated Tax Group 6/80, which includes all the companies resident in Spain that are directly or indirectly at least 75% owned by the parent and that meet certain requirements. This Group consists of 48 companies in 2010, of which the main companies in terms of volume of business are as follows: Repsol YPF, S.A., Repsol Petróleo, S.A., Repsol YPF Trading y Transporte, S.A., Repsol Química, S.A., Repsol Butano, S.A., Repsol Exploración, S.A. and Repsol Comercial de Productos Petrolíferos, S.A.

Petróleos del Norte, S.A. (“Petronor”) is the parent of Consolidated Tax Group 02/01/B, which includes another two companies that paid income taxes under the Vizcaya Corporation Tax regulations.

Additionally, the consolidated financial statements include, through proportional consolidation, all the corporation tax items of the Gas Natural Fenosa Group. This Group is also taxed for corporation tax purposes under the special consolidated tax regime in Consolidated Tax Group 59/93, of which Gas Natural SDG, S.A. is the parent. The main companies of this Tax Group, in terms of volume of business, are the following: Gas Natural SDG, S.A., Gas Natural Castilla León, S.A., Gas Natural Distribución SDG, S.A., Gas Comercial Comercializadora, S.A., Gas Natural Aprovechamientos, S.A. and Unión Fenosa Distribución, S.A.

Lastly, the other companies resident in Spain and not included in either of the aforementioned Tax Groups file individual corporation tax returns.

The Spanish companies, whether they pay tax on an individual or consolidated basis, apply the standard rate of 30%, with the exception of Repsol Investigaciones Petrolíferas, S.A., which is taxed individually at a rate of 35% under the Special Oil and Gas Regime, and the Petronor Group, which pays tax at 28% under the Vizcaya Corporation Tax regulations.

b) In Argentina

The Group companies resident in Argentina are liable to individual corporate income tax returns at a rate of 35% profit for the year.

Additionally, they calculate the minimum presumed income tax by applying the current tax rate of 1% of the computable assets at the balance sheet date, which may supplement the regular income tax. The tax obligation for each year will coincide with the higher of the two taxes. However, if the minimum presumed income tax exceeds the regular income tax, this excess can be computed as a prepayment of the amount by which the regular income tax exceeds the minimum presumed income tax in the following ten years.

c) In the other countries

The other Group companies are taxed in each of the countries in which they operate by applying the prevailing income tax rate to their profit or loss for the year. In addition, minimum presumed income taxes supplementing the regular income tax are recognized in certain countries.

On the other side, the Group companies resident in Spain and Argentina that carry on a portion of their business activities in other countries are subject to the income tax in force in those countries on the portion of their profit or loss obtained there. This is the case of the branches of the Spanish companies that carry on oil and gas exploration and production activities in other companies (such as Libya, Algeria, Peru or Ecuador).

The (nominal) income tax rates applicable in the main jurisdictions where the Group operates are as follows:

- Libya: 65%
- Algeria: 38% plus the Tax on Extraordinary Income (TPE)
- Trinidad and Tobago: 35% (gas), 55% and 57.25% (oil)
- United States: 35%
- Brazil: 34%
- Ecuador: 25%
- Peru: 30%
- Bolivia: 25%
- Venezuela: 34% (gas) y 50% (oil)
- The Netherlands: 25.5%
- Portugal: 29%

Income tax expense for accounting purposes

The detail of the income tax expense for accounting purposes in 2010 and 2009, calculated on the basis of the criteria indicated in section 3.3.21 of Note 3, Accounting Policies, is as follows:

	Millions of euros			
	Year 2010			
	Spanish Companies	Argentine Companies	Other companies	TOTAL
Accounting profit before tax	1,641	1,416	3,556	6,613
<u>Adjustment to accounting profit:</u>				
Non-temporary differences	2,210 (1)	292	(2,976) (2)	(474)
Temporary differences	(317)	344	109	136
Taxable profit	3,534	2,052	689 (3)	6,275
Tax charge	1,060	723	533	2,316
Tax credits	(913)	-	-	(913)
Current tax payable	147	723	533	1,403
Adjustments to current tax and foreign taxes	539	(6)	(22)	511
Total current income tax expense	686	717	511	1,914
Deferred tax for the year	93	(119)	(139)	(165)
Other adjustments to the income tax expense	170	(58)	(119)	(7)
Total deferred tax expense	263	(177)	(258)	(172)
Total income tax expense	949	540	253	1,742

- (1) Corresponds primarily to dividends received from other Group companies that are included as taxable profit for Spanish income tax purposes.
- (2) Corresponds primarily to the results from the capital increase carried out in Repsol Brasil, S.A.
- (3) This reflects the net of taxable profits and tax losses in various tax jurisdictions.

Millions of euros				
Year 2009				
	Spanish companies	Argentine companies	Other companies	TOTAL
Accounting profit before tax	1,173	1,001	602	2,776
<u>Adjustment to accounting profit:</u>				
Non-temporary differences	1,179 ⁽¹⁾	211	(143)	1,246
Temporary differences	(112)	(25)	(348)	(485)
Taxable profit	2,240	1,187	111 ⁽²⁾	3,537
Tax charge	675	415	295	1,385
Tax credits	(618)	-	-	(618)
Current tax payable	57	415	295	767
Adjustments to current tax and foreign taxes	352	58	(6)	404
Total current income tax expense	409	473	289	1,171
Deferred tax for the year	23	10	95	128
Other adjustments to the income tax expense	(4)	(5)	(160)	(169)
Total deferred tax expense	19	5	(65)	(41)
Total income tax expense	428	478	224	1,130

(1) Corresponds primarily to dividends received from other Group companies that are included as taxable profit for Spanish income tax purposes.

(2) This reflects the net of taxable profits and tax losses in various tax jurisdictions.

The detail of the deferred tax assets and liabilities recognized in the consolidated balance sheet is as follows:

Millions of Euros			
	2010	2009	Variation
<u>Deferred tax assets:</u>			
Provisions for doubtful accounts	57	60	(3)
Provisions for staff costs	118	114	4
Provision for contingencies	209	169	40
Other provisions	297	271	26
Difference in amortisation / depreciation	315	239	76
Tax assets	715	780	(65)
Other deferred tax assets	282	388	(106)
	<u>1,993</u>	<u>2,021</u>	<u>(28)</u>
<u>Deferred tax liabilities:</u>			
Tax incentives	(12)	(11)	(1)
Deferred gains	(82)	(44)	(38)
Difference in amortisation/depreciation	(1,124)	(932)	(192)
Functional currency	(651)	(683)	32
Goodwill acquired in business combinations allocated to assets	(1,231)	(1,324)	93
Other deferred tax liabilities	(287)	(401)	114
	<u>(3,387)</u>	<u>(3,395)</u>	<u>8</u>

The accumulated balance of deferred taxes in relation to items charged directly to equity in 2010 and 2009 was €5 million and €1 million, respectively.

The Group did not recognize deferred tax assets in the amount of €83 million and €489 million in 2010 and 2009, respectively, corresponding mainly to tax losses carried forward and unused deductions, as these did not fulfill the criteria for registration in accordance with IFRS.

The Group has not recorded deferred tax liabilities in the amount of €19 million and €15 million, in 2010 and 2009, respectively, as it corresponds to taxable temporary differences related to investments in subsidiaries, branches and associated companies that meet the requirements established in IFRS to apply the recognition exception.

Other tax related disclosures

Deductions taken in 2010 amounted to €13 million, arising mainly from the mechanics to avoid double taxation, both domestically and internationally, and to a lesser degree, from investments made.

Judicial and administrative decisions have been taken both in this period and in previous periods, leading to tax consequences contrary to the Group's expectations.

Repsol YPF considers that it has acted lawfully in these matters at all times and that its actions are based on reasonable interpretations of the applicable legislation and, therefore, it has filed the appropriate appeals to defend its interests and those of its shareholders.

However, in view of the uncertainty concerning the materialization of the existing tax contingencies, at year end the Group had recognized provisions under "Other Provisions" (Note 17) that were considered adequate to cover those tax contingencies. The amount recorded in the balance sheet at December 31, 2010 and 2009 for this item amounted to €88 million and €73 million respectively. Such provision relates to the vast number of actions, none of which, individually, represents a significant percentage of such provision.

(25) **JOINT VENTURES**

The joint ventures owned by the Group at December 31, 2010 are detailed Appendix I, being the main ones the following:

Company	% of ownership
Atlantic LNG 2/3 Company of Trinidad & Tobago	25.00%
Bahía de Bizkaia Electricidad, S.L.	25.00%
BPRY Caribbean Ventures LLC	30.00%
Compañía Mega	38.00%
Empresas Lipigas, S.A.	45.00%
Grupo Gas Natural SDG, S.A.	30.13%
Petroquiriquire, S.A.	40.00%
Pluspetrol Energy, S.A.	45.00%
Profertil, S.A.	50.00%
Quiriquire Gas, S.A.	60.00%
Refinería del Norte, S.A. (Refinor)	50.00%
Repsol Brasil, S.A. (1)	60.00%
Repsol Gas Natural LNG, S.L.	50.00%
Repsol Occidental Corporation	25.00%
YPFB Andina, S.A. (formerly named Empresa Petrolera Andina)	48.92%

(1) Percentage of share in Group after the capital increase fully subscribed by Sinopec at December 28, 2010 (Note 31).

The detail of the consolidated amounts included under the main headings of Repsol YPF consolidated Financial Statements as a result of the proportionate consolidation of the joint ventures at December 31, 2010 and 2009, is as follows:

	2010	2009
Current Assets	7,354	3,423
Non-Current Assets	14,025	13,435
Current Liabilities	(3,186)	(3,424)
Non-Current Liabilities	(8,941)	(8,983)
Operating Income	10,428	8,136
Operating Expenses	(8,557)	(6,674)
Other income	321	357
Other expenses	(1,364)	(958)
Net income attributable to the parent	828	861

The principal change in current assets relates to the proportional consolidation of Repsol Brasil, S.A., following the capital increase fully subscribed by Sinopec on December 28, 2010 (Note 31).

Additionally, at December 31, 2010 the Group had interests in the jointly controlled assets and operations indicated in Appendix II, as a result of which it obtains income and incurs expenses on the basis of its percentage of ownership.

(26) OPERATING REVENUES AND EXPENSES

Sales

This heading includes excise tax and similar taxes levied on the production and/or sale of oil and gas products amounting to €7,234 million in 2010 and €6,893 million in 2009.

Income and expenses from impairment losses and gains and losses on disposal of non-current assets

The income from the release of impairment provisions and profit from disposal of non-current assets includes the following items:

	Millions of euros	
	2010	2009
Income from release of impairment provisions (Note 9)	31	193
Gains on disposal of non-current assets	3,157	178
Total	3,188	371

In 2010, "Gains on disposal of non-current assets" relates primarily to gains recognized in connection with the strategic agreement entered into with Sinopec in Brazil (€2,847 million), to the sale of the 5% ownership interest in CLH (€133 million), and to the sale of natural gas distribution assets in the Autonomous Community of Madrid (€14 million) (Note 31).

"Gains on disposal of non-current assets" in 2009 included €49 million arising from the sale of the Repsol YPF, S.A office building located on Paseo de la Castellana of Madrid (Note 31).

"Impairment losses recognized and losses on disposal of non-current assets" include the following items:

	Millions of euros	
	2010	2009
Impairment losses recognized (Note 9)	252	119
Losses on disposal of non-current assets	99	26
Total	351	145

Supplies

This heading includes the following items:

	Millions of euros	
	2010	2009
Purchases	37,276	31,903
Changes in inventory	(1,092)	(470)
Total supplies	36,184	31,433

The heading Purchases includes excise tax and similar taxes levied on the production and/or sale of oil and gas products disclosed in "Sales" section of this note.

Personnel expenses

This heading includes the following items:

	Millions of euros	
	2010	2009
Salaries and others	1,836	1,565
Social security expenses	575	522
Total personnel expenses	2,411	2,087

Repsol YPF Group employed a total of 43,298 people at December 31, 2010, geographically distributed as follows: Spain (19,761 employees), Argentina (14,047 employees), Rest of Latin America (6,357 employees) and rest of the world (3,139 employees). Average headcount in 2010 was 42,322 employees (2009: 39,815).

At December 31, 2010, Repsol YPF Group has a total of 463 handicapped employees in Spain, 360 of which were hired directly, while the remaining 103 persons were employed through alternative hiring arrangements (2.56% of headcount using legal computation methods).

In compliance with Organic Law 3/2007, dated March 22, which promotes true equality between men and women, published in the BOE (Official State Gazette) issued on March 23, 2007, the following tables reflect the Group's total headcount distributed by professional categories and gender at year end 2010 and 2009.

	Number of employees	
	2010	2009
Men	31,595	30,326
Women	11,703	10,688
	43,298	41,014

	Number of employees	
	2010	2009
Managers	652	637
Senior line personnel	3,312	3,324
Other line personnel	18,611	16,423
Operating staff (manual workers, administrative and others).	20,723	20,630
	<u>43,298</u>	<u>41,014</u>

Other operating expenses

This heading includes the following items:

	Millions of euros	
	2010	2009
Taxes other than income tax	2,461	1,963
External services	5,368	4,717
Transport and freight costs	1,189	976
Other expenses	898	847
	<u>9,916</u>	<u>8,503</u>

Exploration costs are recognized in "Depreciation and amortization of non-current assets" and "External services" and totaled €502 million in 2010 and €466 million in 2009.

(27) **FINANCIAL INCOME AND EXPENSES**

The detail of income and expenses from operations in the periods 2010 and 2009 is as follows:

	Millions of euros	
	2010	2009
Interest income	149	141
Borrowing costs	(800)	(751)
Net interest expense (including preference shares)	(651)	(610)
Due to interest rate	(26)	34
Change in fair value of financial instruments	(26)	34
Due to exchange rate	(39)	306
Change in fair value of financial instruments	(212)	158
Exchange differences	173	148
Other positions	(17)	-
Change in fair value of financial instruments	(17)	-
Net gains / (losses) from financial instruments exposure (1)	(82)	340
Impact of discounting provisions to present value	(191)	(186)
Capitalised interest (2)	143	122
Leases	(196)	(141)
Impairment and gains (losses) on disposal of financial instruments	1	31
Other income	10	32
Other expenses	(42)	(56)
Other financial expenses	(227)	(134)
FINANCIAL RESULT	(1,008)	(468)

- (1) This heading includes exchange gains and losses generated by the measurement and settlement of foreign-currency monetary items (Section 3.3.4 of note 3) as well as the gains and losses recognized as a result of the measurement and settlement of derivatives.
- (2) Capitalised interest is recognized in the consolidated income statement under "Finance expenses".

(28) **CASH FLOWS FROM OPERATING ACTIVITIES**

The breakdown of this heading in 2010 and 2009 is as follows:

	Notes	Millions of euros	
		2010	2009
Net income before tax and share of results of companies accounted for using the equity method		6,613	2,776
Adjustments to net income		2,583	3,973
Depreciation and amortisation of assets	6 and 7	3,947	3,620
Net changes in operating provisions	17	937	238
Gains (losses) on sale of non-commercial assets	31	(3,058)	(151)
Financial Result	27	1,008	468
Other adjustments (net)		(251)	(202)
Change in working capital		(1,693)	(590)
Other cash flows from/(used in) operating activities:		(1,861)	(1,394)
Dividends received		72	86
Income tax received / (paid)		(1,627)	(1,168)
Other proceeds from/(payments for) from operating activities		(306)	(312)
Cash Flow from operating activities		5,642	4,765

(29) **SEGMENT REPORTING**

The segment reporting disclosed by the Group in this section is presented in accordance with the disclosure requirements of IFRS 8 Operating segments, which has been applied by the Group for the first time in 2009.

The various operating segments into which the Group breaks down its organizational structure are the different businesses in which the Group generates revenues and incur in expenses. The aforementioned Group operating structure is based on how the Group's decision makers analyses the main operating and financial indicators in order to make decisions about allocation of resources and to evaluate the performance.

This organizational structure that was established in 2007 is oriented to support the company's growth projects, as well as to establish the basis for future developments. The main lines of this structure are as follows:

- Three integrated strategic businesses:
 - Upstream, corresponding to the exploration and the development operations of crude oil and natural gas reserves, except in YPF;
 - LNG corresponding to the Liquid Natural Gas business, except in YPF; and
 - Downstream, corresponding to refining, sales activities for oil products, chemicals and LPG, except in YPF.

- Two participations in strategic companies:
 - YPF, which includes the operations of YPF, S.A. and its group companies in all the businesses mentioned above; and
 - Gas Natural SDG, corresponding to the sales activities for natural gas and power generation, distribution and sale of electricity.

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

<u>Operating Revenue</u>	Millions of euros					
	Operating revenue external		Operating revenue inter-segment		Total operating revenue	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009	12/31/2010	12/31/2009
<u>Segments</u>						
Upstream	5,863	2,158	1,050	830	6,913	2,988
LNG	1,144	899	188	129	1,332	1,028
Downstream	36,285	32,803	78	35	36,363	32,838
YPF	10,973	8,557	129	121	11,102	8,678
Gas Natural SDG	6,020	4,540	141	112	6,161	4,652
Corporation	145	75	328	338	473	413
(-) Inter-segment adjustments and eliminations of operating income (1)	-	-	(1,914)	(1,565)	(1,914)	(1,565)
TOTAL	60,430	49,032	-	-	60,430	49,032

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

<u>Operating Income</u>	Millions of euros	
	12/31/2010	12/31/2009
<u>Segments</u>		
Upstream	4,113	781
LNG	105	(61)
Downstream	1,304	1,022
YPF	1,453	1,021
Gas Natural SDG	881	748
Corporation	(235)	(267)
Total Operating income pertaining to the reported segments	7,621	3,244
(+/-) Results not assigned (Financial result)	(1,008)	(468)
(+/-) Other results (Share of results of companies accounted for using the equity method)	76	86
Income tax	(1,742)	(1,130)
Net income from discontinued operations	-	12
CONSOLIDATED NET INCOME FOR THE YEAR	4,947	1,744

The detail of other significant balance sheet headings relating to each activity at December 31, 2010 and 2009 is as follows:

	Millions of Euros						
	Upstream	LNG	Downstream	YPF	Gas Natural	Corporation and Adjustments	Total
<u>2010</u>							
Total assets (1) (2)	9,351	4,238	17,524	12,446	13,344	10,728	67,631
Investments accounted for using the equity method participation	172	282	69	35	27	-	585
Depreciation and amortisation	(1,005)	(149)	(659)	(1,558)	(516)	(60)	(3,947)
Investments	1,126	82	1,613	1,548	636	101	5,106
Profit (loss) from entities accounted for using the equity method	10	31	28	5	2	-	76

	Millions of Euros						
	Upstream	LNG	Downstream	YPF	Gas Natural	Corporation and Adjustments	Total
<u>2009</u>							
Total assets (1) (2)	8,678	3,195	15,168	10,928	13,484	6,630	58,083
Investments accounted for using the equity method participation	91	302	67	34	37	-	531
Depreciation and amortisation	(859)	(100)	(676)	(1,500)	(427)	(58)	(3,620)
Investments	1,122	125	1,649	956	5,060	91	9,003
Profit (loss) from entities accounted for using the equity method	(2)	39	26	5	18	-	86

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

(2) "Corporation and adjustments" column includes financial assets amounting to €8,246 million and €4,211 million, in 2010 and 2009, respectively. The fluctuation is primarily due to the liquidity incorporated as a result of the agreement reached with Sinopec in Brazil (Note 31).

The detail of the main key figures by geographical area is as follows:

	Millions of euros							
	Operating revenue		Operating income		Investments		Assets	
	2010	2009	2010	2009	2010	2009	2010	2009
Upstream	6,913	2,988	4,113	781	1,126	1,122	9,351	8,678
North American and Brazil	3,747	614	2,911	63	517	435	3,081	3,093
North Africa	1,019	719	642	372	97	241	978	1,121
Rest of the world	2,209	1,748	560	346	512	446	5,292	4,464
Adjustments	(62)	(93)	-	-	-	-	-	-
LNG	1,332	1,028	105	(61)	82	125	4,238	3,195
Downstream	36,363	32,838	1,304	1,022	1,613	1,649	17,524	15,168
Europe	33,624	30,493	1,182	800	1,474	1,583	16,290	13,311
Rest of the world	4,735	3,887	122	222	139	66	1,234	1,857
Adjustments	(1,996)	(1,542)	-	-	-	-	-	-
YPF (1)	11,102	8,678	1,453	1,021	1,548	956	12,446	10,928
Gas Natural SDG Corporation, others, and adjustments	6,161	4,652	881	748	636	5,060	13,344	13,484
	(1,441)	(1,152)	(235)	(267)	101	91	10,728	6,630
TOTAL	60,430	49,032	7,621	3,244	5,106	9,003	67,631	58,083

(1) The YPF figures were generated primarily in Argentina.

Also, the composition of revenue (comprising “Sales” and “Services rendered and other income” line items in the attached consolidated income statements), by geographic area based on destination market, is as follows:

	Millions of euros	
	2010	2009
Spain	25,976	24,224
European countries	5,693	4,427
OECD Countries	3,024	2,259
Other countries	20,842	16,367
TOTAL	55,535	47,277

(30) **BUSINESS COMBINATIONS AND CHANGES IN COMPOSITION OF THE GROUP**

Repsol YPF prepares its consolidated Financial Statements including the investments in all its subsidiaries, affiliated companies and joint ventures. Appendix I of the consolidated Financial Statements details the subsidiaries, affiliated companies and joint ventures, held directly or indirectly by Repsol YPF, S.A., which were included in the scope of consolidation during 2010 and 2009. The main business combinations made in 2010 and 2009 are detailed below.

2010 Acquisitions

With effective date February 1, 2010, the productive area Barúa-Motatán located in the Lake Maracaibo basin was incorporated as an asset to be operated by mixed-ownership company Petroquiriquire, S.A. In 2009, Venezuela's National Assembly published in the official Gazette of the Bolivarian Republic its approval of the activities of Petroquiriquire, S.A., in which Repsol YPF holds a 40% interest, in the production area Barúa-Motatán.

This transaction gives effect to the credit notes amounting to US\$173 million (€131 million) received as part of the process of migrating the operating agreements over to the mixed companies and cancels an account receivable from PDVSA amounting to US\$34 million (€26 million). The related amount corresponds entirely to property, plant and equipment acquired in connection with this allocation. No goodwill was generated as a result of the transaction (Note 2).

The net profit contributed by the incorporation of the Barúa-Motatán production activities since the date of acquisition amounted to US\$36 million (€28 million).

On February 10, 2010, the MENPET awarded the concession of the area of Carabobo 1 to the consortium led by Repsol (11%), and its partners Petronas (11%), OVL (11%), and Indoil (7%). The Venezuelan CVP will maintain its 60% ownership interest. The area will be managed by the mixed-ownership company Petrocarabobo, S.A. This project consists in developing, in conjunction with PDVSA, the heavy crude oil reserves of the blocks Carabobo 1 North and Carabobo 1 Center, located in the Orinoco oil belt. The profit recognized in relation with this company in 2010 was less than €1 million.

Acquisition of Unión Fenosa (2009)

The amounts given in this section related to Gas Natural's acquisition of an interest in Unión Fenosa take into account the Repsol Group's ownership interest in Gas Natural Fenosa, which as of the date of these consolidated financial statements is 30.89%, except for amounts stated in percentage terms which reflect Gas Natural Fenosa's 100% stake.

At December 31, 2008, Gas Natural SDG, S.A. held a 14.7% stake in Unión Fenosa (9.9% acquired from ACS on August 5, 2008, under a share purchase agreement signed on July 30, 2008, and 4.7% acquired from Caixanova on December 12, 2008), which was classified under the heading "Financial assets available for sale". The corresponding acquisition cost amounted to €756 million (proportionate to Repsol Group's interest in Gas Natural Fenosa).

In addition, in 2008, Gas Natural arranged various Equity Swaps and a share purchase agreement with Caja Navarra entitling it to acquire, in 2009, 9.7% of the voting rights in Unión Fenosa at an average price of €17.33 per share. These contracts were recognized at their fair value as derivatives under “Financial assets designated at fair value through profit and loss” (Notes 12 and 21).

Under the share purchase agreement with ACS, mentioned above, the acquisition of the construction group’s remaining 35.3% shareholding in Unión Fenosa was subject to anti-trust approval. On February 26, 2009, having obtained this authorization, Gas Natural proceeded to acquire the additional 35.3% stake for €1,797 million (pro rata for the Repsol Group’s shareholding in Gas Natural Fenosa). This transaction provided Gas Natural with 50% of the voting rights in Unión Fenosa, above the 30% threshold laid down in the Spanish Takeover Code (“OPA”), triggering a takeover bid for all outstanding shares of Unión Fenosa, S.A. it did not already own. Until conclusion of this tender offer, Gas Natural’s voting rights in Unión Fenosa were limited to 30%, entitling it to appoint 4 out of a total of 20 Directors in the Board of Directors.

This level of board representation provided Gas Natural with significant influence for accounting purposes; accordingly, from February 28, 2009, its investment in Unión Fenosa, S.A. was considered an investment in an associate and was accounted in the Gas Natural Fenosa Group’s financial statements under the equity method.

The takeover tender offer was approved by the Spanish Securities Market Regulator (“CNMV” for its initials in Spanish) on March 18. On April 21, the regulator notified Gas Natural Fenosa the positive outcome of the offer. Consequently, Gas Natural SDG, S.A. acquired an additional 34.8% of Unión Fenosa for €1,771 million (pro rata for the Repsol Group’s shareholding in Gas Natural Fenosa). In April 2009, Gas Natural Fenosa acquired an additional 10.1% as a result of the settlement of the various equity swaps previously arranged, and an additional 0.3% as a result of settlement of a share purchase agreement executed in 2008 in the amount of €32 million (pro rata for the Repsol Group’s shareholding in Gas Natural Fenosa). All these acquisitions provided Gas Natural Fenosa a total shareholding in Unión Fenosa, S.A. of 95.2% for €4,880 million (pro rata for the Repsol Group’s shareholding in Gas Natural Fenosa). Following the takeover bid, Repsol YPF’s shareholding in Gas Natural Fenosa was 30.89%.

The proposed merger of Unión Fenosa, S.A. and Unión Fenosa Generación, S.A. (absorbed companies) into Gas Natural SDG, S.A. (absorbing company), via the dissolution without liquidation of the absorbed companies and the transfer in block of all their assets and liabilities to the absorbing company, was approved at the General Shareholders’ Meeting on June 26, 2009.

On September 1, having met all the legal deadlines and obtained all pertinent regulatory approvals, the merger was filed with the Mercantile Register (“Registro Mercantil”), taking effect on that same date. As a result of the approved exchange ratios, on which an independent expert issued a fairness opinion, Gas Natural SDG, S.A. issued 26,204,895 shares. This shares-issue was targeted exclusively at minority shareholders of Unión Fenosa. As a result of this capital increase, Repsol YPF’s shareholding in Gas Natural Fenosa since September 1, 2009 was established at 30.01%.

Following completion of this acquisition process, on April 23, 2009, Gas Natural SDG, S.A. achieved a majority in the Board of Directors of Unión Fenosa, S.A. and took effective control of its financial and operational policies. However, for accounting purposes, April 30, 2009 was used as the date of effective control, since the difference between these two dates was not considered to be significant. After this date, Gas Natural's interest in Unión Fenosa is consolidated using the full consolidation method. Gas Natural Fenosa is consolidated in the financial statements of the Repsol YPF Group using the proportional integration method.

Given that Gas Natural acquired control of Unión Fenosa in several acquisitions, it was recorded according to IFRS 3 for business combinations achieved in stages. Thus, the total cost of the combination was the sum of the costs of the individual transactions and amounted to €4,880 million (proportionate to the Repsol Group's interest in Gas Natural Fenosa). Provisional goodwill was calculated as the difference between the cost and the interest in the fair value of identifiable assets and liabilities as of the date of each transaction. The difference upon first-time consolidation corresponds to the sum of the goodwill calculated on each partial purchase and amounted to €1,745 million (proportionate to the Repsol Group's interest in Gas Natural Fenosa).

The breakdown of net assets acquired as of April 30, 2009 and the corresponding goodwill is as follows (proportionate to the Repsol YPF Group's interest in Gas Natural Fenosa):

	Millions of euros
Cash paid	<u>4,860</u>
Acquisition costs	<u>20</u>
Total purchase price	<u>4,880</u>
Fair value of the net assets acquired	<u>3,135</u>
Goodwill	<u><u>1,745</u></u>

	Millions of euros	
	Fair Value	Carrying amount
Intangible assets	1,031	141
Property, plant and equipment	5,214	3,961
Non-current financial assets	439	457
Deferred tax assets	254	251
Other current assets	1,104	1,107
Cash and cash equivalents	66	66
TOTAL ASSETS	8,108	5,983
Minority interest	449	389
Non-current financial liabilities	1,719	1,999
Other non-current liabilities	545	490
Deferred tax liabilities	784	177
Other current liabilities	1,326	1,323
TOTAL LIABILITIES	4,823	4,378
Total net assets acquired	3,285	1,605
Changes until the control date	(4)	
Minority interest	(146)	
Fair value of net assets acquired	3,135	
Total purchase price	4,880	
Cash and cash equivalents acquired with the subsidiary	66	
Cash used in the acquisition	4,814	

The net consolidated profit contributed by Unión Fenosa in 2009 from the acquisition date amounted to €19 million (proportionate amount according to Repsol Group's interest in Gas Natural Fenosa). If this acquisition had taken place on 1 January 2009, the increase in its contribution to the consolidated net turnover and the consolidated net income for the interim period would have been €667 million and €48 million (proportionate to Repsol Group's interest in Gas Natural Fenosa), respectively.

Unión Fenosa's Purchase Price Allocation (PP&A) made based on the fair value of its assets, liabilities, and contingent liabilities was finalized in April 2010. This PP&A was equal to the PP&A used in the preparation of the consolidated Financial Statements for 2009. The valuation was carried out by independent experts which applied generally accepted valuation criteria.

As a result of the process of allocation of the purchase price and, in connection with the carrying amount of Unión Fenosa's assets and liabilities at the date of purchase, the main assets and liabilities recognized at fair value were as follows:

- Intangible assets: mainly related to electricity distribution licenses in Spain, Latin America, CO₂ emission allowances and several gas supply contracts, and other contractual rights.

- Property, plant and equipment corresponding to combined cycle plants, nuclear power stations, hydropower stations, thermal power stations, wind farms, electric power supply networks, deposits of coal and other facilities.
- Deferred tax liabilities related to the revaluations mentioned above regarding the part that is not expected to be deductible.

The goodwill arising from the business combination is attributed to the high return on the acquired business and to the benefits and synergies expected to arise from the acquisition and integration of Union Fenosa in Gas Natural.

Other 2009 acquisitions

In March 2009 the Group acquired Murphy Ecuador Oil Company Ltd. (currently Amodaimi-Oil Company Ltd.), which owns 20% of Block 16 in Ecuador, for €66 million. After this transaction, the Group's consolidated shareholding in this Block is 55%. This acquisition falls under the umbrella of agreements reached with the Government of Ecuador (Note 2).

(31) DIVESTMENTS

The following table provides the proceeds from the sale of equity ownerships and from other divestments recorded in 2010 and 2009:

	<u>Millions of euros</u>	
	<u>2010</u>	<u>2009</u>
Group companies, associated companies and business units	4,719	413
Property, plant and equipment, intangible assets and investment properties	171	373
Other financial assets	170	307
Total divestments	<u>5,060</u>	<u>1,093</u>

Group companies, associated companies and business units

The decreases and sales of shareholdings in Group companies and associates in 2010 and 2009 are listed in Appendix I - Changes in the consolidation scope. Below is a description of the most significant transactions made by the Group during 2010 and 2009.

Exploration and production assets in Brazil

In December 2010, Repsol YPF and China Petroleum & Chemical Corporation ("Sinopec") successfully closed an agreement reached in October to develop joint exploration and production projects in Brazil, through a capital increase carried out in Repsol Brasil, S.A. on December 28, 2010. The capital increase was fully subscribed by Sinopec and amounted to US\$7,111 million (€5,389 million). Upon completing the transaction, Repsol holds a 60% ownership interest in Repsol Brasil and Sinopec holds the remaining 40%. In February 2011, Repsol Brasil, S.A. changed its registered name to Repsol Sinopec Brasil, S.A. ("Repsol Sinopec Brasil").

Both companies have signed a shareholders' agreement in which they affirm their desire to develop the abovementioned projects jointly by providing the necessary means and sharing certain strategic decisions concerning operational and financial policies.

Consequently, as of December 28, 2010, the Group will account its 60% ownership interest in Repsol Sinopec Brasil using the proportional consolidation method.

This disinvestment amounted to US\$4,267 million (€3,234 million), generating a gain of US\$3,757 million (€2,847 million), recognized in "Income from reversal of impairment losses and gains on disposal of non-current assets." The amount of the disinvestment corresponds to the Group's ownership interest in the liquidity incorporated as a result of the capital increase.

The associated assets and liabilities of the group affected by the abovementioned transaction were derecognized at December 28, 2010 as follows below:

Millions of euros	Net asset value
Non-current assets	413
Cash and cash equivalents	12
Other current assets	61
TOTAL ASSETS	486
Non-current liabilities	15
Current liabilities	93
TOTAL LIABILITIES	108
NET ASSETS	378

In addition, historical exchange differences recognized in equity under "Adjustments for changes in value," and amounting to €9 million, were recognized reducing the result of the transaction.

Sale of the 30% ownership interest in Alberto Pacualini Refap, S.A.

In December 2010, Repsol YPF sold its 30% ownership interest in the company Alberto Pacualini Refap, S.A. (Refap) to Petrobras for US\$350 million (€261 million). This transaction generated a loss of €63 million, recognized in the heading "Impairment losses recognized and losses on disposal of non-current assets". The transaction was carried out as part of the Group's strategy focused in the divestment of non-strategic assets.

The assets and liabilities derecognized as a result of the sale were as follows:

Millions of euros	Net asset value
Non-current assets	878
Cash and cash equivalents	29
Other current assets	129
TOTAL ASSETS	1,036
Non-current liabilities	246
Current liabilities	284
TOTAL LIABILITIES	530
NET ASSETS	506

In addition, historical exchange differences recognized in equity under "Adjustments for changes in value," which totaled €82 million, were recognized as a result of the sale.

Sales of ownership interest in YPF

In December 23, 2010, Repsol YPF sold 1.63% of the share capital of YPF to funds managed by Eton Park Capital Management ("Eton Park"), and an additional 1.63% of the capital of YPF to funds managed by Capital Guardian Trusts Company and Capital International, Inc. ("Capital"). Each sale amounted to US\$250 million (€192 million) each.

In addition, Eton Park has call options on an additional 1.63% of YPF capital, either all at once or in smaller amounts, up to January 17, 2012. Furthermore, Repsol YPF has granted Capital a put option on the proportionate part of the shares acquired by Capital that exceed 15% of YPF's free floating shares at December 22, 2011. This option may be exercised at any time from the aforementioned date to January 23, 2012.

Additionally, in 2010, the Group has sold 0.97% of its shares in YPF through partial sales for a total amount of €105 million.

This process is part of Repsol's strategy to divest partially in YPF and rebalance its asset portfolio. After these transactions, the Repsol YPF Group holds a 79.81% ownership interest in YPF at December 31, 2010.

These sales increased the "Minority interests" in €305 million. The resulting before-tax gain, recognized in "Retained earnings," amounts to €139 million, after deducting accumulated exchange differences.

In addition, pursuant to the terms of the YPF share sale agreement signed between Repsol YPF and Petersen Energía in February 2008, this Group has a call option on 10% of this company's share capital, exercisable up to February 21, 2012.

Sales of Gas Natural Fenosa Group companies

At December 19, 2009, Gas Natural Fenosa agreed to sell the natural gas distribution business in 38 Madrid municipalities and the gas natural and electricity supply to residential customer retail and SMEs (small/medium companies). This sale includes the shared services structure in this region. This transaction was made under the framework of the disposal plan agreed upon with the Spanish anti-trust authorities (acronym in Spanish: CNC) in connection with the acquisition of Unión Fenosa. As of the date of this agreement, these assets are classified as non-current assets held for sale. Once the pertinent regulatory approvals were obtained, the sale was executed on April 30, 2010 for €241 million, generating a gross capital gain of €14 million, which was recognized in "Income from reversal of impairment losses and gains on disposal of non-current assets" of the accompanying income statement (amounts corresponding to the proportional part of the Group investment in Gas Natural Fenosa).

In addition, in December 2009, Gas Natural Fenosa agreed to divest its share in several combined cycle power generation Companies in Mexico with aggregate capacity of 2,233 MW and the Río gas pipeline. From the date of this agreement, these assets were classified as non-current assets held for sale. Once the pertinent regulatory approvals were obtained, the 100% control of the companies was transferred on June 30, 2010 for €304 million, generating a gross loss of €1 million, recognized in “Impairment losses recognized and losses on disposal of non-current assets” of the accompanying income statement (amounts corresponding to the proportional part of the Group investment in Gas Natural Fenosa).

On July 2, 2009, Gas Natural Fenosa closed the sale of the 13% of Indra Sistemas, S.A. for €9 million. The remaining 5% shareholding has been classified as a financial asset held for sale in 2009 (Note 12). This transaction did not have any impact on the income statement because the sales price coincided with the fair value of this investment at the acquisition date of Union Fenosa. The Group’s share of profit of Indra Sistemas, S.A. in 2009 amounted to €1.5 million (amounts pro rata for the Group’s shareholding in Gas Natural Fenosa).

In December 2009, and under the framework of the disposal commitments reached with Spain’s anti-trust authorities in connection with the acquisition of Unión Fenosa, Gas Natural Fenosa sold to Naturgas Group its gas distribution business in the regions of Cantabria and Murcia, along with the gas and power (residential and small and medium companies) supply business and the corresponding shared services in these same regions, as well as the high pressure distribution networks in Cantabria, the Basque Country and Asturias. These assets had been recognized as non-current assets held for sale in July 2009. The selling price was €102 million, generating a gain in 2009 of approximately €15 million (pro rata for the Group’s shareholding in Gas Natural Fenosa).

In addition, in October 2009 Gas Natural Fenosa agreed the sale of its 63.8% interest in Empresa de Energía del Pacífico, S.A. (EPSA) to Colener, S.A.S., Inversiones Argos and Banca de Inversión Bancacolombia, S.A. Corporación Financiera. These assets were classified as non-current assets held for sale on the date the agreement was reached (Note 11). The sale was completed in December 2009 upon obtention of all the pertinent regulatory approvals. The selling price was €207 million, generating a before-tax gain of €3 million (pro rata for the Group’s shareholding in Gas Natural Fenosa, except for the figures presented in percentage terms).

Other sales

On December 17, 2010, the Group sold Gas Natural Fenosa’s 35% ownership interest in Gas Aragón, S.A. for €23 million. This was an equity-consolidated company and the sale generated a before-tax gain of €12 million recognized in “Income from reversal of impairment losses and gains on disposal of non-current assets.”

In November 2010, the Repsol YPF Group sold its 25% ownership interest in Bahía Bizkaia Gas (BBG) to Enagas and other non-controlling interests for approximately €31 million, after deducting the amount of dividends received. This sale generated a before-tax gain of €13 million, recognized in “Income from reversal of impairment losses and gain on disposal of non-current assets” of the accompanying consolidated income statement.

On March 25, 2010 Repsol YPF, Petronor and BBK signed an agreement whereby BBK acquired a share package for 5% of Compañía Logística de Hidrocarburos (CLH), which Repsol indirectly owned through Petronor. The sale price was €145 million, which generated a gross capital gain of €133 million, recognized in "Income from reversal of impairment losses and gains on disposal of non-current assets" of the accompanying consolidated income statement. As a result of this transaction, Repsol YPF reduced its share in CLH to 10%.

In February 2010, Repsol YPF sold its 100% investment in Termobarrancas and its exploration and development license in the Barrancas area to Petr6leos de Venezuela S.A. (PDVSA). The purchase-sale agreement was reached in 2009, year in which these assets were classified as non-current assets held for sale. The sale of these assets generated a gain of €5 million, recognized under "Income from reversal of impairment losses and gains on disposal of non-current assets" in the accompanying consolidated income statement.

Property, plant and equipment, intangible assets and investment property

In 2010, Repsol YPF Group received a €70 million prepayment in connection with sale of the Gaviota underground storage gas facility to Enag6s, which was classified at December 31, 2010 under "Non-current assets held for sale." This transaction is awaiting the final approval of the competent authorities (Note 11).

On July 30, 2007 Repsol YPF, S.A. entered into an agreement whereby it sold to Caja Madrid the lot where an office building is under construction in Madrid, as well as the finished works on it, for €815 million of which €70 million were recorded as divestments in 2007. In the same agreement Repsol YPF, S.A. undertook to continue the promotion and development of the pending construction works, with the aim of completing the cited office building. The building was officially delivered to the buyer in 2009. This delivery generated an additional divestment of €245 million and a gain of €49 million, recognized in "Income from reversal of impairment losses and gains on disposal of non-current assets" in the 2009 income statement.

Other financial assets

In April 2010, Gas Natural Fenosa sold its 5% ownership interest in Indra Sistemas, S.A., which was classified under "held-for-sale financial assets" after the disposal of the 13% ownership interest in 2009 (described above). This sale amounted to €38 million, generating a gain of €1 million recognized under "Impairment gains / (losses) on disposal of financial instruments".

In 2009 Uni6n Fenosa sold its shareholdings in Red El6ctrica Corporaci6n, S.A. and Isagen for €32 million. These disposals did not have any impact on the income statement because the sales prices coincided with the fair value of these assets at the date of the acquisition of Uni6n Fenosa by Gas Natural. Disposals of other financial assets also include €47 million in connection with the sale of Gas Natural Fenosa's 5% shareholding in Enag6s, generating a before-tax gain of €31 million, which was recognized as a reduction to "Adjustments for changes in value" (Note 12) (amounts pro rata for the Group's shareholding in Gas Natural Fenosa, except for the figures presented in percentage terms).

(32) **INFORMATION ON RELATED PARTY TRANSACTIONS**

Repsol YPF 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) Major Shareholders: according to the most recent information available, the major shareholders in the company that are considered related parties of Repsol YPF are (Note 15.1):
- Sacyr Vallehermoso, S.A. that owns 20.01% of the share capital.
 - Criteria Caixa Corp. S.A. (member of Caixa Group) that holds, directly and indirectly, 12.97% of the share capital of Repsol YPF, S.A.
 - Petróleos Mexicanos (Pemex) that has an ownership interest of 4.81% through its subsidiaries Pemex International España, S.A. and various financial instruments.
- 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 2010 with related parties were as follows:

	<u>Millions of euros</u>			
	<u>Major shareholders</u>	<u>Executives and Directors</u>	<u>Group companies or entities</u>	<u>Total</u>
EXPENSE AND INCOME:				
Financial expenses	108	-	-	108
Management or cooperation agreements	-	-	1	1
Operating leases	3	-	9	12
Receipts from services	9	-	409	418
Purchase of goods (finished or in progress)	2,031	-	4,977	7,008
Other expenses	10	-	1	11
TOTAL EXPENSES	2,161	-	5,397	7,558
Financial income (1)	22	-	21	43
Management or cooperation agreements	-	-	4	4
Transfer of R&D and license agreements	-	-	1	1
Provision of services	37	-	34	71
Sale of goods (finished or in progress)	174	-	1,257	1,431
Other income	5	-	52	57
TOTAL INCOME	238	-	1,369	1,607

Millions of euros				
OTHER TRANSACTIONS	Major shareholders	Executives and Directors	Group companies or entities	Total
Purchase of property, plant and equipment, intangible and other assets	59	-	-	59
Finance agreements: credits and capital contributions (lender) (1)	-	-	324	324
Amortisation or cancellation of loans and leases (lessor)	1	-	-	1
Disposal of property, plant and equipment, intangible or other assets	53	-	-	53
Finance agreements: credits and capital contributions (lessor) (2)	734	-	6	740
Guarantees given	133	-	416	549
Guarantees received	40	-	-	40
Commitments acquired (3)	132	-	20,100	20,232
Cancelled commitments/guarantees	-	-	-	-
Dividends and other profit distributed (4)	269	-	-	269
Other transactions (5)	3,044	-	-	3,044

- (1) See Note 33 “Information on the members of the Board of Directors and Executives” for disclosure on loans granted to members of the Executive Committee. The balance of these loans is less than €1 million.
- (2) Includes €632 million of credit facilities with Caixa Group.
- (3) Corresponds to purchase commitments prevailing at the financial statements date, net of committed sales.
- (4) Dividends distributed and loans to Executives and Directors were under €1 million.
- (5) Includes short term investments in the amount of €739 million, exchange rate hedges in the amount of €1,183 million and interest rate hedges in the amount of €711 million with the Caixa Group as counterparty.

The table below details the revenues and expenses and other transactions recognized in connection with related party transactions in 2009 and other related party transactions:

Millions of euros				
EXPENSE AND INCOME:	Major shareholders	Executives and Directors	Group companies or entities	Total
Financial expenses	5	-	-	5
Management or cooperation agreements	-	-	1	1
Operating leases	2	-	8	10
Receipts from services	6	-	370	376
Purchase of goods (finished or in progress)	2,081	-	4,783	6,864
Other expenses	9	-	12	21
TOTAL EXPENSES	2,103	-	5,174	7,277
Financial income (1)	23	-	23	46
Management or cooperation agreements	-	-	6	6
Transfer of R&D and license agreements	-	-	1	1
Provision of services	36	-	26	62
Sale of goods (finished or in progress)	323	-	910	1,233
Other income	4	-	57	61
TOTAL INCOME	386	-	1,023	1,409

	Millions of euros			
OTHER TRANSACTIONS	Major shareholders	Executives and Directors	Group companies or entities	Total
Purchase of property, plan and equipment, intangible and other assets	11	-	-	11
Finance agreements: credits and capital contributions (lender) (1)	-	-	345	345
Amortization or cancelation loans and leases (lessor)	1	-	3	4
Disposal of property, plan and equipment, intangible or other assets	-	-	1	1
Finance agreements: credits and capital contributions (lessor) (2)	915	-	3	918
Guarantees given	151	-	377	528
Guarantees received	50	-	-	50
Commitments acquired (3)	98	-	43,750	43,848
Cancelled commitments/guarantees	(1)	-	-	(1)
Dividends and other profit distributed (4)	750	1	-	751
Other transactions (5)	2,482	-	-	2,482

- (1) See Note 33 “Information on the members of the Board of Directors and executives” for disclosure on loans granted to members of the Executive Committee. The balance of these loans is less than €1 million.
- (2) Includes credit lines of €403 million contracted with La Caixa.
- (3) Corresponds to purchase commitments presently outstanding, net of sales commitments.
- (4) Dividends distributed and loans to Executives and Directors were under €1 million.
- (5) Includes short-term investments of €747 million, exchange rate hedging transactions of €736 million and interest rate hedging transaction of €806 million contracted with La Caixa.

The transactions performed by Repsol YPF, S.A. with its Group companies, and by the Group companies among themselves, form part of the Company’s ordinary business activities in terms of their purpose and conditions. Sales to related parties are performed in accordance with the policies described in Note 3.3.22.

(33) INFORMATION ON THE MEMBERS OF THE BOARD OF DIRECTORS AND EXECUTIVES

33.1) Remuneration of the members of the Board of Directors (Directors)

The remuneration received by the Executive Directors, as detailed under the paragraphs a), b) and c) of this Note, amount to €6.779 million, which means 0.14% of the net income attributed to the parent company.

a) Due to membership of the Board

In accordance with Article 45 of the bylaws, the Company may pay remuneration equal to 1.5% of its net income to its Board members each year, but this amount can only be paid once the appropriations to the legal reserve and other obligatory appropriations have been made and a dividend of at least 4% has been declared.

Under the system established and approved by the Nomination and Compensation Committee, the amounts of the annual remuneration earned in 2010 and 2009 by virtue of membership of each of the Group's governing bodies are as follows:

Governing Body	Euros	
	2010	2009
Board of Directors	172,287	172,287
Delegate Committee	172,287	172,287
Audit and Control Committee	86,144	86,144
Strategy, Investment and Corporate Social Responsibility Committee	43,072	43,072
Nomination and Compensation Committee	43,072	43,072

The remuneration earned in 2010 by the members of the Board of Directors in their capacity as Board members in connection with the above-mentioned bylaw-stipulated directors' emoluments amounted to €4,910 million, the detail being as follows:

	Remuneration of Membership to Governing Bodies (Euros)					TOTAL
	Board	Delegate C	Audit C	Nomination C	Strategy C	
Antonio Brufau	172,287	172,287	-	-	-	344,574
Luis Suárez de Lezo	172,287	172,287	-	-	-	344,574
Pemex Internacional España, S.A.	172,287	172,287	-	-	43,072	387,646
Carmelo de las Morenas	172,287	-	86,144	-	-	258,431
Henri Philippe Reichstul	172,287	172,287	-	-	-	344,574
Paulina Beato	172,287	-	86,144	-	-	258,431
Javier Echenique	172,287	172,287	86,144	-	-	430,718
Artur Carulla	172,287	172,287	-	43,072	-	387,646
Luis del Rivero	172,287	172,287	-	-	-	344,574
Juan Abelló	172,287	-	-	-	43,072	215,359
José Manuel Loureda	172,287	-	-	43,072	43,072	258,431
Luis Carlos Croissier	172,287	-	-	-	43,072	215,359
Isidro Fainé	172,287	172,287	-	-	-	344,574
Juan María Nin	172,287	-	-	43,072	43,072	258,431
Angel Durandez	172,287	-	86,144	-	-	258,431
M ^a Isabel Gabarró	172,287	-	-	43,072	43,072	258,431

Additionally, the following should be noted:

- The members of the parent's Board of Directors have not been granted with any loans or advances by any Group company, jointly controlled entity or associate.
- No Group company, jointly controlled entity or associate has pension or life insurance obligations to any former or current member of the parent's Board of Directors, except in the case of the Executive Chairman, and of the General Counsel, who, as Executive Directors, are subject to the commitments set forth in their respective service agreements, which consider defined contribution systems.

- b) Due to the holding of executive posts and the discharge of executive duties

The annual monetary fixed remuneration received in 2010 by the members of the Board of Directors who, during that period had performed executive tasks at the Group, amounted to €3.269 million, of which €2.310 million was earned by Mr. Antonio Brufau and €0.959 million by Mr. Luís Suárez de Lezo. This remuneration is the same as that received for these concepts in 2009.

In addition, the in-kind remuneration (residence allowances and other), variable annual, and multi-annual variable compensation paid to Mr. Antonio Brufau, determined on the basis of the level of success with respect to the objectives of the Medium-term Incentives Program for senior management personnel corresponding to the 2006-2009 period totaled €1.620 million. The amounts received by Mr. Luís Suárez de Lezo for in-kind, annual variable, and multi-annual variable compensation under the aforementioned program totaled €0.666 million.

These figures do not include the amounts reflected in paragraph e) below.

- c) Due to membership to the Boards of Directors of affiliates

The remuneration earned in 2010 by the members of the parent's Board of Directors in their capacity as directors of other Group companies, jointly controlled entities and associates amounted to €0.536 million, the detail being as follows:

	Euros			
	YPF	Gas Natural	CLH	TOTAL
Antonio Brufau	78,981	265,650	-	344,631
Luis Suarez de Lezo	77,554	103,500	9,921	190,975

- d) Due to third-party liability insurance premiums

The members of the Board of Directors are covered by the same third-party liability insurance policy as that covering all the directors and senior management personnel of the Repsol YPF Group.

- e) Due to life insurance and retirement policies, contributions to pension plans and long-service bonuses

The cost of the retirement, disability and death insurance policies and the contributions to pension plans and long-service bonuses including, if applicable, the related payments on account, incurred by the Company on behalf of the members of the Board of Directors with executive functions at the Group amounted to €2.784 million in 2010. Of this amount, €2.496 million correspond to Mr. Antonio Brufau and €0.288 million to Mr. Luís Suárez de Lezo.

- f) Incentives

Directors not holding executive positions at the Company have not been paid multi-annual variable compensation.

33.2) Indemnity payments to members of the Board of Directors

No director received any indemnity payment from Repsol YPF in 2010.

33.3) Transactions with Directors

Except for the remuneration earned, the dividends received from the shares held by them and, in the case of institutional outside directors, the transactions described in Note 32 (“Information on Related Party Transactions – Significant Shareholders”), the directors of Repsol YPF did not perform any material related-party transactions with the Company or Repsol YPF Group companies outside of ordinary business or under conditions other than market conditions.

Except as detailed in Appendix III, none of the directors nor people or entities to which they are related have ownership interests or hold positions in companies engaging in an activity that is identical, similar or complementary to the activity constituting the corporate purpose of Repsol YPF.

In addition, except as detailed in Appendix III, none of the directors have performed, as independent professionals or as employees, activities that are identical, similar or complementary to the activity that constitutes the corporate purpose of Repsol YPF.

Finally, no member of the Board of Directors was affected by any situation representing a direct or indirect conflict of interest with Repsol YPF, S.A..

33.4) Remuneration of executives

a) Scope

For reporting purposes, in this section Repsol YPF deems "executives" to be the members of the Repsol YPF Group's Executive Committee. This consideration, made purely for reporting purposes herein, neither substitutes nor implies an interpretation of other "Top Management" or similar 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 information included in this Note relates to the six people who have been members of the Executive Committee of the Group in 2010, excluding, unless stated otherwise, those who are also members of the Parent Company Board of Directors, since the information relating to them is disclosed in the paragraph 1) of this Note.

b) Wages and salaries

Executives receive fixed and variable remuneration. The latter consists of an annual bonus calculated as a given percentage of the fixed remuneration earned on the basis of the degree to which certain targets are met and, where appropriate, the payment relating to the multi-annual incentive plan.

The total remuneration earned in 2010 by executives who form or formed part of the Executive Committee, during the period in which they belonged to the Committee, amounted to €1.693 million, the detail being as follows:

Description	Millions of euros
Salary	4.973
Attendance fees	0.345
Variable remuneration	5.902
Compensation in kind	0.473

c) Executive welfare plan and long service bonus

In 2010, the contributions made by the Group to its executives in both instruments amounted to €1.328 million.

d) Pension fund and insurance premiums

The contributions made by the Group in 2010 to the hybrid defined contribution pension plans for executives adapted to the Pension Plans and Funds Law (Note 3.3.17 and Note 18) plus the life and accident insurance premiums paid totaled €0.443 million (this amount is included in the disclosures reported in section b) above).

Executives are covered by the same civil liability insurance policy as that covering all the directors and senior management personnel of the Repsol YPF Group.

e) Advances and loans

At December 31, 2010, the Company had granted loans to its executives amounting to €0.226 million, which earned average interest of 2.80%. All these loans were granted before 2003.

33.5) Indemnity payments to executives

In 2010 Repsol YPF paid €7.592 million of indemnity payments to Company executives in connection with the termination of the contract and non-compete agreements.

33.6) Transactions with executives

Except for the information disclosed in sections 4 and 5 of this Note and the dividends pertaining to the shares of the Company held by them, the executives of Repsol YPF did not perform any material related-party transactions with the Company or Repsol YPF Group companies outside of ordinary business or under conditions other than market conditions.

In addition, the executives to which this Note is referred (Section 33.4.a) have, in their respective contracts, the right to receive a compensation in the event of termination of relationship with the company, provided that the termination was not due to a breach of obligations of the such management member, due to retirement, handicap or the employee's voluntary withdrawal not founded in some of the compensable assumptions gathered in the mentioned contracts.

Said compensations shall be recognized as a provision and a personnel expense only when the termination of the relationship between the executive and the Group is due to a reason that entitled him or her to such perception. The Group has a collective insurance policy contracted which aims to guarantee the payment of such compensations to the executives to which this Note is referred (Section 33.4.a), including the General Counsel Director.

(34) **CONTINGENT LIABILITIES AND OBLIGATIONS**

Guarantees

At December 31, 2010 the companies of the Repsol YPF Group have granted the following guarantees to third parties or to Group companies whose assets, liabilities and results are not incorporated to the consolidated financial statements (companies consolidated in the proportion not owned by the Group and companies consolidated under the equity method). The most significant guarantees are outlined below:

- The Group provided guarantees for the financing activities of the Central Dock Sud, S.A. amounting to €10 million.
- The Group provided guarantees for the financing activities of Atlantic LNG Company of T&T, in which the Group has a 20% stake, amounting to €34 million.
- The Group provided guarantees for its stake in Oleoducto de Crudos Pesados de Ecuador, S.A. (OCP) which covers construction, abandonment of construction, and the environmental risks related to this operation, amounting, approximately, €10 million together with the operative risks of approximately, €10 million. The Group has pledged all its shares in OCP.
- The Group has provided guarantees for the financing activities to Petersen Group related to the acquisition of a shareholding in YPF in the amount of €75 million.

- Repsol YPF has executed certain support and guarantee contracts in connection with the financing agreements for Perú LNG, S.R.L., a company which was set up to build and operate a gas liquefaction facility, including a marine loading dock in Pampa Melchorita in Peru, and a gas pipeline. Repsol YPF has extended guarantees to launch the project to full operation, as well as price guarantees that cover any differences between the natural gas purchase price and the price at which this company sells LNG. These guarantees have been extended jointly with the other project shareholders, each in proportion to its share of the project financing incurred; in the case of Repsol YPF the total estimated pro rata balance is US\$470 million (approximately €352 million).

Contractual commitments

At December 31, 2010, the main long-term purchase, sale or investment commitments of the Repsol YPF Group were as follows:

Commitments	2011	2012	2013	2014	2015	Subsequent years	Total
Operating leases (1)	532	429	288	228	198	1,508	3,183
Transport - Time Charter (2)	225	184	127	74	53	592	1,255
Operating leases (3)	307	245	161	154	145	916	1,928
Purchase commitments	5,354	5,396	5,414	4,815	4,454	36,450	61,883
Crude Oil and others	880	290	222	209	211	311	2,123
Natural gas (4)	4,474	5,106	5,192	4,606	4,243	36,139	59,760
Investment commitments (5)	2,277	622	299	97	104	2,810	6,209
Service commitments	1,299	593	303	293	268	1,411	4,167
Transport commitments (6)	193	169	166	166	156	1,095	1,945
TOTAL	9,655	7,209	6,470	5,599	5,180	43,274	77,387

Note: The commitments detailed in the foregoing table are commercial agreements in which fixed total amounts are not stipulated. These commitments were quantified using Repsol YPF's best estimates.

- (1) Operating lease expenses recognized in 2010 and 2009 amounted to €659 and 522 million, respectively.
- (2) Repsol YPF has currently chartered 42 tankers under "time charter" arrangements (three of which through its subsidiary Gas Natural SDG, S.A.) for the transport of crude oil and petroleum products. These charter agreements finalize between 2011 and 2012. The payments in connection with the rent of these tankers for 2011 amount to €178 million. Additionally, this heading includes the operating lease portion of the charter contracts for the tankers acquired under finance lease agreements for the transport of LNG amounting to €47 million.
- (3) Corresponds primarily to service station leases in the amount of €12 million.
- (4) Mainly includes the corresponding portion of the Repsol YPF Group of the Gas Natural Fenosa Group's long-term natural gas purchase commitments amounting to €2,543 million, commitments of the Repsol YPF Group to purchase gas from Trinidad and Tobago amounting to €7,077 million, from Peru amounting to €18,449 million, and from Canada, amounting to €0,618 million.
- (5) This amount includes commitments in relation with the renewal of YPF operating concessions amounting to €2,789 million.
- (6) Includes €22 million in relation with the agreement executed by Repsol YPF Ecuador, S.A. on January 30, 2001, with Oleoducto de Crudos Pesados (OCP) Ecuador, S.A., owner of a heavy crude oil pipeline in Ecuador, pursuant to which it undertook to transport the quantity of 100,000 barrels/day of crude oil (36.5 million of barrels/year) for a 15 years term, from the date of the setting up, September 2003, at a variable floating rate determined by the contract. It also includes €1,219 million for the transport of natural gas to other countries of the Gas Natural Fenosa Group.

Sales	2011	2012	2013	2014	2015	Subsequent years	Total
Committed sales	8,297	4,489	4,459	4,177	3,241	23,952	48,615
Crude oil and other	4,803	1,410	1,303	1,160	1,071	4,659	14,406
Natural gas (1)	3,494	3,079	3,156	3,017	2,170	19,293	34,209
Transport commitments	22	22	22	22	22	88	198
Service commitments	536	486	353	374	343	2,492	4,584
Leases (2)	130	79	78	66	63	88	504
TOTAL	8,985	5,076	4,912	4,639	3,669	26,620	53,901

(1) Primarily includes natural gas sale commitments in Mexico €4,540 million, Argentina €4,271 million, Trinidad and Tobago €2,918 million and Spain €2,785 million and the Repsol YPF Group's pro rata share of the long-term natural gas sale commitments entered into by the Gas Natural Fenosa Group in the amount of €7,243 million.

(2) Corresponds primarily to facilities for the storage of oil and other products €224 million, fibre optic assets €76 million and gas storage facilities €46 million.

Contingencies

The Repsol YPF Group considers that there are currently no lawsuits, disputes, or criminal, civil, administrative or arbitration proceedings involving the companies in its Group which, on account of their amount, may have or have had in the past significant effects on the financial position or profitability of the Repsol YPF Group considered as a whole.

However, some of the companies comprising the Group are parties in judicial and arbitration proceedings. The following is a summary of the most significant proceedings, as well as their current status at the closing date of the Financial Statements.

At December 31, 2010, Repsol YPF's consolidated balance sheet included a litigation provision amounting to €759 million (excluding tax risk provisions described in Note 24 "Tax situation - Other tax-related disclosures"). This amount was recognized under the heading "Other provisions" (Note 17), except for €102 million, related to provisions recognized in connection with YPF Holding's litigations in United States as described below, registered under the heading "environmental provisions" (Notes 17 and 35).

UNITED STATES OF AMERICA

The following is a brief description of certain environmental and other liabilities related to YPF Holdings, Inc. ("YPF Holdings"), a subsidiary of YPF incorporated in Delaware (USA).

In connection with the sale of Maxus Energy Corporation's ("Maxus") former chemical subsidiary, Diamond Shamrock Chemicals Company ("Chemicals"), to a subsidiary of Occidental Petroleum Corporation ("Occidental"), Maxus agreed to indemnify Chemicals and Occidental from and against certain liabilities relating to the business and activities of Chemicals prior to the September 4, 1986 closing date (the "Closing Date"), including certain environmental liabilities relating to certain chemical plants and waste disposal sites used by Chemicals prior to the Closing Date. In 1995, YPF acquired Maxus and in 1999, Repsol YPF acquired YPF.

As of December 31, 2010, YPF Holdings' reserves for environmental and other contingencies, including litigation, totaled approximately €11 million, of which €102 million were recognized under environmental provisions (Note 35). YPF Holdings management believes it has adequately reserved for these and other contingencies that are probable and can be reasonably estimated based on information as of such time; however, many such contingencies are subject to significant uncertainties, including the completion of ongoing studies, the discovery of new facts, and the issuance of orders by regulatory authorities, which could result in material additions to such reserves in the future. It is possible that additional claims will be made, and additional information about new or existing claims (such as results of ongoing investigations, the issuance of court decisions, or the signing of settlement agreements) is likely to develop over time. YPF Holdings' reserves for the environmental and other contingencies described below are substantial based solely on currently available information and as a result, YPF Holdings, Maxus and Tierra Solutions Inc. may have to incur substantial costs that may be material, in addition to the reserves already taken.

In the following discussion of the key litigation proceedings underway in the US, references to YPF Holdings include, as appropriate, references to Maxus and Tierra Solutions Inc. ("Tierra"), a subsidiary of YPF Holdings, which has assumed certain of Maxus' environmental obligations.

Passaic River/Newark Bay, New Jersey.- Chemicals formerly operated an agricultural chemicals plant in Newark, New Jersey. This facility has been the subject of numerous claims of environmental contamination and other damages alleged to result from operations at the facility, at the plant site and surrounding property, including the adjacent water bodies, the Passaic River and Newark Bay. As a result of these claims, Occidental, as the successor to Chemicals, has entered into various agreements with the U.S. Environmental Protection Agency ("EPA"), the New Jersey Department of Environmental Protection ("DEP"), and third parties also alleged to have contributed contamination to the affected properties. These agreements include a 1990 consent order related to the remedy for the plant facility, a 1994 agreement under which Tierra conducted studies on behalf of Occidental in the lower six miles of the Passaic River, a 2004 agreement under which Tierra is presently conducting studies in Newark Bay, and a 2007 agreement under which Tierra and over 70 other parties are presently conducting studies in the lower 17 miles of the Passaic River.

In 2007, the EPA released a draft Focused Feasibility Study (“FFS”) that outlines several alternatives for remedial action in the lower eight miles of the Passaic River. These alternatives range from no action to extensive dredging and capping, and are described by the EPA as involving proven technologies that could be carried out in the near term. The total remediation costs, to be split among the more than 300 entities, including Maxus, which could end up being involved in the Passaic River lawsuit, could range (depending on the actions and measures taken) from zero (if no action is taken) to actions which could amount to approximately €1,500 million. Tierra, together with other parties involved in the Passaic River issues, submitted comments on the FFS to the EPA, which has elected to perform further investigation and estimates that a revised remedy proposal will be issued in the third quarter of 2011. Tierra plans to respond to any revised proposal as may be appropriate at that time.

In June 2008, Occidental and Tierra entered an agreement with the EPA, under which Tierra will undertake the removal of sediment from a portion of the Passaic River in the vicinity of the former Newark facility. This action will result in the removal of approximately 200,000 cubic yards of sediment, in two phases, and is expected to cost approximately US\$80 million (€60 million), of which US\$22 million (€16 million) has been paid into a trust account to fund the work. Notwithstanding the foregoing, during the first quarter of 2010 a credit letter was issued to replace the obligation of making additional deposits in the trust. During the removal work, certain contaminants not produced at Chemicals’ former facility will also be removed; YPF Holdings may seek cost recovery from the parties responsible for such contaminants, but is unable at this time to predict the success of a cost recovery action.

In December 2005, the DEP and the New Jersey Spill Compensation Fund sued YPF Holdings, Tierra, Maxus and other affiliates, as well as Occidental, seeking damages in connection with the contamination allegedly emanating from the Newark facility and allegedly contaminating the Passaic River, Newark Bay, and other nearby water bodies and properties (the Passaic River/Newark Bay litigation). The plaintiffs have represented in court that this litigation should not be preempted by the remedial studies and activities taking place under EPA oversight because they are not seeking remediation, only damages. The defendants have made responsive pleadings, and in February 2009, third-party claims were filed against approximately 300 companies and governmental entities (including certain municipalities) which could have responsibility for the conditions of the allegedly affected properties. The DEP did not quantify damages in its claims but it did: (a) maintain that the US\$50 million (€37 million) cap on damages under New Jersey legislation should not be applied; (b) claim it had incurred approximately US\$113 million (€85 million) in costs in the past in cleanup and removal work and that it is looking for additional damages of between US\$10 and US\$20 million (between €7 and €15 million) to finance a study to assess damages to the natural resources; and (c) notify Maxus and Tierra that it is working on financial models outlining costs and other financial impacts. In parallel to this lawsuit, a mediator had started to prepare a roadmap for agreeing an alternative solution to the dispute; however, this alternative was rejected as the various parties were unable to agree on certain basic matters at the heart of the matter.

In October 2010, some of the defendants presented several motions to sever and stay, which would have had the effect of allowing the New Jersey DEP to take their case against the direct defendants, which were however dismissed, and also presented motions to dismiss which were overruled in January 2011. Some of the entities have appealed this decision. The judge handling the case will, as a result, hold appeal hearings in March and April. The next step consists of preparing the Trial Plan which will establish the timeline between the discovery and final judgment. At the date of authorizing the accompanying Financial Statements for issue, it is not possible to reasonably estimate when the first judgment will take place.

Hudson and Essex Counties, New Jersey.- Until 1972, Chemicals operated a chromite ore processing facility in Kearny, New Jersey. Tierra, on behalf of Occidental, is conducting remedial work on this facility and surrounding properties where chromite ore processing residue (“COPR”) from the facility is believed to have become located, pursuant to an agreed consent order with the DEP. Tierra has provided financial assurance in the amount of US\$20 million (€15 million) in connection with such work.

In May 2005, the DEP issued a directive to Maxus, Occidental, and two other chromium manufacturers directing them to arrange for the cleanup of COPR at three sites in Jersey City, New Jersey, and for the conduct of a study by paying the DEP a total of US\$20 million (€15 million). The DEP also filed a lawsuit (the Hudson County, New Jersey litigation) against the above parties seeking cleanup of COPR from various sites not addressed in the consent order described above, recovery of past costs, and treble damages. The parties have reached a tentative agreement to settle both matters, under which Tierra will pay US\$5 million (€4 million) and will remediate three sites at an estimated cost of US\$2 million (€1 million). In addition, in March 2008, the DEP approved a provisional plan for the work to be performed by Tierra at the site of the Kearny plant and the work to be performed by Tierra together with other parties in the vicinity of the Kearny facility. This adjacent property was included by the EPA in its National Priorities List in 2007. In July 2010, the EPA notified Tierra and another three parties that it considered them potentially liable for this adjacent property, requesting a Remedial Investigation/Feasibility Study (RI/FS) for this site. The parties involved have submitted their response and are waiting to talk with the EPA about the scope of the work. At the date of authorizing the accompanying Financial Statements for issue, it is not known whether work in addition to that already agreed with the DEP will be required.

Other Former Plant Sites and Third Party Sites.- Tierra and Maxus are participating, on behalf of Occidental, in environmental response and remediation activities at a variety of lesser sites, including Chemicals’ former Painesville, Ohio site at which remediation is nearing completion, some smaller manufacturing facilities which Chemicals once owned or had an interest in, and waste disposal sites where Chemicals and other parties are alleged to have contributed waste materials.

Dallas Occidental vs. Maxus Litigation.- In 2002, Occidental sued Maxus and Tierra in a state court in Dallas, Texas, seeking a declaration that under the agreement by which Maxus sold Chemicals to Occidental in 1986, Maxus and Tierra have an obligation to defend and indemnify Occidental from certain historical obligations of Chemicals, including claims related to “Agent Orange” and vinyl chloride monomer (VCM). Tierra was dismissed as a party, but at trial in 2006, Maxus was found to be liable to indemnify Occidental for these claims. This decision was affirmed by the Court of Appeals, and Maxus will be required to reimburse Occidental for damages in connection with these claims. Maxus has reimbursed Occidental for the majority of these damages and has reserved for the remaining claims while resolving the final amounts with Occidental. Although this judgment does contain declaratory relief that Maxus must indemnify Occidental for certain types of future claims, YPF Holdings does not believe that these claims associated with the “Agent Orange” will be material to the financial condition of the company.

In developments related to the “Agent Orange litigation”, which may be affected by this lawsuit, the U.S. district court granted the defendants’ motions for summary judgment in a number of these cases. The plaintiffs appealed the judgments to the *Second Circuit Court of Appeals*, which affirmed the summary judgment; in March 2009, the U.S. Supreme Court declined to hear a further petition. All pending Agent Orange litigation was dismissed in December 2009, and although it is possible that further claims may be filed by unknown parties in the future, no further significant liability is anticipated.

In addition, the other claims filed, which have been dismissed, include claims relating to alleged side effects from exposure to VCM and other chemical products, although these claims are not expected to give rise to material liabilities. However, the declaration of legal liability does imply liability for future claims, if any, related to these effects. As a result, potential future claims, if any, could give rise to additional liability on the part of Maxus.

ARGENTINA

Liabilities and contingencies assumed by the Argentine State.- The Privatization Law provides that the Argentine State shall be responsible for any liabilities, obligations or other commitments existing as of December 31, 1990 that were not acknowledged as such in the financial statements of its predecessor (Yacimientos Petrolíferos Fiscales, Sociedad del Estado) as of that date arising out of any transactions or events that had occurred as of that date, provided that any such liability, obligation or other commitment is established or verified by a final decision of a competent judicial authority. In certain lawsuits related to events or acts that took place before December 31, 1990, YPF has been required to advance the payment of amounts established in certain judicial decisions. YPF believes it has the right to be reimbursed for all such payments by the Argentine Government pursuant to the above-mentioned indemnity. YPF is required to keep the Argentine Government apprised of any claim against it arising from the obligations assumed by the Argentine Government.

Argentine National Commission for the Defense of Competition (Comisión Nacional de Defensa de la Competencia – “CNDC”) - Liquefied Petroleum Gas Market. Resolution No. 189/99 from the former Department of Industry, Commerce and Mining of Argentina imposed on YPF a fine based on the interpretation that YPF had purportedly abused its dominant position in the bulk LPG market due to the existence of different prices between the exports of LPG and the sales to the domestic market from 1993 through 1997. Additionally, the CNDC commenced an investigation in order to prove, among other things, whether the penalized behavior for the period from 1993 through 1997, already settled, continued from October 1997 to March 1999. On December 19, 2003, the CNDC completed its investigation and charged YPF with abuse of dominant market position during this period. YPF has unsuccessfully appealed this decision in several courts. On December 22, 2009, the 4th Court of Appeals rejected one of the outstanding appeals filed by YPF, in which YPF had asserted a statute of limitations defense. YPF has filed an extraordinary appeal which is currently pending.

In addition, on December 21, 2009, YPF filed another appeal based on the statute of limitations with the CNDC, which was dismissed by the CNDC. On the basis of this last ruling, YPF lodged the corresponding appeal calling for the intervention of Room B of the White Collar Crime Chamber (*Sala B of the Cámara Penal Económico*), and the pertinent grievances briefing was filed on October 7, 2010.

On December 22, 2010, YPF was notified that Room B of the White Collar Crime Chamber had ruled in favor of YPF, with the effect of repealing the CNDC’s ruling and closing the proceedings. At the date of authorizing the accompanying Financial Statements for issue, the ruling was not yet final.

Natural gas market. As a result of the restrictions on natural gas exports since 2004, YPF had been forced in many instances to partially or fully suspend natural gas export deliveries that are contemplated by its contracts with export customers. YPF has taken steps to appeal the Program of Rationalization of Gas Exports and the Use of Transportation Capacity, as well as the Permanent Additional Injection and the Additional Injection Requirements, as it believes that they are arbitrary and illegitimate, and has informed its customers that such measures constitute an event of force majeure which releases YPF from any responsibility and/or penalty deriving from the failure to deliver the volumes of gas stipulated under the relevant agreements.

A number of YPF’s customers, including Electroandina S.A. (Electroandina) and Empresa Eléctrica del Norte Grande S.A. (Edelnor), have rejected YPF’s interpretation and have claimed damages and/or penalties for breach of supply undertakings, while at the same time reserving their rights to file additional claims in the future. YPF has opposed such claims.

On November 5, 2010, YPF and Edelnor and Electroandina entered into a Dispute Resolution Agreement under which, without admitting liability or granting rights, YPF will pay Edelnor and Electroandina a sum that is substantially less than originally claimed, reaching a compromise regarding the arbitration proceedings underway, which implied agreeing to: a) abandon and renounce all actions, rights and claims relating to the natural gas supply undertakings; and b) amend the natural gas supply undertakings to render them ‘interruptible’. YPF received Secretariat of Energy approval for this agreement on January 7, 2011, rendering the agreement amendments effective.

In addition, **AES Uruguaiana Empreendimentos S.A. (“AESU”)** has claimed damages in a total amount of US\$28 million (€21 million) for missed deliveries of natural gas volumes during the period September 16, 2007 through June 25, 2008. On July 16, 2008, AESU also claimed damages in a total amount of US\$3 million (€

million) for missed deliveries of natural gas volumes during the period January 18, 2006 through December 1, 2006. YPF has contested both of these claims. By letter dated on March 20, 2009, AESU notified YPF that it was terminating the related contract unilaterally.

On April 6, 2009, YPF was notified by the International Chamber of Commerce (“ICC”) of an arbitration brought by AESU and Companhia de Gás do Estado do Rio Grande do Sul (“Sulgás”) against YPF claiming damages in an approximate amount of US\$1,052 million (€787 million), which includes the amount referred to above, in connection with YPF’s alleged liability resulting from the termination by AESU and Sulgás of the natural gas export contract entered into in September 1998. YPF denies all liability arising from such termination. Moreover, YPF believes that AESU’s damages assessment is far beyond any reasonable assessment, since it exceeds six-fold the maximum aggregate deliver-or-pay penalties that would have accrued in the event that YPF had breached its delivery obligations for the maximum daily quantity through the expiration of the term of the natural gas export contract, as set forth in the contract entered into in 1998. In addition, more than 90% of AESU’s damages assessment relates to alleged loss of profits that may be strongly challenged on the basis that prior to the termination of the natural gas export contract, AESU voluntarily terminated all of its long term power purchase contracts. YPF’s management considers that the claim brought by AESU is likely to be unsuccessful. On October 1, 2010, the terms of reference (*Acta de Misión*) were signed establishing the rules governing the proceedings and providing for the bifurcation of the proceedings for the purpose of deciding firstly, the jurisdiction matters. YPF lodged its objections against the Arbitration Tribunal’s jurisdiction on October 29, 2010 and AESU responded on November 30, 2010, dismissing the objections and affirming the Arbitration Tribunal’s jurisdiction. The Tribunal decided that a jurisdiction hearing was not necessary, determining that it is in a position to rule on its jurisdiction in the matter.

Furthermore, on April 6, 2009 YPF registered at the ICC a request for arbitration against AESU, Sulgás and Transportadora de Gas del Mercosur S.A. (“TGM”), seeking an award from the Arbitral Tribunal which states, among other things, that AESU and Sulgás have repudiated and unilaterally and illegally terminated the natural gas export contract entered into in September 1998 and declaring AESU and Sulgás liable for any damages suffered by the parties because of such termination, including but not limited to the damages resulting from the termination of the natural gas transportation contracts associated with the natural gas export contract. A memorandum was signed on October 1, 2010, setting out the claims submitted to arbitration by the parties and the procedural rules governing the arbitration proceedings.

With respect to the termination of the natural gas transportation contracts associated with this natural gas export contract, YPF was notified by the ICC of an arbitration brought by TGM against YPF claiming unpaid and outstanding payments for an approximate amount of US\$10 million (€7 million) plus interests, in connection with the transportation fee established in the natural gas transportation contract entered into in September 1998 between YPF and TGM. YPF has requested the joinder of these two proceedings. On July 10, 2009, TGM increased its claim to US\$17 million (€3 million) and claimed an additional US\$366 million (€74 million) in alleged loss of profits. YPF considers that these claims will be unsuccessful. The relevant Arbitration Tribunal has been set up on June 10, 2010, YPF made its statements before the Tribunal, asking the Tribunal to acknowledge its lack of jurisdiction to rule on the claim. In the event that this motion is rejected, YPF has requested that the Arbitration Tribunal suspend these proceedings until the ongoing arbitration with TGM, AESU and Sulgás is settled. On September 14 and 15, 2010, the Arbitration Tribunal held hearings with both YPF and TGM to establish jurisdiction, a ruling that is pending.

On October 11, 2010, the terms of reference (*Acta de misión*) were signed establishing the parties' claims and the rules governing the arbitration proceedings and providing for the bifurcation of the proceedings for the purposes of firstly resolving jurisdiction. AESU and TGB filed their objections to the Arbitration Tribunal's jurisdiction on November 22, 2010, which were opposed by YPF, affirming the Arbitration Tribunal's jurisdiction to rule on all the issues posed on December 20, 2010. The Tribunal decided that it was not necessary to hold a hearing, determining that it is in a position to rule on its jurisdiction in the matter.

In addition, there are certain claims concerning payments tied to natural gas transportation contracts associated with exports. In this order, one of the parties involved attempted to mediate with a view to determining the merits of these claims. When this mediation effort finalized without agreement, YPF was notified of the instigation of a claim against it under which *Transportadora de Gas del Norte S.A.* ("TGN") is seeking contract fulfillment and the cancellation of unpaid invoices, while reserving the right to claim damages. YPF has responded to all these claims. In addition, the plaintiff recently notified YPF the termination of the transportation contract alleging breach by YPF based on its alleged failure to settle the transport service invoices, reserving the right to seek damages. It is YPF's belief that the claims filed against it to date will not have a material adverse effect on its future results.

In addition, in accordance with the developments outlined in the preceding paragraph, on January 8, 2009, YPF also filed a complaint against TNG with the Argentine Natural Gas Regulatory Authority ("ENARGAS"), seeking the termination of the natural gas transportation contract with TGN for the transport of natural gas in connection with the natural gas export contract entered into with AESU and other parties. The request is based on (i) the termination of the referred natural gas export contract and the legal impossibility to assign the transportation contract to other shippers because of certain changes in law in effect since the year 2002; (ii) TGN's legal impossibility to render the transportation service on a firm basis because of certain changes in law in effect since the year 2004; and (iii) the "statutory hardship" exemption available under Argentine law when extraordinary events render a party's obligations excessively burdensome.

Compañía Mega S.A. Compañía Mega S.A. has also claimed compensation from YPF for failure to deliver natural gas under the relevant contract. YPF invoked that natural gas deliveries to Compañía Mega S.A. pursuant to the contract were affected by decisions made by the Argentine Government.

CNDC investigation. On November 17, 2003, within the framework of an official investigation pursuant to Article 29 of the Antitrust Act, the CNDC issued a request for explanations from a group of approximately 30 natural gas production companies, including YPF, with respect, among other things, to the following items: (i) the inclusion of clauses purportedly restraining trade in natural gas purchase/sale contracts; and (ii) gas imports from Bolivia, in particular (a) an expired contract signed by YPF, when it was state-owned, and YPFB (the Bolivian state-owned oil company), under which YPF allegedly sold Bolivian gas in Argentina at prices below the purchase price and (b) the unsuccessful attempts in 2001 by Duke and Distribuidora de Gas del Centro to import gas into Argentina from Bolivia. In January 2006, YPF received a notification of the CNDC ordering that preliminary proceedings be undertaken. YPF contested the complaint on the basis that no violation of the Act took place and that the charges are barred by the applicable statute of limitations. On January 15, 2007, the CNDC charged YPF and eight other producers with violations of Law 25,156. YPF presented evidence for its defense. In June 2007, without acknowledging any conduct in violation of the Antitrust Act, YPF filed with the CNDC a commitment according to Article 36 of the Antitrust Act in which YPF committed not to include the challenged clauses in future

sales contracts of natural gas and requested that the CNDC approve the commitment, suspend the investigation and dismiss the proceedings. YPF is still awaiting a formal response. On December 14, 2007, the CNDC elevated the investigation to the Court of Appeals after YPF filed an appeal against the decision which rejected its statute of limitations defense.

YPF is also currently subject to an antitrust proceeding concerning alleged price discrimination practices in the sale of fuel.

La Plata refinery environmental disputes. Since 1999 several claims have been brought for ecological and environmental damages in relation to La Plata refinery, seeking compensation for both collective and individual damages (health, psychological damages, moral damages, property devaluation), as a consequence of environmental pollution purportedly caused by the operation of such refinery, and the remediation of alleged environmental damages in the west water canal to the refinery. These claims likewise demand the undertaking of various works by YPF, the installation of equipment and technology, and the specific performance by YPF of work necessary to stop any environmental damage. YPF believes that, due to the indemnity provided by Law No. 24,145, YPF shall be allowed to request reimbursement of the expenses for liabilities existing on or prior to January 1, 1991 (before its privatization) from the Argentine Government. To the extent some of these claims partially overlap, YPF believes that they will need to be partially consolidated.

On this point, it should be noted that on January 25, 2010, YPF entered into an agreement with the Provincial Organism for Sustainable Development (OPDS for its initials in Spanish), which reports to the Buenos Aires Provincial Government, under the framework of the Program for Controlling Environmental Remediation, Liabilities and Risk set up by virtue of Ruling No 88/10 issued by the executive body of the OPDS. Under this agreement, the parties agreed to jointly undertake work on the canals surrounding the La Plata Refinery over an eight-year period, work which implies risk analysis and profiling of canal sediment. The agreement stipulates that in the event that the risk analysis implies the need to undertake corrective action, the alternatives and technology to be deployed will be analyzed at that time, establishing the steps required to execute the measures identified. The agreement also contemplates performing an analysis of the formation of the sediment in an attempt to establish liability on the part of the Argentine Government on the basis of its obligations to indemnify YPF S.A. pursuant to article 9 of Law 24,145 of YPF privatization.

Sale of Electricidad Argentina S.A. and Empresa Distribuidora y Comercializadora Norte S.A. to EDF Internacional S.A. (“EDF”). In July 2002, EDF initiated an international arbitration proceeding under the Arbitration Regulations of the International Chamber of Commerce against YPF, among others, seeking damages from YPF under the Stock Purchase Agreement dated March 30, 2001 which entitled EDF to an adjustment in the purchase price due to changes in the exchange rate of the Argentine peso prior to December 31, 2001. The arbitration decision of October 22, 2007 upheld EDF's claim; nonetheless, it also accepted the counterclaim filed by YPF. The amount payable by YPF should the resulting award become final is US\$29 million (€22 million). However, YPF has challenged the award by filing an extraordinary appeal before the Argentine Supreme Court and an appeal before the Argentine Federal Court of Appeals on Commercial Matters. In April 2008, the Argentine Federal Court of Appeals on Commercial Matters suspended the effects of the arbitral award pending its appeal. On December 9, 2009, the Argentine Federal Court of Appeals on Commercial Matters handed down a judgment on the parties' appeals in which it annulled the arbitration decision that condemned YPF to pay compensation for damages to EDF. It likewise annulled the decision which condemned EDF to pay compensation to YPF. On February 8, 2010, YPF was notified that EDF has filed an extraordinary appeal against the aforementioned court's judgment which has been dismissed by Argentina's Supreme Court. EDF filed an appeal against the dismissal, which has also been dismissed, as a result of which the ruling by the Federal Court of Appeals on Commercial Matters is now final.

Elsewhere, YPF has received notification of *exequatur* proceedings started by EDF in Paris requesting enforcement of the arbitration award in France. Notwithstanding the ruling handed down by the Argentine Supreme Court, a ruling in France enforcing execution of the arbitration award could be enforceable if YPF had any assets in that jurisdiction. In addition, on December 2, 2010, YPF received notification of arbitration award enforcement proceedings in Chile and on December 13, 2010 it received notification of similar enforcement proceedings in Brazil. YPF is in the process of analyzing what steps it will take to have these enforcement proceedings overturned.

Notwithstanding the developments outlined in the preceding paragraph, in light of the fact that the ruling by the Argentine Federal Court of Appeals on Commercial Matters is final, as mentioned earlier, YPF believes that the final outcome of the controversy will not have a material adverse effect on the company.

Northwest basin reserves review. The effectiveness of natural gas export authorizations (related to production in the Northwest basin) granted to YPF pursuant to Resolutions SE Nos. 165/99, 576/99, 629/99 and 168/00, issued by the Secretariat of Energy, is subject to an analysis by the Secretariat of Energy to determine whether sufficient additional natural gas reserves have been discovered or developed by YPF in the Northwest basin. The result of this ongoing review is uncertain and may have an adverse impact upon the execution of the export gas sales agreements related to such export authorizations, and may imply significant costs and liabilities for YPF. YPF has submitted to the Secretariat of Energy documentation in order to allow for the continuation of the authorized exports in accordance with Resolutions SE No. 629/1999, 565/1999, and 576/1999 (the “Export Permits”). These Export Permits relate to the long-term natural gas export contracts with Gas Atacama Generación, Edelnor and Electroandina, which have been amended, as detailed in the section headed “Natural gas market” earlier in this Note, with the effect of rendering supply by YPF ‘interruptible’. YPF has not yet received a response from the Argentine Secretariat of Energy. The file is currently awaiting decision from the Argentine Secretariat of Energy. If the Argentine Secretariat of Energy were to determine that the reserves are not sufficient to continue to comply with our export commitments and other commitments, it could declare the

expiration or suspension of one or more of the Export Permits, which would have a direct impact on the related export contracts.

On August 11, 2006, YPF received Note SE No. 1009 (the “Note”) from the Secretariat of Energy, which reviewed the progress of reserves in the Ramos Area in the Northwest basin, in relation to the export authorization granted by Resolution SE No. 169/97 (the “Export Authorization”). The Export Authorization concerns the long-term natural gas export contract between YPF and Gas Atacama Generación for a maximum daily volume of 530,000 m³/day. The Note stated that as a result of the decrease in natural gas reserves supporting the Export Authorization, the domestic market supply was at risk. The Note preventively provided that the maximum natural gas daily volumes authorized to be exported under the Export Authorization was to be reduced to 20%, affecting the export contract. YPF filed an answer to the Note on September 15, 2006 stating YPF’s allegations and defenses. YPF and Gas Atacama have reached an agreement pursuant to which the export contract was substantially amended.

Patagonian Association of Landowners (ASSUPA). In August 2003, ASSUPA filed suit against several concession holders of the operation and permit holders of the exploration of the Neuquén River Basin, including YPF, requesting that they be ordered to remedy the collective environmental damage supposedly caused and to take the necessary measures to avoid environmental damage in the future. The amount claimed is US\$548 million (€110 million). YPF and the other defendants filed a motion to dismiss for failure of the plaintiff to state a claim upon which relief may be granted. The court granted the motion, and ASSUPA had to file a supplementary complaint. YPF requested that the claim be rejected because the defects of the demand indicated by the Argentine Supreme Court had not been corrected but such request was denied. However, YPF has also requested that the claim be rejected for other reasons, and has impleaded the National Government, due to its obligation to indemnify YPF against any liability and hold YPF harmless for events and claims previous to January 1, 1991, according to Law No. 22,145 and Decree 546/1993. On August 26, 2008, the Argentine Supreme Court ruled that the plaintiff had rectified the defects of the demand. In compliance with a ruling of January 23, 2009 certain Argentine provinces, the Argentine State and the Argentine Federal Council for the Environment were impleaded. The proceeding has been deferred until such third parties appear before court. To date, the provinces of Río Negro, Buenos Aires, Neuquén, Mendoza and the Argentine State have appeared before court, although the company did not have access to the statements made. The provinces of Neuquén and La Pampa both made lack of jurisdiction (*excepción de incompetencia*) statements which have been opposed by the plaintiff, being currently pending for resolution.

Dock Sud environmental claims. Residents of the Dock Sud area filed environmental claims against multiple respondents (up to 44) including YPF, the National Government, the Province of Buenos Aires, the Autonomous City of Buenos Aires and fourteen municipalities, seeking individual damage to their health and to their property, environmental remediation in the Dock Sud area and the indemnification of the environmental collective damage produced in the Matanza Riachuelo basin. On July 8, 2008, the Argentine Supreme Court decided that the Basin Authority (Law 26,168) will be in charge of performing a remediation plan as well as of taking preventive measures in the area, while the National Government, the Province of Buenos Aires and the Autonomous City of Buenos Aires shall be responsible for ensuring that such actions are taken, and also ruled that the proceedings to determine the liability for actions taken in the past would continue before the Supreme Court of Argentina.

Additionally, another group of residents of the Dock Sud area, have filed two other environmental lawsuits, one of which does not involve YPF, requesting that several companies located in that area, including YPF, the Province of Buenos Aires and

several municipalities, remediate and, alternatively, indemnify the collective environmental damage of the Dock Sud area and any individual damage that has been suffered. YPF has the right of indemnity by the Argentine Government for events and claims prior to January 1, 1991, pursuant to Law No. 22,145 and Decree No. 546/1993.

Quilmes environmental claims. Citizens claiming to be residents living near Quilmes, in the province of Buenos Aires, have filed a lawsuit in which they have requested the remediation of environmental damages and the payment of Ps.47 million (€9 million) as compensation for alleged personal damages, plus interest. The plaintiffs base their claim mainly on a fuel leak that occurred in 1988 in a polduct running from La Plata to Dock Sud. The fuel leakage became perceptible in 2002, resulting in remediation that is now being performed by YPF in the affected area, supervised by the environmental authority of the province of Buenos Aires. YPF has notified the Argentine Government that it will implead the government when YPF answers the complaint in order to request that it indemnify YPF against any liability and hold YPF harmless in connection with this lawsuit, as provided by Law No. 24,145. The Argentine Government has denied any responsibility to indemnify YPF for this matter, and YPF has sued the Argentine Government to obtain a judicial award that annuls this decision. There are 30 other judicial claims that have been brought against YPF based on similar allegations, amounting to approximately Ps.17 million (€3 million).

Note number 245/08 issued by the Under-Secretariat of Mining and Hydrocarbons for the Province of Río Negro.- On May 15, 2008, YPF was notified of Resolution 433/08 concerning compliance with certain obligations of YPF as exploitation concessionaire in the hydrocarbon bearing zones of Barranca de los Loros, Bajo del Piche, El Medanito and Los Caldenes, all located in Río Negro Province. This resolution asserts that YPF, among others, in its capacity as a concessionaire, are liable for failing to meet certain concession and environmental obligations. If found liable, YPF could be at risk of termination of these concession contracts. In light of the above, and consistent with provisions of the Hydrocarbons Law, YPF was requested to submit a response. YPF submitted the documentation requested of it in December 2009.

Since the Hydrocarbons Law grants the concessionaire the right, prior to the declaration of termination of the concession, to cure any breach of the concession obligations within a certain period of time after receiving notice thereof, on May 29, 2008, YPF filed a request for nullification of Resolution 433/08 (“MP”), since this resolution failed to grant YPF such right. Additionally, YPF submitted a response denying the charges against it and on November 12, 2008, the Ministry of Production ordered the initiation of the evidence production period. On November 28, 2008, YPF filed a writ requesting the production of certain evidence and the appointment of YPF’s technical expert. YPF has challenged certain aspects related to the production of evidence. On December 1, 2009, the relevant informative evidence was presented, while certain issues related to the evidence raised by YPF are still pending resolution. Lastly, on September 16, 2010, termination of this suit was requested based on: (a) the amounts invested to comply with concession obligations between 2007 and 2010; and (b) the efforts made with respect to environmental obligations.

Claim filed against Repsol YPF and YPF by the Union of Consumers and Users. The plaintiff claims the reimbursement of all the amounts allegedly charged in excess of the consumers of bottled LPG in the 1993-2001 period, corresponding to a surcharge for the aforementioned product. With respect to the period from 1993 to 1997, the claim is based on the fine imposed on YPF by the Secretariat of Industry and Commerce through its resolution of March 19, 1999. It should be noted that Repsol YPF has never participated in the LPG market in Argentina and that the fine for abusing a dominant position was imposed on YPF. In addition, YPF has alleged that charges are barred by the applicable statute of limitations. Hearings have commenced and are in process. The claim amounts to Ps.91 million (€7 million) for the 1993-1997 period. Adding interests, this amount would increase to Ps.321 million (€31 million), to which the amount corresponding to the 1997-2001 period should be added, as well as accrued interest and expenses.

ECUADOR

On June 9, 2008 the companies comprising the Block 16 consortium, including Repsol YPF Ecuador S.A., the operator of the block, brought four claims before the International Center for Settlement of Investment Disputes (ICSID) against Empresa Estatal Petróleos del Ecuador (PetroEcuador) in connection, inter alia, with controversies regarding the applicability of certain adjustments to the participation calculation. On August 20, 2008, a settlement agreement was reached and an “Acta de Compensación de Cuentas” was signed by PetroEcuador and Repsol YPF Ecuador S.A., whereby reciprocal outstanding credits and outstanding oil barrels debts for Block 16 and for Campo Unificado Bogi-Capirón were offset. By means of the execution of the “Acta de Compensación de Cuentas,” three of the four claims brought before the ICSID were settled.

The remaining claim, concerning Law 2006-42, relates to the application of the new minimum tax of 50% on extraordinary profits. Notwithstanding the international arbitration process and the injunction requests brought by Repsol YPF Ecuador S.A., the Government of Ecuador brought forward a coercive process, instigated by PetroEcuador, demanding payment in respect of extraordinary profits generated between April 2006 and March 2008, in an amount of US\$591 million (€442 million), which were paid under protest. On March 12, 2009, following a negotiation process, a Disbursement Agreement (“Convenio de Desembolsos”) was executed in respect of extraordinary profits generated between April 2008 and December 2008. This Disbursement Agreement was implemented without relinquishing the arbitration process and under the condition that, if such payments are reduced, voided or declared inadmissible by a decision of a court, arbitration tribunal or otherwise, or, alternatively, if Repsol YPF Ecuador S.A.’s right to an indemnification is recognized, Repsol YPF Ecuador S.A. will be able to cease disbursements of pending amounts under Law 2006-42. The signing of the Disbursement Agreement suspended the coercive process.

In accordance with the payment schedule set forth in the Disbursement Agreement, Repsol YPF Ecuador S.A. has paid US\$142 million (€106 million).

Pursuant to a resolution of the ICSID Arbitration Tribunal dated June 17, 2009, in effect through March 12, 2010, neither the Ecuadorian Government nor PetroEcuador or any other public entity of the Republic of Ecuador, may, by itself or through its officers or employees, take any action against or in relation with the claimants which seeks to seize or garnish Repsol YPF Ecuador S.A.'s assets, or which may result in suspending or materially affecting the activities of the claimants, unless they provide the claimants and the ICSID Arbitration Tribunal with a written notice of their intentions at least six business days in advance of taking such action. On May 7, 2010, the Tribunal agreed to extend effectiveness of the above injunction to March 11, 2011. In September 2010, the Republic of Ecuador filed its memorial response.

Having negotiated and entered into a new Services Agreement with the Ecuadorian Government, which substitutes the former Participation Agreement, Repsol must abandon the ongoing arbitration proceeds, as agreed initially with the Ecuadorian Government (Note 2). The ICSID Arbitration Tribunal, by means of a ruling issued on February 9, 2011, accepted the joint application to terminate the arbitration proceedings, effectively putting an end to the process.

Until March 2009, Repsol YPF's interest in the Block 16 consortium was 35%; as from that date, Repsol YPF holds, directly and indirectly, a 55% interest in the consortium.

BRAZIL

The Group is party to administrative claims instigated by the Brazilian authorities concerning the importation and circulation of industrial equipment for the exploration and production of hydrocarbons in fields that are not operated by the Repsol Group. The amount of such claims that could be allocated to the Repsol Group on account of its investments in non-operating consortia would total €342 million.

TRINIDAD AND TOBAGO

On September 1, 2008, BP America Production Company initiated arbitration proceedings in New York against Repsol YPF under the UNCITRAL Rules, in connection with Repsol YPF's alleged obligation to share the extraordinary income derived from the shipping of certain LNG cargoes of Atlantic LNG 2/3 Company of Trinidad and Tobago Unlimited's trains 2 and 3, under the Supplemental Agreement entered into. The arbitration proceeding was divided into two phases, each of which addressed the interpretation of the Supplemental Agreement and the economic consequences resulting from its application, respectively. On November 17, 2009, the arbitration tribunal validated BP's interpretation of the Supplemental Agreement. On June 7, 2010, Repsol YPF and BP executed a Settlement Agreement to finally settle the case.

SPAIN

CNC Resolution of June 30, 2009: On July 30, 2009, the CNC Board passed a resolution holding RCPP, BP, and CEPSA liable for violating Article 1 of the LCD and Article 81 of the EC Treaty (current article 101 of the TFEU). The violation consisted of the indirect fixing of fuel prices in their respective gasoline stations. The resolution further imposed a fine of €5 million on RCPP. On October 27, 2009, RCPP filed an administrative appeal with the Sixth Section of the Contentious-Administrative Chamber of the Spanish National Court of Justice against the CNC resolution of July 30, 2009; this appeal was officially lodged on December 29, 2010. The Spanish National Court of Justice has agreed to an injunction against the monetary sanction. In

addition, and on a parallel basis, the special claim for jurisdictional protection of fundamental rights was officially lodged before the Administrative Appeals Court of the National Court of Justice.

ALGERIA

Gas Natural Fenosa v. Sonatrach (Gas supply contract litigation). Gas Natural Fenosa and Sonatrach were engaged in a dispute over the price review for the gas supply contracts received from Algeria through the Maghreb-Europe pipeline. The final arbitration ruling notified in August 2010 provides for a price increase from 2007 onwards. The maximum retroactive effects invoiced by Sonatrach to Gas Natural Fenosa would amount to \$1,970 million (€444 million pro rata for the Group's shareholding in Gas Natural Fenosa). Gas Natural Fenosa has challenged the arbitration ruling before the Swiss Federal Court and has requested opening the price review process of the above contracts to take into account the profound changes that have taken place, as well as the current situation of the world markets, particularly in Spain, as contemplated by the contracts.

In November 2010, the Swiss Federal Court granted a stay against the original ruling, which has the effect of suspending it until the Court rules on the motion presented by Gas Natural Fenosa.

Gas Natural Fenosa and Sonatrach are in talks to review the prices stipulated in these contracts which are expected to result in a positive outcome and the definitive end to the controversy between the two parties. In the event that none of the actions being taken by Gas Natural Fenosa to mitigate the impact of the aforementioned ruling prosper, a portion of the price increases would be passed on to certain customers in accordance with the contractual terms of their agreements.

(35) ENVIRONMENTAL INFORMATION

Management of safety and the environment is based on a management system which comprises an extensive body of standards, procedures, technical guides, and management tools that are continually being updated to adapt to the best practices of the sector. We strive for ISO 14001 certification of our installations in order to promote continuous improvement and obtain external validation of our management systems.

A key element in the Repsol YPF Environmental Management System worth highlighting is the annual setting of environmental objectives approved by the executive committee within the framework of the strategic environmental guidelines of the Company. The strategic guidelines take into account critical areas for environmental protection, leadership in management, improvement in management, risk control, and the minimization of the environmental impact of activities and products. They further serve to prepare the action plans for each business, and include the measures required to improve and respond to new legislative requirements, Repsol YPF's strategic focus, plans for corrective measures arising from environmental audits performed, etc., together with the investments and expenses required to implement all these measures, which were addressed in the Company's general budget.

The criteria used to measure environmental costs are established in the "Repsol YPF Environmental Costs Guide", which adapts the American Petroleum Institute guidelines to the Group's operations and technical approach. It is important to note in this regard that the traditional "bottom-line" solutions for reducing environmental impact are

gradually giving way to preventive measures built into processes right from the time the facilities are designed. This sometimes requires the identification of environmental assets through a system of coefficients applied to investment projects and the related property, plant and equipment, per the guidelines expressed in the aforementioned Guide.

35.1) Environmental Assets

The breakdown of the cost of the environmental assets identified and the related accumulated depreciation at December 31, 2010 and 2009 is as follows:

	Millions of euros					
	2010			2009		
	Cost	Accumulated Depreciation	Net	Cost	Accumulated Depreciation	Net
Atmospheric emissions	490	247	243	431	224	207
Water	698	459	239	698	374	324
Product quality	1,418	770	648	1,380	685	695
Soil	295	131	164	281	89	192
Energy saving and efficiency	550	179	371	467	155	312
Waste	55	25	30	49	17	32
Other	483	350	133	487	301	186
	<u>3,989</u>	<u>2,161</u>	<u>1,828</u>	<u>3,793</u>	<u>1,845</u>	<u>1,948</u>

The cost includes €64 million of assets under construction at December 31, 2010 and €284 million at December 31, 2009.

Among the main environmental investments made in 2010 it is worth highlighting the capital expenditure earmarked for optimizing water consumption, reducing landfill waste pollution, improving environmental quality of petroleum products, minimizing emissions, increasing energy efficiency, and upgrading waste spill prevention systems. It is also worth noting the following singular projects: the continuing project for improving fuel quality at La Coruña refinery (Spain), with an environmental investment of €26 million; the project for improving the water treatment plant of the Petronor refinery, with an investment of €7 million; and the project for improving fuel quality at La Pampilla refinery (Peru), with an environmental investment of €4 million.

The main environmental investments carried out in 2009 were focused on the same areas as in 2010. Nevertheless, it is worth underscoring the ongoing work on the logistics project of the biofuel supply initiative in Argentina, with an environmental investment of €1 million; the project for raising fuel quality at the La Coruña refinery (Spain), with an environmental investment of €1 million; and additional work on upgrading the environmental performance of petrol and diesel products at the Cartagena refinery (Spain), with an environmental investment of €6 million.

In 2009 it is also worth noting the work performed at the Puertollano refinery (Spain) on upgrading the rainwater collection system, which gave rise to the capitalization of €3 million of environmental assets.

35.2) Environmental Provisions

Repsol YPF recognizes the provisions required to cover the measures aimed at preventing and repairing environmental impact. These provisions are estimated on the basis of technical and economic criteria and are classified under “Environmental Provisions” (Note 17).

The changes in the environmental provisions in 2010 and 2009 were as follows:

	Millions of euros	
	2010	2009
Opening balance	221	237
Period provisions charged to income	75	70
Provisions released with a credit to income	(3)	(2)
Payment	(50)	(70)
Reversals and other	10	(14)
Closing balance	254	221

Additionally, Repsol YPF's Environmental Cost Guide classifies as environmental provisions 75% of the amounts recognized under the caption “Provision for Field Dismantling Costs”, totaling €1,075 million and €854 million at December 31, 2010 and 2009, respectively (Note 17).

The most notable item in the balance of environmental provisions at December 31, 2010, included approximately €102 million to cover the environmental risks relating to the operations carried out in the past by the former chemicals subsidiary of Maxus Energy Corporation, Diamond Shamrock Chemicals Company, prior to its sale in 1986 to Occidental Petroleum Corporation (Note 34).

Subject to the relevant terms and conditions, corporate insurance policies cover civil responsibilities for pollution on land and at sea, and for certain countries and activities, administrative responsibilities for pollution on land, all provoked by accidental and sudden events, in line with habitual industry practices and applicable legislation.

35.3) Environmental Expenses

In 2010 and 2009 environmental expenses amounted to €356 million and €347 million respectively, classified as “Supplies” and “Other operating expenses.”

These expenses include €177 million of expense for the rights necessary to cover CO₂ emissions during 2010 (although according to Note 35.5 below, CO₂ emissions, the effect in the income statement in relation with this item amounted to a net expense of €5 million in 2010). Environmental expenses in 2010 and 2009 also include: other measures for atmospheric protection amounting to €27 million and €22 million respectively; soil remediation and field dismantling costs remediation amounting to €46 million and €30 million, respectively; waste management amounting to €33 million and €32 million, respectively; and water management amounting to €21 million and €20 million, respectively.

35.4) Planned Initiatives

Among the most relevant issues which could affect Repsol YPF operations and investments in the future, the most noteworthy are related to climate change and energy, integrated pollution prevention and control, environmental responsibility, water quality, as well as waste.

On climate change and energy matters, in April 2009, the European Union approved a package of Directives with the targets set for 2020 in relation to: (i) the reduction of global greenhouse gas emissions over 1990 levels by at least 20%, (ii) boosting the use of renewable energy sources to account for 20% of total output, and (iii) a 20% reduction in energy consumption via enhanced energy efficiency.

- Directive 2009/28/EC on the promotion of the use of energy from renewable sources, sets a target of 20% for the overall share of energy from renewable sources and a 10% target for energy from renewable sources in transport for 2020 in respect of 2005 levels. This Directive further sets the sustainability criteria to be met by biofuels in order to guarantee a minimum contribution to reducing carbon emissions relative to the use of petrol and diesel.

Each State member must adopt a national action plan on renewable energy that lays down national targets and the appropriate measures to be taken to ensure delivery of these targets.

- Directive 2009/29/EC amending Directive 2003/87/EC so as to improve and extend the greenhouse gas emission allowance trading scheme of the Community, sets the target of cutting the overall greenhouse gas emissions of the Community by at least 20% below 1990 levels by 2020. The reduction of allowances within the trading scheme implies a reduction of 21% on 2005 levels. This reduction is to be achieved on a straight-line annual basis, resulting in an annual reduction in emission allowances of 1.74%.

Auctions are designated as the primary means of allocating emission allowances. Fifty per-cent of state revenues generated from allowance auctions should be used, among others, for contributions to the Adaptation Fund put in practice at the XIV Conference of Parties (COP

14) celebrated in Poznan, to fund R&D, for the development of renewable energies and for the capture and geological storage of greenhouse gases. Sectors with particularly high exposure to international competition (refining and chemicals) shall benefit from a free allowance allocation based on sector benchmarking. The installations of sectors and sub-sectors exposed to carbon dioxide leaks will receive a 100% free allowance allocation.

- Directive 2009/30/EC as regards the petrol, diesel and gas-oil specifications and introducing a mechanism to monitor and reduce greenhouse gas emissions, which is aimed at controlling, documenting and reducing fuel life greenhouse gas emissions.

The Directive sets fuel performance technical specifications for road vehicles, non-road mobile machinery, agricultural and forestry tractors, and recreational craft when not at sea, as well as a target for the reduction of life cycle greenhouse gas emissions.

Under the Directive, suppliers are obliged to report each year on the intensity of greenhouse gas emissions of the fuels and energy supplied. Member states shall require suppliers to reduce life cycle greenhouse gas emissions per unit of energy from fuel and energy supplied by up to 10 % by December 31, 2020. This reduction shall consist of a 6% reduction by means of biofuels, an indicative additional target of 2% via the capture and geological storage of CO₂ and electric vehicles and an additional indicative target of 2% via Clean Development Mechanism CERs.

- Directive 2009/31/EC on the geological storage of carbon dioxide establishes the legal framework governing the environmentally safe geological storage of CO₂ (permanent confinement that is risk-free for the environment and human health) in a bid to contribute to the fight against climate change. This directive lays down requirements on storage site selection, storage and operating permits and on closure and post-closure obligations.

Spain has begun to transpose the requirements laid down in Directive 2009/29/EC in Law 5/2009, which sets reporting requirements for sectors forming part of the greenhouse gas allowance trading scheme.

The new legislation includes additional information regarding the review of the Community allowance trading scheme, stipulating that owners of facilities that engage in the activities listed in the appendix to the legislative text and which are not subject to the 2008-2012 allowance trading scheme present, by April 30, 2010, emission figures for 2007 and 2008 before the competent regional authorities.

Moreover, Order PRE/2827/2009, which amends the sector allocations made under the 2008-2012 National Greenhouse Gas Allowance Allocation Plan, modified the allocations to the various activities subject to the allowance trading scheme, reducing the amount allocated to the Newcomers Reserve to 6.058 million tons of CO₂.

In addition, in 2010 European Union legislation on Large Combustion Facilities was updated, refunding the Directive on Integrated Pollution Prevention and

Control (IPPC), other existing directives were revised, and the Directive 2010/75/EC on Industrial Emissions was approved. This last directive addresses, among other issues, new and more demanding emission limits as well as reinforcing the process for determining and applying the best available techniques (BAT).

With respect to environmental responsibility, a draft Ministerial Order was presented in Spain on the requirement of financial guarantees and the order of priority in which all industrial activities are considered.

Regarding water quality, a draft Royal Decree on environmental quality standards was presented in Spain, the purpose of which is to transpose the content of Directive 2008/105/EC. In more detail, the Royal Decree establishes environmental quality standards (EQS) for priority substances and other pollutants with the objective of achieving good surface water chemical status. It also incorporates the technical requirements for chemical analysis established in Directive 2009/90/EC, in other words, the minimum criteria for analytical methods that must be applied to monitor water status, sediment and living organisms, as well as rules for demonstrating the quality of analytical results.

A new law on waste is expected to be approved in Spain shortly, annulling Law 10/1998 of April 21 on waste. The draft law transposes the EU Directive on Waste approved in 2008. The objective is to update current prevailing legislation, orient policy on waste in accordance with the principle of hierarchy, and guarantee protection of human health and the environment, maximizing use of resources and minimizing the impact of waste production and management. This law is also intended to regulate the legal regime over polluted soils.

The most noteworthy of the main novelties with respect to Law 10/1998 are the following: the introduction of specific sections dedicated to sub-products and to the concept of end of useful life of waste; the creation of a coordinating Commission to function as a body for technical cooperation and collaboration amongst the different administrations for matters related to waste; and introduction of the concept of producer responsibility, whereby the producer must accept the return of reusable products, the delivery of waste generated after use of the product, and its corresponding management.

35.5) CO₂ Emissions

During 2010 and 2009 the companies comprising the consolidation scope recognized emission allowances allocated free of charge under the Spanish national allocation plan equivalent to 16.4 and 15.9 million tons of CO₂ respectively, measured at €216 and €246 million. The same allocation plan stipulates allocation of 2011 allowances equivalent to 16.7 million tons of CO₂.

In 2010 there was no depreciation in the value of emission rights, in contrast to 2009 which saw the recognition of a €50 million provision, almost entirely offset by revenue from deferred income recognized in the income statement in relation to emission allowances received for no consideration.

The net results for 2010 with respect to management of CO₂ amounted to an expense of €5 million, while in 2009 a profit of €35 million was recognized.

The Repsol YPF installations included in the European allowance trading scheme are entitled to levels of gratuitous CO₂ emissions that are being reduced over time. In order to minimize the cost of meeting these declining allocations in the future, the Company has committed to a series of investments for the acquisition of Clean Development Mechanism (CDM) and Joint Implementation (JI) credits through carbon funds (the Spanish Carbon Fund managed by the World Bank and the Greenhouse Gas Credit Aggregation Pool managed by Natsource). Future trading in CDM and JI credits through carbon funds presents an opportunity to avail of low cost credits for future compliance purposes.

Repsol YPF's commitments resulted in the acquisition of credits in 2010. Including these purchases, investment commitments at year end 2009 amounted to €52 million.

(36) FEES PAID TO THE AUDITORS

In 2010, the fees earned by Deloitte for the audit services provided to Repsol YPF, S.A. and the Group companies amounted to €8.1 million. Additionally, the fees earned by the auditors and their organization for audit-related services and other services amounted to €0.8 million.

The sum of these amounts does not represent more than 10% of the total volume of business of the auditors and their organization.

(37) SUBSEQUENT EVENTS

On February 22, 2011 the Group formally requested delisting of their American Depositary Shares (ADSs) from the New York Stock Exchange (NYSE). In these sense, it is estimated that the last trading day for the ADSs on the NYSE will be on March 4, 2011.

On February 8, 2011, the 100% of Repsol International Capital's (RIC) preference shares traded on the NYSE were redeemed. The securities were redeemed at US\$25.00

per preference share plus the amount for undistributed accrued dividends from December 31, 2010 up to the redemption date, which amounted to US\$0.20 per preferential share.

(38) **EXPLANATION ADDED FOR TRANSLATION TO ENGLISH**

These consolidated financial statements are prepared on the basis of IFRSs as endorsed by the European Union and certain accounting practices applied by the Group that conform with IFRSs endorsed by the European Union may not conform with other generally accepted accounting principles.

APPENDIX I: Investees comprising the Repsol YPF Group for the year ended December 31, 2010

Name	Country	Parent Company	Other Owner Companies (1)	Activity	Consolidation Method (4)	% Total Ownership		Amount in Millions of Euros				
						% of Direct Ownership	% of Control Investment (5)	Capital	Reserves	2010 Income	Dividends	Ownership Possessed (5)
Repsol Petróleo, S.A.	Spain	Repsol YPF, S.A.		Refinery	F.C.	99.97	99.97	217,6	1.437,7	316,8	-	1.971,5
Repsol YPF Lubricantes y Especialidades, S.A.	Spain	Repsol Petróleo, S.A.	Repsol Comercial de Productos Petroíferos, S.A.	Production and marketing of derivatives	F.C.	99.97	100.00	5,4	79,3	17,5	-	102,2
Repsol Biocombustibles Cartagena, S.A.	Spain	Repsol Petróleo, S.A.		Production, distribution and sales of all biofuels and other related activities	F.C.	99.97	100.00	0,5	-	(1,2)	-	(0,7)
Servicios Logísticos Combustibles de Aviación	Spain	Repsol YPF Lubricantes y Especialidades, S.A.	Repsol Comercial de Productos Petroíferos	Gas distribution	F.C.	49,28	50,00	3,5	7,7	-	-	5,5
Repsol Eléctrica de Distribución, S.L.	Spain	Repsol Petróleo, S.A.	Repsol YPF, S.A.	Distribution and supply of electric energy	F.C.	99.97	100.00	0,1	1,9	1,5	-	3,4
Adifon Españoles, S.A.	Spain	Repsol Petróleo, S.A.		Asphalt	P.C.	49,99	50,00	8,5	14,2	7,2	-	14,9
Servicios de seguridad Mancomunidad (F.C.)	Spain	Repsol Petróleo, S.A.	Repsol Butano, S.A. y Repsol Química, S.A.	Security	F.C.	99,98	100,00	0,4	0,2	-	-	0,6
Compañía Auxiliar de Remolcadores y Buques Especiales, S.A. (CARSA)	Spain	Repsol Petróleo, S.A.	Repsol Comercial de Productos Petroíferos, S.A./PETRONOR	Tows	F.C.	99,20	100,00	0,1	2,4	3,7	-	6,2
Repsol YPF Trading y Transportes, S.A. (RYTISA)	Spain	Repsol YPF, S.A.	Repsol Petróleo, S.A.	Trading of petrol-derived products	F.C.	100,00	100,00	0,1	164,6	22,2	-	186,9
RYTISA Singapur	Cayman Islands	Repsol YPF Trading y Transportes, S.A.		Trading of petrol-derived products	F.C.	100,00	100,00	0,0	(3,6)	(0,0)	-	(3,6)
Repsol Oversee Finance, B.V.	Holland	Repsol YPF, S.A.		Holding company	F.C.	100,00	100,00	133,4	81,7	40,4	-	255,4
Atlantic 2/3 Holdings, Llc.	USA	Repsol Oversee Finance, B.V.		Holding company	P.C.	25,00	25,00	104,2	-	89,8	-	48,5
Atlantic LNG 2/3 Company of Trinidad & Tobago (2)	Trinidad and Tobago	Atlantic 2/3 Holdings, Llc.		Gas logistics and supply	P.C.	25,00	100,00	104,2	3,3	87,2	(89,8)	26,2
Atlantic 4 Holdings, Llc.	USA	Repsol Oversee Finance, B.V.		Holding company	E.M.	22,22	22,22	188,6	-	-	-	41,9
Atlantic 4 LNG Company of Trinidad & Tobago (3)	Trinidad and Tobago	Atlantic 4 Holdings, Llc.		Liquefaction plant construction	E.M.	22,22	100,00	-	8,8	83,8	(82,3)	2,3
Repsol LNG T & T, Ltd.	Trinidad and Tobago	Repsol Oversee Finance, B.V.		Natural Gas marketing	F.C.	100,00	100,00	16,2	9,3	-	-	29,5
Repsol E&P T&T Limited	Trinidad and Tobago	Repsol Oversee Finance, B.V.		Exploration and Production of hydrocarbons	F.C.	100,00	100,00	56,7	37,7	13,0	-	107,5
Repsol LNG, S.L.	Spain	Repsol YPF, S.A.	Repsol comercializadora de Gas, S.A.	Gas marketing	F.C.	100,00	100,00	0,1	(0,5)	(23,0)	-	(23,5)
Gasstream México S.A. de C.V.	Mexico	Repsol YPF, S.A.	Repsol LNG, S.L.	Other activities	F.C.	100,00	100,00	21,6	(22,5)	0,0	-	(0,9)
Repsol Gas Natural LNG	Spain	Repsol YPF, S.A.	Gas Natural, SGA	Management and marketing of LNG	P.C.	65,06	100,00	2,0	0,2	0,2	-	1,6
Pacific LNG Bolivia S.R.L.	Bolivia	Repsol YPF, S.A.		Exploration and Production of hydrocarbons	E.M.	37,50	37,50	1,0	(0,9)	(0,0)	-	0,0
Repsol Comercializadora de Gas, S.A.	Spain	Repsol YPF, S.A.	Repsol Petróleo, S.A.	Natural Gas marketing	F.C.	100,00	100,00	0,1	24,9	45,8	-	70,7
Repsol Butano, S.A.	Spain	Repsol YPF, S.A.	Repsol Petróleo, S.A.	Marketing of LPG	F.C.	100,00	100,00	58,7	661,7	57,8	-	778,2
Repsol Maroc, S.A.	Morocco	Repsol Butano, S.A.		Gas marketing	E.M.	100,00	100,00	1,3	(1,4)	-	-	(0,1)
Repsol YPF Gas, S.A.	Argentina	Repsol Butano, S.A.		Marketing of LPG	F.C.	85,00	85,00	15,1	12,4	11,9	-	33,6
Comergas, Compañía Servicios Industriales de Gas Licuado, S.A.	Argentina	Repsol YPF Gas, S.A.		Gas installations	F.C.	52,70	62,00	0,4	0,0	(0,0)	-	0,2
Gas Austral, S.A.	Argentina	Repsol YPF Gas, S.A.		Marketing of LPG	E.M.	42,50	50,00	0,0	0,8	0,0	-	0,6
Mejorgas, S.A.	Argentina	Repsol YPF Gas, S.A.	Poligas Luján, S.A.	Marketing of LPG	E.M.	75,73	100,00	0,2	(0,6)	0,0	-	(0,3)
Duragas, S.A.	Ecuador	Repsol Butano, S.A.		Marketing of LPG	F.C.	100,00	100,00	10,1	3,4	4,3	-	17,7
Servicio de Mantenimiento y Personal - SEMAPESA	Ecuador	Repsol Butano, S.A.		Maintenance and personnel services	F.C.	100,00	100,00	0,0	(0,0)	(0,1)	-	(0,1)
Repsol Gas Portugal, S.A.	Portugal	Repsol Butano, S.A.		Marketing of LPG	F.C.	100,00	100,00	0,6	20,3	14,7	-	35,5
Spelta Soc. Unipessoal Lda.	Portugal	Repsol Gas Portugal, S.A.		Marketing of LPG	F.C.	100,00	100,00	0,0	1,3	0,3	-	1,6
Saaga, S.A.	Portugal	Repsol Gas Portugal, S.A.		Marketing of LPG	E.M.	25,07	25,07	1,0	2,8	0,5	-	1,1
Repsol Butano Chile, S.A.	Chile	Repsol Butano, S.A.	Repsol YPF Chile, Limitada	Holding company	F.C.	100,00	100,00	117,7	109,9	19,5	-	247,0
Empresas Lipigas, S.A.	Chile	Repsol Butano Chile, S.A.		Marketing of LPG	P.C.	45,00	45,00	85,4	21,8	48,4	(46,5)	49,1
Repsol YPF Comercial del Perú, S.A.	Peru	Repsol Butano, S.A.		Marketing of LPG	F.C.	99,85	99,85	35,4	6,0	15,1	(4,5)	51,9
Repsol YPF Comercial de la Amazonia, SAC	Peru	Repsol YPF Comercial del Perú, S.A.	Grupo Repsol YPF del Perú	Marketing of LPG	F.C.	0,0	0,0	0,0	0,0	(0,0)	-	0,0
Repsol YPF CLP de Bolivia, S.A.	Bolivia	Repsol Butano, S.A.	R. YPF E&P de Bolivia, S.A./R. YPF Bolivia, S.A.	Marketing of LPG	F.C.	100,00	100,00	0,1	0,1	0,1	-	0,3
Repsol E&P	France	Repsol Butano, S.A.	Repsol Química, S.A./Repsol YPF, S.A./Repsol Petróleo, S.A.	Distribution and marketing of petroleum-derived products	F.C.	100,00	100,00	11,9	(3,9)	(0,0)	-	7,1
Repsol Gas Brasil, S.A.	Brazil	Repsol Butano, S.A.	Repsol YPF Brasil, S.A.	Marketing of LPG	F.C.	100,00	100,00	33,7	(21,4)	(7,9)	-	4,4
Solgas Distribuidora de Gas, S.L.	Spain	Repsol Butano, S.A.	Repsol Comercial de Productos Petroíferos, S.A.	Marketing of LPG	F.C.	100,00	100,00	1,1	(1,4)	(1,1)	-	(1,4)
Vía Red Servicios Logísticos, S.L.	Spain	Repsol Butano, S.A.		Natural gas logistics and supply	F.C.	100,00	100,00	0,8	(0,2)	0,0	-	0,6
Repsol Comercial de Productos Petroíferos, S.A.	Spain	Repsol Petróleo, S.A.	Repsol YPF, S.A./PETRONOR	Marketing of petrol-derived products	F.C.	96,67	99,78	334,8	598,3	276,5	(192,4)	983,3
Repsol Directo, S.A.	Spain	Repsol Comercial de Productos Petroíferos, S.A.	Campsa Estaciones de Servicio, S.A. - CAMPSARED	Distribution and marketing of petroleum-derived products	F.C.	96,66	100,00	0,1	5,9	(1,9)	-	3,9
Campsa Estaciones de Servicio, S.A. - CAMPSARED	Spain	Repsol Comercial de Productos Petroíferos, S.A.	Repsol Petróleo, S.A.	Exploitation and management of services stations	F.C.	96,67	100,00	8,4	18,0	19,0	-	43,9
Sociedad Catalana de Petrolis, S.A. (PETROCAT)	Spain	Repsol Comercial de Productos Petroíferos, S.A.	Repsol Petróleo, S.A.	Distribution and marketing of petroleum-derived products	E.M.	43,68	45,00	15,1	(5,3)	0,6	-	4,6
Air Miles España, S.A.	Spain	Repsol Comercial de Productos Petroíferos, S.A.		Client loyalty services	E.M.	21,75	22,50	0,1	5,1	1,0	-	1,3
Carburants i Derivats, S.A. (CADESA)	Asturias	Repsol Comercial de Productos Petroíferos, S.A.		Distribution of products derived from petroleum	E.M.	32,14	33,25	1,8	0,1	0,1	-	0,6
Euro 24, S.L.	Spain	Autocub Repsol, S.L.		Services related to automation	F.C.	96,67	100,00	0,0	0,3	0,1	-	0,4
Noroil, S.A.	Spain	Repsol Comercial de Productos Petroíferos, S.A.	PETRONOR	Distribution and marketing of petroleum-derived products	F.C.	67,67	70,00	1,5	0,5	0,5	-	1,7
Solred, S.A.	Spain	Repsol Comercial de Productos Petroíferos, S.A.	Repsol YPF, S.A.	Management of payment options in service stations	F.C.	96,67	100,00	7,3	22,0	10,0	-	38,0
Gestión de Puntos de Venta, Gespevesa, S.A.	Spain	Repsol Comercial de Productos Petroíferos, S.A.		Management of service stations	P.C.	48,34	50,00	39,4	8,0	1,0	-	23,4
Terminales Canarias, S.L.	Spain	Repsol Comercial de Productos Petroíferos, S.A.		Storage and distribution of petroleum-derived products	P.C.	48,34	50,00	19,8	1,6	1,9	-	11,3
Serviharna	Spain	RCPP		Fixed asset leasing	P.C.	96,65	100,00	0,1	0,4	(0,1)	-	0,5
Compañía Logística de Hidrocarburos CLH, S.A.	Spain	Repsol YPF, S.A.	PETRONOR	Transportation and storage of petroleum-derived products	E.M.	10,0	10,0	84,1	97,1	166,3	(161,8)	18,6
CLH Aviación, S.A. ^(b)	Spain	CLH, S.A.		Transportation and storage of petroleum-derived products	E.M.	10,0	100,00	21,0	47,8	5,6	-	7,4
Carbon Black Española, S.A. (CARBESA)	Spain	Repsol YPF, S.A.	Repsol Química, S.A.	Without activity	F.C.	100,00	100,00	0,2	13,1	8,7	-	22,0
The Repsol Company of Portugal Ltd.	Portugal	Repsol YPF, S.A.		Marketing of petroleum-derived products	F.C.	100,00	100,00	0,8	0,5	0,2	-	1,5
Repsol Portuguesa, S.A.	Portugal	Repsol YPF, S.A.	Carbon Black Española, S.A. (CARBESA)	Distribution and marketing of petroleum-derived products	F.C.	100,00	100,00	59,0	319,4	42,5	-	420,9
Repsol Directo LDA	Portugal	Repsol Portuguesa, S.A.		Distribution and marketing of petroleum-derived products	F.C.	100,00	100,00	0,3	(0,0)	0,2	-	0,4
Gespost	Portugal	Repsol Portuguesa, S.A.		Marketing of petroleum-derived products	F.C.	100,00	100,00	0,0	3,7	2,1	-	5,8
Caigeste - Gestao de Areas de Servicios Ltda.	Portugal	Gespost		Exploitation and management of services stations	E.M.	50,00	50,00	0,0	0,3	(0,3)	-	(0,0)
Abastecimientos e Serviços de Avia - ASA	Portugal	Repsol Portuguesa, S.A.		Marketing of petroleum-derived products	E.M.	50,00	50,00	-	-	-	-	-
Sociedade Abastecedora de Aeronaves, Lda. - SABA	Portugal	Repsol Portuguesa, S.A.		Marketing of petroleum-derived products	E.M.	25,00	25,00	-	-	-	-	-
Tecnicocontrol y Gestión Integral, S.L.	Spain	Repsol YPF, S.A.	Repsol Exploración, S.A.	Real estate development	F.C.	100,00	100,00	3,5	28,2	0,1	-	31,8
Bahía Bizkaia Electricidad, S.L.	Spain	Repsol YPF, S.A.		Energy generation	P.C.	25,00	25,00	3,6	157,8	42,7	-	51,0
Repsol YPF Tesorería y Gestión Financiera, S.A	Spain	Repsol YPF, S.A.	Repsol Petróleo, S.A.	Provide treasury-related services to the group's companies	F.C.	100,00	100,00	0,1	385,8	(83,4)	-	302,4
Petróleos del Norte, S.A. (PETRONOR)	Spain	Repsol YPF, S.A.		Refinery	F.C.	85,98	85,98	120,5	477,2	291,2	(180,2)	609,3
Asfador, S.A.	Spain	PETRONOR		Distribution and marketing of asphalt-derived products	F.C.	85,98	100,00	0,1	-	-	-	0,1
Repsol Exploración, S.A.	Spain	Repsol YPF, S.A.	Repsol Petróleo, S.A.	Exploration and Production of hydrocarbons	F.C.	100,00	100,00	24,6	1.817,7	(151,3)	-	1.691,0
Repsol LNG Holding, antes de denominarla Repsol Exploración Trinidad, S.A.	Spain	Repsol Exploración, S.A.	Repsol YPF, S.A.	Exploration and Production of hydrocarbons	F.C.	100,00	100,00	1,8	(0,5)	(10,2)	-	(8,9)
Gas Natural West Africa S.L.	Spain	Repsol LNG Holding, S.A.	Repsol LNG Exploración, S.L.	Gas Natural Exploración, S.L.	P.C.	72,05	100,00	7,7	(4,1)	(8,7)	-	(3,7)
Repsol YPF Cubá, S.A.	Spain	Repsol Exploración, S.A.		Exploration and Production of hydrocarbons	F.C.	100,00	100,00	1,9	5,0	(1,5)	-	5,4
Repsol Exploración Colombia, S.A.	Spain	Repsol Exploración, S.A.		Exploration and Production of hydrocarbons	F.C.	100,00	100,00	2,0	(0,8)	(16,5)	-	(15,3)
Repsol Exploración Argelia, S.A.	Spain	Repsol Exploración, S.A.		Exploration and Production of hydrocarbons	F.C.	100,00	100,00	3,9	(8,8)	0,6	-	(4,3)
Repsol Exploración Murzuq, S.A.	Spain	Repsol Exploración, S.A.	Repsol YPF, S.A.	Exploration and Production of hydrocarbons	F.C.	100,00	100,00	7,7	613,4	135,5	-	756,7
Akakus Oil Operation BV	Holland	Repsol Exploración Murzuq, S.A.		Exploration and Production of hydrocarbons	E.M.	49,00	49,00	-	0,1	-	-	0,0
Repsol YPF Ecuador, S.A.	Spain	Repsol Exploración, S.A.	Repsol Exploración, S.A.	Exploration and Production of hydrocarbons	F.C.	100,00	100,00	4,7	76,2	31,5	-	112,4
Amodaim Oil Company, Ltd.	Ecuador	Repsol YPF Ecuador, S.A.		Exploration and Production of hydrocarbons	F.C.	100,00	100,00	-	20,5	1,9	-	22,4
Repsol YPF OCP de Ecuador, S.A.	Spain	Repsol YPF Ecuador, S.A.	Repsol Exploración Tobago, S.A.	Holding company	F.C.	100,00	100,00	0,1	28,0	13,2	-	41,3
Óleoducto de Crudos Pesados, Ltd.	Cayman Islands	Repsol YPF OCP de Ecuador, S.A.		Other activities	E.M.	29,66	29,66	75,2	9,9	21,0	(5,5)	29,8
Óleoducto de Crudos Pesados Ecuador, S.A.(3)	Cayman Islands	Óleoducto de Crudos Pesados, Ltd.		Other activities	E.M.	29,66	100,00	-	-	-	-	-
Repsol Exploración Securí, S.A.	Spain	Repsol Exploración, S.A.	Repsol YPF, S.A.	Exploration and Production of hydrocarbons	F.C.	100,00	100,00	1,9	0,2	(0,5)	-	1,6
Repsol Exploración Perú, S.A.	Spain	Repsol Exploración, S.A.	Repsol YPF, S.A.	Exploration and Production of hydrocarbons	F.C.	100,00	100,00	15,6	177,7	35,5	-	228,8
Perú LNG Company, Llc.	Peru	Repsol Exploración Perú, S.A.		Gas logistics and supply	E.M.	20,00	20,00	1.215,8	(164,6)	(86,3)	-	193,0
TGP, S.A.	Peru	Repsol Exploración Perú, S.A.		Gas logistics and supply	E.M.	10,00	10,00	155,9	285,3	59,6	-	50,1
Repsol YPF Oriente Medio, S.A.	Spain	Repsol Exploración, S.A.	Repsol YPF, S.A.	Exploration and Production of hydrocarbons	F.C.	100,00	100,00	0,2	-			

Name	Country	Parent Company	Other Owner Companies (1)	Activity	Consolidation Method (4)	% Total Ownership		Amount in Millions of Euros					
						% of Direct Ownership	% of Control Investment (5)	Capital	Reserves	2010 Income	Dividends	Ownership Possessed (6)	
Calio LLC	Venezuela	Repsol Exploración Venezuela, B.V.		Exploration and Production of hydrocarbons	F.C.	100.00	100.00	15.6	6.2	-	-	-	21.8
Repsol YPF Venezuela, S.A.	Venezuela	Repsol Exploración Venezuela, B.V.		Exploration and Production of hydrocarbons	F.C.	100.00	100.00	12.3	39.0	9.0	-	-	60.3
Repsol YPF Venezuela Gas Cardón IV	Venezuela	Repsol YPF Venezuela, S.A.		Exploration and Production of hydrocarbons	F.C.	100.00	100.00	-	(6.9)	0.1	-	-	(6.8)
Petroquímica, S.A.	Venezuela	Repsol YPF Venezuela Gas S.A.		Exploration and Production of hydrocarbons	P.C.	50.00	50.00	1.5	174.1	(7.0)	-	-	84.3
Quiriquire Gas, S.A.	Venezuela	Repsol YPF Venezuela, S.A.		Exploration and Production of hydrocarbons	P.C.	40.00	40.00	4.1	1.016.1	126.5	-	-	458.7
Repsol Exploración Guinea, S.A.	Spain	Repsol YPF Venezuela, S.A.	Repsol YPF, S.A.	Exploration and Production of hydrocarbons	P.C.	60.00	60.00	0.3	100.1	1.4	-	-	61.1
BRPV Caribbean Ventures LLC	USA	Repsol Exploración, S.A.		Exploration and Production of hydrocarbons	F.C.	100.00	100.00	0.1	-	(0.3)	-	-	(0.2)
BP Amoco Trinidad & Tobago, LLC (2)	USA	Repsol Exploración, S.A.		Holding company	P.C.	30.00	30.00	91.9	(1,355.2)	565.7	-	-	37.9
Dubai Marine Areas, Ltd. (DUMA)	UK	Repsol Exploración, S.A.		Exploration and Production of hydrocarbons	P.C.	30.00	100.00	126.5	245.9	-	-	(561.3)	110.1
Repsol Investigaciones Petrolíferas, S.A.	Spain	Repsol Exploración, S.A.		Exploration and Production of hydrocarbons	P.C.	50.00	50.00	0.1	1.6	-	-	-	0.8
EniReps Gas Limited	Saudi Arabia	Repsol Exploración, S.A.		Exploration and Production of hydrocarbons	F.C.	100.00	100.00	225.9	434.8	23.9	-	-	684.6
Repsol USA Holdings Corp	USA	Repsol Exploración, S.A.		Gas logistics and supply	E.M.	30.00	30.00	281.0	(250.6)	(4.9)	-	-	7.7
Repsol Services Company	USA	Repsol USA Holdings Corp		Exploration and Production of hydrocarbons	F.C.	100.00	100.00	2,618.6	(143.8)	48.3	-	-	2,523.2
Repsol E&P USA, Inc	USA	Repsol USA Holdings Corp		Exploration and Production of hydrocarbons	F.C.	100.00	100.00	33.1	0.7	(3.3)	-	-	30.4
Repsol Energy North America Corp.	USA	Repsol USA Holdings Corp		Exploration and Production of hydrocarbons	F.C.	100.00	100.00	2,459.6	(114.2)	158.9	-	-	2,504.3
Repsol Offshore E&P Inc.	USA	Repsol USA Holdings Corp		Marketing of LNG	F.C.	100.00	100.00	144.4	(62.4)	(41.8)	-	-	40.2
Repsol Louisiana Corporation	USA	Repsol USA Holdings Corp		Exploration and Production of hydrocarbons	F.C.	100.00	100.00	24.5	(14.8)	-	-	-	9.7
Repsol Advanced Services LTD	Switzerland	Repsol USA Holdings Corp		Exploration and Production of hydrocarbons	F.C.	100.00	100.00	13.6	0.0	(2.8)	-	-	10.8
Repsol Exploración Liberia, BV	Holland	Repsol Exploración, S.A.		Other activities	F.C.	100.00	100.00	0.4	0.1	0.0	-	-	0.5
Repsol Exploración Norge	Norway	Repsol Exploración SA		Exploration and production	F.C.	100.00	100.00	-	4.3	(1.6)	-	-	2.7
Repsol E&P Canada LTD	Canada	Repsol Exploración SA		Exploration and Production of hydrocarbons	F.C.	100.00	100.00	0.1	16.6	(4.0)	-	-	12.8
Repsol Exploración Seram, B.V.	Holland	Repsol Exploración S.A.		Exploration and Production of hydrocarbons	F.C.	100.00	100.00	8.1	(2.2)	(5.6)	-	-	0.3
Repsol Exploración East Bula, B.V.	Holland	Repsol Exploración S.A.		Exploration and Production of hydrocarbons	F.C.	100.00	100.00	2.4	0.0	(2.8)	-	-	(0.4)
Repsol Exploración Cendrawash II, BV	Holland	Repsol Exploración S.A.		Exploration and Production of hydrocarbons	F.C.	100.00	100.00	1.9	0.0	(2.2)	-	-	(0.2)
Repsol Exploración Cendrawash III, BV	Holland	Repsol Exploración S.A.		Exploration and Production of hydrocarbons	F.C.	100.00	100.00	0.9	0.0	(0.3)	-	-	0.6
Repsol Exploración Cendrawash IV, BV	Holland	Repsol Exploración S.A.		Exploration and Production of hydrocarbons	F.C.	100.00	100.00	0.9	(0.0)	0.1	-	-	1.0
Repsol LNG Offshore BV	Holland	Repsol Exploración S.A.		Exploration and Production of hydrocarbons	F.C.	100.00	100.00	0.9	(0.0)	0.1	-	-	1.0
Repsol YPF Perú, BV	Holland	Repsol Exploración S.A.		Other activities	F.C.	100.00	100.00	-	11.0	(0.0)	-	-	11.0
Grupo Repsol YPF del Perú, S.A.C.	Peru	Repsol YPF, S.A.		Holding company	F.C.	100.00	100.00	93.8	89.1	3.7	-	-	186.7
Refinería La Pampilla, S.A.	Peru	Repsol YPF Perú, B.V.		Holding company	F.C.	100.00	100.00	0.4	0.5	0.1	-	-	1.0
Repsol Comercial, S.A.C.	Peru	Repsol YPF Perú, B.V.		Refinery	F.C.	51.03	51.03	110.0	65.8	26.8	-	-	103.4
Repsol YPF Marketing S.A.C.	Peru	Repsol YPF Perú, B.V.		Fuel marketing	F.C.	51.03	100.00	62.8	2.1	14.5	-	-	40.5
Tucumán Empreendimientos e Part. Ltda.	Brazil	Perú BV		Fuel marketing and specializations	F.C.	100.00	100.00	2.5	0.5	1.9	-	-	4.9
Transportadora Sul Brasileira de Gas, S.A.	Brazil	Perú BV		Administrative support and infrastructure services	F.C.	100.00	100.00	27.5	(0.1)	(0.9)	-	-	26.6
Servicios y Operaciones Perú S.A.C	Peru	Repsol YPF Perú, B.V.		Construction and exploitation of a gas pipeline	P.C.	25.00	25.00	34.8	(34.8)	-	-	-	-
Repsol International Finance B.V.	Holland	Repsol YPF, S.A.		Other activities	F.C.	100.00	100.00	0.0	0.3	0.6	-	-	0.9
Repsol LNG Port of Spain, BV	Holland	Repsol International Finance, B.V.		Finance company and share owner	F.C.	100.00	100.00	266.7	935.1	130.1	-	-	1,331.9
Atlantic 1 Holdings, LLC	Trinidad and Tobago	Repsol International Finance, B.V.		Holding company	F.C.	100.00	100.00	-	277.8	33.7	-	-	311.5
Atlantic LNG Co. of Trinidad & Tobago (3)	Trinidad and Tobago	Repsol LNG Port of Spain, BV		Holding company	E.M.	20.00	20.00	182.5	-	-	(157.2)	-	5.1
Repsol International Capital, Ltd	Cayman Islands	Atlantic 1 Holdings, LLC		Gas logistics and supply	E.M.	20.00	100.00	-	53.0	147.0	-	-	40.0
Repsol Investering, BV	Holland	Repsol International Finance, B.V.		Finance	F.C.	100.00	100.00	347.1	(306.2)	(0.7)	-	-	40.2
Repsol Netherlands Finance, BV	Holland	Repsol International Finance, B.V.	Repsol Investering, B.V.	Holding company	F.C.	100.00	100.00	0.0	(0.1)	(0.0)	-	-	(0.1)
Repsol YPF Capital, S.L.	Spain	Repsol International Finance, B.V.	Repsol YPF, S.A.	Finance	F.C.	100.00	100.00	0.0	(9.2)	(9.6)	-	-	(18.8)
Caveant, S.A.	Argentina	Repsol YPF Capital, S.L.	Repsol YPF, S.A.	Holding company	F.C.	100.00	100.00	463.8	91.8	57.3	-	-	612.8
Gaviota RE S.A.	Luxembourg	Repsol YPF Capital, S.L.	Repsol YPF, S.A.	Investing company	F.C.	100.00	100.00	0.3	58.3	11.9	-	-	70.4
Greenstone Assurance, Ltd.	Bermuda Islands	Repsol International Finance, B.V.	Repsol Investering, B.V.	Reinsurance	F.C.	100.00	100.00	13.6	59.5	8.8	-	-	81.8
Repsol Canada Ltd.	Canada	Gaviota RE		Reinsurance company	F.C.	100.00	100.00	5.3	6.7	1.8	-	-	13.8
Repsol Energy Canada, Ltd.	Canada	Repsol Exploración, S.A.		LNG regasification	F.C.	100.00	100.00	4.3	(2.0)	0.2	-	-	2.5
Ocidental de Colombia, LLC	Colombia	Repsol Exploración, S.A.		Marketing of LNG	F.C.	100.00	100.00	374.6	(92.5)	(106.2)	-	-	176.0
Repsol Química, S.A.	Spain	Repsol International Finance, B.V.	Repsol Petróleo, S.A.	Exploration and Production of hydrocarbons	P.C.	25.00	25.00	0.3	286.2	204.8	(46.4)	-	111.2
Poliplus, S.A.	Spain	Repsol YPF, S.A.	Repsol YPF, S.A.	Production and sale of petrochemical products	F.C.	100.00	100.00	66.5	(384.0)	2.1	-	-	(321.4)
General Química, S.A.	Spain	Repsol Química, S.A.	Repsol Investigaciones Petrolíferas, S.A.	Production and sale of petrochemical products	F.C.	100.00	100.00	17.4	(15.2)	(3.2)	-	-	(1.0)
Cogeneración Geqiúsa, S.A.	Spain	General Química, S.A.		Production and sale of petrochemical products	F.C.	100.00	100.00	3.0	8.3	(6.0)	-	-	5.2
Dynasol Elastómeros, S.A.	Spain	Repsol Química, S.A.		Production of electric energy and steam	E.M.	39.00	39.00	1.8	4.3	0.2	-	-	2.4
Dynasol Elastómeros, S.A. de C.V.	Mexico	Repsol Química, S.A.		Production and marketing of chemical products	P.C.	50.01	50.01	16.8	3.1	6.4	-	-	13.2
Dynasol Gestión, S.A.	Spain	Repsol Química, S.A.		Production and marketing of chemical products	E.M.	49.99	49.99	39.1	28.3	6.5	-	-	36.9
Dynasol LLC	USA	Repsol Química, S.A.		Production of chemical products	E.M.	50.00	50.00	0.1	1.0	0.1	-	-	0.6
Repsol Polímeros LDA	Portugal	Repsol Química, S.A.	Repsol Lusia, S.L.	Marketing of petrochemical products	E.M.	50.00	50.00	-	-	-	-	-	-
Repsol ETBE, S.A.	Portugal	Repsol Polímeros LDA		Production and sale of petrochemical products	F.C.	100.00	100.00	303.3	(32.4)	(21.4)	-	-	249.5
Repsol Electricidade e Calor, ACE	Portugal	Repsol Polímeros LDA		Electricity production	F.C.	100.00	100.00	0.0	(0.0)	-	-	-	2.1
Repsol Chemie Deutschland GmbH	Germany	Repsol Química, S.A.		Marketing of chemical products	F.C.	100.00	100.00	0.1	0.7	-	-	-	0.9
Repsol Lusia, S.L.	Spain	Repsol YPF, S.A.	Repsol Química, S.A.	Holding company	F.C.	100.00	100.00	-	(3.0)	(0.5)	-	-	(3.5)
Repsol Italia, SpA	Italy	Repsol YPF, S.A.		Marketing of petroleum-derived products	F.C.	100.00	100.00	2.4	48.5	4.9	-	-	55.7
Gas Natural SDG, S.A.	Spain	Repsol YPF, S.A.	Repsol Petróleo, S.A. / Repsol Exploración, S.A.	Gas distribution	P.C.	30.13	30.13	921.8	9,585.8	1,201.3	(324.5)	-	3,430.0
Gas Natural Aprovisionamientos SDG, S.A. (2)	Spain	Gas Natural SDG, S.A.		Gas supply	P.C.	30.13	100.00	1.0	19.0	48.0	-	-	20.5
Sagane, S.A. (2)	Spain	Gas Natural SDG, S.A.		Gas supply	P.C.	30.13	100.00	95.0	24.0	(40.0)	-	-	23.8
Europe Maghreb Pipeline, Ltd. (2)	UK	Sagane, S.A.		Gas transportation	P.C.	21.87	72.60	-	144.0	158.0	(43.0)	-	56.7
Metragaz, S.A. (2)	Morocco	Sagane, S.A.		Gas transportation	P.C.	21.78	72.30	3.0	1.0	1.0	-	-	1.1
BIS Suministro de Gas Sur, S.L. (2)	Spain	Gas Natural SDG, S.A.	La Propagadora del Gas, S.A.	Marketing of gas and electricity	P.C.	30.13	100.00	-	-	-	-	-	-
BIS Suministro de Gas, S.L. (2)	Spain	Gas Natural SDG, S.A.	La Propagadora del Gas, S.A.	Marketing of gas and electricity	P.C.	30.13	100.00	-	-	-	-	-	-
Gas Natural Comercial SDG, S.L. (2)	Spain	Gas Natural SDG, S.A.	La Propagadora del Gas, S.A.	Marketing of gas and electricity	P.C.	30.13	100.00	4.0	6.0	14.0	-	-	7.2
Gas Natural Comercializadora, S.A. (2)	Spain	Gas Natural SDG, S.A.	La Propagadora del Gas, S.A.	Marketing of gas and electricity	P.C.	30.13	100.00	2.0	31.0	57.0	-	-	27.1
Oficina de cambios de suministrador, S.A.	Spain	Gas Natural Comercializadora, S.A.	Gas Natural Distribución, SDG, S.A.	Service commercialization	E.M.	8.74	29.00	-	-	-	-	-	-
Gas Natural S.U.R. SDG, S.A. (2)	Spain	Gas Natural SDG, S.A.	La Propagadora del Gas, S.A.	Marketing of gas and electricity	P.C.	30.13	100.00	2.0	5.0	1.0	-	-	2.4
Gas Natural Servicios SDG, S.A. (2)	Spain	Gas Natural SDG, S.A.	La Propagadora del Gas, S.A.	Marketing of gas and electricity	P.C.	30.13	100.00	2.0	17.0	(28.0)	-	-	(2.7)
Biomobility System, S.L.	Spain	Gas Natural Servicios, SDG, S.A.		Services	E.M.	6.03	20.00	-	1.0	-	-	-	0.1
Unión Fenosa Comercial, S.L. (2)	Spain	Gas Natural SDG, S.A.	La Propagadora del Gas, S.A.	Marketing of gas and electricity	P.C.	30.13	100.00	10.0	101.0	190.0	(150.0)	-	45.5
Unión Fenosa Distribución, S.A. (2)	Spain	Gas Natural SDG, S.A.	La Propagadora del Gas, S.A.	Electricity distribution	P.C.	30.13	100.00	833.0	1,814.0	305.0	(351.0)	-	783.7
Distribuidora Eléctrica Navasfrías, S.L. (2)	Spain	Unión Fenosa Distribución, S.A.	La Propagadora del Gas, S.A.	Electricity distribution	P.C.	30.13	100.00	3.0	1.0	1.0	-	-	1.5
Electra de Abusojo, S.L. (2)	Spain	Unión Fenosa Distribución, S.A.	La Propagadora del Gas, S.A.	Electricity distribution	P.C.	30.13	100.00	1.0	-	(1.0)	-	-	-
Electra del Jallas, S.A. (2)	Spain	Unión Fenosa Distribución, S.A.		Electricity distribution	P.C.	30.10	99.90	-	40.0	6.0	(4.0)	-	12.6
Arte Contemporáneo y Energía, A.I.E. (2)	Spain	Unión Fenosa Distribución, S.A.	Gas Natural SDG, S.A.	Services	P.C.	30.13	100.00	-	-	-	-	-	-
Barras Eléctricas Galileo Asturianas, S.A.	Spain	Unión Fenosa Distribución, S.A.		Electricity generation	P.C.	13.53	44.90	16.0	53.0	-	-	-	9.3
Eléctrica Conqume, S.A.	Spain	Unión Fenosa Distribución, S.A.		Electricity generation	P.C.	13.98	46.40	3.0	3.0	16.0	-	-	3.1
BIS Distribución de Gas, S.A. (2)	Spain	Gas Natural SDG, S.A.	La Propagadora del Gas, S.A.	Gas distribution	P.C.	30.13	100.00	-	-	-	-	-	-
Gas Galicia SDG, S.A. (2)	Spain	Gas Natural SDG, S.A.		Gas distribution	P.C.	18.68	62.00	33.0	10.0	6.0	-	-	9.2
Gas Natural Andaluca, S.A. (

Name	Country	Parent Company	Other Owner Companies (1)	Activity	Consolidation Method (4)	% Total Ownership		Amount in Millions of Euros				
						% of Direct Ownership	% of Control Investment (5)	Capital	Reserves	2010 Income	Dividends	Ownership Possessed (6)
Gas Natural Capital Markets, S.A. (2)	Spain	Gas Natural SDG, S.A.	La Propagadora del Gas, S.A.	Finance	P.C.	30.13	100.00	-	-	7.0	-	2.1
Gas Natural Finance, B.V. (2)	Holland	Gas Natural SDG, S.A.		Finance	P.C.	30.13	100.00	-	-	-	-	-
Gas Natural International, Ltd. (2)	Ireland	Gas Natural SDG, S.A.	La Propagadora del Gas, S.A.	Finance	P.C.	30.13	100.00	6.0	9.0	-	(7.0)	2.4
Natural Re, S.A. (2)	Luxembourg	Gas Natural International, Ltd.	Holding Gas Natural, S.A.	Insurance	P.C.	30.13	100.00	3.0	21.0	6.0	-	9.0
Unión Fenosa Acex Uk Holdings, Ltd. (2)	UK	Gas Natural SDG, S.A.		Finance	P.C.	30.13	100.00	19.0	(19.0)	-	-	-
Unión Fenosa Finance B.V. (2)	The Netherlands	Gas Natural SDG, S.A.		Finance	P.C.	30.13	100.00	-	-	-	-	-
Unión Fenosa Financiación S.A. (2)	Spain	Gas Natural SDG, S.A.	La Propagadora del Gas, S.A.	Finance	P.C.	30.13	100.00	1.0	3.0	(2.0)	-	0.6
Unión Fenosa Financial Services USA, Llc. (2)	USA	Gas Natural SDG, S.A.		Finance	P.C.	30.13	100.00	-	-	-	-	-
Unión Fenosa Preferentes, S.A. (2)	Spain	Gas Natural SDG, S.A.		Finance	P.C.	30.13	100.00	-	731.0	15.0	(11.0)	221.4
Gas Natural Electricidad SDG, S.A. (2)	Spain	Gas Natural SDG, S.A.	La Propagadora del Gas, S.A.	Electricity generation	P.C.	30.13	100.00	4.0	(1.0)	16.0	-	5.7
Dawn Energy - Produção de Energia, Unipessoal Lda. (2)	Portugal	Gas Natural Electricidad, SDG, S.A.		Electricity generation	P.C.	30.13	100.00	-	-	-	-	-
Energy Way Producao de Energia Lda (2)	Portugal	Gas Natural Electricidad, SDG, S.A.		Electricity generation	P.C.	30.13	100.00	-	-	-	-	-
Buenergia Gas & Power, Ltd. (2)	Cayman Islands	Gas Natural Electricidad, SDG, S.A.		Holding company	P.C.	28.62	95.00	-	(35.0)	32.0	-	(0.9)
EcoEléctrica Holding, Ltd.	Cayman Islands	Buenergia Gas & Power Ltd.		Holding company	P.C.	14.31	47.50	63.0	20.0	-	-	11.9
EcoEléctrica, L.P.	Puerto Rico	EcoEléctrica Holding, Ltd.	Ecoeléctrica Ltd.	Electricity generation	P.C.	14.31	47.50	1.0	-	-	-	0.1
EcoEléctrica Limited	Cayman Islands	EcoEléctrica Holding, Ltd.		Holding company	P.C.	14.31	47.50	63.0	19.0	69.0	(12.0)	19.9
La Energía, S.A. (2)	Spain	Gas Natural SDG, S.A.	La Propagadora del Gas, S.A.	Holding company	P.C.	30.13	100.00	11.0	3.0	9.0	-	6.9
UTE La Energía Gas Natural Electricidad (2)	Spain	La Energía, S.A.		Electricity generation	P.C.	30.13	100.00	3.0	-	1.0	-	1.2
Lantán Energía, S.L. (2)	Spain	Gas Natural SDG, S.A.	La Propagadora del Gas, S.A.	Electricity generation	P.C.	30.13	100.00	-	-	-	-	-
M&D Generación 1, S.L.U. (2)	Spain	Gas Natural SDG, S.A.		Electricity generation	P.C.	30.13	100.00	-	-	-	-	-
Hispanogallega de Extracciones, S.L. (2)	Spain	Gas Natural SDG, S.A.	La Propagadora del Gas, S.A.	Mining company	P.C.	30.13	100.00	-	-	-	-	-
Unión Fenosa Minería, S.A. (2)	Spain	Gas Natural SDG, S.A.	La Propagadora del Gas, S.A.	Mining company	P.C.	30.13	100.00	11.0	175.0	2.0	-	56.6
Lignitos de Meirama, S.A. (2)	Spain	Unión Fenosa Minería, S.A.	La Propagadora del Gas, S.A.	Mining company	P.C.	30.13	100.00	23.0	15.0	2.0	-	12.1
Pizarras Mahide, S.L. (2)	Spain	Lignitos de Meirama, S.A.	La Propagadora del Gas, S.A.	Mining company	P.C.	30.13	100.00	1.0	-	-	-	0.3
Unión Fenosa Minería B.V. (2)	The Netherlands	Unión Fenosa Minería, S.A.		Holding company	P.C.	30.13	100.00	-	143.0	6.0	(6.0)	43.1
Unión Fenosa South Africa Coal (Proprietary), LTD (2)	South Africa	Unión Fenosa Minería B.V.		Holding company	P.C.	30.13	100.00	-	52.0	15.0	(6.0)	18.4
Kangra Coal (Proprietary), Ltd. (2)	South Africa	Unión Fenosa South Africa Coal (PTY), LTD		Mining company	P.C.	21.09	70.00	-	68.0	43.0	-	23.4
Gas Navarra Transporte SDG, S.L. (2)	Spain	Gas Natural SDG, S.A.	La Propagadora del Gas, S.A.	Gas distribution	P.C.	30.13	100.00	15.0	46.0	10.0	-	21.4
Gas Navarra, S.A. (2)	Spain	Gas Natural SDG, S.A.		Gas distribution	P.C.	27.12	90.00	4.0	27.0	9.0	-	10.8
Petroleum Oil & Gas España, S.A. (2)	Spain	Gas Natural SDG, S.A.	Gas Natural Aprovisionamientos SDG, S.A.	Exploration and Production of hydrocarbons	P.C.	30.13	100.00	4.0	46.0	(3.0)	-	14.2
Compañía Española de Industrias Electroquímicas, S.A. (2)	Spain	Gas Natural SDG, S.A.		Services	P.C.	29.68	98.50	3.0	8.0	-	-	3.3
Cediffi Cored Wire, S.L. (2)	Spain	Compañía Española de Industrias Electroquímicas, S.A.	La Propagadora del Gas, S.A.	Services	P.C.	29.68	98.50	4.0	-	1.0	-	1.8
General de Edificios y Solares, S.L. (2)	Spain	Gas Natural SDG, S.A.	La Propagadora del Gas, S.A.	Services	P.C.	30.13	100.00	34.0	54.0	3.0	-	27.4
Gas Natural Informática, S.A. (2)	Spain	Gas Natural SDG, S.A.	La Propagadora del Gas, S.A.	Professional services	P.C.	30.13	100.00	20.0	(1.0)	8.0	-	8.1
M&D Energy Market, S.L.U. (2)	Spain	Gas Natural SDG, S.A.		Professional services	P.C.	30.13	100.00	-	-	-	-	-
Operación y Mantenimiento Energy, S.A. (2)	Spain	Gas Natural SDG, S.A.	La Propagadora del Gas, S.A.	Professional services	P.C.	30.13	100.00	-	7.0	1.0	-	2.4
Operación y Mantenimiento Energy Costa Rica, S.A. (2)	Costa Rica	Operación y Mantenimiento Energy, S.A.		Professional services	P.C.	30.13	100.00	-	-	-	-	-
Operación y Mantenimiento Energy Madagascar, S.A.R.L.U. (2)	Madagascar	Operación y Mantenimiento Energy, S.A.		Professional services	P.C.	30.13	100.00	-	-	-	-	-
United Saudi Spanish Power and Gas Services, LLC (2)	Saudi Arabia	Operación y Mantenimiento Energy, S.A.	Socoin Ingeniería y Construcción Industrial, S.L.U.	Professional services	P.C.	30.13	100.00	-	-	-	-	-
Socoin Ingeniería y Construcción Industrial, S.L.U. (2)	Spain	Gas Natural SDG, S.A.		Professional services	P.C.	30.13	100.00	1.0	39.0	4.0	-	13.3
Socoin, S.A. (Guatemala) (2)	Guatemala	Socoin Ingeniería y Construcción Industrial, S.L.U.	Unión Fenosa Redes de Telecomunicación, Guatemala, S.A.	Professional services	P.C.	30.13	100.00	-	-	-	-	-
Socoin Colombia, S.A.U. (2)	Colombia	Socoin Ingeniería y Construcción Industrial, S.L.U.		Professional services	P.C.	30.13	100.00	-	-	-	-	-
Socoin México, S.A. de C.V. (2)	Mexico	Socoin Ingeniería y Construcción Industrial, S.L.U.	La Propagadora del Gas, S.A.	Professional services	P.C.	30.13	100.00	8.0	(2.0)	(4.0)	-	0.6
Socoin, S.A. (Panamá) (2)	Panama	Socoin Ingeniería y Construcción Industrial, S.L.U.		Professional services	P.C.	30.13	100.00	-	1.0	-	-	0.3
Socoinve, C.A. (2)	Venezuela	Socoin Ingeniería y Construcción Industrial, S.L.U.		Professional services	P.C.	30.13	100.00	-	-	-	-	-
Solucion Technical Services, Llc. (2)	Egypt	Socoin Ingeniería y Construcción Industrial, S.L.U.	Operación y Mantenimiento Energy, S.A.	Professional services	P.C.	30.13	100.00	-	-	-	-	-
Solucion, S.A. (Bolivia) (2)	Bolivia	Socoin Ingeniería y Construcción Industrial, S.L.U.	Gas Natural SDG, S.A.	Professional services	P.C.	30.13	100.00	-	-	-	-	-
Ghesa Ingeniería y Tecnología, S.A.	Spain	Socoin Ingeniería y Construcción Industrial, S.L.U.		Professional services	P.C.	12.41	41.20	4.0	16.0	5.0	-	3.1
Compañía Auxiliar de Industrias Varias, S.A. (2)	Spain	Gas Natural SDG, S.A.	La Propagadora del Gas, S.A.	Holding company	P.C.	30.13	100.00	-	-	-	-	-
Gas Natural Fenosa Renovables, S.L.U. (2)	Spain	Gas Natural SDG, S.A.		Electricity generation	P.C.	30.13	100.00	90.0	327.0	11.0	-	129.0
Aplicaciones y Proyectos energéticos, S.A. (2)	Spain	Gas Natural Fenosa Renovables, S.L.U.		Electricity generation	P.C.	30.13	100.00	-	-	-	-	-
Bonasa Eólica 2, S.A. (2)	Spain	Gas Natural Fenosa Renovables, S.L.U.		Electricity generation	P.C.	27.00	89.60	3.0	5.0	2.0	-	2.7
Corporación Eólica de Zaragoza, S.L. (2)	Spain	Gas Natural Fenosa Renovables, S.L.U.		Electricity generation	P.C.	20.49	68.00	3.0	1.0	1.0	-	1.0
Eólicos Singulares 2005, S.A.	Spain	Gas Natural Fenosa Renovables, S.L.U.		Electricity generation	P.C.	14.76	49.00	-	-	-	-	-
Fenosa Renovables, S.L.U. (2)	Spain	Gas Natural Fenosa Renovables, S.L.U.		Electricity generation	P.C.	30.13	100.00	-	-	-	-	-
Fenosa Wind, S.L. (2)	Spain	Fenosa Renovables, S.L.		Electricity generation	P.C.	30.13	100.00	-	-	-	-	-
Gas Natural Energy Canarias, S.L. (2)	Spain	Gas Natural Fenosa Renovables, S.L.U.		Electricity generation	P.C.	30.13	100.00	-	-	-	-	-
Gas Natural Wind 2, S.L. (2)	Spain	Gas Natural Fenosa Renovables, S.L.U.		Electricity generation	P.C.	30.13	100.00	-	-	-	-	-
Gas Natural Wind 3, S.L. (2)	Spain	Gas Natural Fenosa Renovables, S.L.U.		Electricity generation	P.C.	30.13	100.00	-	-	-	-	-
Gas Natural Wind 4, S.L. (2)	Spain	Gas Natural Fenosa Renovables, S.L.U.		Electricity generation	P.C.	30.13	100.00	-	-	-	-	-
Gas Natural Wind 6, S.L. (2)	Spain	Gas Natural Fenosa Renovables, S.L.U.		Electricity generation	P.C.	18.08	60.00	-	-	-	-	-
Gas Natural Wind Canarias, S.L. (2)	Spain	Gas Natural Fenosa Renovables, S.L.U.		Electricity generation	P.C.	30.13	100.00	-	-	-	-	-
Generación Peninsular, S.L. (2)	Spain	Gas Natural Fenosa Renovables, S.L.U.		Electricity generation	P.C.	30.13	100.00	4.0	34.0	11.0	-	14.8
Sociedad Gallega de Medio Ambiente, S.A.	Spain	Generación Peninsular, S.L.		Residue management	E.M.	14.76	49.00	32.0	11.0	(4.0)	-	5.8
Molinos de Valdebezana, S.A. (2)	Spain	Gas Natural Fenosa Renovables, S.L.U.		Electricity generation	P.C.	30.13	100.00	-	-	-	-	-
Sociedad de Tratamiento Hornillos, S.L. (2)	Spain	Gas Natural Fenosa Renovables, S.L.U.		Electricity generation	P.C.	28.44	94.00	1.0	2.0	1.0	-	1.1
Sociedad de Tratamiento La Andaya, S.L. (2)	Spain	Gas Natural Fenosa Renovables, S.L.U.		Electricity generation	P.C.	18.08	60.00	1.0	3.0	1.0	-	0.9
Tratamiento Integral de Almazán, S.L. (2)	Spain	Gas Natural Fenosa Renovables, S.L.U.		Electricity generation	P.C.	27.12	90.00	3.0	2.0	2.0	-	1.9
Tratamiento Cinca Medio, S.L. (2)	Spain	Gas Natural Fenosa Renovables, S.L.U.		Electricity generation	P.C.	24.10	80.00	2.0	1.0	-	-	0.7
Alas Capital & Gas Natural, S.A.	Spain	Gas Natural Fenosa Renovables, S.L.U.		Electricity generation	P.C.	12.05	40.00	-	-	-	-	-
Desarrollo de Energías Renovables de la Rioja, S.A.	Spain	Gas Natural Fenosa Renovables, S.L.U.		Electricity generation	P.C.	10.94	36.30	17.0	3.0	6.0	-	2.8
Desarrollo de Energías Renovables de Navarra, S.A.	Spain	Gas Natural Fenosa Renovables, S.L.U.		Electricity generation	P.C.	15.06	50.00	10.0	29.0	14.0	-	8.0
Energía Termolar de Los Monjos, S.L.	Spain	Gas Natural Fenosa Renovables, S.L.U.		Electricity generation	P.C.	15.06	50.00	1.0	-	-	-	0.1
Energías Eólicas de Fuerteventura, S.L.	Spain	Gas Natural Fenosa Renovables, S.L.U.		Electricity generation	P.C.	15.06	50.00	-	-	-	-	-
Energías Eólicas de Lanzarote, S.L.	Spain	Gas Natural Fenosa Renovables, S.L.U.		Electricity generation	P.C.	15.06	50.00	-	-	-	-	-
Eólica Tramuntana 12, S.L.	Spain	Gas Natural Fenosa Renovables, S.L.U.		Electricity generation	P.C.	18.08	60.00	-	-	-	-	-
Eólica Tramuntana 13, S.L.	Spain	Gas Natural Fenosa Renovables, S.L.U.		Electricity generation	P.C.	18.08	60.00	-	-	-	-	-
Eólica Tramuntana 14, S.L.	Spain	Gas Natural Fenosa Renovables, S.L.U.		Electricity generation	P.C.	18.08	60.00	-	-	-	-	-
Eólica Tramuntana 15, S.L.	Spain	Gas Natural Fenosa Renovables, S.L.U.		Electricity generation	P.C.	18.08	60.00	-	-	-	-	-
Eólica Tramuntana 16, S.L.	Spain	Gas Natural Fenosa Renovables, S.L.U.		Electricity generation	P.C.	18.08	60.00	-	-	-	-	-
Eólica Tramuntana 21, S.L.	Spain	Gas Natural Fenosa Renovables, S.L.U.		Electricity generation	P.C.	18.08	60.00	-	-	-	-	-
Eólica Tramuntana 22, S.L.	Spain	Gas Natural Fenosa Renovables, S.L.U.		Electricity generation	P.C.	18.08	60.00	-	-	-	-	-
Eólica Tramuntana 23, S.L.	Spain	Gas Natural Fenosa Renovables, S.L.U.		Electricity generation	P.C.	18.08	60.00	-	-	-	-	-
Eólica Tramuntana 24, S.L.	Spain	Gas Natural Fenosa Renovables, S.L.U.		Electricity generation	P.C.	18.08	60.00	-	-	-	-	-
Eólica Tramuntana 71, S.L.	Spain	Gas Natural Fenosa Renovables, S.L.U.		Electricity generation	P.C.	18.08	60.00	-	-	-	-	-
Eólica Tramuntana 72, S.L.	Spain	Gas Natural Fenosa Renovables, S.L.U.		Electricity generation	P.C.	18.08	60.00	-	-	-	-	-
Eólica Tramuntana 73, S.L.	Spain	Gas Natural Fenosa Renovables, S.L.U.		Electricity generation	P.C.	18.08	60.00	-	-	-	-	-
Eólica Tramuntana, S.L.	Spain	Gas Natural Fenosa Renovables, S.L.U.		Electricity generation	P.C.	18.08	60.00	-	-	-	-	-
Explotaciones Eólicas Sierra de Utrera, S.L.	Spain	Gas Natural Fenosa Renovables, S.L.U.		Electricity generation	P.C.	15.06	50.00	3.0	6.0	3.0	-	1.8
Los Castrios, S.A.	Spain	Gas Natural Fenosa Renovables, S.L.U.		Electricity generation	P.C.	9.97	33.10	2.0	1.0	1.0	-	0.4
Molinos de la Rioja, S.A.	Spain	Gas Natural Fenosa Renovables, S.L.U.		Electricity generation	P.C.	10.03	33.30	3.0	2.0	3.0	-	0.8
Molinos de Linares, S.A.	Spain	Gas Natural Fenosa Renovables, S.L.U.		Electricity generation	P.C.	7.53	25.00	-	-	-	-	-
Molinos del Cidacos, S.A.	Spain	Gas Natural Fenosa Renovables, S.L.U.		Electricity generation	P.C.	15.06	50.00	10.0	8.0	10.0	-	4.2
Montano 2000, S.A.	Spain	Gas Natural Fenosa Renovables, S.L.U.		Electricity generation	P.C.	14.76	49.00	6.0	4.0	2.0	-	1.8
O Novo Aquilón, S.L.U.	Spain	Gas Natural Fenosa Renovables, S.L.U.		Electricity generation	P.C.	18.08	60.00	-	-	-	-	-

Name	Country	Parent Company	Other Owner Companies (1)	Activity	Consolidation Method (4)	% Total Ownership		Amount in Millions of Euros				
						% of Direct Ownership	% of Control Investment (5)	Capital	Reserves	2010 Income	Dividends	Ownership Possessed (6)
Sistemas Energéticos La Muela, S.A.	Spain	Gas Natural Fenosa Renovables, S.L.U.		Electricity generation	E.M.	6.03	20.00	3.0	4.0	1.0	-	0.3
Sistemas Energéticos Mas Garullo, S.A.	Spain	Gas Natural Fenosa Renovables, S.L.U.		Electricity generation	E.M.	5.42	18.00	2.0	2.0	1.0	-	0.3
Gas Natural Internacional SDG, S.A. (2)	Spain	Gas Natural SDG, S.A.	La Propagadora del Gas, S.A.	Holding company	P.C.	30.13	100.00	350.0	149.0	186.0	(100.0)	176.3
Gas Natural Distribuzione S.p.A. (2)	Italy	Gas Natural Internacional, SDG, S.A.		Gas distribution	P.C.	30.13	100.00	33.0	158.0	22.0	-	64.2
Albidona Distribuzione Gas, S.R.L.	Italy	Gas Natural Distribuzione Italia, S.P.A.		Gas distribution	P.C.	18.08	60.00	-	-	-	-	-
Clelno Reti Gas, S.R.L.	Italy	Gas Natural Distribuzione Italia, S.P.A.		Gas distribution	P.C.	18.08	60.00	4.0	-	-	-	0.7
Cerrero Distribuzione Gas, S.R.L. (2)	Italy	Gas Natural Distribuzione Italia, S.P.A.		Gas marketing	P.C.	18.08	60.00	-	-	-	-	-
Controladora del Golfo, S.A. de C.V. (2)	Mexico	Gas Natural Internacional, SDG, S.A.	Unión Fenosa México, S.A. de C.V.	Electricity generation	P.C.	30.13	100.00	32.0	(81.0)	(4.0)	-	(16.0)
Gas Natural Europa, S.A. (2)	France	Gas Natural Internacional, SDG, S.A.		Gas marketing	P.C.	30.13	100.00	-	3.0	(5.0)	-	(0.6)
Gas Natural Vendita Italia, SpA (2)	Italy	Gas Natural Internacional, SDG, S.A.		Gas marketing	P.C.	30.13	100.00	2.0	7.0	3.0	-	3.6
Natural Energy, S.A. (2)	Argentina	Gas Natural Internacional, SDG, S.A.	La Propagadora del Gas, S.A.	Gas marketing	P.C.	30.13	100.00	-	-	2.0	-	0.6
Ceg Río, S.A. (2)	Brazil	Gas Natural Internacional, SDG, S.A.	Gas Natural SDG, S.A.	Gas distribution	P.C.	17.96	59.60	41.0	73.0	35.0	(37.0)	20.1
Compañía Distribuidora de Gás do Rio de Janeiro, S.A. (2)	Brazil	Gas Natural Internacional, SDG, S.A.	Gas Natural SDG, S.A.	Gas distribution	P.C.	16.33	54.20	212.0	223.0	103.0	(86.0)	73.8
Gas Natural, S.A. ESP (2)	Colombia	Gas Natural Internacional, SDG, S.A.		Gas distribution	P.C.	17.81	59.10	11.0	64.0	96.0	-	30.4
Gas Natural Servicios Colombia Ltda. (2)	Colombia	Gas Natural, S.A. ESP	Gas Natural Cundiboyacense, S.A. ESP	Services	P.C.	30.13	100.00	-	2.0	(2.0)	-	-
Gas Natural Cundiboyacense, S.A. ESP (2)	Colombia	Gas Natural, S.A. ESP		Gas distribution	P.C.	13.80	45.80	1.0	12.0	7.0	-	2.8
Gas Natural del Oriente, S.A. ESP (2)	Colombia	Gas Natural, S.A. ESP		Gas distribution	P.C.	9.70	32.20	9.0	30.0	12.0	(9.0)	4.1
Gas Natural del Cesar, S.A. ESP (2)	Colombia	Gas Natural, S.A. ESP	Gas Natural del Oriente, S.A. ESP	Gas distribution	P.C.	19.95	66.20	3.0	5.0	2.0	-	2.0
Gas Natural Serviços, S.A. (2)	Brazil	Gas Natural Internacional, SDG, S.A.	Gas Natural do Brasil, S.A.	Services	P.C.	30.13	100.00	2.0	4.0	(1.0)	-	1.5
Gas Natural Rigificazione Italia, S.P.A. (2)	Italy	Gas Natural Internacional, SDG, S.A.		Gas regasification	P.C.	30.13	100.00	11.0	-	(1.0)	-	3.0
Administración y Servicios ECAP, S.A. de C.V. (2)	Mexico	Gas Natural Internacional, SDG, S.A.	Unión Fenosa México, S.A. de C.V.	Services	P.C.	30.13	100.00	-	-	-	-	-
Gas Natural Servicios Integrales, S.A.S. (2)	Colombia	Gas Natural Internacional, SDG, S.A.		Services	P.C.	30.13	100.00	-	-	-	-	-
Natural Servicios, S.A. (2)	Argentina	Gas Natural Internacional, SDG, S.A.	La Propagadora del Gas, S.A.	Services	P.C.	30.13	100.00	2.0	(1.0)	-	-	0.3
Serviconfort Colombia, S.A. (2)	Colombia	Gas Natural Internacional, SDG, S.A.	La Propagadora del Gas, S.A.	Services	P.C.	30.13	100.00	-	-	-	-	-
Sistemas de Administración y Servicios, S.A. de C.V. (2)	Mexico	Gas Natural Internacional, SDG, S.A.	Gas Natural SDG, S.A.	Services	P.C.	26.21	87.00	-	-	-	-	-
Gas Natural Argentina SDG, S.A. (2)	Argentina	Gas Natural Internacional, SDG, S.A.		Holding company	P.C.	30.13	100.00	105.0	(24.0)	1.0	-	24.7
Gas Natural do Brasil, S.A. (2)	Brazil	Gas Natural Internacional, SDG, S.A.	Gas Natural Serviços, S.A.	Holding company	P.C.	30.13	100.00	3.0	(3.0)	-	-	-
Gas Natural Italia SpA (2)	Italy	Gas Natural Internacional, SDG, S.A.		Holding company	P.C.	30.13	100.00	-	-	-	-	-
Gas Natural Puerto Rico, Inc (2)	Puerto Rico	Gas Natural Internacional, SDG, S.A.		Holding company	P.C.	30.13	100.00	-	(1.0)	-	-	-
Invergas, S.A. (2)	Argentina	Gas Natural Internacional, SDG, S.A.		Holding company	P.C.	30.13	100.00	49.0	59.0	2.0	-	33.1
Gas Natural BAN, S.A. (2)	Argentina	Invergas, S.A.	Gas Natural Argentina SDG, S.A.	Gas distribution	P.C.	21.09	70.00	215.0	(130.0)	11.0	(13.0)	17.5
Holding Gas Natural, S.A. (2)	Spain	Gas Natural SDG, S.A.	La Propagadora del Gas, S.A.	Holding company	P.C.	30.13	100.00	-	-	-	-	-
La Propagadora del Gas, S.A. (2)	Spain	Gas Natural SDG, S.A.	Holding Gas Natural, S.A.	Holding company	P.C.	30.13	100.00	-	2.0	-	-	0.6
Unión Fenosa Internacional, S.A. (2)	Spain	Gas Natural SDG, S.A.	La Propagadora del Gas, S.A.	Holding company	P.C.	30.13	100.00	174.0	212.0	118.0	-	151.9
Comercializadora Guatemalteca Mayorista de Electricidad, S.A. (2)	Guatemala	Unión Fenosa Internacional, S.A.		Electricity marketing	P.C.	30.13	100.00	-	1.0	1.0	-	0.6
Distribuidora de Electricidad de Occidente, S.A. (2)	Guatemala	Unión Fenosa Internacional, S.A.		Electricity distribution	P.C.	27.36	90.80	8.0	-	12.0	-	5.5
Electrificadora del Caribe S.A. E.S.P. (2)	Colombia	Unión Fenosa Internacional, S.A.	Aplicaciones y Desarrollos Profesionales Nuevo Milenio, S.L.	Electricity distribution	P.C.	25.73	85.40	964.0	(195.0)	39.0	-	207.9
Energía Empresarial de la Costa, S.A., E.S.P. (2)	Colombia	Electrificadora del Caribe, S.A.		Electricity marketing	P.C.	24.49	81.30	-	3.0	2.0	-	1.2
Energía Social de la Costa S.A. E.S.P. (2)	Colombia	Electrificadora del Caribe, S.A.		Electricity marketing	P.C.	24.49	81.30	2.0	(2.0)	(7.0)	-	(1.7)
Electricaribe Mipymes de Energía, S.A. E.S.P. (2)	Colombia	Electrificadora del Caribe, S.A.		Electricity distribution	P.C.	24.49	81.30	2.0	(1.0)	(9.0)	-	(2.0)
Unión Fenosa Generadora La Joya, S.A. (2)	Costa Rica	Unión Fenosa Internacional, S.A.		Electricity generation	P.C.	19.58	65.00	25.0	(3.0)	5.0	-	5.3
Unión Fenosa Generadora Torino, S.A. (2)	Costa Rica	Unión Fenosa Internacional, S.A.		Electricity generation	P.C.	19.58	65.00	-	4.0	-	-	0.8
Almar Ccs, S.A. (2)	Costa Rica	Unión Fenosa Internacional, S.A.		Services	P.C.	30.13	100.00	-	-	-	-	-
Unión Fenosa Generación México, S.A. de C.V. (2)	Mexico	Unión Fenosa Internacional, S.A.	La Propagadora del Gas, S.A.	Services	P.C.	30.13	100.00	-	-	-	-	-
Aplicaciones y Desarrollos Profesionales Nuevo Milenio, S.L. (2)	Spain	Unión Fenosa Internacional, S.A.	La Propagadora del Gas, S.A.	Holding company	P.C.	30.13	100.00	32.0	1.0	-	-	9.9
Caribe Capital B.V. (2)	The Netherlands	Unión Fenosa Internacional, S.A.		Holding company	P.C.	30.13	100.00	-	262.0	14.0	(22.0)	76.5
Generadora Palamara La Vega, S.A. (2)	Dominican Republic	Caribe Capital, B.V.	Unión Fenosa Internacional, S.A.	Electricity generation	P.C.	30.13	100.00	4.0	66.0	14.0	-	25.3
Inversiones Hermil, S.A. (2)	Dominican Republic	Generadora Palamara La Vega, S.A.	Unión Fenosa Internacional, S.A.	Services	P.C.	30.13	100.00	1.0	-	-	-	0.3
Distribuidora Eléctrica de Caribe, S.A. (Panamá) (2)	Panama	Unión Fenosa Internacional, S.A.		Holding company	P.C.	30.13	100.00	110.0	(28.0)	15.0	(13.0)	25.3
Empresa Distribuidora de Electricidad Chiriquí, S.A. (2)	Panama	Distribuidora Eléctrica del Caribe, S.A.		Electricity distribution	P.C.	15.37	51.00	18.0	(3.0)	9.0	-	3.7
Empresa Distribuidora de Electricidad Metro Oeste, S.A. (2)	Panama	Distribuidora Eléctrica del Caribe, S.A.		Electricity distribution	P.C.	15.37	51.00	71.0	(6.0)	23.0	-	13.5
Energía y Servicios de Panamá, S.A. (2)	Panama	Distribuidora Eléctrica del Caribe, S.A.		Electricity distribution	P.C.	15.37	51.00	9.0	1.0	5.0	-	2.3
Unión Fenosa Generación Panamá, S.A. (2)	Panama	Distribuidora Eléctrica del Caribe, S.A.		Electricity generation	P.C.	30.13	100.00	-	-	-	-	-
First Independent Power (Kenya), Ltd. (2)	Kenya	Unión Fenosa Internacional, S.A.		Holding company	P.C.	27.00	89.60	-	10.0	-	-	2.7
Iherafica Power Ltd. (2)	Kenya	First Independent Power Kenya, Ltd.		Electricity generation	P.C.	21.60	71.70	16.0	1.0	1.0	-	3.9
Unión Fenosa México, B.V. (2)	The Netherlands	Unión Fenosa Internacional, S.A.		Holding company	P.C.	30.13	100.00	128.0	155.0	-	(1.0)	85.0
Gas Natural México, S.A. de C.V. (2)	Mexico	Unión Fenosa México B.V.	La Propagadora del Gas, S.A.	Gas distribution	P.C.	26.15	86.80	471.0	(151.0)	34.0	-	92.6
Gas Natural Servicios, S.A. de C.V. (2)	Mexico	Gas Natural México, S.A. de C.V.	Gas Natural Internacional, SDG, S.A.	Services	P.C.	26.15	86.80	6.0	2.0	1.0	-	2.4
Gas Natural Vehicular del Norte Asociación en Participación	Mexico	Gas Natural Servicios, S.A. de C.V.		Gas distribution	P.C.	13.35	44.30	1.0	-	-	-	0.1
Comercializadora Metrogas, S.A. de C.V. (2)	Mexico	Gas Natural México, S.A. de C.V.	Sistemas de Administración y Servicios, S.A. de C.V.	Gas distribution	P.C.	26.15	86.80	128.0	(65.0)	10.0	-	19.1
Administración de Servicios de Energía México, S.A. de C.V. (2)	Mexico	Comercializadora Metrogas, S.A. de C.V.	Gas Natural México, S.A. de C.V.	Services	P.C.	26.15	86.80	-	-	-	-	-
Energía y Comfort Administración de Personal, S.A. de C.V. (2)	Mexico	Gas Natural México, S.A. de C.V.	Gas Natural Internacional SDG, S.A.	Services	P.C.	26.21	87.00	-	1.0	-	-	0.3
CH4 Energía S.A. de C.V.	Mexico	Gas Natural México, S.A. de C.V.		Marketing and transportation of gas	P.C.	13.08	43.40	1.0	4.0	3.0	(20.0)	(1.6)
Transnatural S.R.L. de C.V.	Mexico	Gas Natural México, S.A. de C.V.		Marketing and transportation of gas	P.C.	13.08	43.40	10.0	(31.0)	(5.0)	-	(3.4)
Zemer Energía, S.A. de C.V. (2)	Mexico	Unión Fenosa México, B.V.		Generation of electricity	P.C.	15.06	50.00	-	(1.0)	-	-	(0.2)
Unión Fenosa Operación México S.A. de C.V. (2)	Mexico	Unión Fenosa México, B.V.	La Propagadora del Gas, S.A.	Professional services	P.C.	30.13	100.00	-	1.0	-	-	0.3
Unión Fenosa México, S.A. de C.V. (2)	Mexico	Unión Fenosa México, B.V.	La Propagadora del Gas, S.A.	Holding company	P.C.	30.13	100.00	321.0	(188.0)	(3.0)	-	39.2
Fuerza y Energía BH Hioxo, S.A. de C.V. (2)	Mexico	Unión Fenosa México, S.A. de C.V.	La Propagadora del Gas, S.A.	Generation of electricity	P.C.	30.13	100.00	38.0	(11.0)	-	-	8.1
Fuerza y Energía de Hermosillo, S.A. de C.V. (2)	Mexico	Unión Fenosa México, S.A. de C.V.	Unión Fenosa Internacional, S.A.	Generation of electricity	P.C.	30.13	100.00	49.0	(1.0)	6.0	-	16.3
Fuerza y Energía de Naco Nogales, S.A. de C.V. (2)	Mexico	Unión Fenosa México, S.A. de C.V.	Unión Fenosa Internacional, S.A.	Generation of electricity	P.C.	30.13	100.00	131.0	(43.0)	11.0	-	29.8
Fuerza y Energía de Norte Durango, S.A. de C.V. (2)	Mexico	Unión Fenosa México, S.A. de C.V.	La Propagadora del Gas, S.A.	Generation of electricity	P.C.	30.13	100.00	54.0	(9.0)	(2.0)	-	13.0
Fuerza y Energía de Tuxpan, S.A. de C.V. (2)	Mexico	Unión Fenosa México, S.A. de C.V.	Unión Fenosa Internacional, S.A.	Generation of electricity	P.C.	30.13	100.00	156.0	(3.0)	33.0	-	56.0
Distribuidora de Electricidad del Oriente, S.A. (2)	Guatemala	Unión Fenosa Internacional, S.A.		Distribution of electricity	P.C.	27.06	92.80	14.0	(3.0)	7.0	-	5.8
Distribuidora de Electricidad del Norte, S.A. (2)	Nicaragua	Unión Fenosa Internacional, S.A.	La Propagadora del Gas, S.A.	Distribution of electricity	P.C.	26.60	88.30	74.0	(42.0)	3.0	-	1.1
Distribuidora de Electricidad del Sur, S.A. (2)	Nicaragua	Unión Fenosa Internacional, S.A.	La Propagadora del Gas, S.A.	Distribution of electricity	P.C.	27.03	89.70	60.0	(54.0)	-	-	1.6
Generación Limpia Guatemala, S.A. (2)	Guatemala	Unión Fenosa Internacional, S.A.		Distribution of electricity	P.C.	30.13	100.00	6.0	-	-	-	1.8
Red Unión Fenosa, S.A. (2)	Moldova	Unión Fenosa Internacional, S.A.		Distribution of electricity	P.C.	28.29	93.90	7.0	118.0	21.0	-	41.3
Redes Eléctricas de Centroamérica, S.A. (2)	Guatemala	Unión Fenosa Internacional, S.A.		Distribution of electricity	P.C.	30.13	100.00	2.0	1.0	-	-	0.9
Unión Fenosa Internacional B.V. (2)	The Netherlands	Gas Natural SDG, S.A.		Holding company	P.C.	30.13	100.00	-	17.0	-	-	5.1
Unión Fenosa Chile Limitada (2)	Chile	Unión Fenosa Internacional B.V.	La Propagadora del Gas, S.A.	Holding company	P.C.	30.13	100.00	4.0	-	-	-	1.2
Unión Fenosa Renovables Limitada (Chile) (2)	Chile	Unión Fenosa Chile Limitada	La Propagadora del Gas, S.A.	Holding company	P.C.	30.13	100.00	4.0	-	-	-	0.2
Unión Fenosa Energías Renovables Chile, S.A. (2)	Chile	Unión Fenosa Renovables Limitada (Chile)		Generation of electricity	P.C.	24.10	80.00	1.0	1.0	(1.0)	-	1.2
Unión Fenosa Wind Australia Pty. Ltd. (2)	Australia	Unión Fenosa Internacional B.V.		Holding company	P.C.	27.54	91.40	11.0	2.0	-	-	3.6
Berrbank development Pty. Ltd. (2)	Australia	Unión Fenosa Wind Australia Pty. Ltd.		Energy	P.C.	27.54	91.40	-	-	-	-	-
Crookwell development Pty. Ltd. (2)	Australia	Unión Fenosa Wind Australia Pty. Ltd.		Energy	P.C.	27.54	91.40	3.0	1.0	-	-	1.1
Hawkesdale development Pty. Ltd. (2)	Australia	Unión Fenosa Wind Australia Pty. Ltd.		Energy	P.C.	27.54	91.40	1.0	-	-	-	0.3
Ryan Corner development Pty. Ltd. (2)	Australia	Unión Fenosa Wind Australia Pty. Ltd.		Energy	P.C.	27.54	91.40	2.0	1.0	-	-	0.8
Gas Natural Fenosa Telecomunicaciones, S.A. (2)	Spain	Gas Natural SDG, S.A.	La Propagadora del Gas, S.A.	Telecommunications	P.C.	30.13	100.00	21.0	26.0	22.0	-	20.8
Unión Fenosa Redes de Telecomunicación, S.A. (Colombia) (2)	Colombia	Gas Natural Fenosa Telecomunicaciones, S.A.	Electrificadora del Caribe, S.A.	Telecommunications	P.C.	26.45	87.80	1.0	2.0	1.0	-	1.1
Unión Fenosa Redes de Telecomunicación, S.A. (Guatemala) (2)	Guatemala	Gas Natural Fenosa Telecomunicaciones, S.A.		Telecommunications	P.C.	30.13						

Name	Country	Parent Company	Other Owner Companies (1)	Activity	Consolidation Method (4)	% Total Ownership		Amount in Millions of Euros					
						% of Direct Ownership	% of Control Investment (5)	Capital	Reserves	2010 Income	Dividends	Ownership Possessed (6)	
Infraestructura de Gas, S.A.	Spain	Unión Fenosa Gas, S.A.		Gas	P.C.	12,80	42,50	-	-	19,0	(11,0)	-	1,0
Planta de Regasificación de Sagunto, S.A.	Spain	Infraestructuras de Gas, S.A.		Gas	P.C.	7,53	25,00	2,0	5,0	18,0	(12,0)	-	1,0
Nueva Electricidad del Gas, S.A.U.	Spain	Unión Fenosa Gas, S.A.		Gas	P.C.	15,06	50,00	9,0	(3,0)	(2,0)	-	-	0,6
Spanish Egyptian Gas Company, S.A.E.	Egypt	Unión Fenosa Gas, S.A.	Unión Fenosa Internacional, S.A.	Gas	P.C.	12,05	40,00	336,0	4,0	28,0	-	-	44,3
Segas Services, S.A.E.	Egypt	Spanish Egyptian Gas Company SAE	Operación y Mantenimiento Energy S.A.	Gas	P.C.	11,96	39,70	1,0	-	-	-	-	0,1
Unión Fenosa Gas Exploración y Producción, S.A.	Spain	Unión Fenosa Gas, S.A.		Gas	P.C.	15,06	50,00	-	-	(1,0)	-	-	(0,2)
Unión Fenosa Gas Comercializadora, S.A.	Spain	Unión Fenosa Gas, S.A.		Gas	P.C.	15,06	50,00	2,0	1,0	36,0	(23,0)	-	2,4
Unión Fenosa Gas Infraestructuras, B.V.	Holland	Unión Fenosa Gas, S.A.		Gas	P.C.	15,06	50,00	-	5,0	-	-	-	0,8
Palawan Sulit Gas, Inc.	The Philippines	Unión Fenosa Gas Infraestructuras B.V.		Gas	P.C.	15,06	50,00	-	5,0	-	-	-	0,8
Regasificadora del Noroeste, S.A.	Spain	Unión Fenosa Gas, S.A.		Gas	E.M.	3,16	10,50	48,0	(1,0)	3,0	-	-	1,6
Barras Eléctricas Generación, S.L.	Spain	Gas Natural SDG, S.A.		Generation of electricity	P.C.	13,53	44,90	1,0	2,0	-	-	-	0,4
Centrales Nucleares Almaraz-Trillo, A.I.E	Spain	Gas Natural SDG, S.A.		Generation of electricity	P.C.	5,81	19,30	-	-	-	-	-	-
Enel Unión Fenosa Renovables, S.A.	Spain	Gas Natural SDG, S.A.		Generation of electricity	P.C.	15,06	50,00	33,0	127,0	22,0	-	-	27,4
Eufar Energías Especiales de Portugal, Unipessoal Lda	Portugal	Enel Unión Fenosa Renovables S.A.		Generation of electricity	P.C.	15,06	50,00	-	-	-	-	-	-
Eufar Renovables Ibéricas 2004, S.A.	Spain	Enel Unión Fenosa Renovables S.A.		Generation of electricity	P.C.	15,06	50,00	16,0	2,0	1,0	-	-	2,9
Parque Eólico Cabo Vilano, S.L.	Spain	Enel Unión Fenosa Renovables S.A.		Generation of electricity	P.C.	15,06	50,00	7,0	1,0	(14,0)	-	-	(0,9)
Parque Eólico de Capelada, A.I.E.	Spain	Enel Unión Fenosa Renovables S.A.		Generation of electricity	P.C.	7,53	25,00	6,0	1,0	1,0	-	-	0,6
Parque Eólico de Corallón, S.L.	Spain	Enel Unión Fenosa Renovables S.A.		Generation of electricity	P.C.	15,06	50,00	-	-	-	-	-	-
Parque Eólico de San Andrés, S.A.	Spain	Enel Unión Fenosa Renovables S.A.		Generation of electricity	P.C.	12,35	41,00	1,0	-	3,0	-	-	0,2
Parque Eólico Matricas, S.A.	Spain	Enel Unión Fenosa Renovables S.A.		Generation of electricity	P.C.	5,33	17,70	1,0	-	-	-	-	0,1
Parque Eólico Montes de las Navas, S.A.	Spain	Enel Unión Fenosa Renovables S.A.		Generation of electricity	P.C.	3,01	10,00	7,0	2,0	3,0	-	-	0,4
Parque Eólico Sierra del Merengue, S.L.	Spain	Enel Unión Fenosa Renovables S.A.		Generation of electricity	P.C.	7,53	25,00	-	-	-	-	-	-
Prius Energética, S.L.	Spain	Enel Unión Fenosa Renovables S.A.		Generation of electricity	P.C.	15,06	50,00	-	-	-	-	-	-
Promociones Energéticas del Bierzo, S.L.	Spain	Enel Unión Fenosa Renovables S.A.		Generation of electricity	P.C.	15,06	50,00	-	-	(1,0)	-	-	(0,2)
Proyectos Universitarios Energías Renovables, S.L.	Spain	Enel Unión Fenosa Renovables S.A.		Generation of electricity	P.C.	5,03	16,70	-	-	-	-	-	-
Punta de las Olas Eólica Marina, S.L.	Spain	Enel Unión Fenosa Renovables S.A.		Generation of electricity	P.C.	15,06	50,00	-	-	-	-	-	-
Punta de Leis Eólica Marina, S.L.	Spain	Enel Unión Fenosa Renovables S.A.		Generation of electricity	P.C.	15,06	50,00	-	-	-	-	-	-
Sistemas Energéticos Mañón Orotigueira, S.A.	Spain	Enel Unión Fenosa Renovables S.A.		Generation of electricity	P.C.	14,46	48,00	2,0	2,0	-	-	-	0,6
Ufefs, S.L.	Spain	Enel Unión Fenosa Renovables S.A.		Generation of electricity	P.C.	6,03	20,00	-	-	1,0	-	-	0,1
Vientos del Noroeste, S.A.	Spain	Enel Unión Fenosa Renovables S.A.		Generation of electricity	P.C.	15,03	49,90	5,0	-	(3,0)	-	-	0,3
Enerlisa, S.A.	Spain	Enel Unión Fenosa Renovables S.A.		Energy	E.M.	6,78	22,50	1,0	(1,0)	1,0	-	-	0,1
Energías de Villarubia, S.L.	Spain	Enel Unión Fenosa Renovables S.A.		Energy	E.M.	3,01	10,00	-	1,0	4,0	-	-	0,2
Sotavento Galicia, S.A.	Spain	Enel Unión Fenosa Renovables S.A.		Energy	E.M.	2,71	9,00	1,0	4,0	(1,0)	-	-	0,1
Tirnadrid, S.A.	Spain	Enel Unión Fenosa Renovables S.A.		Energy	E.M.	2,71	9,00	17,0	4,0	7,0	-	-	0,8
Qalhat LNG S.A.O.C.	Oman	Enel Unión Fenosa Renovables S.A.		Gas	E.M.	1,11	3,70	55,0	18,0	7,0	-	-	0,9
Aprovechamientos Eléctricos, S.A.	Spain	Enel Unión Fenosa Renovables S.A.		Generation of electricity	P.C.	15,06	50,00	-	-	-	-	-	-
Áridos Energías Especiales, S.L.	Spain	Enel Unión Fenosa Renovables S.A.		Generation of electricity	P.C.	6,18	20,50	1,0	-	2,0	(2,0)	-	0,1
Azacarera Energías, S.A.	Spain	Enel Unión Fenosa Renovables S.A.		Generation of electricity	P.C.	6,03	20,00	1,0	2,0	(1,0)	-	-	0,1
Barbao S.A.	Spain	Enel Unión Fenosa Renovables S.A.		Generation of electricity	P.C.	15,06	50,00	-	1,0	-	-	-	0,2
Parque Eólico Belmonte, S.A.	Spain	Barbao, S.A.		Generation of electricity	P.C.	7,56	25,10	-	-	-	-	-	-
Baio Energía, S.A.	Spain	Enel Unión Fenosa Renovables S.A.		Generation of electricity	P.C.	6,03	20,00	1,0	4,0	2,0	-	-	0,4
Cogeneración del Noroeste, S.L.	Spain	Enel Unión Fenosa Renovables S.A.		Generation of electricity	P.C.	6,03	20,00	5,0	1,0	5,0	-	-	0,7
Depuración, destilación y reciclaje, S.L.	Spain	Enel Unión Fenosa Renovables S.A.		Generation of electricity	P.C.	6,03	20,00	1,0	1,0	1,0	(1,0)	-	0,1
Energías Ambientales, S.A.	Spain	Enel Unión Fenosa Renovables S.A.		Generation of electricity	P.C.	5,03	16,70	15,0	4,0	-	-	-	1,0
Energías Ambientales de Novo, S.A.	Spain	Energías Ambientales, S.A.		Generation of electricity	P.C.	5,03	16,70	1,0	1,0	-	-	-	0,1
Energías Ambientales de Somozas, S.A.	Spain	Energías Ambientales, S.A.		Generation of electricity	P.C.	6,81	22,60	1,0	2,0	1,0	-	-	0,3
Energías Ambientales de Vimianzo, S.A.	Spain	Energías Ambientales, S.A.	Enel Unión Fenosa Renovables S.A.	Generation of electricity	P.C.	5,03	16,70	5,0	2,0	2,0	-	-	0,5
Sociedad Eólica de I Enderrocada, S.A.	Spain	Energías Ambientales, S.A.		Generation of electricity	P.C.	4,01	13,30	6,0	1,0	1,0	-	-	0,3
Energías Especiales Alcohólicas, S.A.	Spain	Enel Unión Fenosa Renovables S.A.		Generation of electricity	P.C.	12,41	41,20	-	(2,0)	2,0	-	-	-
Energías Especiales Alto Ulla, S.A.	Spain	Enel Unión Fenosa Renovables S.A.		Generation of electricity	P.C.	15,06	50,00	10,0	-	(11,0)	-	-	(0,2)
Energías Especiales Andalucía, S.L.	Spain	Enel Unión Fenosa Renovables S.A.		Generation of electricity	P.C.	12,80	42,50	1,0	-	-	-	-	0,1
Andaluz de Energía Solar Cuarta, S.L.	Spain	Energías Especiales Andalucía, S.L.		Generation of electricity	P.C.	9,16	30,40	-	-	-	-	-	-
Andaluz de Energía Solar Primera, S.L.	Spain	Energías Especiales Andalucía, S.L.		Generation of electricity	P.C.	9,16	30,40	-	-	-	-	-	-
Andaluz de Energía Solar Quinta, S.L.	Spain	Energías Especiales Andalucía, S.L.		Generation of electricity	P.C.	9,04	30,00	-	-	-	-	-	-
Andaluz de Energía Solar Tercera, S.L.	Spain	Energías Especiales Andalucía, S.L.		Generation of electricity	P.C.	9,04	30,00	-	-	-	-	-	-
Energías Especiales de Carcón, S.A.	Spain	Enel Unión Fenosa Renovables S.A.		Generation of electricity	P.C.	11,60	38,50	-	-	1,0	-	-	0,1
Energías Especiales de Extremadura, S.L.	Spain	Enel Unión Fenosa Renovables S.A.		Generation of electricity	P.C.	11,81	39,20	-	-	-	-	-	-
Energías Especiales de Gata, S.L.	Spain	Enel Unión Fenosa Renovables S.A.		Generation of electricity	P.C.	15,06	50,00	-	-	-	-	-	-
Energías Especiales de Padul, S.L.U.	Spain	Enel Unión Fenosa Renovables S.A.		Generation of electricity	P.C.	15,06	50,00	-	-	-	-	-	-
Energías Especiales del Bierzo, S.A.	Spain	Enel Unión Fenosa Renovables S.A.		Generation of electricity	P.C.	7,53	25,00	2,0	1,0	2,0	-	-	0,4
Energías Especiales Espina, S.L.U.	Spain	Enel Unión Fenosa Renovables S.A.		Generation of electricity	P.C.	15,06	50,00	2,0	-	-	-	-	0,3
Energías Especiales Montes Castellanos, S.L.U.	Spain	Enel Unión Fenosa Renovables S.A.		Generation of electricity	P.C.	15,06	50,00	7,0	-	(2,0)	-	-	0,8
Energías Especiales Montes de Andalucía, S.L.	Spain	Enel Unión Fenosa Renovables S.A.		Generation of electricity	P.C.	15,06	50,00	-	-	-	-	-	-
Energías Especiales Noroeste, S.A.U.	Spain	Enel Unión Fenosa Renovables S.A.		Generation of electricity	P.C.	15,06	50,00	7,0	2,0	4,0	-	-	2,0
Energías Especiales Peña Armada, S.A.	Spain	Enel Unión Fenosa Renovables S.A.		Generation of electricity	P.C.	12,05	40,00	1,0	-	1,0	-	-	0,2
Energías Especiales Santa Bárbara, S.L.	Spain	Enel Unión Fenosa Renovables S.A.		Generation of electricity	P.C.	15,06	50,00	-	-	-	-	-	-
Energías Especiales Valencianas, S.L.	Spain	Enel Unión Fenosa Renovables S.A.		Generation of electricity	P.C.	15,06	50,00	-	-	-	-	-	-
Energías Renovables Montes de San Sebastián, S.L.	Spain	Enel Unión Fenosa Renovables S.A.		Generation of electricity	P.C.	15,06	50,00	3,0	-	-	-	-	0,5
Eólica del Cordal de Montouto, S.L.	Spain	Enel Unión Fenosa Renovables S.A.		Generation of electricity	P.C.	15,06	50,00	1,0	-	-	-	-	0,2
Eólica Galaico Asturiana, S.A.	Spain	Enel Unión Fenosa Renovables S.A.		Generation of electricity	P.C.	15,06	50,00	-	-	-	-	-	-
Eufar Operación, S.L.	Spain	Enel Unión Fenosa Renovables S.A.		Generation of electricity	P.C.	15,06	50,00	-	-	-	-	-	-
Nueva Generadora del Sur, S.A.	Spain	Gas Natural SDG, S.A.		Generation of electricity	P.C.	15,06	50,00	96,0	54,0	(7,0)	-	-	21,5
Biogás Dula Juan, S.A. ESP	Columbia	Gas Natural SDG, S.A.		Treatment and exploitation of biogas	P.C.	15,00	49,80	2,0	-	1,0	-	-	0,5
Kromschroeder, S.A.	Spain	Gas Natural SDG, S.A.		Metaring	P.C.	12,80	42,50	1,0	10,0	(1,0)	-	-	1,3
Ensafrica Holding Empresarial, S.L.	Spain	Gas Natural SDG, S.A.		Holding	E.M.	5,57	18,50	8,0	2,0	(2,0)	-	-	0,4
Torre Marenostrum, S.L.	Spain	Gas Natural SDG, S.A.		Real estate agency	E.M.	13,56	45,00	5,0	13,0	-	-	-	2,4
Gas Natural de Sao Paulo Sul, S.A. (2)	Brazil	Gas Natural SDG, S.A.	Gas Natural Serviços, S.A.	Gas distribution	P.C.	30,13	100,00	370,0	(98,0)	36,0	(1,0)	-	92,5
Toledo PV, A.E.I.E.	Spain	Gas Natural SDG, S.A.		Electricity generation	P.C.	10,03	33,30	-	-	-	-	-	-
YPF, S.A.	Argentina	Repsol YPF, S.A.	Repsol YPF Capital/ CAVEANT	Exploration and Production of hydrocarbons	F.C.	79,81	79,81	4.072,2	(248,9)	1.005,0	-	-	3.853,5
YPF International, S.A.	Bolivia	YPF, S.A.	Repsol YPF Bolivia/Repsol YPF E&P Bolivia	Holding company	F.C.	79,81	100,00	124,7	(77,1)	2,5	-	-	40,0
YPF Ecuador Inc.	Cayman Islands	YPF International, S.A.		Exploration and Production of hydrocarbons	F.C.	79,81	100,00	0,8	(0,8)	-	-	-	-
YPF Guyana, Ltd.	Cayman Islands	YPF International, S.A.		Exploration and Production of hydrocarbons	F.C.	79,81	100,00	1,2	(1,0)	(1,5)	-	-	(1,0)
YPF Holdings Inc.	USA	YPF, S.A.		Exploration and Production of hydrocarbons	F.C.	79,81	100,00	62,5	(368,9)	-	-	-	201,6
CLH Holdings	USA	YPF Holdings Inc.		Finance	F.C.	79,81	100,00	194,7	(211,1)	-	-	-	(13,1)
Tierra Solutions Inc.	USA	CLH Holdings		Other activities	F.C.	79,81	100,00	195,4	(200,3)	(13,6)	-	-	(14,7)
Maxus Energy Corporation	USA	YPF Holdings Inc.		Exploration and Production of hydrocarbons	F.C.	79,81	100,00	464,4	(473,3)	(37,3)	-	-	(36,9)
Maxus US Exploration Co.	USA	Maxus Energy Corporation		Exploration and Production of hydrocarbons	F.C.	79,81	100,00	1,4	(185,1)	(32,9)	-	-	(172,9)
Maxus International Energy Co.	USA	Maxus Energy Corporation		Other activities	F.C.	79,81	100,00	24,3	(29,4)	-	-	-	(4,1)
Gateway Coal Company	USA	Maxus Energy Corporation		Other activities	F.C.	79,81	100,00	(8,5)	(39,5)	5,9	-	-	(33,6)
Compañía Mega	Argentina	YPF, S.A.		Gas fractionation company	P.C.	30,33	38,00	151,8	(6,5)	54,8	-	-	60,7
Operadora de Estaciones de Servicio, S.A. OPESSA	Argentina	YPF, S.A.	Repsol YPF Gas, S.A.	Hydrocarbon marketing	F.C.	79,69	99,85	7,5	18,9	23,3	-	-	39,6
YPF Inversora Energética, S.A.	Argentina	YPF, S.A.	Astra Evangelista, S.A.	Holding company	F.C.	79,81	100,00	0,3	(0,2)	(0,0)	-	-	0,0
Gas Argentino, S.A. (GASA)	Argentina	YPF Inversora Energética, S.A.		Holding company	E.M.</								

Name	Country	Parent Company	Other Owner Companies (1)	Activity	Consolidation Method (4)	% Total Ownership		Amount in Millions of Euros				
						% of Direct Ownership	% of Control Investment (5)	Capital	Reserves	2010 Income	Dividends	Ownership Possessed (6)
Oleoducto Transandino Chile, S.A. (3)	Chile	A&C Pipeline Holding		Gas pipe construction and exploitation	E.M.	28,73	100,00	-	-	-	-	-
Oleoducto Transandino Argentina Accs preferidas	Argentina	YPF, S.A.		Gas pipe construction and exploitation	E.M.	28,73	36,00	34,2	(25,3)	(1,5)	-	2,1
Oleoducto Transandino Chile Acciones preferidas	Chile	YPF, S.A.	Repsol Butano Chile	Gas pipe construction and exploitation	E.M.	28,73	36,00	0,0	14,0	1,0	-	4,3
Gasoducto del Pacifico Caiman	Cayman Islands	YPF, S.A.		Finance	E.M.	7,98	10,00	-	-	-	-	-
Gasoducto del Pacifico Chile (Ordinarias)	Chile	Gasoducto del Pacifico Caiman		Gas pipe construction and exploitation	E.M.	6,98	87,50	-	-	-	-	-
Gasoducto del Pacifico Argentina, S.A.(Ordinarias)	Argentina	Gasoducto del Pacifico Caiman		Gas pipe construction and exploitation	E.M.	6,98	87,50	-	-	-	-	-
Gasoducto del Pacifico Argentina, S.A.(Preferidas)	Argentina	Gasoducto del Pacifico (Cayman) S.A.	YPF,S.A.	Gas pipe construction and exploitation	E.M.	7,98	10,00	31,3	(17,9)	(7,9)	-	0,4
Proferil, S.A.	Argentina	YPF, S.A.		Production and sale of gas products	P.C.	39,90	50,00	266,4	(100,4)	76,2	-	96,6
Refinerías del Norte, S.A. (REFINOR)	Argentina	YPF, S.A.		Commercial company and refinery of petroleum-derived products	P.C.	39,90	50,00	75,5	8,2	32,7	-	46,4
Terminales Marítimas Patagónicas, S.A.	Argentina	YPF, S.A.		Logistics of petroleum-derived products	E.M.	26,46	33,15	10,9	15,9	3,6	-	8,1
Oleoductos del Valle, S.A. (OLDELVAL)	Argentina	YPF, S.A.		Logistics of petroleum derived product	E.M.	29,53	37,00	83,6	(44,0)	(7,8)	-	9,4
Poligas Luján, S.A.	Argentina	YPF, S.A.		Packaging, transport and marketing of LPG	F.C.	40,30	50,49	-	-	-	-	-
Astra Evangelista, S.A.	Argentina	YPF, S.A.	OPESSA	Engineering and construction	F.C.	79,81	100,00	1,6	22,4	1,6	-	20,5
AESA Construcciones y Servicios	Brazil	Astra Evangelista, S.A.	YPF, S.A.	Engineering and construction	F.C.	79,81	100,00	1,2	(1,1)	(0,0)	-	0,1
A- Evangelista, S.A. Sucursal	Uruguay	Astra Evangelista, S.A.		Engineering and construction	F.C.	79,81	100,00	0,0	7,6	10,5	-	14,5
AESA Perù S.A.C.	Peru	Astra Evangelista, S.A.	OPESSA	Construction and petroleum-related services	F.C.	79,81	100,00	0,2	(0,1)	1,1	-	1,0
Gasoducto Oriental, S.A.	Argentina	Astra Evangelista, S.A.		Distribution of natural gas	E.M.	13,30	16,66	-	-	-	-	-
Inversora Dock Sud, S.A.	Argentina	YPF, S.A.		Holding company	E.M.	34,21	42,86	71,4	(98,1)	7,8	-	(6,5)
Central Dock Sud, S.A.	Argentina	Inversora Dock Sud, S.A.	YPF, S.A.	Generation and marketing of electric energy	E.M.	31,86	79,83	119,4	(171,4)	6,9	-	(14,4)
Pluspetrol Energy, S.A.	Argentina	YPF, S.A.		Exploration and Production of hydrocarbons	P.C.	35,91	45,00	18,2	49,0	29,1	-	34,5
YPF Brasil Comercio de Derivados de Petróleo, Ltda	Argentina	YPF, S.A.		Marketing of petrol-derived products	F.C.	79,81	100,00	23,7	(0,1)	(2,8)	-	16,6
YPF Services USA Corp.	USA	YPF, S.A.		Engineering and Construction	F.C.	79,81	100,00	0,0	(0,0)	0,1	-	0,1
YPF Servicios Petroleros S.A.	USA	YPF, S.A.	YPF Services USA Corp.	Engineering and Construction	F.C.	79,81	100,00	0,0	(0,1)	1,2	-	0,9
Repsol YPF Chile, S.A.	Chile	Repsol YPF, S.A.	OPESSA	Management of YPF's investments in Chile	F.C.	100,00	100,00	0,0	17,5	(2,0)	-	15,4
Repsol YPF Bolivia, S.A.	Bolivia	Repsol YPF, S.A.	R. Explorac./Rex. Perú/Rex. Colombia	Holding company	F.C.	100,00	100,00	752,0	(258,3)	48,7	-	542,4
YPFB Andina, S.A. (Empresa Petrolera Andina, S.A.)	Bolivia	Repsol YPF Bolivia, S.A.		Exploration and Production of hydrocarbons	P.C.	48,92	48,92	132,3	356,4	48,5	-	262,8
Transierra S.A.	Bolivia	YPFB Andina, S.A. (Empresa Petrolera Andina, S.A.)		Transport of hydrocarbons	E.M.	21,77	44,50	59,9	39,6	9,2	-	23,6
Maxus Bolivia Inc.	Bolivia	Repsol YPF Bolivia, S.A.		Exploration and Production of hydrocarbons	F.C.	100,00	100,00	99,5	77,5	(0,3)	-	176,7
Repsol YPF E&P de Bolivia, S.A.	Bolivia	Maxus Bolivia Inc.	R. YPF Bolivia, S.A. / Rex. Perú, S.A. / Rex. Colombia, S.A.	Exploration and Production of hydrocarbons	F.C.	100,00	100,00	113,7	128,3	3,7	-	245,7
AESA Construcciones y Servicios Bolivia	Bolivia	Repsol YPF Bolivia, S.A.	R. YPF E&P de Bolivia, S.A. / Astra Evangelista	Transport of hydrocarbons	F.C.	98,00	98,00	0,0	1,6	(0,2)	-	1,4
Repsol Brasil, S.A. (6)	Brazil	Repsol YPF, S.A.		Exploiter and marketer of hydrocarbons	P.C.	60,00	60,00	6.742,0	(463,2)	(54,3)	-	3.734,7
Repsol Brasil, B.V.	Holland	Repsol Brasil, S.A.		Holding company	P.C.	60,00	100,00	1,4	30,2	0,2	-	19,1
Guará, B.V.	Holland	Repsol Brasil, B.V.		Construction for offshore production of natural gas and crude oil	E.M.	15,00	25,00	0,0	119,5	(2,8)	-	17,5
Repsol Nuevas Energías, S.A.	Spain	Repsol YPF, S.A.		Production, distribution and sales of all biofuels and other related activities	F.C.	100,00	100,00	0,5	-	(1,2)	-	(0,7)
Orisol, Corporación Energética, S.A.	Spain	Repsol Nuevas Energías, S.A.		Development, construction and exploitation of renewable energy plants	P.C.	46,81	46,81	1,9	7,4	(1,4)	-	3,7
Algenenergy, S.A.	Spain	Repsol Nuevas Energías, S.A.		Experimental research and development of biotechnologies	P.C.	20,00	20,00	0,1	2,9	(1,0)	-	0,4

- (1) Other companies pertaining to the Group and possessing ownership of share capital which is inferior to that of the parent company.
(2) The data corresponding to these companies are incorporated by full consolidation in the parent. The parent consolidates proportionally in the Repsol YPF Group.
(3) The data corresponding to these companies are incorporated by full consolidation in the parent. The parent integrates by the equity method in the Repsol YPF Group.
(4) Consolidation method
F.C. Full consolidation
P.C. Proportionate consolidaton
E.M. Equity method
(5) Percentage corresponding to the Parent Company's ownership of the subsidiary.
(6) This company changed its name in February 2011 to Repsol Sinopec Brasil, S.A.

Note: The equity belonging to companies whose functional currency is not the euro have been converted to the exchange rate at closure date.

Name	Country	Parent Company	Concept	Date	12.31.10			01.01.10		
					Consolidation Method (2)	% of Total Ownership		Consolidation Method (2)	% of Total Ownership	
						Direct Ownership	% of Control (3)		Direct Ownership	% of Control (3)
Compañía Logística de Hidrocarburos CLH, S.A.	Spain	Repsol YPF,S.A./Petróleos del Norte,S.A	Reduction of ownership percentage	Mar-10	E.M.	10,00	10,00	E.M.	14,25	15,00
Akakus Oil Operations AG	Libya	Repsol Exploración Murzuq, S.A.	Reduction to scope due to merger with Akakus Oil Operation B.V.	Feb-10				E.M.	100,00	100,00
Akakus Oil Operation B.V.	Holland	Repsol Exploración Murzuq, S.A.	Addition to scope due to incorporation	Feb-10	E.M.	49,00	49,00			
YPF Servicios Petroleros S.A	Argentina	YPF,S.A	Addition to scope due to incorporation	Jun-10	F.C.	79,81	100,00			
Via Red Servicios Logísticos, S.L.	Spain	Repsol Butano,S.A.	Increase of ownership percentage	Jun-10	F.C.	100,00	100,00	F.C.	99,49	99,49
Repsol Occidental Corporation	Colombia	Repsol International Finance, B.V.	Disposal	Dec-10	-	-	-	P.I.	25,00	25,00
Oxy Colombia Holdings Inc	Colombia	Repsol International Finance, B.V.	Acquisition	Dec-10	P.I.	25,00	25,00			
Repsol Exploración Seram BV	Holland	Repsol Exploración, S.A.	Addition to scope due to incorporation	Sep-10	F.C.	100,00	100,00			
Repsol Exploración East Bula BV	Holland	Repsol Exploración, S.A.	Addition to scope due to incorporation	Sep-10	F.C.	100,00	100,00			
Repsol Exploración Cendrawasih II BV	Holland	Repsol Exploración, S.A.	Addition to scope due to incorporation	Sep-10	F.C.	100,00	100,00			
Repsol Exploración Cendrawasih III BV	Holland	Repsol Exploración, S.A.	Addition to scope due to incorporation	Sep-10	F.C.	100,00	100,00			
Repsol Exploración Cendrawasih IV BV	Holland	Repsol Exploración, S.A.	Addition to scope due to incorporation	Sep-10	F.C.	100,00	100,00			
Repsol ETBE, S.A.	Portugal	Repsol Polimeros,LDA	Acquisition	Sep-10	F.C.	100,00	100,00			
Repsol Electricidade E Calor, Ace	Portugal	R.Polimeros/R.ETBE	Increase of ownership percentage	Sep-10	F.C.	100,00	100,00	E.M.	66,67	66,67
Repsol Louisiana Corporation	USA	Repsol USA Holdings Corp.	Addition to scope due to incorporation	Oct-10	F.C.	100,00	100,00			
Repsol Brasil, B.V.	Holland	Repsol Brasil, B.V.	Addition to scope due to incorporation	Jun-10	P.I.	60,00	100,00			
Repsol Biocarburantes Tarragona, S.A.	Spain	Repsol YPF, S.A.	Change of parent company due to sale of R.Petróleo to Repsol YPF, S.A.	Jul-10	F.C.	100,00	100,00	F.C.	99,97	100,00
Repsol Nuevas Energías, S.A.	Spain	Repsol YPF, S.A.	Name change from Repsol Biocarburantes Tarragona to Repsol Nuevas Energías, S.A.	Jul-10	F.C.	100,00	100,00	F.C.	99,97	100,00
Orisol, Corporación Energética, S.A.	Spain	Repsol Nuevas Energías, S.A.	Acquisition	Nov-10	P.I.	46,81	46,81			
Algaenergy, S.A.	Spain	Repsol Nuevas Energías, S.A.	Acquisition	Nov-10	P.I.	20,00	20,00			
Bahía Bizkaia Gas, S.L.	Spain	Repsol YPF, S.A.	Disposal	Nov-10	-	-	-	P.I.	25,00	25,00
YPF,S.A	Argentina	Repsol YPF, S.A.	Reduction of ownership percentage	Sep-10 to Dec-10	F.C.	79,81	79,81	F.C.	84,04	84,04
Adicor, S.A.	Uruguay	A-Evangelista, S.A.	Withdrawal from scope due to liquidation	Oct-10	-	-	-	F.C.	84,04	100,00
Guará BV	Holland	Repsol Brasil, B.V.	Addition to scope due to incorporation	Dec-10	E.M.	15,00	25,00			
Alberto Pasqualini Refap S.A.	Brazil	Repsol YPF Perú B.V.	Disposal	Dec-10	-	-	-	P.I.	30,00	30,00
Repsol Brasil, S.A. (4)	Brazil	Repsol YPF, S.A.	Reduction of ownership percentage	Dec-10	P.I.	60,00	60,00	F.C.	100,00	100,00
Gas Natural Servicios Integrales S.A.S (1)	Colombia	Gas Natural Internacional, SDG, S.A.	Addition to scope due to incorporation	Mar-10	P.I.	30,13	100,00			
Electricidadora del Caribe, S.A.E.S.P. (1)	Colombia	Unión Fenosa Internacional, S.A.	Increase of ownership percentage	Mar-10	P.I.	25,73	85,40			
Madriñena Red de Gas, S.A (1)	Spain	Gas Natural SDG, S.A.	Disposal	Apr-10				P.I.	24,40	81,32
Madriñena Suministro Gas SUR, 2010, S.L (1)	Spain	Gas Natural SDG, S.A.	Disposal	Apr-10				P.I.	30,01	100,00
Madriñena Suministro Gas 2010, S.L (1)	Spain	Gas Natural SDG, S.A.	Disposal	Apr-10				P.I.	30,01	100,00
Madriñena Servicios Comunes, S.L (1)	Spain	Gas Natural SDG, S.A.	Disposal	Apr-10				P.I.	30,01	100,00
Central Anahuac, S.A de C.V (1)	Mexico	Gas Natural Internacional, SDG, S.A.	Disposal	May-10				P.I.	30,01	100,00
Central Lomas del Real, S.A de C.V (1)	Mexico	Gas Natural Internacional, SDG, S.A.	Disposal	May-10				P.I.	30,01	100,00
Central Vallehermoso, S.A de C.V (1)	Mexico	Gas Natural Internacional, SDG, S.A.	Disposal	May-10				P.I.	30,01	100,00
Central Saltillo, S.A de C.V (1)	Mexico	Gas Natural Internacional, SDG, S.A.	Disposal	May-10				P.I.	30,01	100,00
Electricidad Águila de Altamira, S.A de C.V (1)	Mexico	Gas Natural Internacional, SDG, S.A.	Disposal	May-10				P.I.	30,01	100,00
Gasoducto del Río, S.A de C.V (1)	Mexico	Gas Natural Internacional, SDG, S.A.	Disposal	May-10				P.I.	30,01	100,00
Compañía Mexicana de Gerencia y Operación, S.A de C.V (1)	Mexico	Gas Natural Internacional, SDG, S.A.	Disposal	May-10				P.I.	30,01	100,00
Gas Aragón, S.A	Spain	Gas Natural SDG, S.A.	Disposal	Dec-10				E.M.	10,50	35,00
Palencia 3, Investigación, Desarrollo y Explotación, S.L.	Spain	Gas Natural Exploración, S.L	Addition to scope due to incorporation	Jun-10	P.I.	11,15	37,00			
Hispano Galaica de Extracciones, S.L (1)	Spain	Gas Natural SDG, S.A.	Addition to scope due to incorporation	Jun-10	P.I.	30,13	100,00			
Energía Termosolar de los Monegros, S.L.	Spain	Enel Unión Fenosa Renovables SA	Increase of ownership percentage	Jul-10	P.I.	13,56	45,00	P.I.	12,00	40,00
Hotel de Naturaleza Tambre, S.A (1)	Spain	General de Edificios y Solares, S.L.	Withdrawal from scope due to liquidation	Jul-10				P.I.	30,01	100,00
M&D Generación 1, S.L.U (1)	Spain	Gas Natural SDG, S.A.	Addition to scope due to incorporation	Jul-10	P.I.	30,13	100,00			
M&D Energy Market, S.L.U (1)	Spain	Gas Natural SDG, S.A.	Addition to scope due to incorporation	Jul-10	P.I.	30,13	100,00			
Promociones Energéticas del Bierzo, S.L.	Spain	Enel Unión Fenosa Renovables SA	Increase of ownership percentage	Jul-10	P.I.	15,06	50,00	P.I.	7,53	25,00
Gas Natural del Cesar, S.A E.S.P. (Gasnacer) (1)	Colombia	Gas Natural del Oriente, S.A. ESP / GN S.A E.SP.	Addition to scope due to incorporation	Sep-10	P.I.	18,68	62,00			
Cilento Reti Gas SRL	Italy	Gas Natural Distribuzione S.p.A.	Addition to scope due to incorporation	Oct-10	P.I.	18,08	60,00			
Limeisa International Coal B.V. (1)	The Netherlands	Gas Natural SDG, S.A.	Withdrawal from scope due to liquidation	Oct-10				P.I.	30,01	100,00
Portal del Instalador, S.A.(1)	Spain	Gas Natural Informática S.A.	Withdrawal from scope due to liquidation	Nov-10				P.I.	25,51	85,00
Bis Distribución Gas, S.A (1)	Spain	Gas Natural SDG, S.A.	Addition to scope due to incorporation	Dec-10	P.I.	30,13	100,00			
Bis Suministro de Gas, S.L (1)	Spain	Gas Natural SDG, S.A.	Addition to scope due to incorporation	Dec-10	P.I.	30,13	100,00			
Bis Suministro de Gas SUR, S.L (1)	Spain	Gas Natural SDG, S.A.	Addition to scope due to incorporation	Dec-10	P.I.	30,13	100,00			
Bluemobility Systems, S.L.	Spain	Gas Natural Servicios SDG, S.A.	Addition to scope due to incorporation	Dec-10	E.M.	6,03	20,00			
Molinos de Valdebezana, S.A. (1)	Spain	Gas Natural Renovables, S.L.	Increase of ownership percentage	Dec-10	P.I.	30,13	100,00	P.I.	17,92	59,70
Unión Fenosa Distribución Colombia, BV (1)	Holland	Unión Fenosa Internacional, S.A.	Withdrawal from scope due to liquidation	Dec-10				P.I.	30,01	100,00
Electrocosta Mypymes de Energía, S.A ESP (Colombia) (1)	Colombia	Electricidadora del Caribe, S.A., E.S.P.	Withdrawal from scope due to liquidation	Dec-10				P.I.	24,41	81,33
UTE GNS-Dalkia Energía y Servicios	Spain	Gas Natural Servicios SDG, S.A.	Withdrawal from scope due to liquidation	Dec-10				P.I.	15,01	50,00

(1) Data corresponding to this company has been incorporated via full consolidation into the Parent Company. The Parent Company is integrated proportionally into the Repsol YPF Group.

(2) Consolidation Method:

- F.C. Full consolidation
- P.I. Proportionate Integration
- E.M. Equity Method

(3) Percentage corresponding to the Parent Company's ownership in the subsidiary.

(4) This company changed its name in February 2011 to Repsol Sinopec Brazil, S.A.

CHANGES IN THE SCOPE OF CONSOLIDATION FOR THE YEAR ENDED DECEMBER 31, 2009

Name	Country	Parent Company	Concept	Date	12.31.2010			01.01.09		
					Consolidation Method (2)	% of Total Ownership		Consolidation Method (2)	% of Total Ownership	
						Direct Ownership	% of Control (3)		Direct Ownership	% of Control (3)
National Gaz, S.A	Morocco	Repsol Butano, S.A.	Disposal	Feb-09	-	-	-	E.M.	100,00	100,00
Repsol Canada LNG Ltd.	Canada	Repsol International Finance, B.V.	Withdrawal from scope due to merger	Oct-09	-	-	-	F.C.	100,00	100,00
Via Red Servicios Logísticos, S.L.	Spain	Repsol Butano, S.A.	Name change from "Sociedad Anónima" to "Limitada"	Sep-09	E.M.	99,49	99,49	E.M.	99,49	99,49
Repsol YPF Comercial del Perú, S.A.	Perú	Repsol Butano, S.A.	Increase of ownership	Jun-09	F.C.	99,85	99,85	F.C.	99,78	99,78
Air Miles España, S.A.	Spain	Repsol Comercial de Productos Petrolíferos, S.A.	Increase of ownership	Feb-09	E.M.	29,00	30,00	E.M.	22,45	22,50
Servibarna, S.A.	Spain	Repsol Comercial de Productos Petrolíferos, S.A.	Acquisition	Sep-09	F.C.	100,00	100,00			
Amodaimi Oil company Ltd.	Ecuador	Repsol YPF Ecuador, S.A	Acquisition	Mar-09	F.C.	100,00	100,00			
Repsol Exploration Norge.	Norway	Repsol Exploración, S.A	Acquisition	Sep-09	F.C.	100,00	100,00			
Repsol E&P Canada Ltd.	Canada	Repsol Exploración, S.A	Acquisition	Nov-09	F.C.	100,00	100,00			
Repsol Exploración Liberia, BV.	Holland	Repsol Exploración, S.A	Acquisition	dec-09	F.C.	100,00	100,00			
Akakus Oil Operation AG. (4)	Libya	Repsol Exploración Murzuq, S.A.	Change in consolidation method	dec-09	E.M.	100,00	100,00	F.C.	100,00	100,00
Repsol Energy Canadá Ltd.	Canada	Repsol Exploración, S.A	Parent company change	Oct-09	F.C.	100,00	100,00	F.C.	100,00	100,00
Repsol Canadá Ltd.	Canada	Repsol Exploración, S.A	Parent company change	Oct-09	F.C.	100,00	100,00	F.C.	100,00	100,00
Gas Natural SDG, S.A	Spain	Repsol YPF, S.A	Increase of ownership	May-09	P.I.	30,89	30,89	P.I.	30,85	30,85
Gas Natural SDG, S.A	Spain	Repsol YPF, S.A	Reduction of ownership	Sep-09	P.I.	30,01	30,01	P.I.	30,85	30,85
ACES Hospital Trías i Pujol, A.I.E.	Spain	La Energía	Disposal	Jan-09				P.I.	15,42	50,00
Gas Natural S.U.R. SDG, S.A.(1)	Spain	Gas Natural SDG, S.A.	Acquisition	Apr-09	P.I.	30,01	100,00			
GEM Distribución Gas 1, S.A.(1)	Spain	Gas Natural SDG, S.A.	Acquisition	Apr-09	P.I.	30,01	100,00			
Eólicos singulares 2005, S.A.	Spain	Montouto 2000, S.A.	Acquisition	Apr-09	P.I.	0,15	49,00			
UNION FENOSA (1)	Spain	Gas Natural SDG, S.A.	Acquisition	Apr-09	P.I.	28,57	95,20			
Punta de Lens Eólica Marina, S.L.	Spain	Enel Unión Fenosa Renovables SA	Acquisition	May-09	P.I.	15,01	50,00			
Punta de las Olas Eólica Marina, S.L.	Spain	Enel Unión Fenosa Renovables SA	Acquisition	May-09	P.I.	15,01	50,00			
Andaluz de Energía Solar Primera, S.L.	Spain	Energías Especiales Andalucía SL	Acquisition	May-09	P.I.	9,12	30,40			
Andaluz de Energía Solar Tercera, S.L.	Spain	Energías Especiales Andalucía SL	Acquisition	May-09	P.I.	9,00	30,00			
Andaluz de Energía Solar Cuarta, S.L.	Spain	Energías Especiales Andalucía SL	Acquisition	May-09	P.I.	9,12	30,40			
Andaluz de Energía Solar Quinta, S.L.	Spain	Energías Especiales Andalucía SL	Acquisition	May-09	P.I.	9,00	30,00			
Energías Especiales de Andalucía, SL	Spain	Enel Unión Fenosa Renovables SA	Reduction of ownership	May-09	P.I.	12,00	40,00			
GN Wind 6, S.L.(1)	Spain	Gas Natural Corporación Eólica, S.L.	Reduction of ownership	May-09	P.I.	18,01	60,00	P.I.	30,01	100,00
Distribuidora de Electricidad Norte, S.A. (1)	Nicaragua	Unión Fenosa Internacional, S.A.	Acquisition	Jun-09	P.I.	26,32	87,70			
Distribuidora de Electricidad Sur, S.A. (1)	Nicaragua	Unión Fenosa Internacional, S.A.	Acquisition	Jun-09	P.I.	26,71	89,00			
Cedifil Cored Wired, S.L.(1)	Spain	Compañía Española de Industrias Electroquímicas SA	Acquisition	Jun-09	P.I.	29,56	98,48			
Gas Energía Suministro Sur, S.L.(1)	Spain	Gas Natural SDG, S.A.	Acquisition	Jun-09						
Gas Energía Suministro, S.L.(1)	Spain	Gas Natural SDG, S.A.	Acquisition	Jun-09						
Gas Energía Servicios Comunes, S.L.(1)	Spain	Gas Natural SDG, S.A.	Acquisition	Jun-09						
Unión Fenosa Centro de Tesorería, S.L	Spain	Gas Natural SDG, S.A.	Disposal	Jun-09						
Energías Especiales de Portugal, U.Ltda.	Portugal	Enel Unión Fenosa Renovables SA	Acquisition	Jun-09	P.I.	15,01	50,00			
Empresa de Energía del Pacífico, S.A.(1)	Colombia	Gas Natural SDG, S.A.	Acquisition	Jul-09	P.I.	19,21	64,00			
Compañía de Electricidad de Tulua, S.A.(1)	Colombia	Gas Natural SDG, S.A.	Acquisition	Jul-09						
Indra Sistemas, S.A	Spain	Gas Natural SDG, S.A.	Disposal	Jul-09						
GEM Suministro SUR 2, S.L.(1)	Spain	Gas Natural SDG, S.A.	Acquisition	Jul-09	P.I.	30,01	100,00			
GEM Suministro GAS 2, S.L.(1)	Spain	Gas Natural SDG, S.A.	Acquisition	Jul-09	P.I.	30,01	100,00			
GEM Servicios Comunes 2, S.L (1)	Spain	Gas Natural SDG, S.A.	Acquisition	Jul-09	P.I.	30,01	100,00			
Kangra Coal, S.A (1)	South Africa	Unión Fenosa South Africa Coal (PTY), LTD	Acquisition	Jul-09	P.I.	21,01	70,01			
Albidona Distribuzione Gas SRL	Italy	Gas Natural Distribuzione SPA	Acquisition	Jul-09	P.I.	18,01	60,00			
Planificación e Inversión Estratégica, S.A	Spain	Gas Natural SDG, S.A.	Disposal	Jul-09						
UNIÓN FENOSA (1)	Spain	Gas Natural SDG, S.A.	Increase of ownership	Sep-09	P.I.	1,44	4,80			
Energías Especiales de Padul, S.L.U	Spain	Enel Unión Fenosa Renovables SA	Acquisition	Sep-09	P.I.	15,01	50,00			
Distribuidora de Electricidad del Norte, S.A.(1)	Spain	Unión Fenosa Internacional, S.A.	Acquisition	Oct-09	P.I.	26,50	88,30			
Distribuidora de Electricidad del Sur, S.A (1)	Spain	Unión Fenosa Internacional, S.A.	Acquisition	Oct-09	P.I.	26,93	89,75			
Unión Fenosa Colombia, S.A	Colombia	Gas Natural SDG, S.A.	Disposal	Nov-09						
Compañía de Electricidad de Tulua, S.A.	Colombia	Gas Natural SDG, S.A.	Disposal	Dec-09						
Empresa de Energía del Pacífico, S.A.	Colombia	Gas Natural SDG, S.A.	Disposal	Dec-09						
Gas Energía Suministro Sur, S.L	Spain	Gas Natural SDG, S.A.	Disposal	Dec-09						
Gas Energía Suministro, S.L.	Spain	Gas Natural SDG, S.A.	Disposal	Dec-09						
Gas Energía Servicios Comunes, S.L	Spain	Gas Natural SDG, S.A.	Disposal	Dec-09						
Gas Natural Cantabria, S.A	Spain	Gas Natural SDG, S.A.	Disposal	Dec-09				P.I.	27,13	90,41
Gas Natural Murcia, S.A.	Spain	Gas Natural SDG, S.A.	Disposal	Dec-09				P.I.	29,98	99,90
Unión Fenosa Emisiones, S.A.	Spain	Gas Natural SDG, S.A.	Disposal	Dec-09						
Unión Fenosa Univer, S.L	Spain	Gas Natural SDG, S.A.	Disposal	Dec-09						
Gasdotti Azienda Siciliana, SPA	Italy	Gas Natural Distribuzione Italia, SPA	Withdrawal from scope of consolidation due to merger with Gas Natural Distribuzione, SPA	Jan-09				P.I.	27,01	90,00
Aragas, SPA	Italy	Gas Natural Distribuzione SPA	Withdrawal from scope of consolidation due to merger with Gas Natural Distribuzione, SPA	Jan-09				P.I.	27,01	90,00
Normanna Gas, SPA	Italy	Gas Natural Distribuzione Italia, SPA	Withdrawal from scope of consolidation due to merger with Gas Natural Distribuzione, SPA	Jan-09				P.I.	27,01	90,00
Smedigas SPA	Italy	G. N. Internacional	Withdrawal from scope of consolidation due to merger with Gas Natural Distribuzione, SPA	Jan-09				P.I.	30,01	100,00
Gas Natural La Coruña, S.A	Spain	Gas Galicia SDG, S.A.	Withdrawal from scope of consolidation due to merger with Gas Natural Galicia SDG, S.A.	Apr-09				P.I.	16,23	56,40

Name	Country	Parent Company	Concept	Date	12.31.2010			01.01.09		
					% of Total Ownership			% of Total Ownership		
					Consolidation Method (2)	% of Direct Ownership	% of Control (3)	Consolidation Method (2)	% of Direct Ownership	% of Control (3)
Gases de Barrancabermeja, S.A	Spain	Gas Natural del Oriente	Withdrawal from scope due to merger with Gas Natural del Oriente, S.A. ESP					P.I.		
Unión Fenosa S.A	Spain	Gas Galicia SDG, S.A.	Withdrawal from scope due to merger with Gas Natural SDG, S.A.	May-09				P.I.		
Unión Fenosa Generación S.A	Spain	Gas Galicia SDG, S.A.	Withdrawal from scope due to merger with Gas Natural SDG, S.A.	May-09				P.I.		
Boreas Eólica, S.A	Spain	Desarrollo de Energías Renovables, S.A.	Withdrawal from scope due to merger with Gas Natural SDG, S.A.	Nov-09				P.I.	27,01	90,00
Desarrollo de Energías Renovables, S.A	Spain	Gas Natural Corporación Eólica, S.L.	Withdrawal from scope of consolidation due to merger with Gas Natural Corporación Eólica, S.L.	Nov-09				P.I.	16,93	56,40
Mecogas SRL	Italy	Italmeco S.R.L.	Withdrawal from scope of consolidation due to merger with Gas Natural Distribuzione, SPA	Nov-09				P.I.	30,01	100,00
Congas Servizi Consorzio Gas Acqua Servizi, SPA	Italy	Gas Natural Distribuzione Italia, SPA	Withdrawal from scope of consolidation due to merger with Gas Natural Distribuzione, SPA	Nov-09				P.I.	27,01	90,00
Italmeco SRL	Italy	Gas Natural Distribuzione Italia, SPA	Withdrawal from scope of consolidation due to merger with Gas Natural Distribuzione, SPA	Dec-09				P.I.	30,01	100,00
Pitta Construzioni S.p.A.	Italy	Gas Natural Distribuzione Italia, SPA	Withdrawal from scope of consolidation due to merger with Gas Natural Distribuzione, SPA	Dec-09				P.I.	27,13	90,40
Calgas S.C.A.R.L.	Italy	Gas Natural Distribuzione Italia, SPA	Withdrawal from scope of consolidation due to merger with Gas Natural Distribuzione, SPA	Dec-09				P.I.	30,01	100,00
Unión Fenosa Metra, S.L.	Spain	Gas Natural SDG, S.A.	Withdrawal from scope of consolidation due to merger with Gas Natural Comercial, S.L.	Dec-09				P.I.		
Gas Natural Soluciones, S.L	Spain	Gas Natural SDG, S.A.	Withdrawal from scope of consolidation due to merger with Gas natural Servicios, S.L.	Dec-09				P.I.		

(1) Data corresponding to this company has been incorporated via full consolidation into the Parent Company. The Parent Company is integrated proportionally into the Repsol YPF Group.

(2) Consolidation Method:

F.C. Full consolidation

P.I. Proportionate Integration

E.M. Equity Method

(3) Percentage corresponding to the Parent Company's ownership in the subsidiary company.

(4) Changes of balance sheet epigraphs generated by this variation are exposed in the "Reclasification and others" note of the movements presented in different notes.

APPENDIX II: Assets and Jointly Controlled Operations for the year ended December 31, 2010

Name	% Ownership (1)	Operator	Activity
Algeria			
Gassi Chergui	90.00%	Repsol Exploración Argelia, S.A.	Exploration and production
M'sari-Akabi	45.00%	Repsol Exploración Argelia, S.A.	Exploration and production
Sud Est Illizi	52.50%	Repsol Exploración Argelia, S.A.	Exploration and production
Reggane	45.00%	Repsol Exploración Argelia, S.A.	Exploration and production
Issouane (TFR)	59.50%	Repsol Exploración Argelia - Sonatrach	Exploration and production
TFT	30.00%	Grupement TFT	Exploration and production
Argentina			
Acambuco UTE	22.50%	Pin American Energy LLC	Exploration and production
Aguada Pichana UTE	27.27%	Total Austral S.A.	Exploration and production
Aguaragüe UTE	30.00%	Tecpetrol S.A.	Exploration and production
CAM-2/A SUR UTE	50.00%	Sipetrol Argentina S.A.	Exploration and production
Campamento Central/ Cahadón Perdido UTE	50.00%	YPF	Exploration and production
El Tordillo UTE	12.20%	Tecpetrol S.A.	Exploration and production
La Tapera y Puesto Quiroga UTE	12.20%	Tecpetrol S.A.	Exploration and production
Llancanelo UTE	51.00%	YPF	Exploration and production
Magalflanes UTE	50.00%	Sipetrol Argentina S.A.	Exploration and production
Palmar Largo UTE	30.00%	Pluspetrol S.A.	Exploration and production
Puesto Hernández UTE	61.55%	Petrobras Energía S.A.	Exploration and production
Consortio Ramos	15.00%	Pluspetrol S.A.	Exploration and production
San Roque UTE	34.11%	Total Austral S.A.	Exploration and production
Tierra del Fuego UTE	30.00%	Petrolera L.F. Company S.R.L.	Exploration and production
Zampal Oeste UTE	10.00%	YPF	Exploration and production
Consortio Yac La Ventana - Río Tunuyan	60.00%	YPF	Exploration and production
Consortio CNQ 7/A	50.00%	Petro Andina Resources Ltda.	Exploration and production
Proyecto GNL Escobar	50.00%	YPF	Exploration and production
Bolivia			
Bloque San Alberto	50.00%	Petrobras Bolivia S.A.	Exploration, Exploitation and Production
Bloque San Antonio	50.00%	Petrobras Bolivia S.A.	Exploration, Exploitation and Production
Bloque Montagudo	20.00%	Petrobras Bolivia S.A.	Exploration, Exploitation and Production
Bloque Montagudo	30.00%	Repsol YPF E&P Bolivia S.A.	Exploration, Exploitation and Production
Bloque Caijipiendi	37.50%	Repsol YPF E&P Bolivia S.A.	Exploration, Exploitation and Production
Asociación Accidental Tecna y Asociados	10.00%	Tecna Bolivia SA	LGN Engineering Plant
Planta de Servicios de Comprensión de Gas Río Grande	50.00%	Andina, S.A.	Gas compression
Brazil			
Albacora Leste	10.00%	Petrobras	Production
BMC-33	35.00%	Repsol Brasil (2)	Exploration
BMES-29	40.00%	Repsol Brasil (2)	Exploration
BMS-44	25.00%	Petrobras	Exploration
BMS-48	40.00%	Repsol Brasil (2)	Exploration
BMS-50	20.00%	Petrobras	Exploration
BMS-51	20.00%	Petrobras	Exploration
BMS-55	40.00%	Repsol Brasil (2)	Exploration
BMS-7	37.00%	Petrobras	Exploration
BMS-9	25.00%	Petrobras	Exploration
Canada			
Canaport LNG Limited Partnership	75.00%	Repsol Canada LTD	LNG Regasification
Colombia			
Capachos	50.00%	Repsol Exploración Colombia	Exploration and production
Catleya	50.00%	Ecopetrol	Exploration
Cebucan	20.00%	Petrobras	Exploration
Ecuador			
Bloque 16	35.00%	Repsol YPF Ecuador S.A.	Exploration and production
Bloque 16	20.00%	Amodaimi Oil Company (sucursal)	Exploration and production
Spain			
Albatros	82.00%	Repsol Investigaciones Petrolíferas, S.A.	Development
Angula	54.00%	Repsol Investigaciones Petrolíferas, S.A.	Development
Barracuda	60.21%	Repsol Investigaciones Petrolíferas, S.A.	Production
Boquerón	66.45%	Repsol Investigaciones Petrolíferas, S.A.	Production
Canarias	50.00%	Repsol Investigaciones Petrolíferas, S.A.	Exploration
Casablanca	76.85%	Repsol Investigaciones Petrolíferas, S.A.	Development
Chipirón	100.00%	Repsol Investigaciones Petrolíferas, S.A.	Production
Fulmar	69.00%	Repsol Investigaciones Petrolíferas, S.A.	Exploration
Gaviota I y II	82.00%	Repsol Investigaciones Petrolíferas, S.A.	Development / Production
Montanazo	92.10%	Repsol Investigaciones Petrolíferas, S.A.	Development / Production
Rodaballo	73.00%	Repsol Investigaciones Petrolíferas, S.A.	Production
Murcia - Siroco	100.00%	Repsol Investigaciones Petrolíferas, S.A.	Exploration
Bezama Bigüenzo	88.00%	Petroleum	Exploration
Calypso Este	75.00%	Repsol Investigaciones Petrolíferas, S.A.	Exploration
Calypso Oeste	75.00%	Repsol Investigaciones Petrolíferas, S.A.	Exploration
Circe	75.00%	Repsol Investigaciones Petrolíferas, S.A.	Exploration
Marismas Marino Norte	40.00%	Petroleum	Exploration
Marismas Marino Sur	40.00%	Petroleum	Exploration
Tortuga	95.00%	Repsol Investigaciones Petrolíferas, S.A.	Exploration
Casablanca Unit	68.67%	Repsol Investigaciones Petrolíferas, S.A.	Development / Production
Rodaballo Concesión	65.41%	Repsol Investigaciones Petrolíferas, S.A.	Development
Morcin - I	20.00%	Petroleum Oil&Gas España	Exploration
Villaviciosa	70.00%	Petroleum Oil&Gas España	Exploration
Buque Sestao Knutsen	50.00%	Repsol Gas Natural LNG, S.L.	Transportation of LNG
Buque Iberica Knutsen	50.00%	Repsol Gas Natural LNG, S.L.	Transportation of LNG
Comunidad de bienes Central Nuclear de Trillo (Grupo I)	34.50%	Iberdrola, Endesa, Hidrocarbónico	Generation of electricity
Comunidad de bienes Central Nuclear de Almaraz (Grupo I y II)	11.30%	Iberdrola, Endesa, Hidrocarbónico	Generation of electricity
Comunidad de bienes Central Térmica de Anllares	66.70%	Endesa Generación, SA	Generation of electricity
Comunidad de bienes Central Térmica de Aceca	50.00%	Iberdrola.	Generation of electricity
Equatorial Guinea			
Bloque C	57.38%	Repsol Exploración Guinea	Exploration
Kenya			
L5	20.00%	Woodside energy	Exploration
L7	20.00%	Woodside energy	Exploration
Libya			
Epsa IV NC115 (Capex)	25.20%	Akaskas Oil Operations	Exploration and Production
EPSA IV NC186 (Capex)	19.84%	Akaskas Oil Operations	Exploration and Production
Epsa IV NC115 Explorac.	40.00%	Repsol Exploración Murzuq, S.A.	Exploration and Production
Epsa IV NC186 Explorac.	32.00%	Repsol Exploración Murzuq, S.A.	Exploration and Production
EPSA 97 NC186	32.00%	Repsol Exploración Murzuq, S.A.	Exploration and Production
Pack 1	60.00%	Repsol Exploración Murzuq, S.A.	Exploration and Production
Pack 3	35.00%	Woodside Energy, N.A.	Exploration and Production
Area 137	50.00%	Petrocanada Ventures (North Africa) Ltd.	Exploration and Production
Morocco			
Tanger Larache	88.00%	Repsol Exploración Marruecos	Exploration
Mauritania			
TA09	70.00%	Repsol Exploración	Exploration
TA10	70.00%	Repsol Exploración	Exploration
Norway			
Licencia PL512	25.00%	Det Norske	Exploration
Licencia PL541	50.00%	Repsol Exploration Norge	Exploration
Licencia PL557	40.00%	OMV (Norge)	Exploration
Licencia PL356	40.00%	Det Norske	Exploration
Oman			
Zad-2	50.00%	RAK Petroleum	Exploration
Peru			
Lote 57	53.84%	Repsol Exploración Perú Sucursal del Perú	Exploration and development of Hydrocarbons
Lote 39	55.00%	Repsol Exploración Perú Sucursal del Perú	Exploration of Hydrocarbons
Lote 90	50.50%	Repsol Exploración Perú Sucursal del Perú	Exploration of Hydrocarbons
Lote 56	10.00%	Pluspetrol Perú Corporation	Production of Hydrocarbons
Lote 88	10.00%	Pluspetrol Perú Corporation	Production of Hydrocarbons
Lote 76	50.00%	Hunt Oil Company of Perú LLC Sucursal del Perú	Exploration of Hydrocarbons
Lote 103	30.00%	Talisman Petrolera del Perú LLC Sucursal del Perú	Exploration of Hydrocarbons
Lote 109	100.00%	Repsol Exploración Perú Sucursal del Perú	Exploration of Hydrocarbons
Sierra Leone			
SL6	25.00%	Anadarko, S.L.	Exploration
SL7	25.00%	Anadarko, S.L.	Exploration
Trinidad and Tobago			
Bloque 5B	30.00%	Amoco Trinidad Gas BV	Exploration
Venezuela			
Yucal Placer	15.00%	Repsol YPF Venezuela	Exploration and Production

(1) Corresponds to the ownership that the proprietor company holds of the asset involved in the operation.
(2) This company changed its name to Repsol Sinopec Brasil, S.A. in February 2011.

Assets and Jointly Controlled Operations for the year ended December 31, 2009

Name	% Ownership (1)	Operator	Activity
Algeria			
Gassi Chergui	90,00%	Repsol Exploración Argelia, S.A.	Exploration and production
M'sari Akabli	45,00%	Repsol Exploración Argelia	Exploration and production
Reggane	45,00%	Repsol Exploración Argelia	Exploration and production
Issaouane (TFR)	59,50%	Repsol Exploración Argelia - Sonatrach	Exploration and production
TFT	30,00%	Grupement TFT	Exploration and production
Argentina			
Acambuco UTE	22,50%	Pan American Energy LLC	Exploration and production
Agua Pichana UTE	27,27%	Total Austral S.A.	Exploration and production
Aguaragüe UTE	30,00%	Tecpetrol S.A.	Exploration and production
CAM-2/A SUR UTE	50,00%	Sipetrol Argentina S.A.	Exploration and production
Campamento Central / Cañadón Perdido UTE	50,00%	YPF	Exploration and production
El Tordillo UTE	12,20%	Tecpetrol S.A.	Exploration and production
La Tapera y Puesto Quiroga UTE	12,20%	Tecpetrol S.A.	Exploration and production
Llancanelo UTE	51,00%	YPF	Exploration and production
Magallanes UTE	50,00%	Sipetrol Argentina S.A.	Exploration and production
Palmar Largo UTE	30,00%	Pluspetrol S.A.	Exploration and production
Puesto Hernández UTE	61,55%	Petrobras Energía S.A.	Exploration and production
Consortio Ramos	15,00%	Pluspetrol S.A.	Exploration and production
San Roque UTE	34,11%	Total Austral S.A.	Exploration and production
Tierra del Fuego UTE	30,00%	Petrolera L.F. Company S.R.L.	Exploration and production
Zampal Oeste UTE	70,00%	YPF	Exploration and production
Consortio Yac La Ventana - Río Tunuyan	60,00%	YPF	Exploration and production
Consortio CNQ 7/A	50,00%	Petro Andina Resources Ltd.	Exploration and production
Bolivia			
Asociación Accidental Tecna y Asociados	10,00%	Tecna Bolivia SA	LGN Engineering Plant
Bloque Monteagudo	50,00%	Repsol E&P Bolivia S.A.	Exploration
Bloque Caipipendi	37,50%	Repsol E&P Bolivia S.A.	Exploration, exploitation and production
Bloque Charagua	30,00%	Repsol E&P Bolivia S.A.	Exploration, exploitation and production
Bloque San Alberto	50,00%	Petrobras Bolivia S.A.	Exploration, exploitation and production
Bloque San Antonio	50,00%	Petrobras Bolivia S.A.	Exploration, exploitation and production
Planta de Servicios de Comprensión de Gas Río Grande	50,00%	Andina, S.A.	Gas compression
Brazil			
BM-C-33	35,00%	Repsol YPF Brasil	Exploration
BM-ES-29	40,00%	Repsol YPF Brasil	Exploration
BM-S-55	40,00%	Repsol YPF Brasil	Exploration
BM-S-48	40,00%	Repsol YPF Brasil	Exploration
BM-S-51	20,00%	Petrobras S.A.	Exploration
BM-S-50	20,00%	Petrobras S.A.	Exploration
BM-S-44	25,00%	Petrobras S.A.	Exploration
BM-S-9	25,00%	Petrobras S.A.	Exploration
BM-S-7	37,00%	Petrobras S.A.	Exploration
ALBACORA LESTE	10,00%	Petrobras S.A.	Production
Canada			
Canaport LNG Limited Partnership	75,00%	Repsol Canadá LTD	LNG regasification
Colombia			
Capachos	50,00%	Repsol Exploración Colombia	Exploration and production
El Queso	50,00%	Repsol Exploración Colombia	Exploration
Catleya	50,00%	Ecopetrol	Exploration
Cebucan	20,00%	Petrobras	Exploration
Guadual	20,00%	Petrobras	Exploration
Ecuador			
Bloque 16	35,00%	Repsol YPF Ecuador S.A.	Exploration and production
Bloque 16	20,00%	Amodaimi Oil Company (sucursal)	Exploration and production
Spain			
Albatros	82,00%	Repsol Investigaciones Petrolíferas S.A.	Development
Boquerón	66,50%	Repsol Investigaciones Petrolíferas S.A.	Exploration and production
Angula	54,00%	Repsol Investigaciones Petrolíferas S.A.	Development
Casablanca	76,46%	Repsol Investigaciones Petrolíferas S.A.	Exploration and production
Gaviota I y II	82,00%	Repsol Investigaciones Petrolíferas S.A.	Development and production
Barracuda	60,00%	Repsol Investigaciones Petrolíferas S.A.	Production
Rodaballo	73,00%	Repsol Investigaciones Petrolíferas S.A.	Exploration and production
Chipirón	100,00%	Repsol Investigaciones Petrolíferas S.A.	Exploration and production
Montanazo	92,06%	Repsol Investigaciones Petrolíferas S.A.	Exploration and production
Siroco A-C	100,00%	Repsol Investigaciones Petrolíferas S.A.	Exploration
Canarias I	50,00%	Repsol Investigaciones Petrolíferas S.A.	Exploration
Fulmar	69,00%	Repsol Investigaciones Petrolíferas S.A.	Exploration
Central Nuclear de Trillo (Grupo I)	34,50%	Iberdrola, Endesa, Hidrocarbón	Generation of electricity
Central Nuclear de Almaraz (Grupo I y II)	11,29%	Iberdrola, Endesa, Hidrocarbón	Generation of electricity
Central Térmica de aceca	50,00%	Iberdrola	Generation of electricity
Central Térmica de anllares	66,67%	Endesa Generación, S.A.	Generation of electricity
Sestao Knutsen	50,00%	Repsol Gas Natural LNG, S.L.	Exploration and production
Iberica Knutsen	50,00%	Repsol Gas Natural LNG, S.L.	Exploration and production
Guinea			
Bloque C	57,38%	Repsol Exploración Guinea	Exploration
Kenya			
L5	20,00%	Woodside energy	Exploration
L7	20,00%	Woodside energy	Exploration
Libya			
NC115 EPSA IV	25,20%	Akakus Oil Operations	Production
NC186 EPSA IV	19,84%	Akakus Oil Operations	Production
BLOQUES 199-204	60,00%	Repsol Exploración Murzuq	Exploration
BLOQUES 205-210	35,00%	Woodside Energy N.A.	Exploration
BLOQUE 137	50,00%	Petrocanada Ventures (North Africa) Ltd.	Exploration
Morocco			
Tanger Larache	88,00%	Repsol Exploración Marruecos	Exploration
Mauritania			
TA09	70,00%	Repsol Exploración	Exploration
TA10	70,00%	Repsol Exploración	Exploration
Peru			
Lote 57	53,84%	Repsol Exploración Perú S.A.	Exploration and development of hydrocarbons
Lote 39	55,00%	Repsol Exploración Perú S.A.	Exploration
Lote 90	50,50%	Repsol Exploración Perú S.A.	Exploration
Lote 56	10,00%	Pluspetrol Perú Corporation SA	Production
Lote 88	10,00%	Pluspetrol Perú Corporation SA	Production
Lote 76	50,00%	Hunt Oil Company of Perú L.L.C. Sucursal del Perú	Exploration
Lote 103	30,00%	Talisman Petrolera del Perú LLC Sucursal del Perú	Exploration
Sierra Leone			
SL6	25,00%	Anadarko, S.L.	Exploration
SL7	25,00%	Anadarko, S.L.	Exploration
Trinidad and Tobago			
Bloque 5B	30,00%	Amoco Trinidad Gas BV	Exploration
Venezuela			
Yucal Placer	15,00%	Repsol YPF Venezuela	Exploration and production

(1) Corresponds to the ownership that the proprietor company holds of the asset involved in the operation.

APPENDIX III. Investments and/or positions held by the members of the Board of Directors and related people in Companies with the same, similar or complementary activity than Repsol YPF, S.A.

D. Antonio Brufau Niubó

Positions:

Vice President of Gas Natural SDG, S.A. Board of Directors

Investments:

Gas Natural SDG, S.A.: 74,612 shares

Related Persons Shares:

Gas Natural SDG, S.A.: 1,000 shares

D. Luis Fernando del Rivero Asensio

Positions:

Board Member of Valoriza Gestión, S.A.U.
President of Vallehermoso División Promoción, S.A.U.

D. Isidro Fainé Casas

Investments:

Gas Natural SDG S.A.: 104,512 shares

D. Carmelo de las Morenas López

Related Persons Shares:

BP: 72,000 shares

D. José Manuel Loureda Mantiñán

Positions:

President of Valoriza Gestión, S.A.U.
Board Member of Vallehermoso División Promoción, S.A.U.

D. Juan María Nin Génova

Positions:

Board Member of Gas Natural SDG, S.A.

Investments:

Gas Natural SDG, S.A.: 144 shares

D. Henri Philippe Reichstul

Positions:

Board Member of Ashmore Energy International

D. Luis Suárez de Lezo Mantilla

Positions:

Board Member of Gas Natural SDG, S.A.

Board Member of Repsol – Gas Natural LNG, S.L.

Investments:

Gas Natural SDG, S.A.: 17,530 shares

Related Persons Shares:

Gas Natural SDG, S.A.: 964 shares

Iberdrola, S.A.: 365 shares

CONSOLIDATED MANAGEMENT REPORT
2010
REPSOL YPF GROUP

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GENERAL AND ECONOMIC-FINANCIAL INFORMATION

MACROECONOMIC ENVIRONMENT

This year, 2010, has marked the beginning of global economic recovery after the crisis of 2008-2009, already known as the *Great Recession*. The world economy has grown 5.0% during 2010 and forecasts estimate 4.4% growth during 2011. However, the global economy is still facing the consequences of the crisis and this recovery process is not free of risks and weaknesses.

After a first half of the year during which the pace of recovery was stronger than expected - thanks to the upward trend in inventories and fixed investments, which led to a strong increase in international trade - the tendency in the following stage was more moderate growth.

This moderation began to be noticeable in the second half of the year, with slower industrial production and global exports, despite a higher-than-expected consumer spending in Japan and the United States, fostered by the incentive programmes introduced by both economies, which maintained economic growth in the period above the forecast rates.

The different speeds of recovery seen in each region during both the crisis and the recovery process as a whole became consolidated this year. The most advanced economies have grown 3.0% in 2010 and estimates for 2011 are in the region of 2.5%, while emerging economies grew 7.1% and are expected to grow about 6.5% in 2011. Similarly, in late 2010, the industrial activity in some emerging economies was above the activity levels recorded before the crisis, while a large number of advanced economies had not yet regained their record levels.

This uneven progress has posed different challenges in terms of economic policies. Although in advanced economies private consumer spending has become steadier, the moderate economic growth may not be enough to tackle the high unemployment rate. These countries still have to deal with the excesses of the period before the crisis by reforming their financial systems and, in the most indebted economies in the Eurozone, they must also face the challenge of fiscal sustainability.

At the same time, many developing economies have already recovered their economic activity levels and, in some cases, they are not far from achieving full employment. Their favourable evolution has led them to receive strong capital input which, in addition to the prosperous economy, have caused the onset of inflationary pressure and even symptoms of overheating. For this reason, some of these economies have partially withdrawn the incentive measures they had introduced to face the crisis.

Regarding the main economies, the United States achieved 2.9% growth, managing to avoid the feared *double dip*. However, the rebound in activity towards late 2009 and early 2010 was supported mainly by transitory factors, such as public aid and an expansive inventory cycle.

By mid-year the economy suffered a slowdown that was noticed in a new growth of the unemployment rate and a steep fall-off in property sales, increasing the fear of a new recession. The American authorities reacted by announcing new expansive monetary and tax policies. These were, on the one hand, a programme to buy up public debt announced by the Federal Reserve, known as "Quantitative Easing 2", and on the other, an agreement between the two main parties to extend tax exemptions for the next two years, equivalent to US\$ 800 billion. These measures managed to accelerate growth towards the end of 2010. However, significant weaknesses still remain, mostly connected to the property market and high unemployment.

Global reactivation also reached the Eurozone, which finished 2010 with a 1.8% growth, while estimates for 2011 are around 1.5%. The German economy is still the driving force behind the region's economic recovery, which is still weak due to the tensions in the peripheral Eurozone countries and the high levels of unemployment.

Throughout 2010, international financial stability was affected by doubts regarding the sustainability of the public accounts of some of the region's countries, especially Greece and Ireland. The fear that these countries could not meet their sovereign debt obligations and the effect this would have on the single currency led to the creation of the European Financial Stability Mechanism and the approval of financial aid for those countries. The persistent risk that the crisis could spread to other economies in the Eurozone led the European Central Bank to extend its expansive monetary policy.

Despite these measures, doubts about the sustainability of public debt in several countries and about the cost of restructuring their debt could involve for bondholders have kept interest rate differential of these countries' debt high compared to German debt.

For its part, Spain's Gross Domestic Product (GDP) dropped 0.1% in 2010, although positive quarterly growth rates indicate that economic recovery is beginning, albeit slowly.

During the first half of the year, private consumer spending showed some improvement, mostly linked to transitory measures. However, the persistence of high unemployment rates and the lack of credit have kept domestic demand at a low level, thus dragging down the whole economy.

The foreign sector was the main source of movement this year. The gradual recovery of Spain's main trade partners boosted the export sector, avoiding a more marked setback in activity and employment.

What happened in Greece and Ireland had a major impact on market perception of Spanish public debt, causing a sharp rise in the country risk and making access to finance expensive for both the public and private sectors.

Doubts about the capacity of the Spanish economy to go back to positive growth rates, along with the steep increase in public deficit registered in 2009 (-11.1% of GDP) forced the Government to implement measures to cut public deficit and to carry out structural reforms in order to provide the maximum credibility for the fiscal consolidation path.

Untouched by these trends, Latin America, in general terms, is experiencing strong, fast economic recovery thanks to the rebound in commodity prices and to relatively favourable financing conditions. The region's GDP has grown 5.9% in 2010, which is expected to be moderated to 4.3% in 2011.

This positive trend is reflected in risk premiums which, for some Latin American economies, are currently lower than those demanded from developed economies. However, some of the main economies in the region are receiving strong capital input, which they should handle with careful macroeconomic management.

The growth in the Asia-Pacific region has already gone back to the rhythm it had before the crisis and the solidity in growth stands out compared to the weaknesses of more advanced economies. The emerging Asian economies, with China at the forefront, have grown 9.3% in 2010, and are expected to reach 8.4% in 2011.

Towards the end of the year, and especially after the Federal Reserve's decision to inject more dollars into the American economy, a return of inflationary pressure in countries such as China, South Korea, India, Australia and New Zealand, has led their governments to raise interest rates and adopt more restrictive monetary policies.

Recovery of global oil demand

The behaviour of the oil market during 2010 was characterised by a recovery of supply and demand fundamentals and, as a consequence, of prices, which were significantly influenced by the global economic-financial context.

Regarding the fundamentals, 2010 marked a change with respect to the two previous years, when consumption shrunk by about 1.5 million barrels. On the contrary, this year saw an increase in global oil demand in excess of two million barrels per day, according to official international energy agencies.

The main drivers behind this growth in demand were China, the United States and the rest of those countries that do not belong to the Organization for the Economic Cooperation and Development (OECD), of which China and the United States accounted for almost half of the global demand growth in 2010.

During 2010, there still was a certain excess supply on the market as a direct consequence of two factors. The first being the policy applied by the Organization of Petroleum Exporting Countries (OPEC), which led to production levels of about 2 million barrels per day, well above their agreed quotas. The second factor was the high inventory levels carried over from 2009, despite their gradual reduction during 2010.

Regarding the price of oil, it was highly volatile during the year, with an average of about US\$ 80 per barrel (79.6 in the case of West Texas Intermediate oil), an increase of about 29% compared to 2009 or a price increase of nearly US\$ 18 per barrel.

The upward trend in prices was more noticeable in the second half of the year, highly influenced by macroeconomic and financial factors. In this sense, the monetary easing adopted by the United States in the second half of 2010 through quantitative expansion measures, which generated a capital flow towards high yielding assets (commodities and oil), which contributed to oil price increases.

THE GROUP'S ACTIVITIES

The Group's activities are divided into five business areas which correspond to the main divisions in its organizational structure:

- Three strategic integrated activities, including the operations undertaken by the Group's companies (except YPF and Gas Natural Fenosa) in the following areas:
 - Upstream, relating to the exploration and production of oil and natural gas;
 - LNG, relating to the midstream operations (liquefaction, transport and regasification) of natural gas and to marketing operations for natural gas and liquefied natural gas; and
 - Downstream, corresponding to refining and marketing activities involving oil products, chemicals, and liquefied petroleum gas.
- Two holdings in strategic companies:
 - YPF, which includes YPF S.A. and its Group operations in all of the aforementioned activities; as of 31 December 2010, the Group owned

79.81% of YPF, S.A., that is included in the Group's financial statements through full consolidation; and

- Gas Natural Fenosa, which mainly engages in natural gas marketing and the generation, distribution, and marketing of electricity; as of 31 December 2010, the Group owned 30.13% of Gas Natural Fenosa, which is included through proportional consolidation.

HORIZON 2014 PLAN

In 2010 the company presented the Horizon 2014 Plan to the markets, which establishes the Group's priorities for the 2010-2014 period. The remarkable success in explorations during 2008 and 2009, and the changes in the sector brought about by the financial crisis, led to the Group updating its objectives and bases, which will enable it to tackle the next growth stage.

The main strategic lines guiding each business are:

- Upstream: the company's driver of growth.
 - Repsol's presence in geographical areas with a high exploration potential and its recognised ability for deepwater exploration has transformed the company into one of the energy companies with the best growth prospects.
 - The investment strategy will be based on a solid portfolio of strategic projects: the exploitation of those already in operation and making progress on those projects in the delineation or development phase. Additionally, the company will continue to pursue its commitment for organic growth and for exploration activities in new areas of interest for the Group.
 - The development of these projects will increase the annual oil production in the Upstream area by between 3 and 4% until 2014, and even further up to 2019, with an estimated reserve replacement rate in excess of 110% for the next five years.
- Downstream: optimising and improving profitability
 - The projects to enlarge and improve the Bilbao and Cartagena refineries are already at a very advanced stage, and commercial operations are expected to start in late 2011. The start-up of these plants will increase exploitation margins and consolidate the company's integrated position and its position as leader in this business in Spain.
 - From 2012 onwards, the excellent position developed by Repsol's Downstream business will allow the company to capitalise on the economic recovery, thereby obtaining solid cashflow generation for the Group.
- YPF: capturing the company's hidden value.
 - YPF is a leading company in Argentina, a growing market that offers plenty of business opportunities. The energy transition that is taking place in the country towards international prices and the strict management of investments and costs will allow the company to reach the growth goal in results and dividends.

- Gas Natural Fenosa: a leader in the gas and electricity convergence industries.
 - Creation of a leading integrated gas and electricity company that will ensure steady cashflow generation for the Group.

The keys for generating value in the various businesses and strict financial discipline will enable the Group to reach the Plan's ultimate goal: maximising the value created for the stockholder.

In 2010, the Horizon 2014 Plan has benefited from investments of €5,106 million to help it achieve this goal. The main initiatives during the financial year were delineating the largest exploratory discoveries (in countries like Brazil and Venezuela); the progress made in the building phase of refining projects for Spain (Cartagena and Bilbao); the start-up of major projects such as Peru LNG; and the efficient operation of Repsol's earning assets (Shenzi in the Gulf of Mexico, I/R in Libya, Trinidad and Tobago, Bolivia and Canaport in Canada).

The latest discoveries made in West Africa and Latin America and the acquisition of new mining rights in Latin America, Norway, Oman, Algeria, Indonesia and Angola have laid the foundations for generating future growth.

Moreover, the Group's affiliate companies made progress in their respective strategic lines during 2010:

- YPF which, bolstered by the recovery of prices in Argentina, is focusing on the exploitation of mature fields (mainly through the improvement of the recovery factor) and making advances in marketing management and operational optimisation,
- Gas Natural Fenosa defined their new strategic framework for the upcoming years, after the acquisition and integration of Fenosa.

RESULTS

The Group's results for 2010 and 2009 are as follows:

(€ million)	2010	2009
OPERATING INCOME	7,621	3,244
Upstream	4,113	781
LNG	105	(61)
Downstream	1,304	1,022
YPF	1,453	1,021
Gas Natural Fenosa	881	748
Corporate, adjustments and others	(235)	(267)
FINANCIAL RESULT	(1,008)	(468)
NET INCOME BEFORE TAX AND SHARE OF RESULTS OF COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD	6,613	2,776
Income tax	(1,742)	(1,130)
Share of results of companies accounted for using the equity method	76	86
Net income for the year from discontinued operations	0	12
CONSOLIDATED NET INCOME FOR THE YEAR	4,947	1,744
Net Income attributable to minority interests	(254)	(185)
NET INCOME ATTRIBUTABLE TO THE PARENT	4,693	1,559

Repsol YPF's net income for 2010 was €4,693 million, more than three times the result obtained in the previous year (€1,559 million). Operating income was €7,621 million, up 134.9% from the €3,244 million posted a year earlier. EBITDA was €9,196 million, 36.3% more than in 2009. Earnings per share were €3.84.

The results in 2010 show an improvement in every business area and, in large part due to the agreement with China Petroleum & Chemical Corporation (Sinopec), achieve a record result for the Group.

This agreement is one of the highlights of the year. In December 2010, Repsol and Sinopec signed a strategic agreement to develop joint exploration and production projects in Brazil, and to this end formalised a capital increase for Repsol Brasil, S.A. ("Repsol Brasil", which in February 2011 changed its name to Repsol Sinopec Brasil S.A., "Repsol Sinopec Brasil") fully subscribed by Sinopec, for an amount of US\$ 7,111 million (€5,389 million). With this operation, Repsol has maintained its 60% stockholding in Repsol Sinopec Brasil, while Sinopec holds the remaining 40%. The agreement ensures financing for the development of the discoveries in Brazil, in particular Guar, Carioca and Panoramix, as well as their exploitation, reflecting an estimated market value of these assets of over US\$10.6 billion.

The operating income for the Upstream area (Exploration and Production) jumped 426.6% from €781 million in 2009 to €4,113 million by 31 December 2010. The result for 2010 includes € 2,847 million capital gains, resulting from the agreement between Repsol and Sinopec. Leaving these capital gains aside, the result for the Upstream area in 2010 is still higher than that of 2009, basically as a result of higher oil and gas resolution prices, and increased production in this period.

The Liquefied Natural Gas (LNG) business posted profits of €105 million in 2010, thanks to larger LNG trading margins and volumes than in 2009, a year in which this area's operating performance was negative, with a recorded loss of €61 million (a figure that includes the losses stemming from arbitration decisions such as the Gassi Touil dispute).

Operating income in the Downstream division (Refining, Marketing, Liquefied Petroleum Gas, Chemicals and Trading) was €1,304 million compared to €1,022 million in the previous year, implying a 27.6% increase. The operating income considering the inventories at the current cost of supplies (CCS), instead of at the average cost, was €806 million, 23.1% higher than the €655 million obtained in 2009, mainly due to the recovery of the chemical business and the improved results in refining.

Regarding YPF, it finished 2010 with a €1,453 million operating income, a 42.3% increase compared with €1,021 million in 2009. This increase is a result of bringing fuel prices in service stations closer to the international parity in dollars, and of the higher income from those products whose prices, despite being sold in Argentina's internal market, are linked to international prices, as well as the effect of the higher income stemming from exports.

Repsol's 30% stake in Gas Natural Fenosa generated an operating income of €881 million, 17.8% higher than the previous year, mainly due to the incorporation of 100% of Unión Fenosa from 30 April 2009, and the capital gains obtained in the subsequent divestment process.

The consolidated Group recorded a net financial result of minus €1,008 million in 2010 in comparison with minus €468 million a year earlier. The difference is mainly due to the increase in expenses for investments under a financial leasing arrangement (pipelines and gas tankers) and to the differences in exchange rates, which in 2009 yielded considerable profits due to the depreciation of the dollar against the euro, while in 2010 the dollar regained value in relation to the euro, thus having a negative impact on the financial result through positions with an exchange rate risk.

The Corporate Income Tax accrued was €1,742 million, with an effective tax rate of 26.3% (40.7% in 2009). This unusually low rate is a consequence of the unusual transactions carried out during the year (agreement with Sinopec, sale of Refap and CLH, etc.).

FINANCIAL OVERVIEW

At year-end 2010, Repsol YPF holds a solid financial position.

The Group's net financial debt excluding Gas Natural Fenosa, in other words, without taking into account the proportional integration of the figures corresponding to this company, was €1,697 million as of 31 December 2010, compared to the €4,905 million in the previous period, which means a 65% reduction. The good progress being made across the business, as well as the divestment of the Refinería Alberto Pasqualini (Refap) in Brazil, the sale of over 4% of YPF's capital to the market and, very

significantly, the capital increase for Repsol Brasil have been the causes behind this reduction.

The Group's consolidated net financial debt at year-end 2010 was €7,224 million, that is, €3,704 million less than the net debt as of 31 December 2009, which totalled €10,928 million.

During 2010, investments reached €5,091 million.⁽¹⁾ These investments are explained in detail in the sections pertaining to each business area contained in this Management Report.

Divestments in the year totalled €4,972 million⁽²⁾. Of this amount, it is important to point out, in addition to the inflow of funds as a result of the Sinopec agreement, the sale of 4.23% of the shares Repsol had in YPF on the market for a total amount of € 489 million. Likewise, it includes the sale of the 30% stake Repsol held in the Refinería Alberto Pasqualini (Refap), of 5% in the Compañía Logística de Hidrocarburos (CLH) and of 25% in Bahía de Bizkaia Gas (BBG). These transactions are dealt with in greater detail in the sections devoted to each business area contained in this Management Report.

During 2010, exceptionally, there was a single dividend payment (€0.425 per share as an 2009 final dividend) due to the payment of 2009 interim dividends by Repsol YPF, S.A. in December of that year. Furthermore, the Group's Board of Directors authorised a 2010 interim dividend of €0.525 per share, a 23.53% increase compared to the 2009 interim dividend, which was paid in January 2011.

In relation to transactions involving company shares, the Annual General Meeting held on 30 April 2010, resolved to grant authorisation to the Board of Directors "for the derivative acquisition of shares of Repsol YPF, S.A. by purchase, exchange, or by any other transaction for valuable consideration, directly or through controlled companies, in one or more transactions, up to a maximum number of shares that, added to those already held by Repsol YPF S.A. and its subsidiaries, do not exceed 10% of share capital and for a price or equivalent value that may not be lower than the nominal value of shares nor exceed the quoted price on the stock market."

This authorisation is valid for 5 years, from the date of the Annual General Meeting was held, leaving without effect the authorisation granted by the previous Annual General Meeting held on 14 May 2009, in the part that had not been used.

In 2010, Repsol YPF did not purchase or dispose of any of its own shares. As of 31 December 2010, neither Repsol YPF S.A. nor any of its affiliates held any shares of Repsol YPF, S.A.

Financial prudence

Repsol YPF keeps, in line with their prudent financial policy, cash resources and other net financial instruments, as well as unused lines of credit covering 78% of its entire gross debt and 63% of same including preference shares. Regarding Repsol YPF, excluding Gas Natural Fenosa, these resources cover the entire gross debt and over 80% when preference shares are included.

The financial investments are included in the headings listed under Note 12 of the Consolidated Financial Statements as "Other financial assets at fair value through profit

(1) This figure does not include financial investments of €15 million in 2010.

(2) This figure does not include financial divestments in the 2010 period, totalling €88 million.

and loss”, “Loans and receivables” and “Held-to maturity investments” (which include cash and cash equivalents), and amount to €8,177 million, €7.807 of which corresponds to Repsol YPF, not including Gas Natural Fenosa. The Group has also committed, unused lines of credit at its disposal for an amount of €4,666 million (excluding Gas Natural Fenosa), up from the €3,860 million at the end of 2009 (excluding Gas Natural Fenosa). For the whole consolidated Group, the amount in committed, unused lines of credit was €5,690 and €4,680 million as of 31 December 2010 and 2009, respectively, 79% of which are due after 31 December 2011.

Accordingly, net debt and the net debt/capital employed ratio, in which capital employed refers to net debt plus net equity, provides a true and fair view of the volume of necessary borrowings and their relative weighting in the funding of capital employed in transactions.

€ million, except ratios	31 December			
	Consolidated Group		Consolidated Group, excluding Gas Natural Fenosa	
	2010	2009	2010	2009
I. Net financial debt	7,224	10,928	1,697	4,905
II. Preference shares	3,748	3,726	3,568	3,548
III. Net financial debt, including preference shares	10,972	14,654	5,265	8,453
IV. Capital employed	36,958	36,045	30,777	29,346
Net financial debt to capital employed (I/IV)	19.5%	30.3%	5.5%	16.7%
Net financial debt including preference shares, to capital employed (III/IV)	29.7%	40.7%	17.1%	28.8%

At 31 December 2010, the Group’s net debt to capital employed ratio (excluding Gas Natural Fenosa) stood at 5.5% versus 16.7% at the end of the previous year. Taking preference shares into account, the variation in this ratio stood at 17.1% on 31 December 2010 compared to 28.8% at year-end 2009.

As of 31 December 2010, the Consolidated Group’s net debt to capital employed ratio was 19.5% versus 30.3% on 31 December 2009. Including preference shares the ratio was 29.7% in comparison with 40.7% at the end of 2009.

Below is the breakdown of the changes in the net financial debt during the 2010 and 2009 financial years:

(€ million)	Consolidated Group		Consolidated Group, excluding Gas Natural Fenosa	
	2010	2009	2010	2009
Net financial debt at the beginning of the period	10,928	3,481	4,905	2,030
EBITDA	(9,196)	(6,749)	(7,688)	(5,517)
Variation in trade working capital	1,693	590	1,316	461
Investments (1)	5,091	8,964	4,468	4,991
Divestments (2)	(4,972)	(1,037)	(4,293)	(400)
Dividends paid (including affiliates)	806	1,935	759	1,894
Currency translation differences	617	125	535	112
Taxes paid	1,627	1,168	1,490	1,054
Variation of consolidation perimeter (3)	(372)	1,809	(395)	-
Interests and other movements	1,002	642	600	280
Net financial debt at year-end	7,224	10,928	1,697	4,905

- (1) There were financial investments of €15 and €39 million for the Consolidated Group in 2010 and 2009, respectively, that do not appear in this table.
- (2) Similarly, there were financial divestments of €88 and €56 million for the Consolidated Group in 2010 and 2009 respectively, that do not appear in this table.
- (3) In 2009, it relates mainly to the incorporation of Union Fenosa's debt and in 2010 to the deconsolidation of Refap's debt.

Below is the breakdown of Repsol YPF's current credit rating:

	Standard & Poor's	Moody's	Fitch
Short-term debt	A-2	P-2	F-2
Long-term debt	BBB	Baa1	BBB+

RISK FACTORS

Repsol YPF's operations and earnings are subject to risks as a result of changes in competitive, economic, political, legal, regulatory, social, industrial, business and financial conditions. Investors should carefully consider these risks.

Future risk factors, either unknown or not considered relevant by Repsol YPF at present, could also affect the company's business, results, and financials.

OPERATION-RELATED RISKS

The uncertainty of the economic context. The rhythm of recovery after the recent global economic-financial crisis is still subject to risks and uncertainty. The growth of the global economy was slower in the second half of 2010, when the leeway of certain factors supporting the recovery, in particular inventory restocking and public anti-cyclic tax and monetary policies, was weakened or exhausted. This dynamic could also dominate during 2011, reducing the company's prices and margins in relation to the

current ones, despite expectations of a growing world demand for oil and gas, especially in emerging countries. The increase in public debt in nearly every country as a result of their anti-crisis policies, could lead to the introduction of changes in taxation and the regulatory framework for the oil and gas industry. In addition to this, there is deep financial reform underway, which could have significant consequences for the economy as a whole. Additionally, the financial and economic situation may have a negative impact on third parties with whom Repsol YPF does, or may do, business. Any of these factors, together with or independently, may adversely affect Repsol YPF's business, financial condition and results of operations.

International reference crude oil prices and demand for crude oil may fluctuate due to factors beyond Repsol YPF's control. World oil prices have fluctuated widely over the last 10 years and are subject to international supply and demand factors over which Repsol YPF has no control. Political developments throughout the world (especially in the Middle East), the evolution of stocks of oil and products, the circumstantial effects of climate changes and meteorological phenomena, such as storms and hurricanes (which especially affect the Gulf of Mexico), the increase in demand in countries with strong economic growth, such as China and India, major world conflicts, as well as political instability and the threat of terrorism from which some producing areas suffer periodically, together with the risk that the supply of crude oil may become a political weapon, can particularly affect the world oil market and oil prices. In 2010, the average West Texas Intermediate (WTI) crude oil price was US\$79.61 per barrel, compared to an average of US\$56.13 per barrel for the period 2001-2010, with maximum and minimum annual averages of US\$99.75 per barrel and US\$25.96 per barrel in 2008 and 2001, respectively. In 2010, oil (WTI) was trading at a range of approximately US\$68-92/barrel.

Demand for crude oil may also fluctuate significantly during economic cycles.

Reductions in oil prices negatively affect Repsol YPF's profitability, the valuation of its assets and its plans for capital investment including projected capital expenditures related to exploration and development activities. A significant reduction of capital investments may negatively affect Repsol YPF's ability to replace oil reserves.

Repsol YPF's operations are subject to regulation. The oil industry is subject to extensive regulation and intervention by governments throughout the world in such matters as the award of exploration and production interests, the imposition of specific drilling and exploration obligations, restrictions on production, price controls, required divestments of assets and foreign currency controls over the development and nationalization, expropriation or cancellation of contract rights. Such legislation and regulations apply to virtually all aspects of Repsol YPF's operations inside and outside Spain. In addition, certain countries contemplate in their legislation the imposition of sanctions on non-domestic companies which make certain types of investments in other countries.

In addition, the terms and conditions of the agreements under which Repsol YPF's oil and gas interests are held generally reflect negotiations with governmental authorities and vary significantly by country and even by field within a country. These agreements generally take the form of licenses or production sharing agreements. Under license agreements, the license holder provides financing and bears the risk of the exploration and production activities in exchange for resulting production, if any. Part of the production may have to be sold to the state or the state-owned oil company. License holders are generally required to make certain tax or royalty payments and pay income tax which can be high compared with the taxes paid by other businesses. Nevertheless, production sharing agreements generally require the contractor to

finance exploration and production activities in exchange for the recovery of its costs from part of production (cost oil) and the remainder of production (profit oil) is shared with the state-owned oil company.

Repsol YPF cannot predict changes in the aforementioned regulation and legislation or the interpretation or implementation thereof.

Repsol YPF is subject to extensive environmental regulations and risks. Repsol YPF is subject to extensive environmental laws and regulations in practically all the countries in which it operates, which regulate, among other matters affecting Repsol YPF's operations, environmental quality standards for products, air emissions and climate change, energy efficiency, water discharges, surface water pollution, remediation of soil and groundwater and the generation, storage, transportation, treatment and disposal of waste materials.

In particular, due to concern over the risk of climate change, a number of countries have adopted, or are considering the adoption of, new regulatory requirements to reduce greenhouse gas emissions, such as carbon taxes, increased efficiency standards, or the adoption of trade regimes. These requirements could make Repsol YPF's products more expensive as well as shift hydrocarbon demand toward relatively lower-carbon sources such as renewable energies. In addition, compliance with greenhouse gas regulations may also require the company to upgrade the facilities, monitor or sequester emissions or take other actions which may increase the compliance costs.

These laws and regulations have had and will continue to have an impact on Repsol YPF's business, financial condition and results of operations..

Operating risks related to exploration and exploitation of oil and gas, and reliance on the cost-effective acquisition or discovery of, and, thereafter, development of new oil and gas reserves. Oil and gas exploration and production activities are subject to particular risks, some of which are beyond the control of Repsol YPF. These activities are subject to production, equipment and transportation risks, natural hazards and other uncertainties including those relating to the physical characteristics of an oil or natural gas field. The operations of Repsol YPF may be curtailed, delayed or cancelled as a result of weather conditions, mechanical difficulties, delays in the delivery of equipment or compliance with governmental requirements. In addition to this, some of our development projects are located in deep waters and other difficult environments, such as the Gulf of Mexico, Brazil and the Amazon rainforest or in challenging reservoirs, which could aggravate these risks. The offshore operations, in particular, are subject to sea risks, among them storms and other adverse climate conditions or shipwrecks. Also, the transportation of oil products, by any means, always has inherent risks: during road, rail or sea transport, or by pipeline, oil or another hazardous substance could leak; this is a significant risk due to the potential impact a spill could have on the environment and on people, especially considering the high volume of products that can be carried at any one time. If these risks materialize, there could be personal and environmental damage, production losses or destruction of goods and legal actions and, depending on the cause and the severity of the damages, Repsol YPF's reputation could also be damaged.

Moreover, Repsol YPF is dependent on the replacement of depleted oil and gas reserves with new proved reserves in a cost-effective manner that permits subsequent production to be economically viable. Repsol YPF's ability to acquire or discover new reserves, however, is subject to a number of risks. For example, drilling may involve unprofitable efforts, not only with respect to dry wells, but also with respect to wells that

are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs are taken into account. In addition, crude oil and natural gas production blocks are typically auctioned by governmental authorities and Repsol YPF faces intense competition in bidding for such production blocks, in particular those blocks with the most attractive potential reserves. Such competition may result in Repsol YPF's failing to obtain desirable production blocks or result in Repsol YPF acquiring such blocks at a higher price, which could mean that subsequent production would not be economically viable.

If Repsol YPF fails to acquire or discover, and, thereafter, develop new oil and gas reserves in a cost-effective manner or if any of the aforementioned risks materialises, its business, results of operations and financial condition would be materially and adversely affected.

Location of reserves. Part of the oil and gas reserves are located in countries that are or could be economically or politically unstable.

Reserves in these areas as well as related production operations may be subject to risks, including increases in taxes and royalties, the establishment of limits on production and export volumes, the compulsory renegotiation or cancellation of contracts, the nationalization or denationalization of assets, changes in local government regimes and policies, changes in business customs and practices, payment delays, currency exchange restrictions and losses and impairment of operations by actions of insurgent groups. In addition, political changes may lead to changes in the business environment. Economic downturns, political instability or civil disturbances may disrupt distribution logistics or limit sales in the markets affected by such events.

Oil and gas reserves estimates. Repsol YPF uses the guidelines and the conceptual framework of the Securities and Exchange Commission (SEC)'s definition of proven reserves in order to calculate proven oil and gas reserves. Oil and gas proved reserves are estimated using geological and engineering data to determine with reasonable certainty whether the crude oil or natural gas in known reservoirs is recoverable under existing economic and operating conditions.

The accuracy of proved reserve estimates depends on a number of factors, assumptions and variables, some of which are beyond our control. Factors susceptible to the company's control include drilling, testing and production after the date of the estimates, which may require substantial upward or downward revisions to reserves estimates; the quality of available geological, technical and economic data used and its interpretation thereof; the production performance of reservoirs and recovery rates, both of which depend in significant part on available technologies as well as the company's ability to implement such technologies and the relevant know-how; the selection of third parties with which Repsol YPF enters into business; and the accuracy of its estimates of initial hydrocarbons in place, which may prove to be incorrect or require substantial revisions. Factors mainly beyond Repsol YPF's control include changes in prevailing oil and natural gas prices, which could have an effect on the quantities of proved reserves (since the estimates of reserves are calculated under existing economic conditions when such estimates are made); changes in the prevailing tax rules, other government regulations and contractual conditions after the date estimates are made (which could make reserves no longer economically viable to exploit); and certain actions of third parties, including the operators of fields in which the Group has an interest.

As a result of the foregoing, measures of reserves are not precise and are subject to revision. Any downward revision in estimated quantities of proved reserves could adversely impact financial results, leading to increased depreciation, depletion and

amortization charges and/or impairment charges, which would reduce earnings and shareholders' equity.

Repsol YPF's natural gas operations are subject to particular operational and market risks. Natural gas prices in the various regions in which Repsol YPF operates tend to vary from one to another as a result of significantly different supply, demand and regulatory circumstances, and such prices may be lower than prevailing prices in other regions of the world. In addition, excess supply conditions that exist in some regions cannot be utilized in other regions due to a lack of infrastructure and difficulties in transporting natural gas.

In addition, Repsol YPF has entered into long-term contracts to purchase and supply of natural gas in various parts of the world. These contracts have different price formulas, which could result in higher purchase prices than the price at which such gas could be sold in increasingly liberalized markets. In addition, gas availability could be subject to risks of contract fulfillment from counterparties. Thus, it might be necessary to look for other sources of natural gas in the event of non-delivery from any of these sources, which could require payment of higher prices than those called for under such contracts.

Repsol YPF also has long-term contracts to sell and deliver gas, mainly to clients in Argentina, Bolivia, Brazil, Chile, Venezuela, Spain and Mexico. These contracts present additional types of risks to the company as they are linked to current proved reserves in Argentina, Bolivia, Venezuela, Trinidad and Tobago and Peru. If sufficient reserves in those countries were not available, Repsol YPF might not be able to satisfy its obligations under these contracts, several of which include penalty clauses for non-fulfillment.

Conditions in the petrochemicals industry are cyclical and may change due to factors beyond Repsol YPF's control. The petrochemicals industry is subject to wide fluctuations in supply and demand reflecting the cyclical nature of the chemicals market at regional and global levels. These fluctuations affect prices and profitability for petrochemicals companies, including Repsol YPF. Repsol YPF's petrochemicals business is also subject to extensive governmental regulation and intervention in such matters as safety and environmental controls.

Significant presence in Argentina. Nearly 19% and 20% of Repsol YPF's assets were in Argentina as of 31 December 2010 and 2009 respectively, corresponding for the most part to exploration and production activities. In addition, approximately 20% and 33% of operating income as of 31 December 2010 and 2009 respectively was generated from activities in that country.

After the economic crisis of 2001 and 2002, Argentina's GDP has grown at an average rate of approximately 8.5% from 2003 to 2008, slowing down in 2009 due to the international financial crisis. In 2010, after a recovery process and according to preliminary estimates, the growth rate achieved is in the region of 9%. The Argentinean economy is still sensitive to volatile commodities prices, the limited credit and international investment in infrastructure, the development of energy resources supporting economic growth and the rise in inflation rates, among other factors.

The main economic risks Repsol YPF faces due to its operations in Argentina include the following:

- limitations on its ability to pass on increases in international oil prices and other fuels, and exchange rate fluctuations and/or other costs affecting the operations to local prices;
- higher taxes on hydrocarbon exports;
- restrictions on hydrocarbon export volumes driven mainly by the requirement to satisfy domestic demand, thereby affecting the company's prior arrangements with its clients;
- the need to extend concessions, some of which expire in 2017;
- work disruptions and stoppages by the workforce;
- changes in the Argentinean peso exchange rate.

In recent years, new and increased duties have been imposed on exports (see note 2, "Argentina - Regulatory Framework" in the Consolidated Financial Statements for 2010). As a result of these export tax increases, YPF could be, and on certain occasions has been, forced to renegotiate its export contracts despite the Government's prior approval of them. The imposition of these export withholdings has had an adverse impact on the operating income of YPF.

In addition, YPF has been obliged to sell a part of its natural gas production previously destined for the export market in the local Argentine market and has not been able to meet its contractual gas export commitments in whole or, in some cases, in part, leading to disputes with its export clients and forcing YPF to declare force majeure under its export sales agreements. Repsol YPF believes that these actions from the government constitute force majeure events that relieve YPF from any contingent liability for the failure to comply with its contractual obligations.

Repsol YPF's current insurance coverage to all the operational risks may not be sufficient. As discussed in several of the risk factors mentioned in this document, Repsol YPF's operations are subject to extensive economic, operational, regulatory and legal risk. The company maintains insurance covering against certain risks inherent in the oil and gas industry in line with industry practice, including loss of or damage to property and equipment, control-of-well incidents, loss of production or income incidents, removal of debris, sudden and accidental seepage pollution, contamination and clean up and third-party liability claims, including personal injury and loss of life, among other business risks. However, the insurance coverage is subject to deductibles and limits that in certain cases may be materially exceeded by its liabilities. In addition, certain of Repsol YPF's insurance policies contain exclusions that could leave the Group with limited coverage in certain events. On the other hand, the company may not be able to maintain adequate insurance at rates or on terms that are considered reasonable or acceptable or be able to obtain insurance against certain risks that materialize in the future. If the company experiences an incident against which it is not insured, or the costs of which materially exceed its coverage, it could have a material adverse effect on its business, financial condition and results of operations.

FINANCIAL RISKS

Liquidity risk. Liquidity risk is associated with the Group's ability to finance its obligations at reasonable market prices, as well as being able to carry out its business plans with stable financing sources.

Repsol YPF keeps, in line with their prudent financial policy, resources available covering 78% of its entire gross debt and 63% of this debt including preference shares. Regarding Repsol YPF excluding Gas Natural Fenosa, these resources cover the entire gross debt and over 80% when preference shares are included.

Credit risk. The Group's credit risk exposure mainly relates to trade accounts payable, which are measured and controlled by individual client or third party. To this end, the Group has its own systems, aligned to best practices, for constantly monitoring the creditworthiness of all its debtors and for determining the risk limits of third parties.

As a general rule, the Group establishes a bank guarantee issued by financial entities as the most suitable instrument of protection from credit risk. In some cases, the Group has taken out credit insurance policies whereby this transfers the credit risk related to the business activity of some of their businesses to third parties.

Market risk

- **Exchange rate fluctuation risk.** Repsol YPF is exposed to fluctuations in currency exchange rates since revenues and cashflows generated by oil, natural gas, and refined product sales are generally denominated in dollars or affected by this currency's exchange rate. Operating income is also exposed to fluctuations in currency exchange rates in countries where Repsol YPF conducts its activities. In order to mitigate the exchange rate risk on results, and when it deems appropriate, Repsol YPF may use derivatives for those currencies for which there is a liquid market and where transaction costs are reasonable.

The company is also exposed to exchange rate risk affecting the value of its assets or financial investments in dollars. Repsol YPF obtains financing in dollars and in other currencies, either directly or synthetically through currency derivatives.

In addition, Repsol YPF's financial statements are expressed in euros and, consequently, the assets and liabilities of investee companies with a different functional currency are translated into euros at the exchange rate prevailing on the balance sheet date. The revenues and expenses of each of these items in the profit and loss accounts are translated into euros by applying the exchange rate in force on the date of each transaction; for practical reasons, the exchange rate used is, in general, the average of the period in which the transactions were made. The fluctuations in the exchange rates applied in the process for converting the currencies into euros generates variations (gains or losses) which are recognised in the Repsol YPF Group consolidated financial statements and expressed in euros.

- **Commodity price risk.** In the normal course of operations and trading activities, Repsol YPF Group earnings are exposed to volatility in the price of oil, natural gas, and related derivative products (see the previous section "Possible fluctuations in international benchmark oil prices and oil demand due to factors beyond the control of Repsol YPF" and "Operational and market risks affecting Repsol YPF's activities in the natural gas industry").

- **Interest rate risk.** The market value of the Group's net financing and net interest expenses could be affected by interest rate fluctuations.

Note 20 “Financial risk and capital management” and Note 21 “Derivative transactions” in the Consolidated Financial Statements for the financial year 2010 include additional details on the financial risks described in this section.

BUSINESS AREAS

The Group's main operating highlights are shown below:

	<u>2010</u>	<u>2009</u>
Upstream:		
Oil and gas net production (1)	125,653	121,768
LNG:		
Production of liquefaction trains(2) (3)	5.1	4.7
LNG sold (3)	6.7	4.5
Downstream:		
Refining capacity (4) (5)	878	926
Europe (6)	776	776
Rest of the World	102	156
Processed crude oil (7) (8)	34.4	35.1
Europe	28.7	28.7
Rest of the World	5.7	6.5
Number of service stations	4,447	4,428
Europe	4,182	4,186
Rest of the World	265	242
Oil product sales (7) (9)	38,613	39,429
Europe	32,429	32,970
Rest of the World	6,184	6,459
Petrochemical product sales (9)	2,618	2,306
By region:		
Europe	2,263	2,000
Rest of the World	355	306
By product:		
Base products	874	567
Derivative petrochemicals	1,744	1,739
LPG Sales (9)	3,108	2,993
Europe	1,680	1,677
Rest of the World	1,428	1,316
YPF:		
Oil and gas net production(1)(10)	197,442	208,708
Refining capacity(4) (11)	333	333
Processed crude oil(8) (11)	15.4	15.7
Number of service stations(12)	1,653	1,668
Oil product sales (9) (11)	14,146	13,906
Petrochemical product sales (10)	1,563	1,479
LPG Sales (9)	340	362
Natural gas sales (3)	14.0	15.9
Gas Natural Fenosa:		
Natural gas distribution sales (3)(13)	35.40	34.64
Electricity distribution sales (13)(14)(15)	54,833	34,973

- (1) Thousands of barrels of oil equivalent (kboe).
- (2) Including liquefaction train production according to their shareholding. Trinidad [Train 1 (20%), Trains 2 and 3 (25%), Train 4 (22.22%)]; Peru LNG (20%). From this production, 1.4 bcm in 2010 and 0.8 bcm in 2009 belong to companies consolidated in the Repsol Group through the equity method.
- (3) Billions of cubic metres (bcm).
- (4) Thousand barrels per day (kbb/d).
- (5) The 2010 information does not include Refap's 30% (Brazil), since it was sold in December 2010
- (6) The reported capacity includes the shareholding in ASES.A.
- (7) The 2009 and 2010 information includes Refap's 30% (Brazil), up to the date it was sold in December 2010
- (8) Millions of tons
- (9) Thousands of tons
- (10) The data shown is for Argentina, except the net hydrocarbon production of 777 and 977 thousands of barrels of oil equivalent (kboe) in 2010 and 2009, respectively, which is United States data.
- (11) Including 50% shareholding in Refinerías del Norte, S.A. ("Refinor").
- (12) Including 50% of "Refinor" service stations.
- (13) Including 100% of reported Gas Natural Fenosa sales although Repsol YPF had a 30.01% share in Gas Natural by 31 December 2009 and 30.13% by 31 December 2010, accounted for through proportional consolidation.
- (14) Gigawatts per hour (GWh).
- (15) In 2009 this corresponds to the Gas Natural operations since the acquisition of Unión Fenosa in April.

Abbreviations used for units of measurement

"bbl".....	Barrels
"bcf".....	Billion cubic feet
"bcm".....	Billion cubic metres
"boe".....	Barrels of oil equivalent
"Btu".....	British thermal unit
"GWh".....	Gigawatts per hour
"kbb/d".....	Thousand barrels
"kbb/d".....	Thousand barrels per day
"kboe".....	Thousand barrels of oil equivalent
"km ² ".....	Square kilometres
"Mbb".....	Million barrels
"Mboe".....	Million barrels of oil equivalent
"Mm ³ /d".....	Million cubic metres per day
"MW".....	Megawatts
"MWe".....	Megawatts electrical
"MWh".....	Megawatts per hour
"TCF".....	Trillion cubic feet

UPSTREAM

ACTIVITIES

The Repsol Upstream division includes oil and natural gas exploration and production activities outside Argentina. For information on the exploration and production activities conducted by YPF, see the chapter on this company and its affiliates contained in this Consolidated Management Report.

The Repsol Upstream Division manages its project portfolio with the objective of achieving profitable, diversified and sustainable growth, with a commitment to safety and the environment. Its strategy is underpinned by the following objectives: increasing production and reserves, diversifying its business geographically by increasing its presence in OECD countries, achieving operating excellence and maximising the

profitability of its assets. For this, a number of measures have been taken during the last few years: there was a successful investment in human capital to promote growth; the organisational structure was redefined to suit the objectives and it was oriented towards improving the quality of operations; the technical and commercial processes were redesigned and standardised and the technological capacities have been developed for successful operation in deep waters.

Geographically, the Upstream division's strategy is based on key traditional regions, located in Latin America (mainly Trinidad and Tobago, Peru, Venezuela, Bolivia, Colombia, and Ecuador) and in North Africa (Algeria and Libya), as well as in strategic areas for short and medium-term growth that have been consolidated in recent years. Among the latter, particularly important are the US Gulf of Mexico (with the important Shenzi field, in operation since 2009, and one of the company's key strategic projects) and offshore fields in Brazil .

In this country, in addition to the successful exploration of the last few years, we can add the agreement signed with the Chinese company Sinopec to create one of the largest energy companies in Latin America, valued at US\$17,777 million. Repsol owns 60% of the company, while Sinopec owns the remaining 40%. This transaction enhances the success of the exploration activities carried out by Repsol in Brazil in the last few years and confirms that the strategy used and the risk taken in the investment were on the right track, in terms of human, technical and material resources, in particular in the pre-salt offshore area in Brazil.

Strategic growth in the medium-term will also be bolstered by major gas projects currently being developed in Venezuela, Peru, Bolivia and Brazil, and in the longer-term, by the increasingly important asset portfolio in Norway, Canada, West Africa and Indonesia.

The most noteworthy aspect in the strategy defined for diversifying business geographically in 2010 has been access to areas with high exploratory potential in Indonesia, Norway, Angola, Russia and Oman.

In January 2010 in Norway, Repsol was awarded two exploration licenses (PL-541 y PL-557) in the North Sea and in the Norwegian Sea in the 2009 APA round. In June, a 40% share was taken in license PL-356, which is located in the southern area of the North Sea, in the Norwegian sector. The company will carry out exploratory work in 2011 to confirm the high expectations for these marine areas in Norway.

In the first quarter of 2010, Repsol agreed on the purchase of a 45% share in the Seram and East Bula exploratory blocks, and a 50% share in the South Seram study area from Niko Resources Ltd in Indonesia. This transaction was formally approved in January 2011 by the Indonesian government. In the May 2010 bidding round in Indonesia, Repsol was awarded three exploratory blocks (Cendrawasih II, III and IV) located offshore from the Papua Island, with Niko Resources Ltd as partner. Repsol's net shareholding is 50% and it is the operating company in one of these blocks. Both are key actions for entering new areas with high exploratory potential in this country with a long oil tradition.

For Repsol, 2010 was also the year of the beginning of exploratory activity in offshore Angola, with the entrance into exploratory gas blocks located in the Lower Congo basin. Furthermore, in January 2011 Sonangol announced the results of the first Exploratory Round since 2007. In this round, Repsol was awarded three blocks: block 22 (in which it is operator, with 30%), block 35 (25% Repsol) and block 37 (20% Repsol).

In Russia, halfway through 2010, the purchase was agreed - and officially confirmed by the Russian government in early 2011 - of 74.9% of the corporate capital of CSJC

EUROTEK-YUGRA, which owns the Karabashsky 1 and 2 exploratory blocks in the West Siberian basin.

In August, Repsol signed an agreement with the United Arab Emirates' publicly-owned oil company, RAK Petroleum, for the acquisition of a 50% shareholding in Oman's block 47 (Jebel Hammah). This agreement is subject to the approval of the authorities in Oman. RAK will continue to operate the block, which is located in the north of the country and has a surface area of 4,964 km².

The strategy of diversifying in new countries is paying off. One benefit is the notable discovery of light crude oil in Sierra Leone waters, made in 2010, specifically in the Mercury-1 well. This is the second discovery made by Repsol since the Venus B-1 well, carried out in 2009, and it is a clear indication of the potential this area, that was practically unexplored up to now, has, and where Repsol is one of the pioneering companies in exploration.

In 2010, two new exploration discoveries took place in Brazil (Creal B and Piracuca 2), Sierra Leone (Mercury-1) and Colombia (Calamaro-1), along with the successful campaigns carried out in 2008 and 2009, when over 20 discoveries were made, four of them among the largest in those years. These discoveries took place in particularly relevant geographical areas, such as Brazil, the United States, Venezuela, Peru and Bolivia. In 2010, testing on the Perla 2X prospect in Venezuela was also carried out, with positive results.

The company is fulfilling its commitments and the next growth stage is coming together, mainly based on the successful exploratory campaigns, which are creating value for its stockholders. This future growth includes the strategic projects that are being carried out - and are in various stages of development - and which gained real momentum in 2009-2010, such as the US Gulf of Mexico (Shenzi, in operation since 2009), Brazil (Guará, Carioca and Piracuca), Venezuela (Cardón IV and Carabobo), Bolivia (Margarita-Huacaya), Peru (Kinteroni), Algeria (Reggane) and Lybia (I/R).

Many of these projects are being undertaken in offshore areas, where Repsol is consolidating its status as one of the most competitive and most experienced companies in offshore exploration-production, a tendency that the company will continue to work on. Over the last few years, Repsol has significantly increased its work in exploration and has made use of its technical experience to become an important company in offshore exploration.

Repsol's objectives in its offshore operations, especially in deep water, is to continue to strengthen the existing implementation of the best practices and recommendations within the industry's most stringent standards, and to strictly adhere to every regulation to be part of the group best companies after the lifting of the moratorium in the Gulf of Mexico.

The replacement rate of proven reserves in the Upstream division in 2010 was 131%.

As of 31 December 2010, the Repsol Upstream area had a participation in oil and gas exploration and production blocks in 27 countries, either directly or through its subsidiaries. The company was the operator in 20 of these countries. In addition to this, Repsol has a presence in Russia through its stake in the Russian company Alliance Oil, as well as in the exploratory blocks awarded in 2010, so that Repsol's Upstream area is currently present in 28 countries.

Finished exploratory wells

	2010 (1)							
	Positive		Negative		Under evaluation		Total	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Europe	-	-	-	-	-	-	-	-
South America	3	1	8	3	-	-	11	4
Trinidad and Tobago	-	-	-	-	-	-	-	-
Other countries in South America	3	1	8	3	-	-	11	4
Central America	-	-	-	-	-	-	-	-
North America	-	-	-	-	-	-	-	-
Africa	1	*	-	-	-	-	1	*
Asia	-	-	-	-	-	-	-	-
Total	4	1	8	3	-	-	12	4

	2009 (1)							
	Positive		Negative		Under evaluation		Total	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Europe	2	2	-	-	-	-	2	2
South America	5	2	4	1	-	-	9	3
Trinidad and Tobago	-	-	-	-	-	-	-	-
Other countries in South America	5	2	4	1	-	-	9	3
Central America	-	-	-	-	-	-	-	-
North America	1	*	1	*	-	-	2	*
Africa	3	1	8	4	3	1	14	6
Asia	-	-	-	-	-	-	-	-
Total	11	5	13	5	3	1	27	11

(1) A gross well is a well in which Repsol owns a working interest. The number of net wells is the sum of the fractions of interest held in gross wells.

* Fewer than one exploratory well.

Finished development wells

	2010 (1)							
	Positive		Negative		Under evaluation		Total	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Europe	-	-	-	-	-	-	-	-
South America	47	13	4	2	7	3	58	18
Trinidad and Tobago	2	1	1	*	-	-	3	1
Other countries in South America	45	12	3	2	7	3	55	17
Central America	-	-	-	-	-	-	-	-
North America	-	-	-	-	-	-	-	-
Africa	28	5	2	*	16	3	46	8
Asia	-	-	-	-	-	-	-	-
Total	75	18	6	2	23	6	104	26

	2009 (1)							
	Positive		Negative		Under evaluation		Total	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Europe	-	-	-	-	-	-	-	-
South America	23	3	4	1	1	*	28	4
Trinidad and Tobago	1	*	-	-	-	-	1	*
Other countries in South America	22	3	4	1	1	*	27	4
Central America	-	-	-	-	-	-	-	-
North America	2	1	-	-	-	-	2	1
Africa	14	4	-	-	1	*	15	4
Asia	-	-	-	-	-	-	-	-
Total	39	8	4	1	2	*	45	9

- (1) A gross well is a well in which Repsol owns a working interest. The number of net wells is the sum of the fractions of interest held in gross wells.
* Fewer than one development well.

Repsol's current activity by geographical area						
	As of 31 December 2010					
	Acreage				No. of exploratory wells being drilled (1)	
	No. of blocks		Net acreage (km ²)(2)			
	Development	Exploration	Development	Exploration	Gross	Net
Europe	12	25	385	7,160	-	-
South America	51	31	5,933	39,997	3	1
Trinidad and Tobago	7	-	2,363	-	-	-
Other countries in South America	44	31	3,570	39,997	3	1
Central America	-	1	-	4,492	-	-
North America	7	280	479	5,159	-	-
Africa	16	19	2,208	57,785	2	1
Asia	-	6	-	17,814	1	*
Total	86	362	9,005	132,407	6	2

- (1) A gross well is a well in which Repsol owns a working interest. The number of net wells is the sum of the fractions of interest held in gross wells.
(2) The gross acreage is the area where Repsol owns a working interest. The net acreage is the sum of the gross area in each acreage according to their respective working interests.

Acreage

The table below shows the information on Repsol's developed and non-developed acreage, by geographical area, as of 31 December 2010:

	2010			
	Developed (1)		Undeveloped (2)	
	Gross (3)	Net (4)	Gross (3)	Net (4)
	(km ²)			
Europe	31	24	12,785	7,521
South America	973	297	107,951	45,633
Trinidad and Tobago	158	59	5,420	2,304
Other countries in South America	815	238	102,531	43,329
Central America	-	-	11,231	4,492
North America	18	5	10,719	5,633
Africa	612	170	116,053	59,823
Asia	-	-	47,324	17,814
Total	1,634	496	306,063	140,916

- (1) A developed acreage is the area assignable to productive wells. The amounts shown belong to the acreage, both in terms of exploration and development.
- (2) The non-developed acreage covers the surface area in which no wells have been drilled, or where any wells have not been completed to the point of permitting oil and gas production in economically viable quantities, regardless of whether said area has proven reserves or not.
- (3) The gross acreage is the area where Repsol owns a working interest.
- (4) The net acreage is the sum of the gross area in each acreage according to their respective working interests.

RESULTS

Operating income	<u>2010</u>	<u>2009</u>	<u>2010/2009</u>
(€ million)			
North America and Brazil	2,911	63	4,521%
North Africa	642	372	73%
Rest of the World	560	346	62%
Total	4,113	781	427%

Operating income in the Upstream division in 2010 was €4,113 million, 426.6% more than the €781 million posted a year earlier. EBITDA totalled €2,478 million versus €1,699 million in 2009. The 2010 result includes capital gains of €2,847 million, a consequence of the agreement reached between Repsol and Sinopec to develop joint exploration and production projects in Brazil. The result of the activity in the Upstream division, not considering the aforementioned capital gains, was better in 2010, basically due to higher oil and gas realisation prices and increased production during the period, and despite larger exploration costs and the effects of discontinuing the Persian LNG project.

The average realisation price of the Repsol oil product mix was US\$ 72.6/barrel (€54.7 /barrel) versus US\$ 56.7/barrel (€40.7/barrel) in 2009. The average price of gas was US\$ 2.7 per thousand cubic feet, 19% higher than the previous year. These variations are in line with those experienced by benchmark prices on international markets.

The lifting cost was US\$ 3.0/barrel. This amount is very similar to that seen in 2009 (US\$ 2.9 per barrel). The finding costs of proven reserves averaged US\$44.1/barrel in the 2008-2010 period.

DISCOVERIES

In 2010, the company took part in new discoveries, continuing its successful exploratory results of 2008 and 2009. These discoveries took place in Brazil (with the Creal B and Piracuca 2 wells), Sierra Leone (Mercury-1 well) and Colombia (Calamaro-1 well). Another highlight of 2010 was the positive results from the Perla 2X appraisal well in Venezuela, confirming and, in fact, improving the area's great potential.

Some of the discoveries in this historic stage for the company from an exploratory point of view have taken place in important locations from an exploratory point of view, such as Brazil, the United States, Venezuela, Peru, Bolivia and Algeria, and have allowed to carry out strategic development projects to guarantee the future organic growth of the company.

Furthermore, Repsol discovered gas in the RGD 22 well during the development works on the Rio Grande Area in Bolivia in 2010.

In Brazil, drilling for the Creal B well was finished in June 2010, with a positive result in the pre-salt objective, which could significantly increase the potential of the remaining reserves in this important offshore field. The Albacora Leste field (Santos basin), in which Repsol holds a 10% interest, has been producing since April 2006.

In May 2010, the exploratory well Piracuca-2 in the BM-S-7 development block, located in the Brazilian offshore area (Santos basin) was finished with positive results. This is the third positive well drilled after the two that were carried out in 2009 (Pialamba and Piracuca-1). After the positive exploratory and appraisal results of 2009, confirmed in 2010 with the Piracuca-2 well, it was decided that development works in the block should begin, with a view to starting production by 2015.

In November 2010 a second deepwater discovery in Sierra Leone was announced, this time with the Mercury-1 well, which confirms the high potential of this area, virtually unexplored up to now, where Repsol is one of the pioneering companies. The discovering well is in block SL-07B-10, at a depth of 4,862 metres, under 1,600 metres of water. The oil found is a 41-metre column. Repsol, along with its partners Anadarko and Tullow, is appraising the positive tests obtained and studying the drilling of new wells to assess the commercial viability of the area. The Mercury-1 well was drilled about 64 kilometres southeast of the 2009 Venus B-1 discovery.

By the end of the year, the Calamaro-1 well, in Colombia, made an exploratory discovery in the Rondón block, located in the Llanos basin.

On 12 April 2010, Repsol announced the end of the Perla 2X appraisal well with positive results, in the Cardón IV block, located in Venezuelan waters. This well, drilled under 60 metres of water, went through 840 feet (260 metres) of net pay. The result of this well confirmed and indeed revised expectations upwards on the recoverable gas resources in this block, estimated at 8 trillion cubic feet (TCF) of gas after the discovery in 2009 with the Perla 1X well. In fact, after drilling the Perla 2X well, the Ministry of Energy and Petroleum of Venezuela (MPPEP) approved the new resource estimate amounting to 9 TCF, confirming the Perla megafield as the largest gas discovery in Repsol's history, and one of the most important in Venezuela.

In the exploration phase, Repsol is operating the Cardón IV block, in a 50% interest agreement with the Italian company ENI. In the block's future development phase,

which is still being defined, PDVSA, Venezuela's national oil company, would have 35% interest in the project, along with Repsol (32.5%) and ENI (32.5%).

In Bolivia in August 2010, Repsol, as part of the YPFB Andina consortium, announced a large gas discovery in the Rio Grande Area with the RGD 22 development well. This area, with production since 1968 in geological formations different from the one discovered in 2010, is 55 kilometres southeast of the city of Santa Cruz de la Sierra. Repsol discovered this gas deposit while working to deepen existing wells in order to increase production in this field. The finding will provide an estimated total resources of 1TCF of gas, which is about 10 months' gas consumption in Spain. Since Rio Grande already has the necessary infrastructure, the new resources could be in production shortly.

The production tests in the RGD 22 well have shown a flow rate of 6 million cubic feet/day and 160 barrels of condensate. Future drillings will allow for a more accurate definition of the size of the find.

In January 2011 the company announced the positive result of the Carioca NE appraisal well in the prolific BM-S-9 block, in deep water off the coast of Brazil.

PRODUCTION

Repsol's hydrocarbon production in 2010 (excluding YPF) was 344,256 barrels of oil equivalent/day, up 3.2% on 2009's figures. This increase derives mainly from activities in Peru, due to the start-up of the Peru LNG liquefaction plant in June 2010, in the United States after the start-up of Shenzi in March 2009, in Libya, as a result of the increase in the quota and in Venezuela through the incorporation of Barua Motatan, partially compensated by the sale of Barrancas, both in February 2010. All of this was partially offset by lower production in Algeria, especially due to the change of ratio in 2010, based on the application of contract terms and in Brazil (due to the decline of Albacora Leste). Isolating the impact of higher benchmark prices in PSCs (Production Sharing Contracts), production would have increased 6% compared to 2009.

It should be pointed out that the extended well test on the Guar field in offshore block BM-S-9 in Brazil began on 25 December 2010 and this test is expected to last for five months.

Net production of liquids and natural gas by geographical area in 2009 and 2010						
	2010			2009		
	Liquids (Mbbl)	Natural gas (bcf)	Total (Mboe)	Liquids (Mbbl)	Natural gas (bcf)	Total (Mboe)
Europe	1	2	1	1	2	1
Spain	1	2	1	1	2	1
South America	26	390	96	25	380	93
Bolivia	2	33	8	2	32	8
Brazil	3	1	3	4	1	4
Colombia	2	-	2	2	-	3
Ecuador	6	-	6	6	-	6
Peru	3	23	7	3	10	4
Trinidad and Tobago	6	282	56	6	277	55
Venezuela	4	51	14	2	60	13
Central America	-	-	-	-	-	-
North America	10	3	11	8	3	9
United States	10	3	11	8	3	9
Africa	16	12	18	15	24	19
Algeria	1	12	3	2	24	6
Libya	15	-	15	13	-	13
Asia	-	-	-	-	-	-
Total net production	53	407	126	49	409	122

Productive wells by geographical area

	As of 31 December 2010 (1)			
	Oil		Gas	
	Gross	Net	Gross	Net
Europe	8	6	5	4
South America	1,059	329	168	70
Trinidad and Tobago	99	69	47	16
Other countries in South America	960	260	121	54
Central America	-	-	-	-
North America	12	3	-	-
Africa	230	46	77	23
Asia	-	-	-	-
Total	1,309	384	250	97

	As of 31 December 2009 (1)			
	Oil		Gas	
	Gross	Net	Gross	Net
Europe	8	6	5	4
South America	1,089	379	161	65
Trinidad and Tobago	102	71	54	18
Other countries in South America	987	308	107	47
Central America	-	-	-	-
North America	12	3	-	-
Africa	181	51	78	23
Asia	-	-	-	-
Total	1,290	439	244	92

(1) A gross well is a well in which Repsol owns a working interest. The number of net wells is the sum of the fractions of interest held in gross wells.

RESERVES

As of 31 December 2010, Repsol's proven reserves (excluding YPF), calculated in accordance with the U.S. Securities and Exchange Commission (SEC)'s guidelines, totalled 1,100 million barrels of oil equivalent (Mboe), of which 376 Mboe (34%) relate to crude oil, condensate and liquefied gases and the remaining 724 Mboe (66%) to natural gas.

In 2010, the evolution of the aforementioned reserves was positive, with the incorporation of 165 Mboe most notably from Peru (114 Mboe), Trinidad and Tobago (15 Mboe) and Libya (14 Mboe).

These reserves are mainly located in Trinidad and Tobago (36%). 46% is located in the other South American countries (Venezuela, Peru, Brazil, Ecuador, etc.), 12% are in North Africa (Algeria and Libya), 5% are in the Gulf of Mexico (United States) and about 1% in Spain.

INVESTMENTS

Investments in the Upstream business in 2010 totalled €1,126 million, which maintains the level of investment from the previous year (€1,122 million in 2009). Investment in development accounted for 50% of the total and was carried out mainly in Trinidad and Tobago (16%), Bolivia (14%), Brazil (13%), Peru (12%), U.S.A. (10%), Ecuador (9%) and Libya (7%). Exploration investments represented 38% of total investments and were carried out mostly in Brazil (76%) and U.S.A. (8%).

DIVESTMENTS

The agreement signed in October between Repsol and Sinopec for the joint development of exploration and production projects in Brazil entailed divestment of US\$ 4,267 million (€ 3,234 million). The amount of the divestment relates to the percentage of the Group's interest in the liquidity incorporated into the company as a result of the capital increase. With this operation, the Group has proportionally consolidated its 60% shareholding in Repsol Sinopec Brazil.

Furthermore, a €70 million down-payment was received in 2010 for the agreed sale of Repsol's 82% stake in the Gaviota underground natural gas storage facility to Enagás, sold for a total amount of €87 million (of this figure, €16 million are subject to the Ministry of Industry, Tourism and Trade's approval of the enlargement project). This sale, pending definitive approval of the transaction from the relevant authorities, is another step in Repsol's strategy of gradual divestment of non-strategic assets.

ACTIVITIES IN THE MAIN COUNTRIES

North America

Over the past four years, Repsol has significantly increased its presence in deep waters in the U.S. Gulf of Mexico with its stake in the major Shenzi oil development project and by securing a large number of exploration blocks which proved their potential in 2009 with the discovery made at the Buckskin well. This region is considered to be one of the most profitable and with the best deepwater exploration potential in the world.

The Shenzi field, where Repsol holds a 28% stake and which came onstream in March 2009 through its own platform, is one of the largest discoveries made to date in deep water in the Gulf of Mexico. By the end of the year, ten wells were producing through this platform. The drilling of other development wells should be completed over the coming months since the lifting of the moratorium for deepwater drilling in the Gulf of Mexico in October 2010, which had been imposed in late April by the US Department of the Interior.

The moratorium on deepwater drilling was lifted on 12 October 2010, and drilling operations for water injection at Shenzi were resumed in November 2010. Operating procedures and management systems are currently under review in order to fully comply with the new regulatory demands for the drilling of additional exploration and production wells. In 2010, production levels on the Shenzi platform exceeded 105,000 bbl/d. The objective of the future investment plan is to maintain an annual production plateau in the range of 100,000 to 120,000 boe/d for the next five years and includes a secondary recovery project via water injection, which will be operative by mid-2012. Development of the Shenzi North Flank is at an earlier stage, although the successful results of drilling work carried out in 2009 have increased the forecast potential of this area. The first delineation well in these formations is planned for 2011.

The appraisal well for the Buckskin discovery, which was initially planned for drilling in 2010, has been rescheduled for 2011. This delay is due to the drilling moratorium imposed by the United States in 2010; however, this does not affect the estimated start of production for this field in 2017. This appraisal well will help define the future development plan for the field. Repsol, as the project's operator in its exploratory phase, made this major discovery in 2009. At a depth of more than 10,000 metres, this is the deepest well operated by Repsol to date and one of the deepest wells in this region.

In March 2010, Repsol was awarded 16 new exploration blocks in exploration round 213, in the Gulf of Mexico; five of them with a 100% stake and the rest in partnership with Ecopetrol (five with a 60% stake, another five with 40% and a last block with a 50% stake). These blocks are in the Mississippi Canyon, Garden Banks, Walker Ridge and Keathley Canyon basins. In addition to the aforementioned 16 blocks, Repsol also obtained interests in another two blocks made available during exploration round 213 in

Mississippi Canyon and Keathley Canyon through agreements with the awardee companies,.

In Alaska, Repsol holds a 20% interest in 71 adjacent offshore blocks in the Beaufort Sea, alongside Shell Offshore Inc. and Eni Petroleum US LLC. Researches are being conducted to establish their exploratory potential. The company also has a 100% stake in 93 offshore blocks in the Chukchi Sea.

These assets, along with those awarded over the last few years, form a large and solid exploration project portfolio in the United States, with over 275 blocks. The company's participation in these rounds is in-keeping with its diversification and growth strategy in OECD countries.

In Canada, during 2010, Repsol continued to expand its geological knowledge on the available areas in order to assess the value of the opportunities that are arising in this country. The company is already actively participating in three blocks in the Newfoundland (Terranova) and Labrador offshore areas. Two of these blocks are located in the Central Ridge/Flemish Pass area and another in Jeanne d'Arc Basin. Furthermore, in the Exploration Round carried out at the end of 2010, Repsol obtained a 25% stake in blocks NL 10-01 and NL 10-02 in the Jeanne d'Arc Basin area, which are awaiting official ratification from the Canadian authorities.

Latin America

Brazil

2010 marked a very important milestone in the strategy in this key area for the company. In October, the partnership between Repsol and Sinopec in Brazil was announced to create one of the largest private energy companies in Latin America. On 28 December 2010, the Shareholders' Board of Repsol Brasil approved a capital increase of more than US\$ 7,111 million, entirely subscribed by Sinopec, resulting in a company valued at US\$17,777 million. After this operation, Repsol holds 60% of the company's corporate capital and Sinopec, the largest Chinese oil company, holds the remaining 40%. The funding provided by this operation will allow the company to undertake the investments needed for the full development of its assets in Brazil, including some of the largest discoveries in the world, like those in the Guar and Carioca blocks. Repsol and Sinopec will continue working on their expansion plans in Brazil and will take part, jointly or separately, in future bidding rounds in the country. This transaction between two leading companies, highlights the successful exploratory activities that Repsol has been carrying out in Brazil during the last few years.

The offshore area of Brazil is one of the largest growth areas in the world in terms of oil reserves. The agreement signed between Repsol and Sinopec is an example of the great international interest in this historic time for Brazil, especially regarding the activity in the pre-salt area of the Santos basin.

Repsol is one of the leading independent energy companies in Brazil, in terms of exploration and production. It enjoys a strategic position in the areas with the greatest potential of the Brazilian pre-salt zone and also leads the exploratory activity in the prolific Santos basin, along with Petrobras and BG. The company has a large, diversified asset portfolio, including a field already in production (Albacora Leste) and other assets with big discoveries made over the last few years, among which, the BM-S-9 block in the Santos basin, is especially important, with discoveries like Guar, Carioca, Iguazu Norte and Abare Oeste, as well as the Piracuca field, located in the BM-S-7 block (currently in the development stage) and Panoramix, in block BM-S-48 (674).

In the Guará area, the Guará North appraisal well was finished in August 2010, with positive results confirming the high reserve potential of this field. During 2010, the preliminary works were carried out in order to conduct an extended well test (EWT) which will take five months, starting in December 2010. Also, there were agreements made to set up an additional drilling rig and to build a second floating production storage and offloading unit (FPSO). These works are intended to start the development of this area, with a view to starting production in 2013.

In 2010, the drilling of an appraisal well was started in the northeast zone of the Carioca area structure, with the purpose of obtaining definitive data in order to define a development plan for the field and its future production start-up, as well as conducting extended well tests (EWT), scheduled for 2011, and the drilling of an additional well. The company announced the positive results from this appraisal well (Carioca NE) in January 2011.

The BM-S-9 block has an exploration potential that should be assessed over the next two years. Two other exploration discoveries were made in 2009 (Iguazu North and Abare West), so the expectations for the rest of the block are also high.

The development plan approved in 2009 for the Piracuca field (block BM-S-7) was continued in 2010, with the objective of starting production by 2015. The exploration well Piracuca-2 in this block of the offshore area of Brazil, was finished in May 2010 with positive results. The two previous exploration appraisal wells carried out in this field in 2009 also had positive results and were the reason behind the present development of this field.

Repsol holds a 10% interest in the Albacora Leste field (Campos basin), which has been producing since April 2006. Drilling for the Creal B well in this major deepwater Brazilian oil field was finished in June 2010, with a positive result in the pre-salt objective.

The important exploration discoveries made in recent years, the development projects that are being carried out and the agreement reached with Sinopec bolster the company's strategy in offshore Brazil and represent one of the key growth projects in the Upstream division.

Bolivia

The consortium involved in the major Margarita-Huacaya gas project, one of the company's strategic initiatives, decided to begin the work on the development of Phase I in 2010. A consortium comprising Repsol (operator with a 37.5% stake), BG (37.5%) and PAE (25%) is undertaking this key project at the Margarita and Huacaya fields, in the north of Tarija state. The objective of the joint development project for the Margarita and Huacaya fields (the latter, found in 2008, was one of the five largest discoveries made in the world that year) is to increase the field's current output (2.3 Mm³/d) to an intermediate plateau of 8.3 Mm³/d in 2012, and possibly increasing the production in a second phase to 14 Mm³/d in 2013. Within the context of this development plan, the signing of a building contract for the new gas processing plant in Campo Margarita to increase current production capacity to 8.3 Mm³/d was announced in July 2010. The building works on the plant are estimated to finish within 20 months of signing the contract.

In August 2010, as part of the development drilling programme for the Rio Grande Area, located 55 kilometres southeast of the city of Santa Cruz de la Sierra, Repsol announced a large gas discovery in Bolivia in the RGD 22 development well, successfully finishing a project to deepen existing wells for the purposes of increasing the country's oil production. The finding will provide estimated total resources of 1TCF

of gas. Since Rio Grande already has the necessary infrastructure, these resources could be in production shortly.

Peru

In June 2010, the natural gas supply from the Camisea field, in which Repsol holds a 10% stake, to the Peru LNG liquefaction plant, in which the company has a 20% interest, was started. The Camisea field is made up by blocks 56 and 88, and its production is aimed at the local market and at supplying the Peru LNG liquefaction plant. There are two fields in block 88: San Martin (onstream since 2004) and Cashiriari (onstream since 2009). In block 56, the Pagoreni field came onstream in 2008.

In 2010, works began on the plan for the early development of the southern part of the major discovery made in 2008 with the Kinteroni well in block 57 (one of the largest discoveries made in the world that year) located in the Ucayali-Madre de Dios basin in the country's central forest, 50 kilometres from the Camisea gas and condensate field. Repsol, with a 53.84% stake, is the operator of this block.

The early development of southern Kinteroni involves drilling two new wells and the workover of the 2008 discovery well. Before the start of the drilling phase, the approval of the required Environmental Impact Study was obtained in 2010. The drilling of the first development well started in August 2010, which finished in the fourth quarter of the same year. Drilling of the second development well and the workover of the discovery well will be carried out in 2011. Production is expected to start in 2012.

In October 2010, Perupetro awarded (pending official confirmation) exploration licenses for blocks 176, 180, 182 and 184 in the Sub-Andean Belt, to a consortium formed by Repsol (25% and operator), Ecopetrol (50%) and YPF (25%). These areas complete Repsol's exploratory positioning in the Peruvian Sub-Andean Belt. Also in 2010, Repsol obtained a 30% stake in block 101 operated by the Talisman and located in the Marañon basin.

Venezuela

Two important milestones concerning key projects for the company were reached in 2010: the discovery made with the Perla 2X appraisal well, in the Cardón IV block, and entering into the Carabobo-1 project.

In April, preliminary results from the Perla 2X appraisal well confirmed, and even improved, expectations of recoverable gas resources in this block after the major discovery in 2009 with the Perla 1X well (8 TCF). Repsol operates with a 50% stake with the Italian company ENI, the consortium that made the discovery in Cardón IV block, where the Perla megafield is located in shallow waters of the Gulf of Venezuela.

In June, the Ministry of Energy and Petroleum of Venezuela (MPPEP) approved the evaluation plan for the Cardón IV block, which includes drilling the Perla 3X, concluded in 2010 with positive results, and Perla 4X delineation wells, started in 2010, as well as the optional drilling of another well. Furthermore, the MPPEP approved the new resource estimate, about 9 TCF, after the drilling of the Perla 2X well.

In February 2010, a consortium of international companies led by Repsol, with an 11% share, was awarded the Carabobo-1 project by the Venezuelan government. This project involves the development, along with PDVSA, of the heavy crude oil reserves in the Carabobo 1 Norte and Carabobo 1 Centro blocks located in the Orinoco Oil Belt, one of the areas with the largest undeveloped oil reserves in the world. The Carabobo area is located on the eastern side of the belt which, according to the US Geological Survey, could have a recoverable volume of up to 513 billion barrels of heavy crude oil.

The estimated production that could be reached with this project is 400,000 barrels of oil per day for 40 years. The project includes building a heavy oil upgrader with a processing capacity of about 200,000 barrels of oil/day.

In May 2010, the Petrocarabobo S.A. mixed-ownership company was formed in Caracas, which is in charge of the development of the heavy crude oil reserves in the Carabobo project.

The Carabobo project will allow Repsol to increase its production and its resources, in line with its targets. Part of the heavy crude oil in the project will be sent to Repsol's Spanish refineries, which will allow the company to profit from their investment in advanced deep conversion techniques in those premises.

The Barua-Motatan productive area was effectively incorporated on 1 February 2010 as an asset to be operated by the Petroquiriquire S.A. mixed-ownership company. Back in 2009, the Venezuelan National Assembly had already stated that the development of activities by the mixed-ownership company Petroquiriquire had been approved, by means of publication in the Official Gazette of the Bolivarian Republic of Venezuela. Repsol holds a 40% stake in this mixed-ownership company, and the approved activities are to be carried out in the Barua-Motatan area, located in the Lake Maracaibo basin. The Barua-Motatan production was incorporated to Petroquiriquire S.A. on 10 February 2010. As a result, Repsol used the credit received during the process of migrating of operating contracts into mixed-ownership companies.

Trinidad and Tobago

Repsol continues to be one of the main private companies in this country, in terms of oil and gas production and reserves, along with BP, with whom it shares the ownership of the bpTT company. This enterprise, in which Repsol holds a 30% stake, operates a large productive oil area in the country's offshore zone, which in 2010 produced a total daily average of over 470,000 boe.

Furthermore, Repsol, with a 70% stake, is the operator of the TSP sea block.

Other countries

In the exploration bidding round carried out in 2010, Colombia's National Oil Agency (ANH) awarded two offshore blocks (Cayos-1 and Cayos-5), pending official confirmation, to the consortium formed by Repsol (35%), Ecopetrol (50%) and YPF (15%). In January 2011, Repsol signed an agreement with the Colombian company Ecopetrol and the Brazilian company Petrobras to acquire a share in the Tayrona offshore exploration block, located in Colombian Caribbean waters, near La Guajira peninsula. After this agreement, Repsol's interest in the block is 30%, while Ecopetrol owns another 30% and Petrobras, which will continue to operate the block, holds the remaining 40%. The operation is subject to the ANH's approval.

In Guyana in 2010, Repsol carried out the preliminary works for the drilling of the Jaguar-1X well, scheduled for the second quarter of 2011. The well is located in the Georgetown sea block and Repsol operates it while holding a 15% stake, the other partners being YPF (30%), Tullow Oil (30%) and CGX Energy (25%).

In Cuba in January 2010, Repsol signed a lease contract with Saipem to use the Scarabeo-9 drilling rig, which complies with all the technical requirements and all the limitations established by the US administration for drilling operations in Cuba. This, along with the rest of the preliminary works carried out during 2010, will allow drilling to start on the Jagüey exploration well in the second half of 2011.

In Ecuador on 23 November 2010, the modification of the sharing contract for the exploration and exploitation of oil and gas in Block 16 was agreed. The new contract was that of a service contract will be valid until 2018, and came into effect on 1 January 2011. Likewise, on 22 January 2011, the service contract for the Tivacuno Block was signed.

Africa

Repsol's significant presence in North Africa is mainly concentrated in Libya and Algeria, countries where it holds a stake in major projects that will ensure sustained and profitable growth over the coming years. In addition, the company is consolidating its presence in West Africa, in particular in Sierra Leone, where in 2010 the Mercury-1 well yielded an important discovery. Repsol also has a stake in exploration blocks in Liberia, Angola and Equatorial Guinea.

Libya

2010 saw the completion of important works within the development plan for the "I/R" field, which started production in June 2008 and is expected to reach its maximum output potential between 2012 and 2013 once the permanent facilities are finished, with a production plateau of 75 kbb/d. Repsol holds an interest in this field, situated in the NC 186 and NC 115 blocks in the prolific Murzuq basin. Discovered in 2006, the "I/R" field, one of the most important exploration findings in the company's history and the most important one in Libya in the last decade, is one of the key growth projects defined by Repsol.

Therefore, in 2010 the four manifolds included in the development plan for the field started operations, as well as the definitive crude export line towards NC115 block's central facilities. The installations for water injection in the field were finished in 2010, and injection began at the end of the year.

Production at the "K" field in block NC186 came on stream in May 2010. This development plan had been approved by the Libyan National Oil Company, NOC, in December 2008. There are two producing wells in this field.

Algeria

In January 2010, Repsol signed an agreement with Sonatrach and the National Agency for the Assessment of Oil Resources (ALNAFT) of Algeria for the exploration and exploitation of the Sud-Est Illizi block, located in the southeast of Algeria. The consortium developing the exploration activities is formed by Repsol (52.5%) as the operator, the Italian company Enel (27.5%) and the French-Belgian GdF-Suez (20%).

The awarding of this new block in December 2009, reinforces Repsol's position in Algeria, where the company has an important presence in the Reggane, Tinfouye Tabenkort and Tifernine areas, and confirms this country as one of the company's growth areas.

Regarding the major gas project in Reggane, during 2010 the company worked with the Algerian authorities on the final steps to launch a development plan for the block, and works are scheduled to start in 2011. The Development Plan includes the drilling and completion of 74 wells, further drilling work to deepen 10 additional wells, and workovers on another 12 existing wells. Gas production is expected to start in late 2014 or 2015. Repsol is the operator in this project, with a share of 29.25%, while RWE

owns 19.5%; Edison, 11.25%; and Sonatrach, the Algerian national company, the remaining 40%.

Sierra Leone

During 2010, Repsol and its partners Anadarko and Tullow, made a second deepwater discovery in this country. This new hydrocarbon discovery, made in the Mercury-1 well, is a clear indication of the potential of an area that has been virtually unexplored up to now. New wells will be drilled to determine the commercial viability of the zone.

This discovery adds to the success of the Venus B-1 well, in which gas and liquid hydrocarbons were found at a depth of 5,639 metres. The Mercury-1 well was drilled about 64 kilometres southeast of the Venus B-1 well.

Repsol is a pioneering company in the exploration of this African region. The company's operations, started in 2003, have discovered an area with a high potential, and where further exploration will be carried out in collaboration with its partners.

Europe

Norway

In January 2010, during the APA 2009 round, the Norwegian government awarded two new exploration licenses (PL-541 and PL-557), specifically in the North Sea and the Norwegian Sea, to two consortiums in which Repsol is involved.

Repsol is the operator of the PL-541 license, located in the Norwegian part of the North Sea. The company holds a 50% stake in this contract, along with the Italian company Edison (35%) and the Norwegian Skagen (15%). This award is the first for Repsol as an operator on the Norwegian Continental Shelf (NCS), and implies the Norwegian authorities' recognition, highly rated in the sector, of the company's abilities.

Regarding the second license, PL-557, located in the Norwegian Sea, Repsol holds a 40% stake in partnership with the Austrian OMV (50% and operator) and the Norwegian company Skagen (10%).

Furthermore, in June 2010 Repsol acquired a 40% stake in the PL-356 licence, operated by DetNorske which holds the remaining 60%, and which is located in the southern area of the North Sea, in the Norwegian sector.

In 2009, Repsol opened a permanent office in Oslo, Norway's capital, in line with its geographical diversification and with the objective of increasing the company's presence in this Scandinavian country.

Spain

During the year, Repsol made progress in the works towards the development of the oil fields discovered in 2009, Montanazo D-5 and Lubina-1, in the Mediterranean Sea. The production plan schedules them to come onstream in 2011 through the Casablanca platform, will make it possible to extend production of Repsol's existing fields in this area (Casablanca, Boqueron, Rodaballo, and Chipiron) as well as the useful life of this platform.

In 2010, Repsol finished and submitted the Environmental Impact Study, and also the equipment's detail engineering to the authorities, and requested the operating license.

Also in 2010, Repsol was awarded the Turbon exploration block in the South Pyrenean basin.

LIQUEFIED NATURAL GAS (LNG)

ACTIVITY AND CONTEXT

LNG activities include the liquefaction, transportation, marketing, and regasification of liquefied natural gas, in addition to electricity generation activities in Spain not conducted by Gas Natural Fenosa and natural gas marketing in North America. Since 1 January 2008, the information in this section refers solely to the Repsol Group's LNG commercial segment. For information on YPF's LNG activities, please refer to the chapter on this company and its affiliates contained in this Consolidated Management Report.

The LNG market in 2010 was marked by the recovery of gas demand, both in Europe and in the Far East. In Europe, the increase in the first six months was about 10% more than the previous year.

Regarding prices, the year began with the American market and its benchmark, the Henry Hub (HH), setting the market price and defining the spot transactions in the Atlantic basin. However, in the second quarter of the year, the American market began to lose ground against the European market and the National Balancing Point (NBP) became the benchmark for the spot transactions, both in the Atlantic and in the Pacific basins. The market took advantage of differentials of up to US\$ 4.5/Mbtu between the NBP and the HH to carry out several diversions from the American terminals to Europe.

The drop in the American benchmark could be related to the lower production cost of shale gas. The NBP has kept its value, helped by the decline of the North Sea reserves and by the UK gas sales to Central Europe (an alternative to Brent-indexed long term contracts).

With regard to the power generation market, the average Spanish electricity pool price in 2010 was €37.0/MWh, similar to the price in 2009. Electricity demand in the peninsula during 2010 was 259,940 GWh, 3.2% higher than in 2009. With the temperature effect adjustments, annual growth was 2.9% versus the 4.8% fall recorded in 2009.

Regarding the production balance in Spain, the most significant fact was the outstanding 59% growth of hydraulic power generation, which covered 14% of the demand versus 9% in 2009. At the other end of the scale were the coal and combined cycle groups, where production has dropped off markedly compared to the previous period, 34% and 17%, respectively.

RESULTS

The operating income from LNG operations was €105 million in 2010 in comparison with the negative result of €61 million a year earlier. 2010 EBITDA was €277 million compared to the €150 million recorded in 2009.

The improvement in these results is mainly due to larger LNG trading margins and volumes in 2010, partially offset by the effects of discontinuing the Persian LNG project. In 2009, this area's operating income was negative, a figure that includes the losses stemming from adverse arbitration decisions such as the Gassi Touil dispute.

ASSETS AND PROJECTS

One of the milestones in 2010 was the start-up of the Peru LNG liquefaction plant in Pampa Melchorita, in June, in which Repsol holds a 20% interest, and of a gas pipeline linking up with the existing one in Ayacucho. The other partners in Peru LNG are Hunt Oil (50%), SK Energy (20%) and Marubeni (10%). The Camisea consortium, in which Repsol also has a 10% stake, supplies natural gas to this plant.

This plant, with a nominal capacity of 4.4 million tons per year, processes 17 million m³ of gas per day. It has the two largest storage tanks in Peru (with a capacity of 130,000 m³ each) and a sea terminal over one kilometre long to receive ships with capacities between 90,000 and 173,000m³.

Additionally, the project includes Repsol's exclusive marketing of the liquefaction plant's entire production. The term of the gas purchase agreement entered into with Peru LNG is 18 years from the start of commercial operations. This is the largest LNG acquisition ever made by Repsol in terms of volume.

In September 2007, Repsol was awarded a contract in an international tender sponsored by the Federal Electricity Commission (CFE) for the supply of LNG to the natural gas terminal in the port of Manzanillo on Mexico's Pacific coast. The contract entails supplying over 67 bcm of LNG to the Mexican plant over a fifteen-year period. The Manzanillo plant, which will supply gas to the CFE power plants in the central-western area of Mexico, will receive gas from Peru LNG, and is set to start operations in the second half of 2011.

The start of production in the Canaport LNG regasification plant, a Repsol (75%) and Irving Oil (25%) partnership, took place in June 2009. This is the first LNG regasification plant on Canada's eastern shore. Located in Saint John (New Brunswick) and with an initial send-out capacity of 10 bcm/year (1 billion cubic feet per day), the Canaport terminal is one of the largest in North America and supplies markets on the eastern coast of Canada and the north-eastern United States. Repsol, the operator of this plant, supplies the LNG that feeds the terminal and is entitled to the entire regasification capacity. The third tank, which started operations in April 2010, can receive loads from the largest LNG carriers in the world.

A multi-year LNG supply agreement was signed in 2010 with Qatargas for the Canaport LNG plant. The supply will be carried out using Q-Flex and Q-Max carriers, the largest in the world, whose capacities are 210,000 and 260,000 m³, respectively, Canaport LNG one of the few plants in the world that can receive these ships at its offshore terminal. This agreement bolsters Repsol's position as a reliable, diversified and flexible natural gas provider for the Canadian and north-eastern American markets.

Repsol is present in the Trinidad and Tobago integrated LNG project, in which it holds a interest alongside BP, BG and others, in the Atlantic LNG liquefaction plant. The strategic geographical location of this plant enables it to supply markets in the Atlantic Basin (Europe, the United States, and the Caribbean) under very advantageous economic conditions.

This plant has four liquefaction trains with a combined capacity of 15 million tons per year. Repsol holds a 20% stake in train 1, a 25% stake in trains 2 and 3, and 22.22% in train 4 (the latter is one of the largest in the world, with an output capacity of 5.0 million

tons/year). In addition to its interests in the liquefaction trains, Repsol plays a leading role in gas supplies and is one of the main purchasers of LNG.

Repsol holds a 25% stake in Bahia de Bizkaia Electricidad S.L. (BBE). This company owns a combined cycle power plant with 800 MWe installed capacity. The plant uses natural gas delivered by BBG as its main feedstock. Power generated at this plant is fed to the grid for residential, commercial, and industrial consumption. In 2010, the availability rate of the plant, situated in Bilbao Harbour, was 83% and the load factor was less than 46%, both parameters much lower than in 2009, due to the scheduled stoppage in October 2010, when it reached 48,000 operating hours, and another unscheduled stoppage due to problems found during this review. Furthermore, generation was lower in the first half of the year, because of the increase in hydraulic and renewable power generation.

In 2010, Repsol sold its 25% share in BBG; Enagas bought 15% of it, while the Basque Energy Agency (EVE) and a German infrastructure fund purchased 5% each. This company owns a regasification plant with unloading facilities for methane tankers of up to 140,000 m³; two 150,000 m³ LNG storage tanks, and a vaporisation capacity of 800,000 Nm³/hour. Its enlargement has been further supplemented by building a third 150,000 m³ storage tank and improving its regasification capacity by an extra 400,000 Nm³/hour.

In December 2007, Repsol and Gas Natural SDG signed a shareholders' agreement with Sonangol Gas Natural (Sonagas) with the aim of starting work on developing an integrated gas project in Angola. This initiative involves the appraisal of gas reserves to determine the investments that would be required for their development and export in the form of liquefied natural gas. In accordance with the timetable, Repsol and Gas Natural SDG, through Gas Natural West Africa (GNWA) were involved in the exploration activities currently being undertaken by Sonagas, the operator of the consortium in which GNWA holds a 20% interest, followed by Sonagas (40%), Eni (20%), Galp (10%), and Exem (10%).

As part of the significant structural and legal progress achieved to date, an office was set up in Luanda and gas and mining rights were awarded by the Government of Angola. The Concession Decree was approved by the Council of Ministers, confirmed by the National Assembly and published in the Official Gazette. In addition to this, the Risk Service Agreement was signed in July 2010.

Moreover, drilling on the Garoupa-2 well was finished in January 2011. As it progresses, it will allow for the assessment of the consortium's potential gas resources in this field.

In Brazil, Repsol signed a contract in December 2009 to join the consortium formed by Petrobras (51.1%), BG (16.3%), Galp (16.3%) and Repsol (16.3%) which will be responsible for the technical engineering studies—Front End Engineering Design (FEED)—prior to the installation of a floating LNG plant in the BSM-9 and BSM-11 fields. These studies serve to assess the floating liquefaction plant's technical and economic viability. Three parallel studies are being conducted with three different consortiums to reduce technical uncertainties in a trailblazing development for the LNG industry and to create the necessary competition among the various contractors in order to optimise development and construction costs. The results of these studies will also be compared with other logistical solutions for extracting gas in the Brazilian pre-salt area in order to select the best option for capitalising on these resources. In the event that the project is finally declared feasible, Repsol will be guaranteed the option of participating in the construction of the plant.

In May 2010, Repsol notified the National Iranian Oil Company (NIOC) and Shell of its intention to discontinue its participation in the Persian LNG project.

LNG TRANSPORT AND MARKETING

The Repsol-Gas Natural LNG (Stream) 50-50% joint venture is one of the leading LNG marketing and transport companies in the world and one of the most important operators in the Atlantic basin. One of this company's objectives is to optimise management of both partners' fleets, which includes 15 gas tankers.

In 2010, Repsol, with management support from Stream, marketed 6.7 bcm of LNG, 49% more than in 2009, most of which was from Trinidad and Tobago and the new Peru LNG liquefaction plant, which was started up in June 2010. The cargoes' main destination was Spain and Canaport LNG, although there were sales both in the Atlantic basin (Europe and America) and in the Pacific basin.

Regarding ships, at year-end 2010, Repsol had seven LNG vessels, and a further two whose ownership is shared (50%) with Gas Natural Fenosa, all of them under time charter agreements, with a total capacity of 1,248,630 m³. Four of these methane tankers were added during 2010, linked to the start-up of the Peru LNG project, one from Naviera Elcano and three more from Knutsen OAS. The four ships have a nominal capacity of 175,000 cubic metres of LNG each and are equipped with state-of-the-art technology.

In addition to this, Repsol has leased a further two LNG vessels for 33 months and occasionally rents vessels for short-term leases.

INVESTMENTS

Investments in the LNG business in 2010 totalled €82 million, 34% less than the €125 million invested in 2009. This amount was mainly used to build the third tank for the Canaport LNG regasification terminal, as well as the Floating LNG Brazil and Angola LNG projects.

DIVESTMENTS

In July 2010, Repsol sold its 25% share in BBG to Enagas and other minor shareholders, for €31 million.

DOWNSTREAM

The Repsol Group Downstream business comprises the supply and trading, refining and marketing of oil and oil products, LPG and chemicals. The information in this section does not include YPF's activities. For information on YPF's Downstream activities, please see the section on this company and its affiliates contained in this Consolidated Management Report.

RESULTS

Operating income	2010	2009	2010/2009
(€ million)			
Europe	1,182	800	48%
Rest of the World	122	222	-45%
Total	1,304	1,022	28%

Operating income in the Downstream business was €1,304 million, up 28% in comparison with the €1,022 million posted in 2009. The key aspects of these results are:

- A recovery in the margins and volume of the chemical business.
- A better result for the refining business due to the increase in refining margins for the company.
- A good performance in the marketing business, with solid margins.
- The effect of considering the inventories at the average cost, instead of the current cost of supplies (CCS), was €498 million in 2010, compared to €367 million in 2009, due to the rise in the price of oil and its derivatives.

REFINING

The Repsol Group owns and operates five refineries in Spain (Cartagena, A Coruña, Petronor, Puertollano, and Tarragona), with a combined distillation capacity of 776,000 barrels per day (in Tarragona the share in Asfaltos Españoles S.A is included). Installed capacity at La Pampilla refinery (Peru) in which Repsol holds a 51.03% stake and is the operator, is 102,000 barrels per day. Until 14 December 2010, when this stake was sold, Repsol also had a 30% interest in the Refap refinery (Brazil) with a total capacity of 190,000 barrels per day.

The refining activity and its context

In 2010, the Refining division's activity and earnings continued to be heavily affected by the international economic crisis. During 2009 the demand for oil products fell, especially in medium distillates, resulting in narrower spreads in relation to oil and, consequently, having a very adverse impact on refining margins. Likewise, weaker demand for oil products led to a reduction in heavy oil supply in the market, as producing countries maximised the production of light oil in order to compensate for lower revenues. The reduced availability of heavy oil resulted in narrower spreads between heavy and light oil, also putting pressure on refining margins, particularly affecting facilities with a large conversion capacity, such as Repsol's.

The International Energy Agency has revised the demand of oil products in 2010 upwards, after two years (2008 and 2009) of relentless falls. The increasing demand comes mainly from emerging countries, with China and India leading the trend. The fall in European markets continued during 2010, and it is expected that this tendency will

prevail in 2011. This behaviour of demand in the OECD zone has caused some non-competitive refineries to be shut down or transformed into storage facilities in 2009 and 2010.

The beginning of the recovery of demand for oil products at global level, which involves an increase in crude demand, along with the decrease in refining capacity caused by some refineries closing, has led to an improvement in the spread for crude and light-heavy products in 2010 compared to the previous year, reflected in a modest recovery of refining margins during this year.

The refining margin in Spain in 2010 was US\$ 2.5/bbl, higher than in 2009 (US\$1.3/bbl), thanks to the aforementioned improvement in spreads. As for Peru, the refining margin in the year was US\$ 4.2/bbl as opposed to US\$ 4.1/bbl in 2009.

The table below shows the refining capacity of the refineries in which Repsol held a stake as of 31 December 2010:

	Primary Distillation (thousand barrels per day)	Conversion Index(2) (%)	Lubricants (thousand tons per year)
<u>Refining capacity(1)</u>			
Spain			
Cartagena	100	—	155
A Coruña	120	66	—
Puertollano	150	66	110
Tarragona	186	44	—
Bilbao	220	32	—
Total Repsol (Spain)	776	43	265
Peru			
La Pampilla	102	24	—
Total Repsol	878	40	265

(1) Information disclosed in accordance with the Repsol Group consolidation criteria: all the refineries mentioned are included in the Group's financial statements through full consolidation. The reported capacity in Tarragona includes the shareholding in ASESAs.

(2) Defined as the ratio between the equivalent capacity coefficient of Fluid Catalytic Cracking (FCC) and primary distillation capacity.

In this context, Repsol's refineries managed by the Downstream division processed 34.4 million tons of oil, 2% less than in 2009. The average use of the refining capacity in Spain was 73.6% versus 74.5% the previous year. In Peru, the degree of utilisation was lower than in 2009, dropping from 76.7% to 71.2% in 2010.

The table below shows a breakdown of the refineries' production, by their main products:

PRODUCTION	2010	2009
Feedstock processed (1)(2)		
Crude	34,410	35,135
Other feedstock	7,321	6,350
Total	41,731	41,485
Refining production (2)		
Intermediate distillates	18,668	18,922
Gasoline	9,084	7,090
Fuel oil	6,081	6,230
LPG	1,166	956
Asphalts (3)	1,478	1,768
Lubricants	275	103
Other (except petrochemicals)	2,250	1,552
Total	39,002	36,621

(1) Information disclosed in accordance with the Repsol Group consolidation criteria: all the refineries mentioned are included in the Group's financial statements through full consolidation, with the exception of Refap, which is presented considering the Group's 30% interest in 2009 and 2010. This stake was sold on 14 December 2010.

(2) Thousands of tons

(3) Includes 50% of the Asfaltos Españoles S.A. (ASESA) asphalt production, in which Repsol and Cepsa own 50% shares. Repsol markets 50% of ASESA's products.

The table below shows the origin of processed crude oil in the Group's refineries, as well as the sales of oil products.

Origin of crude oil processed	2010	2009
Middle East	22%	22%
North Africa	19%	16%
West Africa	11%	10%
Latin America	25%	27%
Europe	23%	25%
Total	100%	100%

Oil product sales

Thousands of tons ⁽¹⁾ (2)	<u>2010</u>	<u>2009</u>
<u>Sales by geographic area</u>		
Sales in Europe	32,429	32,970
Own marketing	20,963	21,169
Light products	17,850	17,781
Other products	3,113	3,388
Other Sales in Domestic Market	5,591	6,222
Light products	3,889	4,320
Other products	1,702	1,902
Exports	5,875	5,579
Light products	1,688	1,849
Other products	4,187	3,730
Sales Rest of the World	6,184	6,459
Own marketing	1,822	1,854
Light products	1,469	1,509
Other products	353	345
Other Sales in Domestic Market	3,383	3,406
Light products	2,517	2,443
Other products	866	963
Exports	979	1,199
Light products	357	659
Other products	622	540
Total sales	38,613	39,429
<u>Sales by distribution channels</u>		
Own marketing	22,785	23,023
Light products	19,319	19,290
Other products	3,466	3,733
Other Sales in Domestic Market	8,974	9,628
Light products	6,406	6,763
Other products	2,568	2,865
Exports	6,854	6,778
Light products	2,045	2,508
Other products	4,809	4,270
Total sales	38,613	39,429

(1) Exports: expressed from country of origin.

(2) "Other sales" including sales to operators and bunker sales.

Repsol continues to implement its ambitious investment plan to increase refining capacity and conversion, while also enhancing safety, the environmental impact, and the efficiency of its facilities. In the medium and long-term, the reactivation of the global economy, which already showed some positive signs in 2010 and should continue to consolidate in 2011 (according to forecasts from various international organisations) will ensure the profitability of the projects undertaken by the company.

The projects to enlarge and increase conversion in the Cartagena refinery and increase conversion in the Petronor refinery (URF) are key aspects of this investment plan. Progress was made in 2010 towards developing both these projects as planned and, accordingly, the new facilities are expected to start operations by the third quarter of

2011. With these investments, the conversion capacity of Refining Spain, measured in FCC equivalent, would grow from 43% to 63%.

The enlargement of the Cartagena refinery is a key initiative in the Horizon 2014 Plan. The €3,262 million investment will make this one of the most modern facilities of its kind in the world and will double its capacity to 220,000 barrels/day. A hydrocracker, a coker, atmospheric and vacuum distillation units, and desulphurisation and hydrogen plants are among the main units featured in this project. Great progress was made on this project in 2010 in line with the timetable. About 6,000 people are already working on the project, expected to be completed in 2011, with the start-up scheduled for the third quarter. Nearly 700 jobs will be created once the project comes onstream. This project makes it possible to maximise the production of clean fuels for the transportation sector. More than 50% of the products that this facility will manufacture will be medium distillates, significantly contributing to addressing the shortage of these products in Spain.

As part of the Repsol Group's plan to integrate people with disabilities, the company has set the goal to incorporate about a hundred disabled people in its many industrial complexes. To this end, during 2010 Repsol carried out a survey in the Puertollano Industrial Complex, in collaboration with FSC Inserta (Fundación Once), to assess sixty positions that could be taken on by people with disabilities.

MARKETING

Repsol markets its oil products through a large network of service stations under a multi-brand strategy; Repsol, Campsa, and Petronor in Spain, and Repsol in other countries where the Downstream business operates. In addition, marketing activity includes other sales channels and the marketing of a wide range of products such as lube oils, bitumen, coke, and derivatives.

Total oil product sales (excluding LPG) amounted to 38,613 thousand tons, 2.2% less than in the previous year. This decrease was due to a weaker demand, particularly in Spain. Sales were down 1.6% in Europe and down 4.3% in the rest of the world.

Regarding own marketing sales, light products sales fell 0.4% in Spain while in other countries sales grew 5.3%.

Despite lower sales volumes, Repsol's Marketing area was able to manage the sales margin efficiently both in the service station channel and in the wholesale market, contributing considerable income growth, in line with the previous year's trends. The maintenance of a strict credit risk control policy implemented throughout 2010 had a positive impact in the division's earnings.

At the end of 2010, Repsol had a network of 4,447 service stations in countries where the Downstream business operates. The network in Spain was comprised of 3,600 retail outlets, 72% of which had a strong concessionary link to the network, and 26% were company-owned and operated (932). Service stations in other countries were spread throughout Portugal (424), Italy (158), and Peru (265).

The retail outlets (service stations and supply units) of the Downstream business as of 31 December 2010 were as follows:

Points of sale	Owned or controlled by Repsol ⁽¹⁾	Flagged ⁽²⁾	Total
Spain	2,583	1,017	3,600
Peru	116	149	265
Portugal	266	158	424
Italy	51	107	158
Total	3,016	1,431	4,447

(1) Owned by Repsol or controlled by Repsol pursuant to long-term commercial agreements or other types of contractual relations that ensure its direct long-term control over these retail outlets.

(2) "Branded" refers to service stations owned by dealers with whom Repsol has entered into a new branding agreement that entitles Repsol to (i) be the sole supplier of these service stations and (ii) allows the service station to use its brand. The maximum term of these agreements in Spain is five years.

In Spain, Repsol markets its gasoline under the Repsol, Campsa, and Petronor brands, with the following distribution as of 31 December 2010:

Points of sale by brand	Retail outlets
Campsa	328
Repsol	2,932
Petronor	313
Other	27
Total	3,600

In 2010, Repsol continued to implement the commitments offered to the EU in 2006 which include the possibility of rescuing certain long-term supply contracts by some dealers who operate the service stations.

The REPSOL MAXIMA card was launched in 2010, and gives a 2% discount on fuel and 5% in all Repsol, Campsa and Petronor service station stores.

The growth of international activities is offsetting the decrease in traditional markets. For instance, in the lube oil business, Repsol has signed an agreement with the Malaysian industrial group UMV for the manufacturing and distribution of Repsol lube oils in Malaysia, China and other countries of the region.

In-keeping with its commitment to the community, Repsol continued to promote projects to integrate people with disabilities. By the end of 2010, the company employed 246 disabled people in the Marketing division, representing 3.5% of its workforce.

LIQUEFIED PETROLEUM GAS (LPG)

Repsol is one of the leading retail distributors of LPG in the world and ranks first in Spain and Latin America. The company operates in nine countries in Europe and Latin America.

LPG sales in 2010 totalled 3,108 thousand tons, 3.8% more than in 2009. Total sales in Spain grew by 0.9% compared with the previous year. Repsol distributes bottled, bulk, and piped LPG in Spain through collective distribution networks and has more than 10 million bottled LPG customers supplied through a network of 243 distribution agencies. Bottled LPG sales accounted for 61% of total retail LPG sales in Spain in 2010.

Sales volumes of LPG	2010	2009
(thousand tons)		
Spain	1,503	1,489
Latin America	1,428	1,316
Argentina	332	303
Bolivia	10	10
Chile	199	200
Peru	497	411
Ecuador	368	372
Other ⁽¹⁾	22	20
Rest of the World	177	187
Total	3,108	2,993
Sales volumes of LPG		
Bottled	1,761	1,770
Bulk, piped and others ⁽²⁾	1,347	1,222
Total	3,108	2,993

(1) Brazil

(2) Includes sales to the automotive market, LPG operators and others.

LPG margins in 2010 were lower than the previous year, in particular in the bottled gas channel in Spain, due to the modification of the pricing system by the Spanish Ministry of Industry, Tourism and Trade in September 2009. According to the new formula, 25% of the price to be applied in the forthcoming quarter would be linked to international prices at the end of the previous quarter and the remaining 75% would depend on the maximum price prevailing at the end of the quarter just ending. The variation in this formula had an adverse impact on fourth quarter 2009 results and in those of 2010; if this trend remains in place and international prices continue to climb, 2011 results will also be adversely affected.

In Portugal, Repsol distributes bottled and bulk LPG to end customers and supplies other operators. Sales in 2010 reached 162,000 tons, making the company the third biggest operator with a 21% market share.

In Latin America, Repsol is the leading LPG distributor in Argentina, Ecuador, Peru, and Chile. It markets bottled and bulk LPG in Argentina to the residential, commercial, and industrial sectors, with sales totalling 332,000 tons.

Between 28 September and 1 October 2010 the 23rd World LPG Forum, 2010 AEGPL Congress, 25th AIGLP Congress & Global Technology Conference took place in Madrid, in which Repsol was a very active participant. In these events, the importance of LPG was stressed in the fight against climate change and in improving air quality, as well as its role as a sustainable fuel with a leading position among alternative energy sources.

Over the last few years, Repsol has been developing several research, development and innovation programmes based on the use of LPG as an alternative fuel. A few examples of this are the SolarGas application, a ground-breaking, integral energy supply system combining solar energy with LPG to provide hot water to homes and businesses in a sustainable, economic manner with very low CO₂ emissions; the Autogas application, where LPG is used as an automotive fuel with considerable environmental advantages due to its low emissions compared to other fuels; and new

uses in agriculture, fishing and the development of products and services, such as Portugal's Easy Gas.

CHEMICALS

The chemical business, part of the Downstream division, involves the production and marketing of a wide range of products from base to derivative petrochemicals. Its products are marketed in over 90 countries leading the market in the Iberian peninsula.

Production most significant facilities include three petrochemical complexes located in Sines (Portugal), and Puertollano and Tarragona (Spain), where there is a high level of integration between basic and derivative chemicals, as well as with refining activities. Repsol also has a number of subsidiary and affiliate companies, through which the company produces styrene derivatives, chemical specialties and synthetic rubber. The latter is produced through Dynasol, a 50% partnership with the Mexican KUO group, with plants in Mexico and Spain.

Operating income in the chemical business, part of the Downstream division, experienced a great improvement compared to the previous year, with a return to positive values. The improved situation, both in terms of margins and demand, together with the implementation of strong measures to reduce costs and optimization and plant's production adjustments have allowed to reverse the situation of losses of 2008 and 2009, although the business is still remains in a low cycle.

Sales to third parties in 2010 amounted to 2.6 million tons, 13.5% more than the 2.3 million tons sold in 2009.

As an example of the efficient integration with the refining activity, in June Repsol acquired the Neste Oil Portugal company, owner of the ethyl tert-butyl ether (ETBE) plant located in the Sines complex, with a production capacity of 50,000 tons per year.

In December, Dynasol, a Repsol Group subsidiary, signed an agreement with the Chinese company Shanxi Northern Xing'an Chemical Industry (Xing'an) to form a joint venture for the manufacturing and marketing of synthetic rubber in China. The new plant will increase Dynasol's production capacity by 50% making the company a global producer with plants in Europe, America and Asia.

In addition, during 2010 revamping of the cracker unit at the Tarragona plant continued, achieving the capacity of 702,000 tons of ethylene. The rest of the investments were used to improve existing assets, achieve greater efficiency and, cost reductions as well as improving product quality, safety and environmental standards.

OPERATING HIGHLIGHTS (Chemicals)	2010	2009	2010/2009 (% variation)
Capacity			
(Thousand tons)			
Basic petrochemicals	2,808	2,679	4.8
Derivative petrochemicals	<u>2,933</u>	<u>2,933</u>	0.0
TOTAL	5,741	5,612	2.3
Sales by type of product			
(Thousand tons)			
Basic petrochemicals	874	567	54.2
Derivative petrochemicals	<u>1,744</u>	<u>1,739</u>	0.3
TOTAL	2,618	2,306	13.5
Sales by region			
(Thousand tons)			
Europe	2,263	2,000	13.2
Rest of the World	<u>355</u>	<u>306</u>	16.0
TOTAL	2,618	2,306	13.5

Production capacity for the main petrochemical products in the Downstream business, mainly in Europe as of 31 December 2010 is detailed in the following table:

PRODUCTION CAPACITY	Total
(thousand tons)	
Basic petrochemicals	
Ethylene	1,362
Propylene	904
Butadiene	202
Benzene	290
Ethyl tert-butyl ether	50
Derivative petrochemicals	
Polyolefins	
Polyethylene ⁽¹⁾	875
Polypropylene	520
Intermediate Products	
Propylene oxide, Polyols, Glycols, and Styrene Monomer	1,189
Acrylonitrile/Methyl methacrylate	166
Rubber ⁽²⁾	115
Other ⁽³⁾	69

(1) Includes ethylene vinyl acetate (EVA) and Ethylene butyl acrylate (EBA) copolymers.

(2) Includes 55,000 tons of production capacity in Mexico.

(3) Includes styrene derivatives and specialties.

NEW ENERGY SOURCES

The New Energies Business Unit was created in 2010, assigned to the Downstream Division, to promote and provide business sense to the new initiatives contributing to a vision of the future where energies are more diversified and produce fewer CO₂ emissions.

The aim of Repsol's New Energies Business Unit is to identify new opportunities, promote projects and carry out business initiatives in fields such as bioenergy and renewable energies applied to transport and other areas that could have synergies with Repsol's current business and the geographic areas in which it operates. It also develops new business related with CO₂ reduction and CO₂ marketing, in particular CO₂ capture and storage.

In this context, on 4 August 2010, Repsol announced the acquisition of a 20% share in AlgaEnergy, a leading company in microalgae research. The agreement complements and strengthens Repsol's research into the use of microalgae for the production of second-generation biofuels, and its entrance into AlgaEnergy speeds up and diversifies its R+D+i strategy in this field. With this stake, Repsol enters in a business project with a technological basis and of high scientific quality for the selection, improvement, farming and marketing of microalgae, including the capture and storage of CO₂, and the harvesting of raw materials for biofuel. Simultaneously, Repsol will continue developing other research lines in this field.

On 16 September, Repsol agreed to buy 47% of Orisol, an international company that promotes renewable energy projects, which boasts professional that is highly regarded in the sector.

On 13 October, Repsol and Ente Vasco de Energia (EVE - Basque Energy Agency) announced the creation of IBIL, a company that manages the recharging of electric vehicles. This company, where both Repsol and EVE hold a 50% stake each, is located in Bilbao and its mission is the development of a network for recharging the batteries of electric vehicles and the marketing of recharging services (electricity and added value services) in the private and public sectors; its aim is to become the leading company in the Basque Country in terms of recharging points and a technological benchmark for the electrical vehicle recharging technology market.

On 28 October, Repsol and the Mexican Group KUO signed an agreement to create a joint venture called KUOSOL, devoted to the development of bioenergy by farming *jatropha curcas*, an oilseed with high non-edible oil content. KUOSOL will be owned by Repsol (50%) and the KUO Group (50%), its headquarters will be in Mexico and it will receive a total investment estimated at US\$ 80 million. Its activities range from farming to the industrial facilities, and its objective is to fully harness the biomass from the *jatropha curcas* plantations, the production of oil as the raw material for biofuel and the generation of bioenergy, with high sustainability criteria.

INVESTMENTS

Investments in Downstream totalled €1,613 million, down 2% compared to €1,649 million the previous year. Most of this amount was spent on ongoing refining projects, particularly in Spain, upgrading operations, installations and fuel quality, and on safety and the environment, as described above.

DIVESTMENTS

On 25 March 2010, Repsol, Petronor and BBK signed an agreement through which BBK purchased a 5% stake in CLH that Repsol indirectly owned through Petronor. The selling price was €145 million. Repsol thus reduced its interest in CLH to 10%, while a competitive process is still open to divest a further 5% in the logistics company.

In December 2010, Repsol sold Petrobras its 30% stake in the Refinería Alberto Pasqualini (Refap), located in the Brazilian state of Rio Grande do Sul, for the amount of US\$ 350 million (€ 261 million). With this sale Repsol brought the process to sell non-integrated Downstream assets in Latin America, which had started in 2007, to a close.

YPF

Since 1 January 2008, the date on which the new organisational structure of the Repsol Group was presented, the value chain integrated activities (exploration, production, refining, logistics, marketing, and chemicals) conducted by YPF and its affiliates, have been reported separately. In essence, most YPF operations, assets, and clients are located in Argentina.

In April 2010 the company's new strategic lines for the 2010-2014 period were presented under the name *YPF, un proyecto de futuro* (YPF, a plan for the future). This is an action plan that is based on values and ideas such as efficiency, quality, safety, responsibility, austerity, commitment and profitability.

The major aspect in the action plan supporting this strategy, is the 2010-2014 Exploration Development Programme, presented at the end of 2009 in the presence of the president of Argentina, Cristina Fernandez de Kirchner and other authorities. The key objective of this plan is to obtain information on all exploration blocks that could contain oil and gas reserves which the Government of Argentina or the local authorities have not yet awarded to any company. This programme also includes improving the oil recovery factor by applying new technologies and the development of unconventional gas, such as shale oil, tight gas and shale gas. Within this programme's framework, there have been agreements signed with 12 provinces, although this project's goal is to cover the whole country.

RESULTS

YPF posted €1,453 million in operating income in 2010, 42.3% more than the €1,021 million recorded in 2009.

This increase is a result of bringing fuel prices in service stations closer to the international parity in dollars, and of the higher international product prices, which affect both the income stemming from exports (such as fuel oil and petrochemicals) and the income from those products whose prices, despite being sold in Argentina's internal market, are linked to international prices, such as petrochemicals, aviation fuel and LPG.

The average annual production was 541 kboe/d, compared to 572 in 2009, a 5.4% decrease. The decrease has been 7.9% in gas, and 3.2% in production of liquids, and 1.6% in crude oil. The smaller drop in crude oil production is a result of the investment effort carried out as a response to the Petroleo Plus programme.

INVESTMENTS

Investments were €1,548 million compared to €956 million the previous year. About 70% of the money spent in 2010 was used in the development of oil and gas exploration and production projects, and nearly 27% was spent in updating projects for the refining and chemical production system.

UPSTREAM

This is the area in charge of exploration, exploitation and production of hydrocarbons, mainly in Argentinean territory, the source for the rest of the company's value chain. In Argentina the company has 26 onshore and offshore exploration blocks with a surface area of over 110,000 km², being direct or associate operator in 91 productive areas located in the Neuquén, Golfo de San Jorge, Cuyo, Noroeste and Austral basins. The company also develops activities in the United States and Guyana, through YPF International.

Exploration and development activities

The following tables show the number of positive and negative exploration wells and of appraisal wells by geographic area in 2009 and 2010:

	As of 31 December 2010 (1)							
	Positive		Negative		Under evaluation		Total	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Argentina	6	6	8	6	-	-	14	12
United States	-	-	-	-	-	-	-	-
Total	6	6	8	6	-	-	14	12

	As of 31 December 2009 (1)							
	Positive		Negative		Under evaluation		Total	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Argentina	3	1	14	8	-	-	17	9
United States	-	-	1	*	-	-	1	*
Total	3	1	15	8	-	-	18	9

(1) A gross well is a well in which YPF owns a working interest. The number of net wells is the sum of the fractions of interest held in gross wells.

* Fewer than one exploratory well.

The following tables show the number of both positive and negative development wells that have been drilled in each geographic area in 2009 and 2010:

	As of 31 December 2010 ⁽¹⁾					
	Positive		Negative		Total	
	Gross	Net	Gross	Net	Gross	Net
Argentina	709	616	8	7	717	623
United States	-	-	-	-	-	-
Total	709	616	8	7	717	623

	As of 31 December 2009 ⁽¹⁾					
	Positive		Negative		Total	
	Gross	Net	Gross	Net	Gross	Net
Argentina	494	402	18	18	512	420
United States	1	*	-	-	1	*
Total	495	402	18	18	513	420

(1) A gross well is a well in which YPF owns a working interest. The number of net wells is the sum of the fractions of interest held in gross wells.

* Fewer than one exploratory well.

Acreage

The table below shows information on YPF's developed and non-developed acreage, by geographic area, as of 31 December 2010:

(km ²)	As of 31 December 2010			
	Developed ⁽¹⁾		Undeveloped ⁽²⁾	
	Gross ⁽³⁾	Net ⁽⁴⁾	Gross ⁽³⁾	Net ⁽⁴⁾
Argentina	4,603	3,264	143,988	72,033
Guyana	-	-	8,400	2,520
United States	117	16	1,161	672
Total	4,720	3,280	153,550	75,224

(1) A developed acreage is the area assignable to producing wells.

(2) The non-developed acreage covers the surface area in which no wells have been drilled, or where any wells have not been drilled to the point of permitting oil and gas production in economically viable quantities, regardless of whether said area has proven reserves or not. The amounts shown belong to the acreage, both in terms of exploration and exploitation.

(3) The gross acreage figures do not take into account Repsol YPF's percentage stake in it.

(4) The net acreage is the sum of the interests held in the gross acreage.

DISCOVERIES

In December 2010, a major discovery of unconventional natural gas (shale gas) in the Neuquén basin was confirmed; the volume of this relevant discovery is still under assessment. Also, an important discovery of shale oil was made in the same basin in the Quintuco field's PSG x2 well, currently in production. Also in this basin, to the south of the Loma La Lata area, the existence of unconventional gas with an estimated volume of approximately 4.5 TCF has been confirmed after drilling four tight gas exploration wells. These discoveries are part of the Exploratory Development Plan 2010-2014 and can be added to other exploratory projects undertaken in the Neuquén basin that show signs of significant unconventional gas potential in this basin.

YPF has signed an agreement with the mining company Vale do Rio Doce for the development of a supply of about 1,6 million m³/day of gas from the Lajas formation

(Neuquén) to supply the mining project in Mendoza. In its first phase, Vale will invest up to US\$ 150 million in 3D seismics, well drilling and in building a gas pipeline. Once these investments have been carried out, YPF will begin to take part in the rest of investments with a 50% stake. This contract paves the way for the first massive tight gas development in Argentina.

PRODUCTION

YPF's oil and gas production during 2010 was 197.4 Mboe, 5.4% lower than in 2009. The production of liquids was 107.3 Mbbbl, while crude oil was 88.1 Mbbbl, and gas 90.1 Mboe. Union strikes and a lower gas demand cut production by 4.8 Mboe. This decrease is partly due to the natural decline of these rather mature fields. Regarding crude oil, the decrease in production has been nearly reversed thanks to the investment effort undertaken as part of the Petroleo Plus programme.

As a result of this activity, and focusing on improving the recovery factor, crude oil production in 2010 was 1.6% lower than in 2009, thus reversing the trend of 5% drops per year.

The incentives obtained through the Petroleo Plus Programme have helped to sustain production. Within the framework of another incentive programme known as Gas Plus which promotes the production of unconventional gas, YPF secured authorisation for the "Rincon del Mangrullo" and "Precuyano - Cupen Mahuida" projects. In the areas held in association, the company also secured approval for the Gas Plus projects in Aguada Pichana and in Lindero Atravesado.

The table below shows YPF's total crude oil and natural gas production:

	2010			2009		
	Liquids (Mbbbl)	Gas (bcf)	Total (Mboe)	Liquids (Mbbbl)	Gas (bcf)	Total (Mboe)
Argentina	107	505	197	110	549	208
United States	1	1	1	1	1	1
Total net production	107	506	197	111	550	209

The table below shows the number of wells per geographic area as of 31 December 2010:

	As of 31 December 2010 ⁽¹⁾					
	Crude ⁽²⁾			Gas ⁽³⁾		
	Gross		Net	Gross		Net
Argentina	11,036		9,378	831		542
United States	7		1	-		-
Total	11,043		9,379	831		542

	As of 31 December 2009 ⁽¹⁾					
	Crude ⁽²⁾			Gas ⁽³⁾		
	Gross		Net	Gross		Net
Argentina	11,151		9,597	785		505
United States	7		1	-		-
Total	11,158		9,598	785		505

(1) A gross well is a well in which YPF owns a stake. A net well is when the sum of the stakes in several wells equals 100%. The number of net wells is the sum of the stakes in gross wells, expressed in whole numbers and fractions.

(2) Net and gross wells include one well with multiple terminations.

(3) Net and gross wells include three wells with multiple terminations.

RESERVES

As of 31 December 2010, YPF's proven reserves, calculated in accordance with SEC guidelines, totalled 992 Mboe, of which, 532 Mboe (54%) relate to crude oil, condensate and liquefied gases and the remaining 460 Mboe (46%) to natural gas.

The trend in the company's reserves was positive in 2010, having achieved an oil replacement rate of 100% for the first time in more than 10 years. The key to this achievement was the incorporation of 88 Mbbl.

ACTIVITY

YPF's current activity by geographic area						
As of 31 December 2010						
	Acreage (1)				No. of exploration wells being drilled (3)	
	No. of blocks		Net acreage (km ²)(2)			
	Development	Exploration	Development	Exploration	Gross	Net
Argentina	91	26	26,444	48,852	3	3
Guyana	-	-	-	2,520	-	-
United States	5	50	16	672	-	-
Total	96	76	26,461	52,043	3	3

(1) Operated and non-operated by YPF.

(2) The gross acreage is the size of an area in which YPF owns a stake. The net acreage is the sum of the stakes in a gross acreage.

(3) A gross well is a well in which YPF owns a stake. A net well is when the sum of the stakes in several wells equals 100%. The number of net wells is the sum of the stakes in gross wells, expressed in whole numbers and fractions.

Argentina

YPF's exploration activity in Argentina in 2010 focused on two areas:

► Offshore

Shallow waters: The offshore exploration campaign in shallow waters was finished, and all the wells drilled were abandoned after yielding negative results or being deemed unprofitable. The poor results obtained in this drilling campaign led the company to return block GSJM-1 and part of block E2, and YPF is currently reassessing the remaining area looking for opportunities to drill new exploration wells.

Deep waters: YPF currently operates four blocks:

- CAA40 and CAA46, in the Malvinas basin (Argentina), at a depth of 480 metres. YPF holds a 33.5% stake. The project has scheduled the beginning of drilling works for the first quarter of 2011.
- Block E1, in the Colorado basin (Argentina), at a depth of 1,600 metres, which is at an early well planning stage. YPF holds a 35% stake.
- Area 3, in the Punta del Este basin (Uruguay), where YPF holds a 40% stake.

YPF also owns a 30% share in block E3 of the Colorado basin. Furthermore, YPF holds a 40% stake in the Area 4 block, in the Punta del Este basin (Uruguay). In these blocks the operator is one of the partners.

► Onshore

Exploration activities have continued in the areas surrounding productive blocks. In addition, exploration has advanced in six additional courses of action:

- **Shale gas:** The shale gas project started in late 2009 with the PSG x-2 well in the Loma La Lata (LLL) block. This exploration well has led to a discovery of oil in the Quintuco formation. However, the discovery does not reach the Vaca Muerta formation. That first well was followed by another five wells. The LLLK.x-1 well (Loma La Lata Karst.x-1, in block LLL) was drilled and finished in the Vaca Muerta formation, leading to the discovery of rich, condensed gas. Another well in Vaca Muerta, LLL-479 (Loma La Lata-479, in the same block), was drilled and finished, yielding oil and gas. The LLL-482 well was drilled and has been producing oil and gas since the same time. Well LLL.x-475 was drilled and will be finished by early 2011. Finally, the horizontal well LLLK.x-2c, is being drilled near LLLK.x-1 to test productivity in horizontal wells. The plans are to continue with intense exploration activity during 2011, including the drilling of several wells whose main objective is to determine the potential of the Vaca Muerta formation as a reservoir of unconventional gas and oil (shale gas and shale oil) in various blocks of the Neuquén basin.
- **Shale oil:** In late October 2010, the drilling of Argentina's first shale oil well (SOil.x-1, in the Loma Campana block) began. It is expected to be finished in 2011. This is the first of a total of three planned wells for this block, including two vertical wells and a horizontal well. The objective of this project, as was mentioned above, is to prove the productive potential of the Vaca Muerta formation as an unconventional oil reservoir, using state-of-the-art technology such as microseismic and massive hydraulic stimulation.
- **Quintuco formation:** The new exploration concepts developed in these traditional reservoirs continued to be worked on. Five discovery wells were drilled during 2010: PSG x-2, La Caverna x-5, Loma Campana a-3, Los Gusanos x-1 and Los Gusanos x-2 and one negative well (La Caverna x-3) in the Bandurria block. The company plans to continue this exploration activity by drilling five additional wells in 2011.
- **Liasico Inferior:** A new exploration campaign was launched in 2010 on mature blocks, and 55 kilometres of 2D seismics were recorded in the Valle del Rio Grande block, which is owned entirely by YPF.
- **Ramos xp-1012:** Ramos, a Temporary Joint Venture operated by Pluspetrol Energy, in which YPF holds a 42% stake, finished the drilling stage during 2009, reaching a final depth of 5,826 metres. In 2010, the Tarija and Tupambi formations, in the lower block of the field, were appraised with negative results. The Santa Rosa formation is currently under appraisal.
- **Frontier areas:** In 2010, 386 km² of 3D seismics were recorded in the Los Tordillos Oeste block, in Mendoza, in a joint venture with Oxy, which holds a 50% stake. During the first quarter of 2011, two wells will be drilled in the Tamberías (province of San Juan) and Gan Gan (province of Chubut) blocks, the latter in association with Wintershall. In November 2010, the company requested the second exploration period in the Bolson del Oeste block (La Rioja), in which the company is committed to recording 200 kilometres of 2D seismics and to drilling a well. In the Rio Barrancas block, the drilling of the Quebrada Butaco x-1 well was finished, at a depth of 2,374 metres and with a negative result. A total of 580 kilometres of 3D seismics have been acquired, as well as 500 kilometres of 2D seismics and 4,100 kilometres of terrestrial gravity and magnetometrics.

In 2010, YPF finished 14 exploration wells in Argentina (8 of them under the company's operation, 7 of them in the Neuquén basin and one in the Noroeste basin). Of these, six were discovery wells (all of them operated by YPF). The total exploration investment in Argentina was about US\$102 million.

Regarding field development activities, 742 development wells were drilled, which, along with secondary repair and infrastructure activities, amounted to an investment of US\$ 1,222 million. Total well construction time was 1% less than in 2009, achieving a 16% accumulated improvement since 2008. This efficiency in terms of time, along with cost savings in various stages of the process, allowed activity to increase about 39% on 2009 levels.

During 2010, YPF continued to work on improving its facilities and optimising oil and gas production. In the sixth stage of the low-pressure compression project in the Loma La Lata field, the gas production and wellhead pressure obtained surpassed the initial forecasts. New simulations of the reservoirs and installations were carried out, with a view to carrying on working on optimising the compression capacity and the above-ground installations in 2011.

YPF's key initiatives for the improvement of productive assets include:

- The WAG (Water Alternating Gas) injection project in Chihuido de la Sierra Negra has finished and its conclusion was that expansion was not economically viable. Current projects are focused on the assessment of chemically enhanced oil recovery opportunities (SP –Surfactant Polymer). Development and delineation works were carried out in Manantiales Behr, Cañadón Yatel, Barranca Baya, Desfiladero Bayo, Señal Picada and Cañadón Amarillo.
- A pilot project to assess the tight gas opportunities in the Las Lajas formation, in the Cupen Mahuida area. The company, using simulated models, is carrying out significant work to optimise the secondary recovery ratio in Chihuido de la Sierra Negra, Los Perales and Cañadon Seco-Cañadón Leon.
- An assessment programme in the field El Medanita field (100% owned by YPF) has been implemented during the last two years, and especially in 2010, to analyse the field's remaining potential. Thirty-two wells have been drilled as part of a pilot infill water injection project and 57 delineation wells in what is known as the South area. The partial results are encouraging. The new massive development of the field is scheduled for 2011, while continuing with another assessment project.
- During 2010, ten integral development projects have been started in Santa Cruz, divided into four development areas: Las Heras, El Guadal, Los Perales and Cañadon Seco, forming a portfolio of 82 projects. The main ones are Cerro Grande, Maurek, Seco Leon and Los Perales. As part of these projects, 161 wells have been drilled, a total investment estimated at almost US\$ 300 million, including their associated resources. The main objective of these projects is to obtain an integral development of the areas by building new wells, introducing new projects for improved oil recovery and supporting the development of installations in the area in question. In 2011, these projects will continue in line with the planned investments.

In 2010, the company began the process of extending the concessions in the provinces of Mendoza, Santa Cruz, Río Negro and Tierra del Fuego (in the latter, the blocks are held in association with Apache Energía Argentina S.R.L's affiliate companies, as a non-operating partner; the negotiation is being handled by the operator). The authorities have called any interested companies to negotiate the aforementioned extension through Public Call No. 1268/10/907 in Mendoza, where YPF has officially

communicated its interest in renovating the permits on the areas to the local authorities, and has submitted the relevant documentation.

Non-operated areas

In the CNQ 7A block the delineation of the reservoirs in El Corcobo Norte, Jagüel Casa de Piedra, Cerro Huanul Sur and Puesto Pinto was finished and their development has begun. This block is operated by Petro Andina Resources Argentina SA (PAR) and YPF holds a 50% stake. The pilot project for water injection in Cerro Huanul Sur was finished with good results.

Exploration wells Lo-x-1 and Lo-x-2 were drilled. The first is in the appraisal phase and the second is yet to be finished.

In September 2010, there was an incident on the offshore platform AM-2 of the Magallanes field, operated by Sipetrol and located in the Strait of Magellan. There was no environmental damage or serious personal injuries. Due to this incident, the field was out of production until December 2010. Its production activity will return to normal during the first half of 2011.

In the Tierra del Fuego area, operated by Apache Corp. and where YPF holds a 30% stake, there has been exploration activity in mature fields. The interpretation of the 3D seismics provided tools for the generation of various drilling projects, mainly in the southern area of the block. During 2010, the Bajo Guadaloso (BGO-x-2001 and BGO-a-2002), Entre Lagos (EL-x-2001) and Bodega (BO-x-2001) projects in Los Chorrillos area, were carried out, where the first two yielded positive results. The operator's strategy is to continue the exploration activity in small geologic structures in Los Chorrillos and to begin activities in the most southerly section, known as Uribe section.

Natural gas

YPF's natural gas sales totalled 13,959 million m³ in 2010, about 12% less than in 2009. The most relevant sale reduction was seen in the manufacturing industry, since during 2010 no Bolivian gas was bought from ENARSA to sell to the Compañía Administradora del Mercado Mayorista Eléctrico, S.A. (CAMMESA). YPF enjoys a 31.7% market share in Argentina. The average price of natural gas sold by the company was 5% higher than the previous year, mainly due to the higher rate for industry and factories.

As part of a programme launched by the Argentinean government, an LNG regasification ship, located in Bahia Blanca, was put into operation to incorporate 1,800 million m³ of gas (125% more than in the previous year) into the country's gas network. Of that total amount, 1,100 million m³ were injected to help satisfy increased demand throughout the five winter months, about 7.2 million m³/day.

Since May 2010 YPF-AESA has been operating the ENARSA propane-air injection plant (PIPA). This plant has injected a total of 30 million m³ into the network, processing 24,300 tons of propane. Every injection request received was duly fulfilled. During this period the ENARSA staff received theoretical and practical training.

ENARSA and YPF have entered a Temporary Joint Venture for the purpose of executing and exploiting the Escobar LNG Project. Both companies hold a 50% stake, while YPF has been designated the joint venture's operator.

The project aims to copy the operation that is being carried out in Bahia Blanca in the Escobar area, on the river Parana de las Palmas, that is, mooring a LNG regasification

ship, regasifying LNG and injecting it as a gas into the gas pipeline system. For this, a pier must be built in the operation zone, a high pressure unloading arm must be assembled and an interconnecting gas pipeline must be laid.

It is estimated that in the first year an average 5 million m³/day of gas will be injected into the system. From the second year onwards, the injection flow could reach an average of about 7 million m³/day. The facility is scheduled to start up in the first half of 2011.

United States

The Neptune development field initiated its production in July 2008 with seven offshore wells. As of September 2010, the platform was producing more than 16,000 gross bbl/d. In 2010, a decision was made to delay finalising the well in the M9 and M10 reservoirs, and to put the M12 reservoir into production. The technical and economic viability of completing well SB-02 to the depth objectives of the M9 and M10 reservoirs is currently being assessed.

In October 2010 the company decided to give up nine OCS (Offshore Continental Shelf) blocks in the Alaminos Protraction area, after analysing the results of their technical assessment.

REFINING, LOGISTICS AND MARKETING

YPF has three refineries: La Plata (in the province of Buenos Aires), Lujan de Cuyo (in Mendoza) and Plaza Huincul (in Neuquén). La Plata has a distillation capacity of 189,000 barrels per day and a conversion capacity of 119,000 barrels per day; Luján de Cuyo has a distillation capacity of 106,000 barrels per day and the same conversion capacity; and Plaza Huincul has a distillation capacity of 25,000 barrels per day. Furthermore, the La Plata refinery has a lubricant manufacturing plant with a capacity of 860 m³/day of finished base product.

The logistics for crude oil are carried out by three companies in which YPF holds a stake (Oldelval, Termap and Oiltanking Ebytem), hired tankers and two pipelines that belong to the company (Puesto Hernández - Lujan de Cuyo and Puerto Rosales - La Plata). The products' logistics are mostly carried out through two polyducts owned by the company (Lujan de Cuyo-San Lorenzo-La Matanza and La Plata-La Matanza), three loading ports, 11 tankers, six barges, four tow boats, 16 terminals (nine of which with connected ports), six LPG plants, 54 aeroplants and 1,105 trucks.

YPF owns a network of 1,618 service stations, of which 169 are directly managed through the company Opessa (100% shareholding) and has also eight bases for the distribution of diesel oil for agricultural activities, known as YPF Directos.

It also holds a 50% stake in Refinor, a company that refines, transports and markets fuels (70 service stations, or 35 if we take into account YPF's 50% share) and derivatives in the Argentinean northeast.

YPF's refineries processed 47.3 thousands m³/day in 2010, 1.8% less than in 2009. This reduction was mainly due to less availability of crude oil in the market, to the scheduled stoppages in the Lujan de Cuyo and La Plata refineries, and to the conflicts with unions, which affected the operations of oil coming from the Gulf of San Jorge.

In spite of those determining factors, the refining performance throughout 2010, in terms of LPG, gasoline and medium distillates was high, in particular regarding aviation fuel (JP1). In October 2010 the production of normal gasoline was discontinued, thereafter producing only high quality gasolines (Super and N-Premium).

Gasoline production for the domestic market was 3.47 million m³, accounting for a rise of 4.2% compared to the previous year, and a new record in recent years.

The three YPF refineries, La Plata, Plaza Huincul and Lujan de Cuyo, jointly increased gasoline and diesel oil performance by 0.9% compared to the previous year, which allowed for a reduction in diesel oil imports.

In 2010 the marketing of IFO (naval bunker) grew 48% in relation with 2009, its sales going from 23 to 34 thousand tons per month. YPF's logistic development has positioned the company as one of the main suppliers in the region and increased its market share from 14% in 2007 to about 40% in 2010.

During 2010, the total oil processed in YPF refineries was 111 Mbbl (Refinor processed about 4.5 Mbbl, where YPF's stake is 50%), of which 80% came from YPF's own fields, and the rest was bought from other companies.

The table below shows the YPF refineries capacity by 31st December, 2010:

Refining capacity(1)	Primary Distillation (kbbl/d)	Conversion Index(2) (%)	Lubricants (thousand tons per year)
Argentina			
La Plata	189	69	256
Lujan de Cuyo	106	110	—
Plaza Huincul	25	—	—
Refinor (3)	13	—	—
Total (4)	333	74	256

(1) Information disclosed in accordance with the Repsol Group criteria for integration in the financial statements: all the refineries report at 100%, excepting Refinor (50%).

(2) Expressed as the ratio between the equivalent capacity coefficient FCC and primary distillation capacity.

(3) Total primary distillation capacity: 26,100 barrels/day.

(4) This refers to YPF's total distillation capacity in Argentina (three YPF refineries, plus the stake in Refinor's refinery).

The table below shows a breakdown of YPF refineries' production, by their main products:

(Millions of tons)	As of 31 December	
	2010	2009
Feedstock processed		
Crude	15.4	15.7
Other feedstock	0.4	0.4
Total	15.8	16.1

	As of 31 2010	December 2009
(Thousands of tons)		
Refining production:		
Intermediate distillates	7,067	7,128
Gasoline	3,762	3,994
Fuel oil	1,440	1,246
LPG	674	566
Asphalts	205	229
Lubricants	181	157
Other (except petrochemicals)	936	1,534
Total	14,264	14,852

The utilisation of the refining capacity was about 93.2% versus 94.9% in 2009.

Logistics activity increased 5% compared with the previous year. High occupation levels were achieved for road, sea and river transport, as well as in the use of pipelines, terminals and ports.

Investments in refining and logistics in 2010 totalled €282 million, meaning a 66% increase in relation to the previous year (€170 million).

In accordance with Law 26,093 on Biofuels, on 1 January 2010 the obligation of marketing gasoline with bioethanol and diesel oil with biodiesel (FAME) came into force. The works required to adapt the San Lorenzo terminal and the refineries to receive FAME were carried out for this reason. These works finished with the construction of facilities for the reception and processing of bioethanol in the Lujan de Cuyo, Montecristo, San Lorenzo and La Plata terminals.

There is ongoing investments being made to build bioethanol and FAME receiving installations for the gasoline and diesel oil mixture, respectively, in the remaining dispatching terminals, as well as increasing the transport capacity of the Puesto Hernandez duct to the Lujan de Cuyo industrial complex.

Likewise, a programme for the automation of the Monte Cristo and San Lorenzo terminals has been started, followed by a schedule for the rest of the plants; while the investment needed to build storage tanks to enhance the logistics capacity in order to cover market demand by importing diesel oil and gasoline was approved.

In November 2010, the new Topping III furnace at the Lujan de Cuyo was put into operation refinery to increase energy efficiency was started up, which will mean an extra 400 m³/day can be processed while improving the unit's energy efficiency.

In line with the objective of reducing the sulphur content in gasolines and diesel oil to meet fuel quality specifications, the investment projects for the hydro-treatment of diesel oil and gasolines continued. In accordance with new legislation from the Energy Secretariat, by 2012 every company should comply with the new fuel specifications; for this reason a new plant for the gasoline and diesel oil hydro-treatment processes is being built and set up in the La Plata refinery. This plant will have a processing capacity of 5,000 m³/day. This facility will produce a diesel oil containing less than 50 parts per million (ppm) of sulphur. To fulfil this objective, the Lujan de Cuyo refinery has bought an existing plant with a capacity of 2,640 m³/day. In this refinery they have also begun the development of the detail engineering for a gasoline hydro-treatment unit.

In the La Plata refinery the development of the engineering for the new coke unit "A" began. This unit will increase the processing capacity from 110 to 185 m³/day.

The participation by YPF in the Refino Plus programme should be highlighted, as it encourages increased fuel production through benefits to be applied in the form of tax relief. In this regard, applications for five investment projects that will avail of this programme have already been approved.

During 2010 YPF launched an image improvement plan for its service stations with the aim of uniting and enhancing the overall image of the network based on the concepts of modernity and rationality. As well as renovating 47 service stations, a new station, Hito, was built in Nordelta and the first station of the Red Camionera (Truck Drivers Network), located in Fighiera (province of Santa Fe), was opened as part of the agreement between YPF and Camión Club Argentino (CCA).

YPF promoted the synergy with the agricultural world by creating the Agrocentros and developing a cereal exchange programme. These Agrocentros sell products such as diesel oil, fertiliser and agricultural chemicals which are paid for with cereal (mainly soya and corn), which is then processed to obtain flour and oil for export. In this new phase, part of the oil obtained will be used for the production of FAME (methyl ester from vegetable oil), nowadays added to commercial diesel oil (up to 5 % of its volume).

During the first half of 2010, domestic market prices were gradually brought into line with international prices and prices in neighbouring countries. Resolution 925/2010 froze retail prices from 31 July until December. From November 2010, the company decided to clearly segment the quality of its gasoline products and identify the attributes of each one through its name. For this reason, the highest quality gasoline (grade 3) is now called "N-Premium". This product became the market leader during this year, with a 61% market share.

In the diesel oil area, the premium product with a low sulphur content (D-Euro) was marketed aggressively. This product is recommended for all high performance EURO IV engines. D-Euro has reached a 49% market share in the retail segment.

This strategy enabled the company to market a larger part of the Ultradiesel XXI diesel oil through the industry and transport channels, providing the market with a sufficient supply while minimising imports.

CHEMICALS

The chemicals business carries out its operations in the Ensenada industrial complex, integrated with the La Plata refinery, and in the Methanol Plaza Huincul complex, integrated with the Plaza Huincul refinery. Likewise, YPF carries out chemical activity in the Bahia Blanca complex through its investee company Profértil.

These industrial complexes have an aggregated production capacity in excess of 2,000,000 tons per year, for market segments such as modified naphthas, resins, detergents, automotives, agrochemicals and fertilisers, among others.

During 2010, there has been a recovery of international prices in the main products, consolidating the improvement seen in the second half of 2009. The price of methanol rose due to the postponement of new plant projects and to a good level of demand in the United States and China.

The maleic anhydride (the raw material for plastics) trend showed a noticeable improvement, with prices rising compared to 2009. This price increase was due to stronger demand, along with the closure of one of the main European plants in January 2010.

From a commercial perspective, YPF's chemicals business improved significantly in terms of the aromatic and methanol sales mix, with sales increasing in Argentina by

18% compared to the previous year. A larger volume of aromatics was used in the gasoline production process (blending) and the sales of methanol in the Argentinean market to the biodiesel production sector continued to develop.

The building and setting up of the Continuous Catalytic Regenerator (CCR) began as well, which will allow production of aromatics to be increased by 50% and thus be able to meet the needs of growing internal demand for octane components, used in high quality gasoline and hydrogen production, necessary for gasoline and diesel oil hydro-treatment processes at the La Plata refinery. The estimated investment for this project is approximately €250 million, the largest petro-chemical investment in Argentina made in the last decade.

The table below shows the production capacity of the main petrochemicals:

	Capacity (tons per year)
Ensenada:	
Aromatics	
BTX (Benzene, Toluene, Xylene)	244,000
Paraxylene	38,000
Orthoxylene	25,000
Cyclohexane	95,000
Solvents	66,100
Olefins and Derivatives	
MTBE	60,000
Butene I	25,000
Oxo-alcohols	35,000
TAME	105,000
LAB/LAS	
LAB	52,000
LAS	25,000
Polybutenes	
PIB	26,000
Maleic	
Maleic Anhydride	17,500
Plaza Huincul:	
Methanol	411,000
Bahia Blanca	
Ammonia/Urea	933,000

GAS NATURAL FENOSA

RESULTS

As of 31 December 2010, Repsol owns 30% of the Gas Natural Group, which is proportionally consolidated. The operating income contributed by Grupo Gas Natural Fenosa in 2010 rose by 17.8% to €881 million compared to the previous year (€748 million).

The additional provision that was made for the risks arising from the Sonatrach dispute has been a determining factor on the results, but their evolution has been supported by the recovery of energy demand in Spain, the growing contribution of international business and the results of the disposal of gas distribution assets in the Madrid Region.

EBITDA in the year was €1,507 million, compared to €1,232 million in 2009, 22.4% higher mainly as the result of the non-incorporation of Union Fenosa in the scope of consolidation until 30 April 2009.

The performance in the aforementioned context highlight the bases of the Gas Natural Fenosa business model, based on the balance between regulated and free business in the gas and electricity markets, with a growing, diversified contribution made by its international presence.

Gas Natural fully integrated Union Fenosa S.A. and its subsidiaries in the scope of consolidation as of 30 April 2009. As a result, the 2009 consolidated financial statement includes Union Fenosa transactions only as of that date. In September 2009, Gas Natural completed the merger by absorption process with Unión Fenosa.

The business' main operating highlights are shown below: For a better understanding, the figures relate to the amounts generated by Gas Natural Fenosa, although the Group's holding in the company is 30%.

Gas distribution

Spain

Business in Spain includes the compensated gas distribution activity, third-party network access services and secondary transport, as well as non-compensated distribution activities (rental of gas meters, connections to customers, etc.).

Sales from regulated gas activity in Spain, which includes access services to the network by third parties, both in terms of gas distribution and secondary transport, fell 9.8% from the previous year's figures to 207,174 GWh. This drop was the result of the sale of assets in Cantabria, Murcia, Asturias, the Basque Country and the Madrid Region which, once set aside, imply 3.9% growth, due to the increase in residential demand caused by a cold winter and a slight recovery in industrial demand.

In 2010, Gas Natural Fenosa continued to expand its distribution network, with the addition of 1,152 kilometres in the last 12 months, and reached 33 new municipalities. The number of supply points increased by 84,000 in the last twelve months, 16.8% less than the previous year, due to the impact of the economic crisis, despite the recovery in the last quarter of 2010. Neither effect takes into account the aforementioned divestments.

By year-end, the gas distribution network reached 44,931 kilometres, 5.6% less than the previous year, and the number of supply points stood at 5,274,000, also 7.4% lower than before, according to the divestments carried out to fulfil the Action Plan approved by the Spanish National Competition Commission (CNC) in relation to the Unión Fenosa acquisition process.

Latin America

This concerns the gas distribution activity in Argentina, Brazil, Colombia and Mexico. During 2010, the number of gas supply points in the distribution network reached 5,665,000. The high year-on-year growth rates have been maintained, with 243,000 new supply points; the performance was particularly good in Colombia, where the new supply points this year were 152,000, thus exceeding 2 million customers.

Gas activity sales in Latin America, which include gas sales and third-party network access services, amounted to 200,995 GWh, 18.5% more than in the previous year. This increase was mainly in the industrial market and the supply to electricity generation plants in Brazil.

The gas distribution network has been extended 2,177 kilometres in the last 12 months, and by the end of December 2010 it reached 64,492 kilometres, 3.5% more than in 2009.

Italy

Business in Italy also includes rate-regulated gas sales.

Gas Natural Fenosa has reached a total of 422,000 supply points in the gas distribution business in Italy, a figure 1.9% higher than year-end 2009.

The gas distribution activity reached 3,387 GWh this year, 3.1% less than in 2009, mainly due to different weather conditions. The distribution network was extended by 204 kilometres, thus amounting to 5,849 kilometres by the end of the period.

Power distribution

Spain

This business includes regulated power distribution activity and customer network services, mainly connection and link-up rights, and other services such as metering and access by third parties to the company's distribution network. The comprehensive tariff ceased to exist on 1 July 2009 following the creation of the last-resort power commercialisation entities. Accordingly, no power sales were made as of that date by the electricity distribution activity in Spain. Electricity supply points have grown slightly, about 0.6%, in 2010, reaching a total of 3,719,000.

Latin America

Business activity involves regulated power distribution in Colombia, Guatemala, Nicaragua, and Panama. Electricity sales reached 18,002 GWh, a 49.3% increase, and the customer portfolio was increased by 17.9%, with a particularly good performance in Colombia due to more up-to-date information in low-income areas, and in Nicaragua, due to the improved effectiveness of subscription campaigns.

Moldavia

Business in Moldavia includes regulated power distribution and its marketing at a tariff in the capital and metropolitan area and in the country's central and southern regions. Despite a context of economic slowdown, the customer base in this country grew by 1.1% to reach 816,000.

Electricity

Spain

The electricity business in Spain includes power generation activities, electricity trading in wholesale markets and the wholesale and retail marketing of electricity in the deregulated Spanish market and electricity supply at the tariff of last resort.

In 2010, electricity demand in the peninsula grew 3.4% in relation to the previous year, an increase that started in the first half of the year, after the fall in demand recorded in 2009. With the corrections due to employment and temperature, the actual growth in demand was 2.9%.

Gas Natural Fenosa power generation in the Iberian Peninsula was 38,338 GWh in 2010. Of this amount, 35,809 GWh came from Ordinary Regime generation, and 2,529 GWh from Special Regime generation. Gas Natural Fenosa's accumulated share in Ordinary Regime generation by 31 December 2010 was 20.2%, slightly higher than the previous year.

Hydroelectric production in 2010 was 4,752 GWh, much higher than 2009 as a result of hydrological conditions at the beginning of the year. Power generation at combined cycle plants in 2010 amounted to 25,928 GWh, also higher than in 2009. Furthermore, nuclear, fuel and coal-fired power generation also increased in comparison with 2009.

In the electricity marketing activity, sales in 2010 were 40,559 GWh.

Latin America

This section relates to power generation assets in Mexico, Puerto Rico, Panama and the Dominican Republic.

In Mexico, the assets currently operating are the Hermosillo (270 MW) and Naco Nogales (300 MW) power plants, both located in the state of Sonora; in the state of Veracruz, the Tuxpan III and IV (1,000 MW) power plants; in the state of Coahuila, the Saltillo (248 MW) power plant; and the Norte Durango power plant, with 450 MW, located in the state of Durango, on which construction finished in 2010.

The power generated in Latin America during 2010 was 19,147 GWh, with a 75.4% load factor and 92.9% availability.

Other countries (Kenya)

This section includes power generation in Kenya. In 2010, fuel-based power generation reached 645 GWh, far higher than 2009 production, due to the enlargement of the plant's capacity in the third quarter of 2009, when an extra 52 MW started commercial operations.

Infrastructure

This business includes the development of integrated liquefied natural gas projects; oil exploration, development and production; sea transport management and operation of the Maghreb-Europe gas pipeline.

The gas transportation activity carried out in Morocco through the companies EMPL and Metragaz represented a total volume of 109,792 GWh, a similar amount to the previous year. Of this figure, 80,740 GWh were transported for Gas Natural Fenosa through the company Sagane and 29,052 GWh for Portugal and Morocco.

Regarding gas exploration and production at the Tanger-Larache project (Morocco) in which the company holds a 24% stake, a seismic campaign was acquired in the second quarter of 2010 and was then processed and analysed in preparation for the drilling activity scheduled for 2011.

Supply and marketing

This business area involves the supply and marketing of gas (wholesale and retail) both in Spain and abroad, and of other products and services related to retail marketing in Spain, as well as marketing of the gas tariff of last resort in Spain.

Gas Natural Fenosa's marketing in the Spanish gas market reached 184,744 GWh, 1.3% higher than the previous year, mainly due to higher gas consumption by residential and industrial clients, while the sales of gas for combined-cycle power generation stayed the same. Moreover, supply for third parties in the Spanish market was 66,141 GWh, showing a 27.4% increase.

Unión Fenosa Gas

This business involves the gas supply and marketing activities carried out by Unión Fenosa Gas, including the liquefaction infrastructure in Damietta (Egypt), regasification in Sagunto and management of the vessel fleet.

The gas supplied to the Spanish market reached 59,518 GWh, an all-time sales record for the company. Furthermore, 27,774 GWh of energy was handled in international sale operations and led to the company posting a sales record in international markets.

Investments

Taking into account Repsol's 30% stake in Gas Natural Fenosa, investments in the year amounted to €636 million in comparison to €5,060 million in 2009. This reduction is mainly due to the inclusion of the investments for the acquisition of Union Fenosa in 2009.

In 2010, Gas Natural Fenosa assigned 23.4% of its fixed asset investments to the electricity generation activity in Spain and 20.3% to electricity distribution in Spain.

The main investment projects for 2010 were the completion of the combined-cycle power plants in Malaga and the Port of Barcelona, and well as the development of wind farm projects.

CORPORATE AREAS

PEOPLE MANAGEMENT

At year-end 2010, Repsol had a consolidated workforce of 43,298 people representing over 70 nationalities. Of this figure, a total of 36,323 employees were working in companies directly controlled by Repsol and the figures presented in this section refer to these employees. The company's employees work in more than 30 countries, mainly in Spain (46%) and Argentina (37%), as well as Portugal (3%), Peru (7.2%), Ecuador (2%), and Trinidad and Tobago (1%). Of these employees, 51% work in the Downstream division, 7% in Upstream and LNG, 36% in YPF, and 6% in corporate departments.

The breakdown of the workforce is 1% executive personnel, 6% technical managers, 47% technicians, 4% administrative staff and 42% operators. Permanent work contracts account for 91% of the total and women represent 27% of the total workforce.

Change in the organisational structure

One of the most significant organisational changes in 2010 was aimed at promoting, boosting and providing business sense to new initiatives contributing to a vision of a more diversified and less CO₂-intensive future for energy. Some examples are the creation of the New Energies Business Unit, within the Downstream Executive Department (ED); two new offices within the Media Corporate Department (CD); the New Energies Technology Division and the Environmental Footprint and Carbon Unit Division, as well as the creation of the New Energy Development Area in YPF.

At the same time, with the purpose of further promoting a culture of organisation as a way to boost efficiency and ideas in the company, divisions were created within the People and Organisation ED, as well as in each different business, that are in charge of directing the innovation process and the generation and development of initiatives, thus converting them into value for the market.

Also in 2010, the YPF transformation project started which aims to turn YPF into a more dynamic, modern and efficient organisation by revising its processes and structures.

On 30 December 2010, the following changes in the company's top executive level were approved, entering into force in January 2011:

- The functions of the Corporate Strategy and Development CD were incorporated into the Economic and Financial ED.
- The Audit and Control and Reserve Control Departments, operationally reporting to Repsol's Board of Directors' Audit and Control Committee, will now report to the General Counsel and Secretary of the Board of Directors instead of the Economic and Financial ED, thus consolidating its independence.
- The Investors Relations Department will report directly to the Chairman's Office.
- The Communication and Chairman's Office CD will become the Communication and Chairman's Office ED, becoming part of the company's Executive Committee.

Renovation of the Management team

The Group has continued the process of renovating its structures and its management team, with a view to having the leaders Repsol needs to face the challenges and to guarantee that each business and strategic project has the people it needs.

The positioning and the presence of the company has been reinforced in all the countries it operates in, following the business strategy for each one. The organisational needs and the executive profile have been subjected to analysis in order to ensure that the organisational structures meet business needs, reinforcing aspects such as innovation, business development or safety and the environment.

This has brought career opportunities to those with the desired personal and professional profile, and has made it possible to renew part of the management team. When the 60 new executives appointed in 2010 are incorporated (some of them will take their position in January 2011), the new management team will be more diverse in terms of gender and nationality.

In mid-December, Repsol gathered all of its management team for a two-day world convention held in Madrid, under the motto *Juntos creamos futuro* (Together we create future).

Diversity, equal opportunities and balance

In 2010, Repsol's Diversity and Balance Committee continued to foster a culture of respect in the company where diversity is valued and promoted, and the balance between the personal and professional life of its employees is made easier.

In addition to continuing to develop programmes from previous years, the company has decided to structure its policies and measures in accordance with the flexible and responsible business management model, and it is currently analysing the elements this includes, such as employment quality, flexibility measures, support to families, professional development and equal opportunities. This work is being carried out across the entire company.

Regarding diversity measures, Repsol has made progress in its programme to integrate people with disabilities, and has continued to promote actions aimed at guaranteeing equal opportunities for all employees.

An important aspect of the work in 2010 were the procedures designed to help incorporate people with disabilities into the industrial sphere. The awareness-raising procedures that have been carried out since the beginning of the programme have been reinforced, and 990 people have taken part in some of the seminars organised this year in various locations within the company.

Likewise, the guide *Superando barreras* (Overcoming barriers) was published and distributed among the employees. This guide contains recommendations, suggestions, best practices and guidelines to improve relations with people with disabilities within the company, thereby helping them to integrate.

In December 2010, and in recognition of the company's work in the social and workplace integration of people with disabilities, Repsol received an award from the Imsero's Recovery Centre for the Physically Disabled.

As well as continuing its collaboration with Fundación ONCE through the second INSERTA agreement, the company has signed new collaboration contracts with the Fundación Seeliger y Conde, Fundación PADEIA (A Coruña), Imsero's CRMF, IVADIS and Afanías, among other institutions.

In January 2011, Repsol received the Telefónica Ability Award to the Best Private Corporation. This award, whose ceremony was attended by Queen Sofia of Spain, publicly acknowledges the work of those Spanish companies and institutions developing sustainable business models and which have integrated people with disabilities as part of their value chain, be they employees, providers or customers.

Repsol has, as of December 2010, a total of 463 employees with disabilities in Spain, of which 360 are directly-hired employees, and the remaining 103 were hired via alternative methods (2.56% of the workforce, according to the legal headcount). In addition to this, there are 90 employees with disabilities in Argentina, 25 in Ecuador, 10 in Peru and 11 in Portugal.

Repsol has also continued to foster measures to improve the balance between the personal and professional life of its employees, adapting them when necessary to the specific nature of the business and to the cultural environments in which the company operates.

Teleworking is becoming consolidated and spreading as one of the best accepted measures. As of 31 December 2010, there are over 557 teleworkers in Spain, 20 of whom are part of the pilot project taking place in industrial complexes. In addition to this, there are 120 teleworkers in Argentina and 14 in Portugal who take advantage of the spatial flexibility of this way of working, one of the top demands of employees reflected in the 2006 opinion poll.

Teleworking, which began in Repsol as a pilot programme in 2008, and has spread gradually through various stages throughout 2009, has become a perfectly normal working mode in the company and is very highly regarded by both teleworkers and their bosses. Both parties stress that the critical factors for success are task planning and the use of technological advances.

The group of teleworkers is made up of employees from virtually all areas of the company, and from all professional groups and age ranges.

Repsol YPF, S.A. was one of 36 companies awarded the *Distintivo de Igualdad en la Empresa* (Equality in Business Badge), from among the 600 that participated in 2010. This badge is promoted by the Spanish government's Ministry of Health, Social Policies and Equality, and it is awarded to entities whose equality in treatment and opportunities policies for their workers are particularly noteworthy. Among other aspects, the Ministry has given special consideration to the work carried out by the Diversity and Balance Committee, the existence of a forum (Equality Department of the Fifth Framework Agreement), where company representatives and the workers' monitor these matters, and the progress seen in both the implementation and the use of the balance measures.

In Argentina, YPF received the Fundacion Proyecto Padres award *Hacia una empresa familiarmente responsable* (Towards family responsibility in business) for the second consecutive year, which in 2010 was declared of interest by the Honourable House of Deputies of the Nation.

Attracting the top professionals

Repsol was once again chosen as the best company to work for, according to the MercoPersonas survey and the Top Employer monitor.

In line with the activity carried out in previous years, the company continues to develop programmes to capture, motivate and commit the best professionals, offering them

attractive working conditions and guaranteeing and promoting equal opportunities for their professional development.

Among the most important initiatives launched in 2010 is the improvement of the Welcome and Integration Programme, intended to optimise introductory processes for new employees coming from outside the company as well as those moving between different units within the company. The objective is to streamline their adaptation to the new work environment, guaranteeing their integration into the company and its values, as well as retaining talent. A new corporate framework for welcoming and integration has been designed this year, as a value proposition Repsol offers its employees that sets it apart from other employers.

Of the new incorporations in 2010, it is important to mention the actions carried out to hire young talent through the master's courses in the Centro Superior de Formación Repsol (CSFR) for technical profiles and the New Professionals Plan for management profiles (71 new professionals were brought in to the company in Spain, Peru and Brazil).

The selection of candidates for the job banks of different profiles (chemical plant workers, bilingual sales representatives, etc.), the technification of profiles and the promotion of hiring people with disabilities for the industrial environment are other aspects worth mentioning.

Repsol has signed over 200 agreements with universities and other educational centres, through which almost 300 trainees have been brought into the company, thus continuing this line of collaboration. Noteworthy among these is the agreement signed with the Universidad de Elche to foster "the best training in the world", which has allowed a student with disabilities to do training at the Information Systems Managing Division. Furthermore, thanks to agreements with foundations and educational centres, students with disabilities have had access to various training programmes and grants offered by the company, some of them in the industrial environment.

Due to its success as a pilot programme, the "Impulsa" Scholarship Programme, which is based on providing training for the grant recipients, was continued in 2010: over 100 grant recipients with university degrees were provided with online training in languages, general skills courses, attending conferences, etc.

The Employment Channel on the repsol.com website consolidated its position among job seekers in 2010, incorporating the company's strategy of making it accessible to people with any disability.

Simultaneously, the company has continued to take part in forums, job fairs, seminars, etc., very often as a benchmark case for the employment of people with disabilities in a number of roundtables and lectures.

Repsol has also featured strongly in social organisation's awards, councils and seminars.

Talent management

One of the company's goals is to combine the need to have the adequate competencies and skills, acquire those that may be necessary in the future in a planned manner, while committing to offer people professional development opportunities by appropriately managing their talent.

With this aim in mind, 2010 saw the consolidation of the systems the organisation uses to assess and highlight its employees' talents: the People Review model and the professional development scheme for technical areas.

People Review is a development model to identify talent and to plan the main actions for the development of people, which was applied to 3,712 professionals in 2010.

Professional development in technical areas

Since technical knowledge is a key factor for business growth in Repsol, as well as for the development of people, technical skills charts and position types have been updated during 2010 by means of revision projects in different areas and units. They are a key element for the effective management of technical talent based on a platform of common knowledge shared by all employees.

In 2010 the company defined and approved its own technical career model as a means for professional advancement in critical technical areas, with the objective of attracting, retaining and developing the technical talent needed to reinforce its present activity and promote its future strategy. This mechanism has already been established in all the areas of the company where this type of profile is the base for development.

Training

Repsol is a company committed to people: it values, promotes and facilitates employee training as a key for their personal and professional development. The training should be focused on developing people's knowledge, skills and attitudes in order to reach the objectives of each unit, while aligned with the company's strategy and oriented towards Repsol's culture and leadership style.

A new Virtual Learning Environment (EVA Repsol) was designed and launched in 2010, based on new information and web 2.0 technologies, with the purpose of improving policies, models and training and learning actions to guarantee the company's present and future competitiveness. This new environment enables and boosts access to quality online training, to both standard courses on offer and to courses and activities designed specifically for Repsol.

Furthermore, in 2010 new training management processes and systems have been revised and developed by and for employees and their bosses, bringing catalogue training and training plans to employees so that they can assess their need for learning, improvement or to acquire new knowledge and skills.

During 2010, more than 1,200,000 hours of training were provided to over 29,500 employees worldwide.

One of the highlights of this tendency was training on the "Repsol Style" addressed to over 700 bosses in 14 countries. The "Repsol Style" is the trademark of Repsol's people managers; it defines the behaviour and attitudes expected and needed by the company to make its strategic plans become a reality. It involved standardising, simplifying and integrating the various reference frameworks on abilities, generic skills and behaviours that existed in the company, and promoting a leadership and management culture.

To meet their different needs, each division has designed its own specific programme based on a common work scheme, which in turn is based in an assessment of the situation.

Mobility

The approach on internal mobility was consolidated during 2010. The objective is to promote professional growth and the development of people by taking on new roles and challenges, while guaranteeing the maximum added value to the business.

To this end, a number of teams made up by representatives of the company's different divisions and units, known as "Development and mobility desks", have been formed and are expected to generate cross-sectional development opportunities for employees.

In specific cases, when there is a need to present the opportunities that have arisen in a certain business, along with its projects for the future, and simultaneously, attract professionals interested in becoming part of these initiatives, internal job forums, known as "bridge projects" are formed.

In 2010 there were 5,892 employees changed position within the company.

International careers

In Repsol, 708 employees were working in other countries than the ones in which they were hired in 2010, and they form the group of employees on international assignment.

2010 has been marked by a need to quickly meet the needs that arose regarding the new projects that the company had started in various countries, which involved sending 175 people to other countries and hiring 64 professionals with an international profile, who bring with them specific experience in key areas in order to face these new challenges.

Once again, given its experience in managing expatriates, Repsol has been re-elected to the chairmanship of the Spanish Expatriation Forum (FEEX), for the 2011-2013 period. This forum, in which there are currently 25 Spanish multinationals, is a place to discuss the management of international assignments affecting their employees, as well as sharing experiences, good practices and initiatives.

Performance assessment

Four years after the introduction of the Repsol performance system, known as *Gestión por Compromisos* (Management by Commitments, GxC), the company has revised and improved the model to meet new needs. To this end, the information received through individual interviews with the top management, as well as the results of the annual audits, the working climate survey, etc have been taken into account.

The evolution of the GxC system reinforces the three pillars on which it is based –responsibility, recognition and development–, and maintains the key role given to manager/worker dialogue within the process. It is also an evolution and flexibilisation of the assessment system.

These improvements went into force for the 2010 assessment, and they were preceded by an important communication campaign targeting all the parties involved.

The company also has an assessment system designed exclusively for employees covered by the collective bargaining agreement, which is used to appraise their skills and knowledge. It is, at the same time, a tool for identifying strong points and areas that need improvement in different skills areas.

This assessment is carried out through campaigns, according to the company's needs. It was applied during 2010 in Repsol YPF S.A., Repsol Butano and various Marketing areas, covering a total of 2,055 employees.

Innovation and improvement

Repsol fosters innovation as a key value of management, which is reflected in its quality policy.

During 2010, the company performed a reflection and repositioning process regarding the current quality and knowledge management functions. As a result, the company has made a strong commitment to foster innovation and improvement and incorporate them into management by creating specific areas in the company and the business divisions.

These new areas, based on collaboration and teamwork, and acting as a link between different areas and business divisions, will lead the promotion of a new innovation culture in Repsol, fostering the exchange of experience and good practices, as well as the identification of high-impact cross-sectional and multidisciplinary initiatives. They will also be in charge of driving their execution and of reporting on their results.

The first assessment of the innovation level was carried out in 2010, applying the innovation model as defined by the Club Excelencia en Gestión and the Fundación COTEC.

In addition, the company continued to implement key measures in the Strategic Quality Plan. Regarding self-assessments, it is important to stress that more than 50% of the organisation has performed at least three self-assessments.

In 2010, Repsol's self-assessment methodology was submitted to the European Foundation for Quality Management (EFQM) and the Ibero-American Foundation for Quality (FUNDIBEQ), after the review process started in 2007, for the purpose of ensuring that the self-assessment process is in line with the business strategy, the integration of improvement initiatives, the monitoring of action plans and to make quality a factor in the change management. This methodology has been formally acknowledged by the EFQM and by Fundibeq as "good management practice".

In 2010, Repsol continued to work on the roll-out of process-oriented management across the entire company and on the use of benchmarking as a tool for continuous improvement. The formalisation of processes and identification of indicators and performance measures support decision-making and help to identify and implement improvements to ensure that targets are met.

Knowledge management

The competitive market in which Repsol operates requires constant innovation in order to adapt to its needs. For this reason, the company has decided to contribute to this adaptation through the creation of value and innovative capabilities in the organisation through knowledge management techniques and tools.

The knowledge management initiatives in Repsol contribute to business results, to improving efficiency and to management through commitments by designing and rolling out a model for development and skill transfer between all the business units and cross-over areas in the company. This becomes the way towards a common framework for generating innovation capabilities, constantly in line with strategic objectives and with quantifiable results to ensure continuous improvement.

Repsol aspires for knowledge management to become an essential part of its employees' daily activity, work processes and assessment systems, thus contributing to the creation of both a continuous improvement and innovation framework and an environment that fosters the participation, involvement and development of the people who work for the company. Repsol would like its employees to feel professionally

enriched and motivated through knowledge management, as well as inspired on a personal level to actively participate in the progress of the organisation.

Repsol employees, regardless of where they are located or which unit or area they work in, will have access to all the knowledge available (content, people and processes), so that they can, at any time, locate the relevant knowledge they require, and the good practice identification and transfer in all areas and key processes, contributing to the creation of an environment open to innovation.

Regarding knowledge management and within its strategic framework, new practice communities were created in 2010 which, together with those already in existence, include approximately 26,000 people throughout the company. In 2010 several projects for retaining employees' knowledge and transferring it to others were undertaken in order to ensure that critical knowledge is kept within the company when employees retire, are rotated, change office, or when new professionals or training materials are incorporated, etc. The methodology applied is mainly supported by compiling personal histories and experiences which are recorded and distributed with audiovisual media.

To bring company knowledge to all the employees, and based on the experience of the Moebius pilot project, the semantic search system is undergoing functional analysis for the purpose of making this knowledge that exists in Repsol regarding people, business processes and any other type of content, available to every employee. This analysis involves designing indicators to measure the employees' contribution to the company knowledge, as a key element for making the cultural change that this initiative requires a reality.

In 2010 a project was carried out to define the framework and reference architecture to support the roll-out of the chosen strategy for the management of knowledge in the entire company. In addition to this, the first two business innovation portals, which were designed in accordance with the open innovation paradigm to give employees a channel for their innovation and improvement proposals, have been introduced. Once this has been properly assessed, the company intends to expand the use of this type of portal to other businesses. One element that sets this system apart is the use of semantic technology, which optimises the entire process of collecting, selecting and appraising the ideas received and favours the creation of teams of people linked by the similarity of their innovation and improvement proposals.

Work relations

During 2010 in Spain there were negotiations regarding the collective labour agreements to temporarily adapt the workforce of those businesses whose activity has been affected by market conditions.

On 29 September the CC.OO and UGT unions organised a general strike to protest against the labour market reforms passed by the Spanish government. In the Repsol Group companies, 9.79% followed the strike.

Regarding YPF, the company took part in the roundtables organised by the Argentinean government as part of the so-called "Social Agreement" between companies, unions and the government. At the same time the work guidelines were established for the renegotiation of the Collective Agreement signed with the United Oil and Hydrocarbons Workers Union (Sindicato Unido Petroleros e Hidrocarburíferos - SUPeH). An addendum to this Agreement was also signed with the aforementioned union, incorporating new benefits for the workers.

Health and safety

In the health area, the following initiatives were developed in 2010:

- Internal Health Regulation Compliance Audit: the process started in 2009 by the Refining Spain Managing Division came to an end with the audits carried out in the Puertollano and Petronor industrial complexes.
- Standards for the Assessment of the Social, Environmental and Health Impact were developed and, in collaboration with Safety and Environment Department and with the Corporate Responsibility Department, there were workshops for the employees in Madrid and Buenos Aires.
- Preparation of a “Health Management System”, with the purpose of standardising the tasks and functions of medical services.
- Health Promotion Campaigns in different countries: such as the Early Detection of Colon Cancer and Detection and Control of Hypertension in Spain; Prevention of Malaria and Hepatitis A in Ecuador, Venezuela and Colombia; Prevention of contagious diseases in Ecuador, Colombia and Brazil, etc.

INNOVATION AND TECHNOLOGY

Repsol YPF considers its R&D investments to be one of the key factors for creating an efficient and sustainable energy system that will be capable of meeting the industry's two main challenges: security of supply and the reduction of CO₂, while maintaining the competitiveness of the energy system. Consequently, Repsol invests in R&D to find solutions to these major challenges, providing value both for the company and for society as a whole.

Uncertainty about what will be the dominant technologies of the future, prospective R&D results, business cycles and cost reduction stresses at low points in the cycle have led Repsol to develop a Strategic Technology Plan as part of its business strategy. The lines of work set out in the plan cover all the company's businesses: hydrocarbons exploration and production, the natural gas value chain, oil refining and related products and petrochemicals, and new energies for diversifying energy production and its use.

In 2010 Repsol invested €64 million in R&D activities carried out directly at its technology centres in Spain (Mostoles) and Argentina (La Plata) and a further €7 million in projects undertaken in the company's different business units. Repsol maintains an active policy of collaboration with both public and private technology institutes and universities in Spain and internationally. The investment earmarked for these types of agreements was in the region of €8 million in 2010. Repsol participates in R&D financing projects sponsored by different areas of government. In 2010 it took part in 29 projects promoted by the Spanish Government, 10 European Union projects, and 15 projects involving the Argentinean government.

R&D programmes

Upstream. Repsol applies the most advanced technologies in the exploration of new oil and gas fields. The major finds reported in 2008, 2009 and 2010 are a good example of the efficient application of these technologies, which include the

geophysical technology developed in the Kaleidoscope project, placing Repsol at the cutting edge in the exploration of complex areas. The objective of raising the reliability of underground imaging and reducing the uncertainty inherent in the search for oil and gas can be applied at a depth of thousands of meters in difficult areas with significant reserves, such as U.S. waters in the Gulf of Mexico and Brazil, where thick layers of salt hide oil companies' targets.

Meanwhile, new advanced analytical and geo-chemical methodologies to describe oil-bearing systems in detail can be applied in both hydrocarbon exploration and in the development and operation of finds, and the company uses its own proprietary models and methods to assess and assure the flow of oil or gas under adverse conditions, especially in offshore production.

Another key R&D line at Repsol involves the use of improved recovery technologies for extracting more oil and gas from mature reservoirs. Also, the search for unconventional hydrocarbons, world reserves of which are expected to be significantly higher than have been exploited to date, represents a major challenge for the company, requiring the development and application of special technologies.

LNG. During 2010, with the start-up of Peru LNG, Repsol consolidates its position as a global leader in the LNG sector. Liquefaction technologies are being developed in this area for use in floating systems, which will make it possible to capitalise on gas reserves that cannot be exploited in an economically viable manner at present. Repsol also systematically monitors alternative technologies that would enable capitalisation of gas reserves, such as the conversion of natural gas into liquid fuels.

Downstream. In the area of oil refining and oil derivative products (gasoline, fuel oils, LPG, asphalts, lubricants, specialities, etc.), technological knowledge is applied to the operational optimisation of refineries and the enhancement of product quality with particular attention to advances in energy efficiency and environmental issues.

Developments allowing unconventional crude oils and biofuels to be processed may be cited as an example of progress in this field, as well as co-processing biomass in refineries, innovation for international expansion in lubricants, the development of more environmentally-friendly asphalt, LPG automotive applications and integrated systems providing enhanced energy efficiency.

Technological development lines in petrochemicals are oriented on a priority basis towards new differentiated products and specialties, as well as towards improving the overall efficiency and cost-saving of processes. Some of 2010 highlights are the industrial introduction of new catalysts for polyolefins and the development of piping, injection and fibre products with better properties, the manufacturing of hydrogenated rubber of various degrees of hardness of a higher added value and the development of technologies for the production of next-generation polyols for polyurethane foams, sulphured fertilisers and bioparaffins.

In April 2010, while the New Energies Business Unit was being created, the New Energies Technology Department was also set up to promote and boost new energy-related R&D and demonstration projects, among others, intensifying activity in the bioenergy field by developing projects on the renewable biological fuel production value chain.

In the area of CO₂ management, the activity is focused on developing projects for the geological CO₂ capture and storage and other alternative technologies such as CO₂ fixation by biomass. In addition to this, the investigation of emerging technologies in

renewable electricity generation and electricity power supply, recharging and storage systems for hybrid and electric vehicles has begun.

Technology prospecting studies

In order to achieve a sustainable energy future, we must overcome ambitious technology barriers to arrive at new and better solutions, both in the oil and gas sector and with other energy sources. Repsol carries out systematic prospecting studies to identify opportunities arising from the long-term evolution of key technologies for the energy and petrochemical sectors.

These include studies on bio-energy, future combustion engines, electrification of transport, renewable energy, CO₂ capture and storage and biopolymers. These studies allow Repsol to develop new expertise and guide its future lines of work.

CORPORATE RESPONSIBILITY

Energy companies have taken on a great responsibility by facing the challenges of a sustainable energy model that can guarantee a safe supply, contributes to minimising the effects of climate change and respects human rights in every area.

Since 2003, Repsol has maintained an active commitment to the ten principles of the United Nations Global Compact. The company signed up to this initiative to make the world a fairer, more united place. During 2010 it took part in various Global Compact-related actions. Likewise, Repsol is aware that its oil and gas extraction activities are an important source of income for the governments in the countries that own these natural resources. These resources, if properly managed, can and should be a positive contribution to their economic growth. For this reason, the company signed up to the Extractive Industries Transparency Initiative (EITI) from its launch, and we believe that this global initiative is in the best position to achieve its goal of increasing financial transparency. In 2010, Repsol has provided financial support for the EITI and has been involved in several programmes to spread information and awareness about the initiative.

Likewise, its second 2012 Sustainability Plan was launched. This plan is part of the Corporate Responsibility model, in its phase of managing any necessary changes to maximise social and environmental opportunities, and it consists of actions aimed at reviewing the company's processes and the employees' specific training.

The plan's 61 actions are divided in nine strategic programmes:

1. Safety increased.
2. Ethical behaviour and fight against corruption.
3. Respect human rights.
4. *Compromiso con nuestra gente* (Commitment to our people).
5. Integration into the community.
6. Sustainable energy and climate change.
7. Controlling and minimising environmental impact.
8. Influencing our suppliers, contractors, subcontractors, distributors, partners and customers.
9. Being accountable for our social and environmental performance.

Repsol will continue working to make safety a distinguishing feature of the company's culture, promoting initiatives such as updating its risk management system and improving safety in processes, transportation, emergency control and the safety management system.

Ethical behaviour and fight against corruption are the essential base for all other actions. The company will continue to reinforce ethical standards in its businesses, fostering initiatives to increase the ability to make ethical decisions when faced with any dilemma and to reinforce the commitment to the Group's Ethical and Conduct Regulation. Repsol will formally adopt a Policy for the Promotion of Transparency, Against Corruption and Bribery, and it will foster financial transparency in the extractive industry.

The programme for the respect of human rights will help reinforce the requirement to respect human rights that is already in force in the company's code of conduct, by providing a global policy for this purpose. It will also increase employees' capability to act and make decisions to favour human rights, even in unusual situations, supported by specific training programmes, which will become embedded in the training programmes for the company's professionals.

Another programme is the one called *Compromiso con nuestra gente*. This plan gave Repsol the chance to approach certain innovative ideas within the scope of protecting women's equal rights among the employees; the balance between work and personal life; the promotion of innovative ideas; and the promotion of a health culture.

The programme for the integration into the community includes some actions to get to know the expectations of the company's stakeholders; and social performance, with a view to improving it. Repsol will also work on improving our relations with local communities, because it believes that they can benefit from the employment and the purchases the company generates.

Regarding environmental initiatives, the company will continue to identify opportunities to increase its energy efficiency and to reduce its greenhouse gas emissions. It will likewise continue to invest in research and development of new biofuels and other alternative energies, and in technologies for CO₂ capture and storage; in addition to continuing to work to reduce its emissions, optimise water management, improve waste management, heighten spill control and gain a better understanding of the impact on biodiversity.

One of the new areas included in this plan concerns the company's actions to influence its partners and the value chain to take on higher standards in ethical, social and environmental management. Since reputation is largely linked to that of our partners, suppliers, contractors, subcontractors and distributors, Repsol will promote its ethical, social and environmental standards among them, as well as promoting responsible energy consumption among our clients.

The progress made on these issues and ethical, social and environmental performance are detailed in the Corporate Responsibility Report and the United Nations Global Compact Progress Report. Aware of the importance of the impact caused by the company's activities and operations, and therefore, the relevance of being accountable to the local stakeholders, for the second year running the company has published its Repsol YPF Ecuador Corporate Responsibility Report. A new aspect was that the 2009 Ecuador report, published in 2010, was assured by an independent expert. In Argentina, in 2010, YPF has published the first Corporate Responsibility Report.

Repsol's presence in the sustainability indexes is proof that the company has been able to gain the trust of analysts and institutional investors who understand that corporate responsibility is a good indicator of a company's quality of management and governance.

For the fifth year running, the company's performance in terms of corporate responsibility has been acknowledged by remaining in the prestigious FTSE4Good and Dow Jones Sustainability Indexes. In the latter, out of 112 oil firms analysed on an international level, Repsol was one of the 12 companies included in the world index (DJSI World), while it is one of only four European companies in the oil and gas sector that have made it to the European index (DJSI Europe). Repsol is the second company in the sector on points in the environmental dimension, and the first in the social dimension. Furthermore, for the first time ever, it obtained the maximum overall points in environmental policy and management system, and it has been awarded the maximum qualifications in the sector regarding the following criteria: climate strategy, standards for suppliers, stakeholders engagement, social impact on communities, customer relationship management and transparency.

Also in 2010, Repsol confirmed its continued presence in the Global and European Ethibel Sustainability Indexes (ESI), which recognise the best companies in each sector in terms of their corporate responsibility and sustainability performance.

Repsol Foundation

The Repsol Foundation carried out a number of projects in 2010 as part of its commitment to the sustainable improvement of society.

One special area of interest for the Foundation is that of public responsibility. The Citizen R programme can be included in this area of action. This is an initiative to promote a culture of civic participation and commitment, and to promote values such as responsibility, solidarity and respect. During 2010, the Citizen R caravan, a mobile unit with exhibitions and interactive games and workshops, moved around various Spanish cities raising awareness among children about the importance of making a responsible, efficient use of energy, and the need to respect and care for the environment. During its travels, the caravan received over 37,700 visits.

As part of its Energy Observatory, the Foundation updated its Energy Efficiency Index, which provides comprehensive and itemised information on its evolution and its contribution to reducing electricity consumption. It has also developed a new index on Intensity of Greenhouse Gas Emissions. This index offers information, by sectors, on greenhouse gas emissions associated with energy production, distribution and use in Spain and in the European Union's 15 main countries.

In the education and training field, in addition to scholarship programmes and collaboration with universities and other academic institutions, the Foundation fosters scientific research and the generation and dissemination of knowledge. In this sense it is worth mentioning Movilab, a programme developed with the Spanish National Research Council (CSIC) to bring science to the general public and, in particular, to promote an interest in science among schoolchildren. During the academic year, a mobile laboratory installed in a truck's trailer went to the main provincial capitals and other cities in Spain bringing interactive workshops prepared with teaching techniques and scientific rigour.

Contributing to the social and workplace integration of people with disabilities is one of the tasks in which the Foundation is increasingly involved, by working in educational, cultural and sports projects. In the last quarter of the year, in collaboration with the Fundación ONCE, the educational awareness programme *Tu formación no tiene límites. Desarrolla tu futuro* (Training is unlimited. Develop your future) started, with the aim of promoting access to university for people with disabilities and normalise their workplace integration process. Another noteworthy programme is the one carried out in collaboration with the Fundación Bobath, through which young people suffering from cerebral palsy and brain damage can have access to formal education in

Administration, which provides them with employment opportunities. In 2010, three students in this programme, which includes an internship in a company, finished their course successfully, obtaining their administrative technician degrees. Regarding sports, the Fundación supports programmes that make possible the practice of mountain sports and adapted cycling for sportsmen with various disabilities in a relaxed environment and in the company of family and friends. Simultaneously and in collaboration with other entities, it promotes creative writing and theatre workshops specifically designed for people with disabilities.

In this line of action is the “*Recapacita*” (Think it over) programme, aimed at raising awareness in society about the problems faced by people with various types of disabilities. “*Recapacita*” is an interactive space with a circuit involving different senses showing, by means of a series of activities in which participants have to put themselves in a disabled person’s position, the difficulties they face in their daily lives.

In the area of international cooperation and development aid, the Repsol Foundation has become actively involved in the rebuilding of Haiti. In addition to the initial 100,000 euro donation and the collection of funds among our employees and the general public to help the victims of the earthquake, the Foundation has organised a global aid project to encourage the development and rebuilding of the Caribbean country. One of its programmes, called *árboles solidarios* (tree solidarity), aims to plant 29,000 trees of local species as part of an agroforestry plan to generate resources in a sustainable manner and improve food resources and the social, economic and environmental conditions of the towns in the Pichon area, in the southeast of Haiti. Other projects are focused on fostering local initiatives to promote agricultural, fishing and livestock production, as well as the manufacture and sale of these products in local markets. These programmes are carried out in collaboration with Solidaridad Internacional.

In Senegal, collaborating with the Fundación Por Una Sonrisa en Africa, several educational and health centres have been provided with infrastructure. These centres are located in several communities south of Dakar, and 6,000 people have benefitted from this programme either directly or indirectly.

As part of the International Year of Biodiversity, the Foundation contributed to improving knowledge on biodiversity and its importance for life and economic development by organising several activities, such as the exhibitions in the Royal Botanical Gardens of Madrid: *Biodiversidad en España* (Biodiversity in Spain) and *Imágenes del paraíso. Las colecciones de Mutis y Sherwood* (Images from Paradise. The Mutis and Sherwood collections), and the First Seminar on Biodiversity and Social Responsibility. This forum, held in May 2010, considered the issue of biodiversity from economic, social, environmental and scientific points of view, stressing its importance in a sustainable development model.

Another factor that contributes to the development and progress of a community is the dissemination of art and culture. Consequently, the Foundation cooperates with museums, institutions and other cultural foundations to bring music, theatre, art and literature to the public.

The Foundation also promotes and develops social studies of general interest with the intention of gaining more in-depth knowledge about those social problems and needs that are most prevalent in our society, thus contributing to the generation and dissemination of knowledge, both at a popular and at an expert level. Its research lines include a number of areas: social observatory of energy, responsible mobility and science and society. In the area of responsible mobility, two complementary studies were presented in 2010: *La alimentación en los viajes por carretera. Hábitos y comportamientos* (Food during road trips. Habits and behaviours), which analyses drivers’ and their companions’ main food-related habits and behaviour while on the road; and *Recomendaciones nutricionales durante los viajes* (Nutritional

recommendations for journeys), prepared in collaboration with the Spanish Nutrition Foundation to establish the most suitable food guidelines regarding different kinds of journeys, considering factors such as population groups, type of journey, transport used and season. As a complement to these studies, and in collaboration with the Dirección General de Trafico (Spanish Department of Traffic), the Foundation prepared a set of good practices for good feeding habits on the road, contributing to safer driving.

The Repsol Foundation undertakes its activities in those countries where the company operates its business, with specific projects adapted to the local needs. In Ecuador, for instance, it fosters a microcredit programme in the Orellana and Sucumbios provinces, designed for low-income women who are excluded from the usual financial system, and enables them to become self-employed.

In Peru, the Foundation has opened the Centre for Education and Integrated Human Development (CEDHI) for young people at risk of social exclusion in Arequipa; the educational infrastructure of Pachacutec has been extended by building a secondary school and a basic training space at the Centre for Education and Community Development (CEDEC), making the integration of young people at risk of social exclusion into the education system possible. Construction on the Luisa Astrain School has also begun in order to provide access to education for children living in extreme poverty.

In Bolivia, in the area of health, the building of a paediatric and emergency section has been started to enlarge the capacity of the Hospital San José Obrero in Santa Cruz de la Sierra, an area with significant unmet needs in this field. Similarly, the Foundation continues to work on the healthy home programme to fight Chagas disease in some zones of the country.

These and other programmes and projects are but an example of the Repsol Foundation's commitment to improving society and the welfare of people.

YPF Foundation

Since its creation in 1996, the YPF Foundation has worked on initiatives relating to education, scientific research, heritage conservation, the dissemination of culture and environmental protection, in Argentina in particular.

A social development path was begun in 2009, in those areas where the company has operations. By 2010 two important milestones were reached: the opening of the Centro Cultural Las Heras, in Santa Cruz, and of the Oil and the Environment Museum, in La Plata.

In education, 33 technical schools in the provinces of Buenos Aires, Chubut, Mendoza, Neuquén and Santa Cruz benefitted from high-level teacher training, next-generation equipment and educational materials. The mobile interpretation centre *Ciencia y Tecnología en Movimiento* (Science and Technology in motion) was presented at the International Book Fair and travelled to schools and science fairs in different parts of the country. In addition to this, 200 students received support in their oil and gas industry-related university studies, as well as 69 professionals who were carrying out post-graduate scientific and technological work.

With the aim of improving people's social and work inclusion, the Foundation has continued to offer a job training programme in the towns where Repsol has operations. A new project was added in 2010, the Re-Conocer programme, which deals with disability related problems by raising awareness and implementing actions for educational and workplace inclusion.

In the area of sustainable development, the YPF Foundation has been working alongside various institutions such as Ecocentro, the NGO Aves Argentinas and Parques Nacionales, to coordinate research and awareness projects on environmental improvement and on the protection and conservation of the environment and biodiversity.

Regarding cultural activities, the First International Violin Competition Buenos Aires 2010 was organised, in collaboration with the Amijai community and as part of the patronage of the Buenos Aires city council: 25 young violin players from all over the world were judged by an internationally-renowned jury chaired by Shlomo Mintz.

For the second consecutive year, the YPF Foundation Cultural Season presented over 100 free plays and musicals for adults and young people in 13 towns. And with *Arte en la Torre* (Art in the Tower), a new contemporary art venue in its Buenos Aires headquarters, the YPF Foundation brought the work of many important Argentinean artists to the general public.

The *Muestras Itinerantes* (Travelling Exhibitions) programme also started, with Marcos López's photography exhibition *Vuelo de Cabotaje*. Another art-related programme, carried out in the provinces of Formosa and La Rioja, was called *Argentina Pinta Bien 2010*. A sculpture called *Los Caballos de San Martín*, made from industrial waste material, was presented by the artists taking part in the Metalwork Art Workshop.

During 2010 the Foundation has worked actively in the conservation of Argentinean heritage. Some of the projects were: the project to restore and conserve Candido Lopez's work; the restoration of the group of sculptures on the facade of the Museo Etnográfico Juan Ambrosetti; renovation of the Teatro Colón tearoom and the recovery of Museo Gauchesco and Parque Criollo Ricardo Güiraldes.

Two books, on the history of the Rosedal (rose garden) de Palermo and the Patio Andaluz, have been published; the book *Parques Nacionales Argentinos* (National Parks of Argentina), by artist Diego Ortiz Mugica, developed in collaboration with the Fundación Parques Nacionales and Telefónica, was presented; and the second volume of the lexical dictionaries *La Academia y La Lengua del Pueblo*, with the Argentinean Academy of Literature was launched.

Repsol YPF Ecuador Foundation

In line with its firm social commitment, Repsol decided voluntarily to create a foundation in Ecuador with the basic objective of working for the development of indigenous and mixed-race communities in the territories indirectly within the sphere of influence of Block 16. The Repsol YPF Ecuador Foundation was created on 11 May 2001.

Based on a study of socio-economic and cultural conditions in the area, three priorities were identified to improve the conditions of life for the population. The first is related to education and job market insertion; the second is oriented towards health and hygiene; and the third concerns efforts to strengthen production and commercial capability at the micro and local levels. Likewise, it should be mentioned that the Inclusive Business Model was introduced in 2010 which, in addition to generating business profit, creates social and economic value by integrating low-income people into the operations of several companies.

The Repsol YPF Ecuador Foundation took part in 22 social development projects in 2010. Of these, 11 were completed during the year, and the remaining 11 are ongoing projects basically involving monitoring and technical support work. The foundation is convinced that the sustainability of its initiatives requires not only the injection of funds,

but also continuous monitoring and support for projects after the funding process is complete, to ensure full autonomy.

A total of 11,865 people benefited from the initiatives funded by the Repsol YPF Ecuador Foundation using its own resources and contributions from counterparty entities, strategic allies of the foundation and the communities themselves.

The foundation is making a consistent effort to generate proposals and seek additional funding with the aim of enlisting the support of multilateral cooperation organisations and other companies in its social and environmental development projects and initiatives.

THE ENVIRONMENT

Caring for the environment is an essential aspect in the management of Repsol's activities. This principle is part of the company's strategic vision and its commitment to "contribute to sustainable development and the improvement of the social environment, and to respect human rights, the environment and safety".

Repsol's principles in terms of safety and the environment are defined in its Safety, Health and Environment Policy, applicable to all the activities of the company. One of these principles is incorporating safety and environment criteria to the entire life cycle of the activities, with the purpose of preventing damage to people and assets and minimising the impact on the environment.

The basis for managing safety and the environment is the management system, formed by a large body of regulations, procedures, technical guides and management tools which are constantly updated to adapt them to the sector's best practices.

The ISO 14001 certificate has been promoted in the facilities as a way to foster continuous improvement and to obtain an external validation of the management systems. All the refineries, chemical plants and lubricant and specialties facilities are currently certified, as well as nearly all the exploration and production centres and a growing number of installations devoted to other activities. (See a list of the certified centres at www.repsol.com)

Significant environmental investments were made during 2010, with the aim of improving the environmental quality of oil products, minimising air emissions, increasing energy efficiency, optimising water consumption and reducing the pollutant load in water discharges, and of improving spill prevention systems by applying the best practices available and technological innovations. The company has also made a significant effort to identify, appraise and correct possible polluting situations that occurred in the past.

Details of the Group's environmental assets, provisions, expenses and future actions are detailed in Note 35 of the Consolidated Financial Statements. Furthermore, in Repsol's Corporate Responsibility Report 2010 there is a list of the most important actions carried out during the year for the protection and conservation of the environment, as well as the evolution of the most relevant indicators.

SUSTAINABLE ENERGY AND CLIMATE CHANGE

During 2009 and 2010 Repsol has developed the Carbon Strategy to meet the challenge of providing a responsible energy supply. After creating the New Energies

business unit (see Downstream and Innovation and Technology sections) and the roll-out of positionings and action plans, a new stage has begun in Repsol's Carbon Strategy, with the purpose of:

- Promote a common carbon-reducing culture and guide the deployment of future projects, both in Upstream and Downstream as well as in the New Energies businesses.
- Identify synergies between all businesses, in order to reduce carbon.

Repsol's Carbon Strategy is geared towards six areas:

- Energy efficiency to curb CO₂ emissions and operating costs.
- Carbon markets, which focuses on covering the expected deficit under the EU emissions trading scheme (ETS), the development of Clean Development Mechanism (CDM) projects and obtaining Certified Emissions Reductions (CER).
- Prospection, development and implementation of technologies for CO₂ capture and storage.
- Biofuels strategy: research, development, production, blending and distribution.
- Development of new technologies for transport, contributing to guarantee the supply of cleaner fuels with less environmental impact.
- Search for business opportunities for renewable electricity generation, establishing synergies with the company's current operations.

In the area of climate change, the following events in 2010 are worth mentioning:

- The United Nations has approved the industrial project for the YPF refinery in La Plata (Argentina) as a Clean Development Mechanism (CDM), thus becoming the first project of this kind approved in the world. The CDM, an instrument included in the Kyoto Protocol, allows companies to develop Greenhouse Gas Emissions reduction projects, thus favouring sustainable development and the introduction of clean technologies in the countries where such investment is made. This project will considerably reduce the emission of greenhouse gases (about 200,000 CO₂ metric tons/year) by reusing waste gas which normally would have been burnt in the flare. The use of this gas in the refinery's equipment partly replaces the use of fuels such as natural gas or fuel oil.

Likewise, for the project to be approved, it was necessary to develop a new methodology which was also approved by the United Nations in 2007 under the name AM0055 "Baseline and Monitoring Methodology for the recovery and utilization of waste gas in refinery facilities". Four projects in the world are currently applying this methodology.

- Once again, the company has been included in the selective Climate Disclosure Leadership (CDLI) index, which groups the 51 best industrial companies in the world featured in the FTSE Global Equity Index Series (Global 500) regarding climate change communication and transparency. The company has also been qualified in the new Climate Performance Leadership Index (CDPI), which recognises the 48 companies with the most highly-developed strategy for the management of climate change-related risks and opportunities and which are adopting the best measures regarding its mitigation. Repsol is one of only two oil companies in the world, and one of two Spanish companies, that is featured in both indexes.

- Additionally, in March 2010, Repsol received the Emissions Tracking Carbon Verification Leaders Award 2010, acknowledging the information disclosed by the company on the verification and accounting of its greenhouse gases. According to the Environmental Investment Organization (EIO), the entity behind this award, Repsol is one of seven companies, among 1,000 analysed in this study, whose Emission Report was entirely verified and accepted and it was also the only energy company to obtain full recognition.

COMMUNICATION

Transparency and close relations with the company's different stakeholders are the mainstay of Repsol's communications strategy. Nowadays, society demands accessible information, and Repsol does not hesitate to cater for this need in the smoothest and most reliable way possible with a number of tools.

Shareholders and investors

These groups have access to all sorts of resources that enable them to find out about the day-to-day business of the company. Since its stock market flotation in 1989, Repsol has had a Shareholder Information Office (OIA) and an Investor Relations Department, and through them it deals with the needs of its shareholders, institutional investors and stock market analysts. Over the last few years the company has been increasingly covered by analysts; currently there are 41 analysts monitoring the company's evolution.

Shareholders can ask for any information they need from the OIA by going to the office in person, calling the 900 100 100 freephone or by post or e-mail. The OIA received about 52,000 calls in 2010 (an average of 200 per day). Most of the enquiries concerned the share price, the Annual General Shareholders' Meeting, the policy on and payment dates of dividends, and the material facts on the company.

In addition, the corporate website (www.repsol.com) provides access to all the relevant information about the company, as well as specific contents in the section "Information for shareholders and investors", which in 2010 had more than 200,000 visits. The portal has also several e-mail addresses (the standard one being infoaccionistas@repsol.com) for asking questions or requesting publications. In 2010 over 5,000 e-mails were sent to these mailboxes, mainly asking for information about Repsol.

The Investor Relations Department provides smooth communication with institutional investors and stock market analysts. During this year the company organised a roadshow (meetings with institutional investors outside the Repsol offices) in Europe and the United States, with the participation of the top management, and another 20 meetings with the Investors Relations team. Furthermore, Repsol has been present in several conferences in the sector, both in Europe and in the United States, within which there were also meetings with institutional investors. Adding to the aforementioned the visits received in the company's offices, the total is about 500 institutional investors contacted during 2010. Finally, the Investor Relations Department organised a field trip (a visit for analysts and institutional investors focused on a certain representative asset of the company, with the presence of the top management and the local management) in Peru, attended by 23 analysts who follow the company's evolution.

Media relations

Repsol's policy for media relations is based on the principles of transparency, immediacy, accuracy and reliability of the information conveyed. The company at all times endeavours to ensure that requests for information from journalists are answered as quickly as possible, keeping up a free-flowing and ongoing contact with the media, which is regarded as vital for conveying developments in the business activity and management of a company that is present in more than 30 countries.

Repsol's Communication and Chairman's Office ED deals daily with general and specialist media at international, national, regional and local level, providing them with information about everything that professionals from this sector need to know. In addition, it works closely with the local media in the places where the company's industrial complexes are located.

All the media are informed of key activities and initiatives undertaken by Repsol by means of press releases. In Spain, Repsol distributed over 70 press releases during 2010, as well as those disseminated locally by the industrial complexes, the information released by the company in the countries where it operates and those related to sports sponsorship projects.

To strengthen the relationship with journalists, press conferences and specific informative meetings are arranged. In this sense, one of 2010 highlights was the press conference for the presentation of the 2009 results, which took place on 25 February 2010, and the one for the presentation of the main projects and investments included in the Horizon 2014 Plan (29 April 2010).

The company's website has a specific space, the press room, that provides immediate access to information about the Group. From this space, the press releases issued by Repsol, as well as publications, pictures, videos and all kinds of relevant information about the company are made available to the media and the general public. It also contains useful tools and a glossary of terms.

Repsol has a press mailbox (prensa@repsol.com), which aids relations with the different media. Over 4,000 enquiries and requests for information were handled through this channel in 2010. Likewise, every day dozens of queries are answered on the phone.

Repsol's commitment to transparency and truthful information was acknowledged in 2010 with two awards: in February, Repsol was chosen as the energy company with the best relationship with the Spanish press, according to the second wave of the KAR survey carried out by IPSOS. 46% of Spanish journalists polled chose Repsol as the company in the sector that had the best relationship with the press.

In mid-November, the Chamber of Commerce, Industry and Shipping of Barcelona informed Repsol that it had been awarded the 46th Premio Llotja, which acknowledges the company's effort to set up a truthful, complete and accessible information system for its shareholders and investors, and also for the general public.

Repsol online

For Repsol, transparency and openness with concern groups is a priority. The portal www.repsol.com is, in this sense, a key tool.

In 2010, the company reinforced its interest in digital media by focusing on three main lines of action. In the first place, the creation of new digitised contents to make Repsol, its brands and products better known to users, and to get closer to them via exclusive, interesting content. Secondly, enabling access through new platforms such as the iPad and iPhone, where applications related to the Repsol Guide are already available.

And last but not least, fostering dialogue and interaction through its profiles in social networks.

In 2010, repsol.com had 70 million webpage viewings and 5 million visits per month and was once again distinguished by Spanish and European digital communication experts: the Spanish Association of Accountancy and Business Management, which gave the 8th Premio AECA to the Ibex 35 company with the best financial information on the Internet, and the international consultancy company Hallvarsson & Halvarsson who, for the seventh consecutive year, chose Repsol as the top Spanish company, thus retaining its position as one of the ten best European companies in terms of the efficiency and transparency of their corporate websites.

Regarding social networks, Repsol reinforced its presence, focusing mainly on the Repsol Guide and sports sponsorship. Its Facebook and Twitter profiles gather over 60,000 and 4,000 fans respectively. The company also has a gastronomy blog and another two with the Repsol riders Dani Pedrosa and Marc Marquez. In corporate terms, a monitoring and active listening system has been introduced to learn more about the perception of concern groups on the web.

These results and Repsol's constant interest in strengthening the relationship with its stakeholders, fostering interaction and providing direct access to communication via the multiple possibilities offered by digital media, have enabled the consolidation of repsol.com's leadership in online transparency and communication in Spain and Europe during 2010.

INTANGIBLE ASSETS MANAGEMENT

A large part of a company's value is in its intangible assets; brand and reputation being the two key strategic values for the differentiation and the generation of trust among stakeholders.

For this reason, the management of these intangible assets in Repsol is handled by the Department of Communication Strategy, Corporate Reputation and Branding.

Brand strategy

Repsol understands the concept of brand in its broader sense, from visual identity to different types of communication (internal communication, advertising, marketing, public relations, sponsorship and patronage). And Repsol is convinced of its increasing importance as a key element in product and service differentiation, the continuity of leadership in relation to customers and society in general, and the ability to attract and retain human capital.

A perfectly managed common identity allows the company to issue an unambiguous, differentiated message to its public, as well as building links with them.

Throughout its history, the Repsol brand has received awards and recognition, including high positions in the most prestigious brand rankings such as Interbrand and "Trusted Brands 2010".

Reputation

Corporate reputation, understood as the company's ability to generate trust, respect and admiration, is a key factor in business management. The aim of reputation

management is to promote the constant improvement of the organisation and of its external recognition.

Repsol, a pioneer in this area, is one of the founding companies of the Corporate Reputation Forum and has adopted the Reptrak model - an internationally recognized standard - as part of its reputation management and monitoring tools.

To reinforce this function, in 2010 Repsol created a department whose specific objective is to define corporate reputation policies, strategies and management models as well as the periodical monitoring of its status.

Repsol has retained its top ten position in local and international reputation indicators, such as MERCO (Spanish Business Reputation Monitor) and in Fortune's World's Most Admired Companies (Oil & Gas sector).

SPORTS SPONSORSHIP

During 2010, Repsol took part in the world's top motor sport competitions, like the World Motorcycle Championship, the best possible testing bench for its lubricants and fuels. Thanks specifically to the cumulative experience gained in the development of products for top-level competitions, Repsol is able to maintain its leading position in research and the development of products capable of living up to the expectations of its customers.

In line with our track record, 2010 was an outstanding season in terms of the world championship titles won by the Repsol drivers in international competitions. In MotoGP, Repsol came second with Dani Pedrosa. The Spanish motorcyclist won four grand prix, breaking his personal record, but bad luck and an injury when he was at his best meant he could not fight for the championship in the last few races. The Italian Dovizioso topped the podium seven times, but finished the season in fifth place.

But if there is something to remember about the 2010 season, it is that Marc Márquez won his first 125cc world championship. This motorcyclist, sponsored by Repsol, won ten grand prix, becoming the youngest Spanish rider to win a world title and the second in history. Marc's talent and charisma have made his races as popular as the top category.

Furthermore, the Repsol team won the Indoor and Outdoor Trial World Championship in the male competition and Outdoor Trial in the female competition. Toni Bou has won eight world championships. At 25, he is the rider with the second-highest number of prizes in history. On the female side, Laia Sanz, ten times world champion and winner of the Premio Nacional del deporte Reina Sofia, won the female competition in her first time at the Dakar rally. Similarly, Marc Coma, with Repsol's personal sponsorship, won his third Dakar rally in America in the motorcycle category.

Repsol Team 2011

Repsol will continue to be the main sponsor for the Honda team. The agreement has in fact been renewed for two more years (2011 and 2012). The season beginning in Qatar on 20 March 2011 will see three out of the five best riders in the world as part of the Honda team. Cassey Stoner, 2007 champion and one of the favourites for the 2011 championship, will join Dani Pedrosa and Andrea Dovizioso. The presence of the Australian motorcyclist in the team will help the international projection of the Repsol brand.

In terms of logistics, the company will continue to provide its products so that the Repsol team enjoys the best fuels and lubricants.

Also, Marc Márquez will ascend to the Moto2 category with a great team, in technical and human terms, designed to help the 125cc champion compete in a few years' time with his role model Dani Pedrosa.

Other sponsorships

Repsol is also committed to Olympic sports and cooperates in the ADO plan, which helps young people fulfil their dream of taking part in the Olympic Games. In this way, with the objective of London 2012, Repsol is committed to consolidating this highly successful time in Spanish sports.

NEW REPSOL HEADQUARTERS

Construction on the new Repsol headquarters began in November 2008 and work continued apace in 2010.

The underground structure is finished, and 80% of the structure above ground has been built; the underground installations are about 70% finished. In 2010 Repsol submitted the project documentation to the US Green Building Council (certifying body for the LEED sustainability qualification system). This body accepted all the credits submitted; for this reason, the company expects a Gold certification in terms of sustainability.

The final project design for the approval of the interiors was also completed, including the design of the different types of spaces. For the design and functionality of the main services the company enlisted the help of the change agents team and the union representatives.

Lastly, each unit collaborated in assessing in detail their actual installation in the business park, and the work finished with a simulated installation, functionality check and a survey for any particular needs.

The future headquarters of Repsol will consist of a ground floor and four storeys of offices and service rooms. It will also have two basement floors containing facilities and a car park with capacity for 1,800 vehicles. The project includes over 5,000 m² providing services to employees. The closed ring layout of the buildings will provide a large tree-lined garden enclosure of almost 10,000 m². Also, a new green area will be created within the perimeter of the business park. Repsol has remained fully committed to sustainability from the design stage of the project. It is expected that the building work and most of the installation of the approved interior design will be finished in 2011 and the rest, in early 2012.

SUPPLEMENTARY CONTENT OF THE MANAGEMENT REPORT

(Pursuant to section 116.b of the Spanish Securities Market Act)

A. Capital structure, including securities not traded on a European Union regulated market, indicating, where appropriate, the different classes of shares and, for each class of shares, the rights and obligations that it confers and the percentage of capital that it represents.

The Share Capital of Repsol YPF, S.A. is currently €1,220,863,463, represented by 1,220,863,463 shares, each with a par value of €1, fully subscribed and paid up, belonging to the same class and, consequently, having the same rights and obligations.

The shares of Repsol YPF, S.A. are issued in book-entry form and have all been admitted to listing on the automated trading system of the Spanish securities markets (Madrid, Barcelona, Bilbao and Valencia) and the Buenos Aires exchange (Bolsa de Comercio de Buenos Aires). At the date of this Management Report, Repsol YPF, S.A. shares, in the form of American Depositary Shares (ADSs), are listed in the New York Stock Exchange (NYSE), although on February 22nd, 2011 the company has formally requested the delisting of its ADSs from said market. In this sense, it is estimated that the last day of trading of the ADSs in the NYSE will be March 4th, 2011.

B. Any restrictions on the transferability of shares.

As set out in the 11th Additional Provision of Act 34/1998 on the hydrocarbons sector, as per the wording of Royal Decree Law 4/2006, 24 February, administrative authorisation must be sought from the National Energy Commission for certain holding acquisitions involving companies that carry out regulated activities or activities that are subject to administrative intervention which entails a special binding relationship.

The Ruling of the Court of Justice of the European Communities (CJEC) of 28 July 2008 set out that, by enforcing this requirement, the Kingdom of Spain has breached the obligations incumbent upon it under articles 43 (freedom of establishment) and 56 (freedom of movement of capital) of the European Community Constitutional Treaty.

C. Significant direct or indirect holdings in the capital.

As of the last date available, the following were the most significant holdings in the share capital of Repsol YPF, S.A.:

Shareholder	Total % of the share capital
Sacyr Vallehermoso, S.A. ⁽¹⁾	20,01
Criteria CaixaCorp, S.A.	12,97
Petroleos Mexicanos ⁽²⁾	4,81

(1) The shareholding of Sacyr Vallehermoso is held through Sacyr Vallehermoso Participaciones Mobiliarias, S.L.

(2) The shareholding of Petroleos Mexicanos (Pemex) is held through Pemex Internacional España, S.A. and through several equity swap instruments with certain financial institutions providing mechanisms furnishing Pemex with the financial rights and the exercise of voting rights up to 4.81% of the company's share capital.

D. Any restriction on voting rights

Article 27 of the Corporate Articles of Association of Repsol YPF, S.A. lays down that the maximum number of votes than an individual shareholder, or companies belonging to the same Group, may cast at the General Meeting of Shareholders shall be 10% of the Share Capital with voting rights.

Furthermore, article 34 of Royal Decree-Law 6/2000 sets out certain restrictions on the exercise of voting rights in more than one principal operator in the same market or sector. Among others, it lists the markets for the production and distribution of fuels, the production and supply of liquid petroleum gases and the production and supply of natural gas, the principal operator being understood to be any of the entities that hold the five largest shares in the market in question.

Such constraints are specified as follows:

- Natural or legal persons who have a direct or indirect holding of over 3% in the Share Capital or the voting rights of two or more principal operators in the same market may not exercise the voting rights attached to the excess over and above such percentage in more than one of those companies.
- A principal operator may not exercise voting rights representing more than 3% of the Share Capital of another principal operator in the same market.

These prohibitions shall not apply to parent companies which have the status of principal operator with respect to their controlled companies that have the same status, provided that such a structure is imposed by the legal system or is the consequence of a mere redistribution of securities or assets among companies in the same Group.

The National Energy Commission, as the energy market regulatory body, may authorise the exercise of the voting rights attached to the excess, provided that this does not favour the exchange of strategic information or entail risks of coordination in their strategic activities.

E. Shareholders' Agreements.

Repsol YPF S.A. has not been informed of any shareholders' agreements that include regulating the exercising of voting rights at its general meetings or that restrict or place conditions on the free transfer of Repsol YPF S.A. shares.

F. Rules applicable to the appointment and replacement of members of the Board of Directors and amendment of the corporate Articles of Association.

• *Appointment*

The General Shareholders' Meeting is entrusted with appointing the members of the Board of Directors, notwithstanding the powers of the Board to appoint Directors from among the shareholders to fill vacancies that arise until the next General Meeting is held.

Persons to whom the prohibitions under section 213 of the Spanish Stock Companies Act apply, and those who are under disqualifying circumstances according to the law in force may not be appointed as directors.

Nor may persons and entities that are in a situation of permanent conflict of interest with the company, including rival entities, their directors, executives or employees and the persons linked with or proposed by them be directors of the company.

Nominees shall be persons who, in addition to fulfilling the requirements for the post stipulated in the law and Articles of Association, have acknowledged prestige and possess the appropriate professional knowledge and expertise for the performance of their duties.

The proposals for the appointment of Directors that the Board submits to the General Meeting, and appointments made by co-option, shall be approved by the Board (i) at the proposal of the Nomination and Compensation Committee, in the case of Independent Outside Directors, or (ii) subject to a prior report by that Committee in the case of other directors.

• *Re-election*

The Nomination and Compensation Committee is responsible for assessing the quality of work and dedication to the office during the preceding term of office of directors proposed for re-election.

The proposals for the re-election of Directors that the Board submits to the General Meeting, and appointments made by co-option, shall be approved by the Board (i) at the proposal of the Nomination and Compensation Committee, in the case of Independent Outside Directors, or (ii) subject to a prior report by that Committee in the case of other directors.

• *Withdrawal or resignation*

Directors shall cease to hold office when the term for which they were appointed expires (unless they are re-elected) and in the other circumstances provided for in the Law, the Corporate Articles of Association and the Regulations of the Board of Directors.

Furthermore, directors must submit their resignation to the Board of Directors in any of the following circumstances:

- a) When they are under any disqualifying circumstance or prohibition provided for by law, the company's Articles of Association or the regulations that apply to them.
- b) When they have been seriously cautioned by the Nomination and Compensation Committee or the Audit and Control Committee for having breached their obligations as Directors.
- c) When, in the opinion of the Board, subject to a prior report by the Nomination and Compensation Committee:
 1. Their continued presence on the Board may jeopardise the interests of the company or impair the functioning of the board itself or the standing and reputation of the company; or
 2. When the reasons for which they were appointed no longer concur. This includes, in particular:
 - Institutional Outside Directors when the shareholder that they represent or that had proposed their appointment transfers the whole of their shareholding. They must also surrender their post to the Board and, if the Board deems it fit, tender the respective formal resignation, in the corresponding proportion, when such shareholder reduces its shareholding to a level that requires the reduction in the number of its Institutional Outside Directors.
 - The Executive Directors, when they cease to hold the executive posts outside the Board to which their appointment as Director was linked.

The Board of Directors shall not propose the withdrawal from office of any Independent Outside Director before the statutory period for which he/she had been appointed comes to an end, except where there are proper grounds for doing so, in the opinion of the Board subject to a prior report by the Nomination and Compensation Committee. In particular, proper grounds shall be deemed to exist if the Director (i) had breached the duties inherent in his/her office; (ii) were in any of the situations described in the previous paragraphs; or (iii) were in any of the circumstances described in the Regulations of the Board as a result of which he/she cannot be classified as an Independent Outside Director.

Proposals for the withdrawal from office of Independent Outside Directors may also be made as a result of takeover bids, mergers or other similar corporate operations that entail a change in the company's capital structure, to the extent necessary to establish a reasonable balance between Institutional Outside Directors and Independent Outside Directors according to the relationship between the capital represented by the former and the remainder of the capital.

● *Amendment of the Articles of Association*

The Articles of Association of Repsol YPF, S.A., which are available on its website (www.repsol.com), do not lay down different conditions from those contained in the Spanish Stock Companies Act for their amendment, with the exception of the amendment of the last paragraph of section 27, regarding the maximum number of votes that a shareholder or companies belonging to the same Group may cast at the General Meeting. This resolution, as well as the resolution to amend this special rule contained in the last paragraph of section 22 of the Articles of Association, requires, both in the first and in the second call, the favourable vote of 75% of the share capital with voting rights attending or represented at the General Meeting.

G. Faculties of the members of the Board of Directors and, in particular, those concerning the possibility of issuing or repurchasing shares.

The Annual General Meeting of Shareholders of the company, held on 30 April 2010 agreed to authorise the Board of Directors to increase the Share Capital, once or several times, during a period of 5 years, by the maximum amount of €610,431,731 (approximately half the current Share Capital), by issuing new shares the counter value of which shall consist of cash contributions.

Likewise, the Annual General Meeting of Shareholders of the company, held on 30 April 2010, authorised the Board of Directors to engage in the derivative acquisition of own shares, under the terms indicated above in the “Financial situation” section of this Management Report.

Finally, in addition to the powers recognised in the company’s Articles of Association and the Board Regulations as being conferred upon the Chairman and Vice-Chairmen of the Board, the Executive Directors have each been granted general powers of attorney to represent the company, conferred by the Board of Directors, and which are duly recorded in the Commercial Register of Madrid.

H. Significant agreements to which the company is party and that take effect, alter or terminate upon a change of control at the company as a result of a takeover bid, and their effects, except when disclosure thereof would be seriously detrimental to the company. This exception shall not apply when the company is under the legal obligation to make this information public.

The company participates in exploring for and exploiting hydrocarbons through consortiums or joint ventures with other oil companies, both public and private. In the contracts governing the relations between the members of the consortium the other partners are usually granted a right of first refusal over the holding of the partner on which a change of control takes place when the value of said holding is significant in relation to the overall assets of the transaction or when other conditions set out in the contracts occur.

Likewise, according to the rules regulating the oil and gas industry in the different countries in which the company operates, the transfer, total or partial, of research permits and exploitation concessions as well as, on occasions, the change of control in the concessionaire entity or entities and in particular in the entity that has the status of acreage operator, are subject to prior authorisation from the competent administrative authority.

In addition, the agreements entered into by and between Repsol YPF and Caja de Ahorros y Pensiones de Barcelona (“la Caixa”) relating to Gas Natural Fenosa S.A., reported as relevant events through the Securities Market Commission, as well as the Industrial Agreement Activity between Repsol YPF and Gas Natural Fenosa S.A. set forth in the abovementioned agreements and disclosed as a relevant event on 29 April 2005 and the Partnership Agreement between Repsol YPF and Gas Natural Fenosa relating to Repsol–Gas Natural LNG S.L. consider the change in the control structure of either of the parties to be grounds for termination.

I. Agreements between the company and its directors and executives or employees providing for compensation when they resign or are unfairly dismissed or if the employment relationship comes to an end because of a takeover bid.

● *Executive Directors*

The Chairman and the Secretary and General Counsel are entitled to a Deferred Financial Compensation in the event of the termination of their relationship with the company, provided that said termination does not take place as a result of a breach of their obligations or of their own free will, without there being grounds for it, among those provided for in the contract itself. The amount of the compensation for termination of the relationship shall be three years of their aggregate cash remuneration.

● *Executives*

The Repsol YPF Group has established a sole legal rule for executive staff, which is specified in the Executive Contract, in which the compensation system applicable in circumstances involving termination of the employment relationship is regulated and in which the grounds for compensation are the ones laid down in the current Spanish legislation.

In the case of members of the Executive Committee, they include the resignation of the executive in the event of transfer of undertakings or a major change in its ownership, resulting in a replacement of its governing bodies or of the content and guidelines of its core business activity. The amount of compensation for current members of the Executive Committee is calculated according to the Executive's age, years in the company and salary.

Further information about this matter can be found in Note 33 to the Repsol YPF Consolidated Financial Statements.

ANNUAL REPORT ON CORPORATE GOVERNANCE

LISTED COMPANIES

ISSUER

YEAR 2010

TAX REGISTRATION NUMBER: A78374725

Name: REPSOL YPF, S.A.

**MODEL FORM OF ANNUAL REPORT ON CORPORATE GOVERNANCE OF
LISTED COMPANIES**

Read the instructions for completion at the end of this report for a better understanding of the model form and assistance for completion.

A OWNERSHIP STRUCTURE

A.1 Complete the following table on the capital of the company:

Date latest modification	Capital (€)	Number of shares	Number of voting rights
12-15-2000	1,220,863,463.00	1,220,863,463	1,220,863,463

State whether there are different classes of shares with different associated rights:

Yes No

A.2 Give details on the direct and indirect holders of significant interests in your company at year-end, excluding directors:

Name of shareholder	Number of direct voting rights	Number of indirect voting rights (*)	% total voting rights
Sacyr Vallehermoso, S.A.	0	244,294,779	20.010
Caja de Ahorros y Pensiones de Barcelona.	85,676	158,367,452	12.979
Petróleos Mexicanos	0	58,679,800	4.806

Name of direct holder of the stake	Through: Name of the direct holder of the stake	Number of direct voting rights	% total voting rights
Sacyr Vallehermoso, S.A.	Sacyr Vallehermoso Participaciones Mobiliarias, S.L.	244,294,779	20.010
Caja de Ahorros y Pensiones de Barcelona	Criteria CaixaCorp, S.A	158,367,452	12.972
Petróleos Mexicanos	Financial Entities	58,679,799	4.806
Petróleos Mexicanos	Pemex Internacional España, S.A.	1	0.000

Indicate the principal movements in the shareholding structure during the year:

Name of shareholder	Date of transaction	Description of transaction
Blackrock, Inc	04/30/2010	Falling below 3% of the capital
Blackrock, Inc	05/20/2010	Exceeding 3% of the capital
Banco Bilbao Vizcaya Argentaria, S.A.	04/30/2010	Falling below 3% of the capital
Banco Bilbao Vizcaya Argentaria, S.A.	05/01/2010	Exceeding 3% of the capital

Blackrock, Inc	05/26/2010	Falling below 3% of the capital
Banco Bilbao Vizcaya Argentaria, S.A.	07/13/2010	Falling below 3% of the capital
Blackrock, Inc	08/13/2010	Exceeding 3% of the capital
Blackrock, Inc	08/25/2010	Falling below 3% of the capital
Blackrock, Inc	10/20/2010	Falling below 3% of the capital
Banco Bilbao Vizcaya Argentaria, S.A.	12/28/2010	Exceeding 3% of the capital

A.3 Complete the following tables on directors' shareholding interests in the company:

Name of Director	Number of direct voting rights	Number of indirect voting rights (*)	% total voting rights
Antonio Brufau Niubó	205,621		0.017
Luis Fernando del Rivero Asensio	1,000		0.000
Isidro Fainé Casas	242		0.000
Juan Abelló Gallo	1,000	81,926	0.007
Paulina Beato Blanco	100		0.000
Artur Carulla Font	27,573		0.002
Carmelo de las Morenas López	7,376		0.001
Ángel Durández Adeva	5,950		0.000
Javier Echenique Landiribar		17,200	0.001
Dña. María Isabel Gabarró Miquel	5,816	1,832	0.001
José Manuel Loureda Mantiñán	50	27,200	0.002
Juan María Nin Génova	242		0.000
Pemex Internacional España, S.A.	1		0.000
Henri Philippe Reichstul	50		0.000
Luis Suárez de Lezo Mantilla	1,665		0.000

Total % of voting rights held by the Board of Directors	0.032
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Complete the following tables on directors with stock options in the company:

A.4 Indicate family, commercial, contractual or corporate relationships among significant shareholders known to the company, if any, except any that are insignificant and those deriving from ordinary commercial business:

A.5 Indicate commercial, contractual or corporate relationships between significant shareholders and the company and/or its group, if any, except any that are insignificant and those deriving from ordinary commercial business:

Names of related persons or companies	Type of relationship	Brief description
Caja de Ahorros y Pensiones de Barcelona	Corporate	Repsol YPF and Caja de Ahorros y Pensiones de Barcelona (controlling shareholders of Criteria CaixaCorp, S.A.) participate in Gas Natural SDG, S.A., which has as business purpose, among other activities, supply, production, piping and distribution of any type of combustible gas. Repsol YPF and Caja de Ahorros y Pensiones de Barcelona have also signed an agreement relative to Gas Natural SDG, S.A., describe by both entities as a concerted situation of which the <i>Comisión Nacional del Mercado de Valores</i> (CNMV) has been duly notified.

A.6 Indicate any shareholders' agreements of which the company has been notified in pursuance of Art. 112 of the Securities Market Act. Describe briefly, if any, indicating the shareholders bound by the agreement:

Yes No

Indicate any concerted actions among company shareholders of which the company is aware:

Yes No

Expressly indicate any change or break-up of those agreements or concerted actions, if any, that has taken place during the year:

A.7 Indicate any individuals or entities that exercise or may exercise control over the company in pursuance of Article 4 of the Securities Market Act:

Yes No

A.8 Complete the following tables on the company's treasury stock:

At year-end:

Number of direct shares	Number of indirect shares (*)	Treasury stock/capital (%)
0	0	0

(*) Through:

Total:	0
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Give details on any significant variations during the year, according to the provisions of Royal Decree 1362/2007:

Gain/(loss) obtained during the year on trading in own shares (thousand euro)	
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A.9. Indicate the terms and conditions of the authorisation granted by the General Meeting to the Board to buy or sell own shares.

The Annual General Meeting of Shareholders of Repsol YPF, S.A. held on second call on April 30, 2010, adopted the following resolution under item six on the Agenda:

“First. To authorize the Board of Directors for the derivative acquisition of shares of Repsol YPF, S.A., by sale, purchase, exchange or any other onerous legal business modality, directly or through controlled companies, up to a maximum number of shares, that added to those already own by Repsol YPF, S.A. and its subsidiaries, not exceeding 10% of the share capital and for a price or equivalent value that may not be lower than the nominal value of the shares nor exceed the quoted price on the stock market.

The shares so acquired may be disbursed among the employees and directors of the Company and its Group or, if appropriate, used to satisfy the exercise of option rights that such persons may hold.

This authorization, which is subject to the compliance of all other applicable legal requirements, shall be valid for 18 months, counted as from the date of the present General Shareholders Meeting, and leaves without effect the authorization granted by the last Ordinary General Shareholders Meeting held on the 14th May 2009.

Second. To authorize the Board of Directors to delegate, pursuant to the provisions of article 141.1 of Joint Stock Companies Act, the delegated powers contemplated in section first of these resolutions.”

A.10 Indicate any constraints established in law or the Articles of Association on the exercise of voting rights and legal restrictions on the acquisition and disposal of shares in the capital.

Indicate whether there are any legal constraints on the exercise of voting rights:

Yes No

Maximum percentage of voting rights that may be exercised by one shareholder by legal constraint	3%
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Indicate whether the Articles of Association establish any constraints on the exercise of voting rights:

Yes No

Maximum percentage of voting rights that may be exercised by one shareholder by a constraint under the Articles of Association	10%
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Description of the constraints established in law or the Articles of Association on the exercise of voting rights
<p>Article 34 of Royal Decree-Law 6/2000 establishes certain constraints on the exercising of voting rights in more than one principal operator in any one market or sector. Among others, it lists the fuel production and distribution, liquefied petroleum gas production and supply and natural gas production and supply markets. The principal operators are the entities holding the five largest shares of the market in question.</p> <p>These constraints are as follows:</p> <ul style="list-style-type: none"> - Individuals or entities directly or indirectly holding more than 3% of the capital or voting rights of two or more principal operators on the same market may not exercise the voting rights corresponding to the excess over that percentage in more than one of such operators. - No principal operator may exercise the voting rights corresponding to an interest of more than 3% in the capital of another principal operator on the same market. <p>These constraints shall not be applicable to parent companies that are principal operators in respect of their subsidiaries that are in the same position, provided this structure is imposed by law or the result of a mere redistribution of securities or assets among group companies.</p> <p>The <i>Comisión Nacional de Energía</i> (CNE), regulator of the energy market, may authorise exercise of the voting rights corresponding to the excess provided this does not favour the exchanging of strategic information or imply any risks of coordination of their strategic actions.</p> <p>Furthermore, Article 27 of the Repsol YPF, S.A. Articles of Association stipulates that no one shareholder, or companies belonging to the same Group, may cast votes at general meetings in excess of the number corresponding to 10% of the voting capital.</p>

Indicate whether there are any legal restrictions on the acquisition and disposal of shares in the capital:

Yes No

A.11 Indicate whether the General Shareholders' Meeting has resolved to take measures to neutralise a takeover bid under Act 6/2007.

Yes No

If so, explain the measures approved and the terms on which the constraints would become ineffective:

B MANAGEMENT STRUCTURE OF THE COMPANY

B.1 Board of Directors

B.1.1 State the maximum and minimum numbers of Directors stipulated in the Articles of Association:

Maximum number of directors:	16
Minimum number of directors:	9

B.1.2 Complete the following table with details of the members of the Board:

Name of Director	Representative	Position	Date first appointment	Date last appointment	Election procedure
Antonio Brufau Niubó		Chairman	07/23/1996	05/09/2007	Cooptation
Luis Fernando del Rivero Asensio		First Vice-Chairman	11/29/2006	05/09/2007	Cooptation
Isidro Fainé Casas		Second Vice-Chairman	12/19/2007	05/14/2008	Cooptation
Juan Abelló Gallo		Director	11/29/2006	05/09/2007	Cooptation
Paulina Beato Blanco		Director	12/29/2005	04/30/2010	Cooptation
Artur Carulla Font		Director	06/16/2006	04/30/2010	General Meeting
Luis Carlos Croissier Batista		Director	05/09/2007	05/09/2007	General Meeting
Carmelo de las Morenas López		Director	07/23/2003	05/09/2007	Cooptation
Ángel Durández Adeva		Director	05/09/2007	05/09/2007	General Meeting
Javier Echenique Landiríbar		Director	06/16/2006	04/30/2010	General Meeting
María Isabel Gabarró Miquel		Director	05/14/2009	05/14/2009	General Meeting
José Manuel Loureda Mantiñán		Director	01/31/2007	05/09/2007	Cooptation
Juan María Nin Génova		Director	12/19/2007	05/14/2008	Cooptation
Pemex Internacional España, S.A.	José Manuel Carrera Panizzo	Director	01/26/2004	04/30/2010	Cooptation
Henri Philippe Reichstul		Director	12/29/2005	04/30/2010	Cooptation
Luis Suárez de Lezo Mantilla		Director and Secretary	02/02/2005	05/14/2009	Cooptation

Total Number of Directors	16
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Indicate any retirements from the board during the year:

Name of director	Type of director at the time of retirement	Date of retirement

B.1.3 Complete the following tables on the types of board members:

EXECUTIVE DIRECTORS

Name of director	Committee proposing appointment	Position in company's organisation
Antonio Brufau Niubó	Nomination and Compensation Committee	Executive Chairman
Luis Suárez de Lezo Mantilla	Nomination and Compensation Committee	General Counsel and Secretary of the Board of Directors

Total number of executive directors	2
Executive directors / total directors (%)	12.5

INSTITUTIONAL OUTSIDE DIRECTORS

Name of director	Committee proposing appointment	Name of significant shareholder represented or that proposed appointment
Luis Fernando del Rivero Asensio	Nomination and Compensation Committee	Sacyr Vallehermoso, S.A.
Isidro Fainé Casas	Nomination and Compensation Committee	Criteria CaixaCorp, S.A.
Juan Abelló Gallo	Nomination and Compensation Committee	Sacyr Vallehermoso, S.A.
José Manuel Loureda Mantiñán	Nomination and Compensation Committee	Sacyr Vallehermoso, S.A.
Juan María Nin Génova	Nomination and Compensation Committee	Criteria CaixaCorp, S.A.
Pemex Internacional España, S.A.	Nomination and Compensation Committee	Petroleos Mexicanos

Total number of institutional directors	6
Institutional dir. / total directors (%)	37.5

INDEPENDENT OUTSIDE DIRECTORS

Name of director	Profile
Paulina Beato Blanco	Phd Economics, University of Minnesota, Professor of Economic Analysis, Commercial Expert and Economist of the State. Former Executive Chairperson of Red Eléctrica de España, Director of CAMPSA and major financial institutions. Formerly Chief Economist in the Sustainable Development Department of Inter-American Development Bank and Consultant in the Banking Supervision and Regulation Division of the International Monetary Fund. Currently she is advisor to the Iberoamerican Secretary General (Secretaría General Iberoamericana), professor for Economic Analysis in various universities and member of a special Board for promoting Knowledge Society in Andalusia.

<p>Artur Carulla Font</p>	<p>Graduate in Economics. His professional activity began in Arbora & Ausonia, S.L. in 1972, where he held several positions until he was appointed Executive Director. In 1988 he joined Agrolimen, S.A. like Strategy Director. In 2001 he is appointed Managing Director of Agrolimen, S.A. Currently, he is Chairman of Agrolimen, S.A. and its participated companies; Affinity Petcare, S.A., Preparados Alimenticios, S.A. (Gallina Blanca Star), Biocentury, S.L., The Eat Out Group, S.L. and Reserva Mont-Ferrat, S.A.; Director and Secretary of Arbora & Ausonia, Quercus Capital Riesgo, S.G.E.C.R, S.A. and Consorcio de Jabugo, S.A.; Member of the Regional Board of Telefónica in Catalonia, member of Advisory Board of EXEA Empresarial, S.L. and member of Advisory Board of Roca Junyent. He is also Vice-Chairman of Círculo de Economía, Vice-Chairman of Foundation ESADE, Member of Foundation Lluís Carulla and Foundation MACBA (Museo de Arte Contemporáneo de Barcelona), Member of IAB (International Advisory Board) of the Generalitat de Catalunya, Member of the Management Board of Instituto de la Empresa Familiar and Member of FUOC (Fundació per a la Universitat Oberta de Catalunya).</p>
<p>Luis Carlos Croissier Batista</p>	<p>He has been the profesor in charge of economic policy of the Universidad Complutense de Madrid. During his long professional tenure, amongst other positions, he was Subsecretary of the Ministry of Industry and Energy, President of the National Institute of Industry (Instituto Nacional de Industria, I.N.I.), Minister of Industry and Energy and President of Spanish Securities Market Commission (Comisión Nacional del Mercado de Valores). Currently he is Director of Adolfo Dominguez, S.A., Testa Inmuebles en Renta, S.A., Eolia Renovables de Inversiones SCR, S.A., Grupo Copo de Inversiones, S.A., and Sole Director of Eurofocus Consultores, S.L.</p>
<p>Carmelo de las Morenas López</p>	<p>Ba in Economics and Law. Started Career In Arthur Andersen & Co. Subsequently General Manager of the Spanish Subsidiary of the Deltec Banking Corporation and Chief Finance Officer of Madridoil and Transportes Marítimos Pesados. Joined Repsol Group in 1979 holding different Management Positions. In 1989 he was appointed Chief Financial Officer, up to the end of his career in the company. Up to 31 December 2005 was member of the Standard Advisory Council of IASB. Currently he is Chairman of Casa de Alguacil Inversiones SICAV, S.A., Director of the Britannia Steam Ship Insurance Association, Ltd., Orobaena S.A.T. and Faes Farma, S.A.</p>
<p>Ángel Durández Adeva</p>	<p>BA Economics, Profesor of Commerce, chartered accountant and founding member of the Registry of Economic Auditors. He joined Arthur Andersen in 1965 where he was Partner from 1976</p>

	to 2000. Up to March, 2004 he headed the Euroamerica Foundation, of which he was founder, entity dedicated to the development of business, political and cultural relationships between the European Union and the different Latin American Countries. Currently he is Director of Gestevisión Telecinco, S.A., Member of the Advisory Board of Exponencial-Agencia de Desarrollos Audiovisuales, S.L., Ambers & Co and FRIDE (Foundation for the international relations and the foreign development), Chairman of Arcadia Capital, S.L. and Información y Control de Publicaciones, S.A., Member of Foundation Germán Sánchez Ruipérez and Foundation Independiente and Vicepresident of Foundation Euroamérica
Javier Echenique Landiribar	Ba Economics and Actuarial Science. Former Director-General Manager of Allianz-Ercos and General Manager of BBVA Group. Currently Chairman of Banco Guipuzcoano, Director of Telefónica Móviles México, Actividades de Construcción y Servicios (ACS), S.A., Grupo Empresarial Ence, S.A. and Celistics, L.L.C., Delegate of the Board of Telefónica, S.A. in the Basque region, Member of the Advisory Board of Telefónica Spain, Member of Foundation Novia Salcedo and Member of the Círculo de Empresarios Vascos.
María Isabel Gabarró Miquel	Obtained a degree in Law at the University of Barcelona in 1976. In 1979 she joined the Bar of Notaries. She has been a board member of important entities in different sectors: financial, energy, telecommunications, infrastructure and also property, where she was also a member of the Nomination and Compensation Committee and of the Audit and Control Committee. Currently, she is registered on the Bar of Notaries of Barcelona, since 1986, and is a member of the Sociedad Económica Barcelonesa de Amigos del País.
Henri Philippe Reichstul	Ba Economics, University of São Paulo and Phd at Hertford College, Oxford. Former Secretary of the State Business Budget Office and Deputy Minister of Planning in Brazil. From 1988 to 1999 he held the position of Executive Vice President of Banco Inter American Express, S.A. From 1999 to 2001 he was Chairman of Brazilian State Oil Company Petrobrás. He is Member of the Strategic Board of ABDIB, Member of the Board of Ashmore Energy Internacional, Member of Coinfra, Member of the Advisory Board of Lhoist do Brasil Ltda., Member of the Supervisory Board of Peugeot Citroen, S.A., Member of the International Advisory Board of Group Credit Agricole and Vice-Chairman of the Board of the Brazilian Foundation for Sustainable Development.

Total number of independent directors	8
Independent directors / total directors (%)	50

OTHER OUTSIDE DIRECTORS

State reasons why they cannot be considered institutional outside or independent outside directors:

Indicate any variations during the year in the type of each director:

B.1.4 Explain why institutional directors have been appointed at the proposal of shareholders with less than a 5% interest in the company, if appropriate:

Name of shareholder	Justification
Pemex Interncional España, S.A.	Pemex Internacional España, S.A. was appointed director of Repsol YPF, S.A., as an Institutional Outside Director, at the proposal of the significant shareholder Petróleos Mexicanos, which currently holds 4.8% of total voting rights of the Company. Petróleos Mexicanos has held a stable interest in the company since 1990, when it proposed the appointment of its subsidiary PMI Holdings, B.V. as director of Repsol YPF, S.A..

Indicate whether any formal requests for presence on the Board have not been met from shareholders with an interest equal to or greater than that of others at whose request institutional directors have been appointed. If so, explain why such requests have not been met:

Yes No

B.1.5 Indicate whether any director has retired from office before the end of his/her term, whether he/she explained the reasons for such retirement to the Board, and how, and if done in a letter addressed to the entire Board, explain at least the reasons stated therein:

Yes No

Name of Director	Retirement reasons

B.1.6 Indicate the powers delegated to the Managing Director(s), if any:

B.1.7 Name the Board members, if any, who are also directors or executives of other companies in the same group as the listed company:

Name of director	Name of group company	Position
Antonio Brufau Niubó	YPF, S.A.	Chairman
Luis Suárez de Lezo Mantilla	YPF, S.A.	Director

B.1.8 Name the company directors, if any, who are on the Boards of non-group companies listed on Spanish stock exchanges, insofar as the company has been notified:

Name of Director	Listed Company	Position
Antonio Brufau Niubó	Gas Natural SDG, S.A.	Vice-Chairman
Luis Fernando del Rivero Asensio	Sacyr Vallehermoso, S.A.	Chairman
Luis Fernando del Rivero Asensio	Testa Inmuebles en Renta, S.A.	Director
Isidro Fainé Casas	Abertis Infraestructuras, S.A.	Vice-Chairman
Isidro Fainé Casas	Telefónica, S.A.	Vice-Chairman
Isidro Fainé Casas	Criteria CaixaCorp, S.A.	Chairman
Luis Carlos Croissier Batista	Adolfo Domínguez, S.A.	Director
Luis Carlos Croissier Batista	Testa Inmuebles en Renta, S.A.	Director
Carmelo de las Morenas López	Faes Farma, S.A.	Director
Carmelo de las Morenas López	Casa del Alguacil Inversiones SICAV, S.A.	Chairman
Ángel Durández Adeva	Gestevisión Telecinco, S.A.	Director
Javier Echenique Landiribar	Banco Sabadell, S.A.	Vice-Chairman
Javier Echenique Landiribar	Actividades de Construcción y Servicios (ACS), S.A.	Director
Javier Echenique Landiribar	Grupo Empresarial ENCE, S.A.	Director
José Manuel Loureda Mantiñán	Testa Inmuebles en Renta, S.A.	Director
Juan María Nin Génova	Criteria CaixaCorp, S.A.	Vice-Chairman
Juan María Nin Génova	Gas Natural SDG, S.A.	Director
Luis Suárez de Lezo Mantilla	Gas Natural SDG, S.A.	Director

B.1.9 Indicate and, if appropriate, explain whether the company has established rules on the number of boards on which its directors may sit:

Yes No

B.1.10 With regard to recommendation number 8 of the Unified Code, indicate the general policies and strategies of the company reserved for approval by the full board:

Investment and financing policy	YES
Definition of the structure of the group of companies	NO
Corporate governance policy	YES
Corporate social responsibility policy	YES
Strategic or business plan, management objectives and annual budget	YES
Pay policy and senior executive performance assessment	YES
Risk management and control policy and regular monitoring of the internal information and control systems	NO

Dividend policy, treasury stock policy, especially limits	YES
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B.1.11 Complete the following tables on the aggregate directors' remuneration accrued during the year:

a) In the reporting company:

Remuneration	Thousand euro
Fixed remuneration	8,179
Variable remuneration	2,232
Attendance fees	0
Statutory payments	0
Stock options and/or other financial instruments	0
Others	53
TOTAL:	10,464

Other Benefits	Thousand euro
Advances	0
Loans granted	0
Pension Plans and Funds: Contributions	2,487
Pension Plans and Funds: Obligations contracted	0
Life assurance premiums	298
Guarantees furnished by the company for directors	0

b) For company directors who are on other Boards and/or in the top management of group companies:

Remuneration	Thousand euro
Fixed remuneration	536
Variable remuneration	0
Attendance fees	0
Statutory payments	0
Stock options and/or other financial instruments	0
Others	0
TOTAL:	536

Other Benefits	Thousand euro
Advances	0
Loans granted	0
Pension Plans and Funds: Contributions	0
Pension Plans and Funds: Obligations contracted	0
Life assurance premiums	0
Guarantees furnished by the company for directors	0

c) Total remuneration by type of director:

Types of directors	By company (thousand)	By group (thousand)
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	euro)	euro)
Executive	6,243	536
Institutional outside directors	1,809	0
Independent outside directors	2,412	0
Other outside directors	0	0
TOTAL:	10,464	536

d) Regarding profit attributed to the controlling company:

Total directors' remuneration (thousand euro)	11,000
Total directors' remuneration / profit attributed to parent company (%)	0.2

B.1.12 Name the members of top management who are not executive directors and indicate the aggregate remuneration accrued in their favour during the year:

Name	Position
Pedro Fernández Frial	Executive Managing Director Downstream
Nemesio Fernández-Cuesta Luca de Tena	Executive Managing Director Upstream
Miguel Martínez San Martín	Chief Operating Officer (C.O.O.)
Fernando Ramírez Mazarredo	Chief Financial Officer (C.F.O.)
Cristina Sanz Mendiola	Group Managing Director of Human Resources and Organization
Antonio Gomis Sáez	Executive Managing Director Operating YPF (COO)
Isidoro Mansilla Barreiro	Audit and Control Director
Miguel Ángel Devesa del Barrio	Corporate Director of Strategy and Corporate Development
Begoña Elices García	Corporate Director of Communications and Chairman's Office

Total remuneration top management (thousand euro)	12,551
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B.1.13 Indicate globally whether any golden handshake clauses have been established for the top management, including Executive Directors, of the company or its group in the event of dismissal or change of ownership. State whether these contracts have to be notified to and/or approved by the governing bodies of the company/group companies:

Number of beneficiaries	11
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	Board of Directors	General Meeting
Body authorising the clauses	YES	NO

Is the General Meeting informed on the clauses?	NO
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B.1.14 Explain the process for establishing the remuneration of the Board members and the relevant articles of the Articles of Association:

Processes for establishing the remuneration of the Board members and articles of the Articles of Association
Article 45 of the Repsol YPF, S.A. Articles of Association provides as follows:

“Directors, in their position as members of the Board of Directors and due to their carrying out the function of supervision and group decision as befits this body, shall be entitled to receive from the Company an amount equivalent to 1.5% of the clear profit, which may only be allocated after attending to the requirements of the legal reserve and others that may be compulsory, and of providing the shareholders with a dividend of at least 4%. The Board of Directors is responsible for fixing the exact amount to be paid within this limit, as well as its distribution among the various Directors, taking into account the positions held by each Director on the Board and its committees. The Company is authorised to make advance payments on account of future participation in profits.

Directors may be additionally remunerated by means of granting company shares, share options or other securities giving the right to obtain shares, or through remunerative systems linked to the stock market value of the shares. The application of these systems must be approved by the General Shareholders' Meeting, which shall determine the value of the shares to be taken as a reference, the number of shares to be given to each Director, the exercise price of any option rights, the period the agreed system should last and as many conditions as deemed appropriate.

The payments established by this article shall be compatible with and independent of the salary, remuneration, termination compensation, pension or compensation of any kind established for those members of the Board of Directors who carry out executive functions, whatever the nature of their relationship with the Company, be it employment (common or special of top management), commercial or for the provision of services. Information regarding these remunerations shall be disclosed in the Annual Report and in the Annual Report on Corporate Governance.

The Company may take out an insurance policy covering civil liability for the Directors and members of the management team.”

With regard to the Directors' compensation, Article 5.3.c of the Regulations of the Board of Directors reserves to the full Board of Directors the decision to approve Directors' compensation and, in the case of Executive Directors, any additional consideration for their management duties and other contract conditions.

Article 24 of the Regulations of the Board of Directors of Repsol YPF, S.A. provides as follows:

“Article 24. Directors' Compensation

1. The position of Director of Repsol YPF, S.A. shall be compensated as provided for in the Articles of Association.

The Nomination and Compensation Committee shall propose the criteria it considers appropriate to achieve the purposes of this article to the Board of Directors, and it is the Board's responsibility to approve said proposal and determine the final distribution of the overall sum, within the limits stipulated in the Articles of Association to that end. Within each term of office the Board may order payments, at the intervals it sees fit, to be credited to the amounts owed to each Director for the work done in said period.

2. Directors' compensation shall be transparent. The Annual Report shall provide an individual breakdown of the compensation received by each Director for the performance of his functions as such during the period, showing the different categories of compensation.

3. Outside Directors shall in all cases be excluded from the Company-funded benefit systems providing assistance in the event of termination of employment, death, or any other circumstances, as well as from long-term incentive programs such as stock purchase options.”

Finally, Article 33 of the Regulations of the Board of Directors provides that the Nomination and Compensation Committee shall propose to the Board its compensation policy, assessing the responsibility, dedication, and incompatibilities demanded of the Directors; and, in the case of the Executive Directors, propose to the Board the additional consideration for their

management duties and other contract conditions.
--

Indicate whether approvals of the following decisions are reserved to the full Board:

Upon recommendation by the chief executive, the appointment and possible removal of senior executives and their compensation clauses.	NO
Directors' compensation and, in the case of executive directors, the additional consideration for their management duties and other contract conditions.	YES

B.1.15 Indicate whether the Board of Directors approves a detailed compensation policy and specify the aspects it regulates:

Yes No

Amount of fixed remuneration, indicating the details of attendance fees for Board and Committee meetings and an estimate of the fixed annual remuneration	YES
Variable compensation	YES
Principal features of the welfare systems, estimating the annual cost or equivalent amount	YES
Conditions to be respected in the contracts of those performing top management duties and executive directors	YES

B.1.16 Indicate whether the Board submits to voting at the General Meeting, as a separate item on the agenda and with advisory nature, a report on the director compensation policy. If so, explain the aspects of the report on the compensation policy approved by the Board for future years, the most significant changes in those policies in respect of the policy applied during the year and an overall summary of how the compensation policy was applied during the period. Describe the role played by the Compensation Committee and whether external counselling has been used, and if so, the identity of the external advisers:

Yes No

Has external counselling been used?	
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Identity of the external counsels

B.1.17 Name any Board members who are also directors or executives of companies holding significant interests in the listed company and/or companies in its group:

Name of director	Name of significant shareholder	Position
Luis Fernando del Rivero Asensio	Sacyr Vallehermoso, S.A.	Chairman
Luis Fernando del Rivero Asensio	Testa Inmuebles en Renta, S.A. (Sacyr Vallehermoso Group)	Director

Luis Fernando del Rivero Asensio	Vallehermoso División Promoción, S.A. (Sacyr Vallehermoso Group)	Chairman
Luis Fernando del Rivero Asensio	Valoriza Gestión, S.A. (Sacyr Vallehermoso Group)	Director
Isidro Fainé Casas	Caja de Ahorros y Pensiones de Barcelona	Chairman
Isidro Fainé Casas	Criteria CaixaCorp, S.A.	Chairman
José Manuel Loureda Mantiñán	Sacyr, S.A.U. (Sacyr Vallehermoso Group)	Director
José Manuel Loureda Mantiñán	Somague S.G.P.S., S.A. (Sacyr Vallehermoso Group)	Director
José Manuel Loureda Mantiñán	Testa Inmuebles en Renta, S.A. (Sacyr Vallehermoso Group)	Director
José Manuel Loureda Mantiñán	Valoriza Gestión, S.A. (Sacyr Vallehermoso Group)	Chairman
José Manuel Loureda Mantiñán	Vallehermoso División Promoción, S.A. (Sacyr Vallehermoso Group)	Director
Juan María Nin Génova	Criteria CaixaCorp, S.A.	Vice-Chairman
Juan María Nin Génova	Caja de Ahorros y Pensiones de Barcelona	General Manager

Describe any significant relationships other than those contemplated in the previous section between board members and significant shareholders and/or companies in their group:

Name of director	Name of significant shareholder	Description of relationship
Luis Fernando del Rivero Asensio	Sacyr Vallehermoso, S.A.	Indirect holder of 13.098% of the capital of Sacyr Vallehermoso, S.A.
José Manuel Loureda Mantiñán	Sacyr Vallehermoso, S.A.	Indirect holder of 13.26% of the capital of Sacyr Vallehermoso, S.A. through Prilou, S.L. and Prilomi, S.L.
José Manuel Loureda Mantiñán	Sacyr Vallehermoso, S.A.	Representative of Prilou, S.L. in the position of Director of Sacyr Vallehermoso, S.A.
Juan Abelló Gallo	Sacyr Vallehermoso, S.A.	Indirect holder of 10.014% of the capital of Sacyr Vallehermoso, S.A.
Juan Abelló Gallo	Sacyr Vallehermoso, S.A.	Representative of Nueva Compañía de Inversiones, S.A. in the position of Vice-Chairman of Sacyr Vallehermoso, S.A.
Luis Carlos Croissier Batista	Sacyr Vallehermoso, S.A.	Director of Testa Inmuebles en Renta, S.A.

B.1.18 Indicate whether any modifications have been made during the year to the Regulations of the Board of Directors:

Yes No

B.1.19 Describe the procedures for appointment, re-election, assessment and removal of directors. Indicate the competent bodies, the formalities and the criteria to be followed in each of these procedures.

Appointment

Board members are appointed by the General Meeting, without prejudice to the right of the Board to nominate shareholders to fill any vacancies that arise, up to the next succeeding General Meeting.

No-one who is affected by the prohibitions established in section 213 of the Stock Company Act or who is incompatible under prevailing legislation, particularly under the Senior Central Government Positions (Incompatibilities) Act 5/2006 of April 10 and the Senior Positions in the Madrid Regional Government (Incompatibilities) Act 14/1995 of April 21, may be a director or hold any senior position in the company.

Directors shall be persons who, apart from meeting the requirements stipulated for the position in the law and the Articles of Association, have recognised prestige and sufficient professional experience and expertise to perform their duties as such.

Within its powers of proposal to the General Meeting or appointment by cooptation, the Board may not propose as candidates or appoint as Directors any persons affected by any of the incompatibilities or prohibitions established in law, the Articles of Association or regulations or any persons, companies or entities in a situation of permanent conflict of interest with the company, including competitors of the company or their directors, executives or employees, or any persons related to or proposed by them.

Furthermore, persons may not be nominated or appointed as Independent outside directors if they:

- a) Have been employees or Executive Directors of Group companies, unless 3 or 5 years, respectively, have passed since the end of that relationship.
- b) Receive from the company, or its Group, any sum of money or benefit whatsoever other than Directors' compensation, unless such sum or benefit is insignificant.

Dividends and pension supplements received by Directors by virtue of a former professional or employment relationship shall not be counted for the purpose of this section, provided such supplements are unconditional and, therefore, the company paying them cannot suspend, modify or revoke them at its own discretion, unless the director in question has defaulted his obligations.

- c) Be or have been in the past 3 years a partner of the External Auditor or person responsible for the auditors' report during that time, of the Company or any other company in its Group.
- d) Be Executive Directors or Senior Executive of any other company in which any Executive Director or Senior Executive of the Company is an Outside Director.
- e) Have or have had in the past year any significant business relationship with the Company or with any company in its Group, directly or as a significant shareholder, Director or Senior Executive of an entity having or that has had such a relationship.

Business relationships shall be those of suppliers of goods or services, including financial services, or of advisers or consultants.

- f) Be significant shareholders, Executive Directors or Senior Executives of a company that receives, or has received in the past 3 years, significant donations from the Company or its Group.

Those who are mere sponsors or trustees of a Foundation receiving donations shall not be considered included in this group.

- g) Be the spouse, persons having equivalent emotional ties or relatives up to the second degree of an Executive Director or Senior Executive of the Company.
- h) Not have been proposed for appointment or re-election by the Nomination and Compensation Committee.
- i) Be in any of the cases contemplated in paragraphs a), e), f) or g) above in respect of any significant shareholder or shareholder represented on the Board. For the blood relationship contemplated in g), the limitation shall be applicable not only to the shareholder, but also to its Institutional Outside Directors in the Company.

Institutional Outside Directors who lose this status when the shareholder they represent sells its shares in the Company may only be re-elected as Independent Outside Directors when the shareholder they represented up to that time has sold all of its shares in the Company.

A Director who holds a shareholding interest in the Company may be appointed Independent Outside Director, provided he meets all the conditions established in this article and does not hold a significant interest.

The Nomination and Compensation Committee, consisting exclusively of Outside Directors, shall assess candidates' adequate knowledge, experience and expertise to sit on the Board; define, in consequence, the duties and qualifications required of candidates to fill any vacancy and assess the time and dedication required to adequately perform their duties

This Committee shall also ensure that whenever new vacancies are foreseen or

on appointing new directors, the selection procedures are not affected by implicit bias that could entail some kind of discrimination and that women who meet the professional profile sought are deliberately sought and included among the potential candidates, informing the board on the initiatives taken in this respect and the results thereof.

Nominations for the appointment of directors submitted by the Board to the General Meeting and appointments made by cooptation must be approved by the Board (i) upon proposal of the Nomination and Compensation Committee, in the case of Independent Outside Directors, or (ii) subject to a report by said Committee for other directors.

Any Director affected by proposals for appointment, re-election or retirement shall abstain from participating in the discussions and voting of such matters. Voting on proposals for appointment, re-election or retirement shall be by secret ballot.

Re-election

Directors shall hold office for a maximum of four years, after which they shall be eligible for re-election for one or several periods with an equal maximum duration. Directors appointed by cooptation shall hold office up to the first General Meeting following their appointment, at which their appointment shall be subject to ratification.

The Nomination and Compensation Committee shall be responsible for assessing the quality of their work and dedication of the directors proposed during their previous term in office.

Proposals to the General Meeting for the re-election of Directors shall be approved by the Board (i) upon proposal of the Nomination and Compensation Committee, in the case of Independent Outside Directors, or (ii) subject to a report by said Committee for other directors.

Assessment

At least once a year, the Board of Directors shall assess its functioning and the quality and efficiency of its work. It shall also annually assess the work of its Committees, based on the reports they submit to it.

The Chairman shall organise and coordinate this regular assessment of the Board with the Chairmen of the Committees.

Cessation

Directors shall retire from office upon expiry of the term for which they were appointed and in all other cases stipulated in law, the Articles of Association and the Regulations of the Board of Directors.

The Board shall not propose the removal of any Independent Outside Director before the end of the period for which he was appointed, unless it has justified

reasons for doing so, based on a report by the Nomination and Compensation Committee. In particular, such a proposal shall be justified if the Director (i) has defaulted the duties corresponding to his position; (ii) is in any of the situations described in section B.1.20 below; or (iii) falls into any of the circumstances described above, by virtue of which he may no longer be considered an Independent Outside Director.

The removal of Independent Outside Directors may also be proposed following takeover bids, mergers or other similar corporate operations causing a change in the capital structure of the Company, insofar as may be necessary to establish a reasonable balance between Institutional Outside Directors and Independent Outside Directors, according to the ratio of capital represented by the former to the rest of the capital.

Directors shall also tender their resignations in any of the circumstances defined in the following section.

B.1.20 Indicate the events in which directors are obliged to retire.

Directors shall tender their resignations and step down from the Board, should the latter consider this appropriate, in the following events:

- a) If they fall into circumstances of incompatibility or prohibition contemplated in law, the Articles of Association or applicable regulations.
- b) If they receive a serious warning from the Nomination and Compensation Committee or the Audit and Control Committee for defaulting their obligations as directors.
- c) If, in the opinion of the board, in view of a report by the Nomination and Compensation Committee:
 - (i) Their remaining on the Board could jeopardise the interests of the company or adversely affect the functioning of the Board or the standing and reputation of the Company; or
 - (ii) If the reasons why they were appointed disappear. Directors shall find themselves in this position, particularly in the following cases:
 - Institutional Outside Directors, when the shareholder they represent or that nominated them directors transfers its entire shareholding interest. They shall also offer their resignation and, should the Board deem fit, step down from the Board, in the corresponding proportion, if the shareholder reduces its shareholding interest to a level requiring a reduction in the number of its Institutional Outside Directors.
 - Executive directors, when they cease to hold the executive positions outside the board to which their appointment as director was linked.

B.1.21 Explain whether the Chairman of the Board is the Chief Executive Officer of the company. If so, state what measures have been adopted to limit the risks of one single person accumulating powers:

Yes No

Measures for limiting risks
<p>According to Article 25 of the Regulations of the Board of Directors of Repsol YPF, S.A., the Chairman of the Board shall be the Chief Executive Officer of the Company.</p> <p>This article also stipulates that the Chairman of the Board shall act at all times in accordance with the decisions and criteria established by the General Shareholders' Meeting and the Board of Directors.</p> <p>Article 4 of the Regulations of the Board of Directors reserves the following duties and powers to this corporate body:</p> <p><i>"The Board shall approve the company strategy and the organisation needed to put it into practice, and oversee and ensure that Management meets the targets set and respects the company's objects and social interest; approve acquisitions and disposals of assets which are, for whatsoever reason, considered especially important for the company or its subsidiaries; establish its own organisation and procedures and those of the Top Management and, in particular, amend these Regulations; exercise any powers that the General Meeting has granted to the Board -which the Board may delegate solely if expressly so indicated in the resolution adopted by the General Meeting- and any other powers granted to it in these regulations."</i></p> <p>Similarly, Article 5 of the Regulations of the Board reserves to the Board in full the following issues:</p> <ol style="list-style-type: none">1. Submission of the Annual Accounts and Management Report of Repsol YPF, S.A. and consolidated companies, as well as any other proposals which must legally originate with the Company's administrators, to the Ordinary Shareholders Meeting.2. The general strategies and policies of the Company, such as:<ol style="list-style-type: none">a) The Strategic Plan of the Group, management objectives and Annual Budgets;b) The investment and financing policy;c) The corporate governance policy;d) The corporate social responsibility policy;e) Top Management pay policy;f) Risk management and control policy; andg) Dividend policy, treasury stock policy and, especially, the limits thereon.3. The following decisions:<ol style="list-style-type: none">a) Appointment of Directors in the event of vacancies, up to the next succeeding General Meeting, and acceptance of resignations tendered by Directors;b) Appointment and removal of the Chairman, Vice-Chairmen, Secretary and Vice-Secretary of the Board and the Directors who are to sit on the different Committees contemplated in the Regulations of the Board, and the delegation of powers to any of the Board members, on the terms stipulated in the law and Articles of Association, and revocation of such powers;c) Directors' compensation and, in the case of executive directors, additional consideration for their management duties and other contract conditions.4. The annual and half-year financial reports, which Repsol YPF, being a listed company, is obliged to publish.5. The following investments and transactions, save when approval corresponds to the General Meeting:

- a) Incorporation of new companies and entities or initial acquisition of stakes in existing companies and entities whenever they entail a long-standing investment of more than six million euro for the Repsol YPF Group or are unrelated to the main activity of the company.
- In other cases, the first paragraph of e) below will be applicable. By exception, decisions on investments in the incorporation of new companies and entities or initial acquisition of stakes in existing companies or entities provided for in sufficient detail in the Group's annual budgets and strategic plan shall be left up to the Chairman.
- b) Creation or acquisition of shares in special purpose vehicles whenever they go beyond the ordinary administration of the company.
- c) Mergers, takeovers, spin-offs or concentrations of strategic importance of interest for any of the major subsidiaries or investees in which any of the companies in the Repsol YPF group has a direct interest.
- d) Sale of shares in companies or other fixed assets with a value of over thirty million euro; the Delegate Committee shall approve such sales valued at between fifteen and thirty million euro, informing the board at the next meeting of all sales authorised.
- e) Approval of investment projects with a value of over thirty million euro; the Delegate Committee shall approve projects valued at between fifteen and thirty million euro, informing the Board at the next meeting of all investments approved.

By exception, the Chairman shall decide, after discussion by the Management Committee if necessary, whether to approve the following investment projects

- Those involving the prospecting or working of oil fields in fulfilment of commitments deriving from the corresponding contracts, concessions or licences.
- Those performed in fulfilment of legal provisions binding on the company concerned, concerning environmental protection, safety of installations, product specifications or similar.
- Those provided for in sufficient detail in the group's annual budgets and strategic plan.

In these cases, the Chairman shall report on the approval of these investments to the Board or Delegate Committee, depending on their values and as established in the first paragraph of this point e), wherever possible before commencement of the respective projects.

- f) Notes, debentures or other issues made by Repsol YPF, S.A. or its majority-owned or controlled subsidiaries.
- g) Granting of guarantees to secure the obligations of entities not controlled by the group.
- h) Assignment of rights over the trade name and trade marks, and over any other patents, technology and any form of industrial or intellectual property of economic importance belonging to Repsol YPF, S.A. or group companies.
- i) Creation, investment and supervision of the management of employee pension schemes and any other commitments to employees involving long-term financial responsibilities for the Company.
- j) Signing of long-term commercial, industrial or financial agreements of strategic importance for the Repsol YPF Group.

6. Any other business or matter reserved in these Regulations for approval by the full

Board.

The Chairman, or otherwise the Vice-Chairmen, shall implement the resolutions adopted by the Board in accordance with this article, report on any authorisation or approval given where appropriate or issue instructions to carry out the actions required by the resolutions adopted.

Should circumstances so require, the powers of the Board contemplated in 3c), 4 and 5 above may be exercised by the Delegate Committee and subsequently ratified by the full Board.

Apart from all this, the Chairman of the Board of Directors shall receive reports and proposals from the Audit and Control Committee, the Nomination and Compensation Committee and the Strategy, Investment and Corporate Social Responsibility Committee, on matters within their respective competence. For greater guarantee, all the members of these Committees shall be outside Directors.

Indicate and, if appropriate, explain whether rules have been established to enable one of the independent directors to request the calling of the Board or the inclusion of new items on the agenda, to coordinate and echo the concerns of outside directors and to direct the assessment by the Board of Directors:

Yes No

Explain the rules

The Board of Directors of Repsol YPF, in its meeting held on February 23, 2011, agreed to amend its regulations to, among other matters, incorporate into Company's system of corporate governance the figure of Lead Independent Director. According to current Article 25,5 of the Regulations of the Board of Directors:

"When the Chairman of the Board of Directors holds the role of CEO, the Board shall appoint, upon proposal by the Nomination and Compensation Committee, an independent director who, under the name of Lead Independent Director, may perform the following tasks:

- a) Request to the Chairman of the Board, when he deems appropriate, the calling of the Board.*
- b) Request the inclusion of items on the Board's meetings agenda according to Article 9.3 of these Regulations.*
- c) Coordinate and give voice to the concerns of external directors.*
- d) Lead the Board's evaluation of the Chairman.*
- e) Call and chair meetings of independent directors as he deems necessary or desirable."*

Additionally, Article 9 of the Regulations of the Board of Directors provides that *"The Chairman may call additional Board meetings whenever he deems appropriate. The call shall be mandatory when requested by the Lead Independent Director or by at least one-quarter of the directors, without prejudice to the provision of Article 17.2.e) of these Regulations. The Chairman shall draw up the agenda for meetings, although any of the directors may, prior to call, request the inclusion of any business they consider ought to be transacted at the meeting. Such inclusion is mandatory when the request has been made 48 hours prior to the date specified for the meeting."*

B.1.22 Are special majorities differing from those stipulated in law required for any type of decision?:

Yes No

Explain how resolutions are adopted on the Board, indicating at least the quorum and the majorities required for adopting resolutions:

B.1.23 Are there any specific requirements, other than those established for directors, to be appointed Chairman?

Yes No

B.1.24 Indicate whether the Chairman has casting vote:

Yes No

Matters in which there is a casting vote
According to Article 36 of the Articles of Association, save where greater majorities have been specifically established, resolutions of the Board shall be approved by the absolute majority of directors attending, and in the event of a tie, the Chairman or acting chairman shall have the casting vote.

B.1.25 Indicate whether the Articles of Association or the board regulations establish any age limit for directors:

Yes No

Age limit Chairman

Age limit managing director Age limit director

B.1.26 Indicate whether the Articles of Association or the board regulations establish any limit on the term of office for independent directors:

Yes No

Maximum term of office	0
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B.1.27 If there are few or no female directors, explain why and what actions have been taken to remedy this situation.

Explanation of reasons and actions
<p>The appointment of all the Board members has been made objectively, taking account the prestige, expertise and professional experience required to perform their duties, and without any kind of discrimination.</p> <p>On 19 December 2007, the Board of Directors of Repsol YPF, S.A. approved a new consolidated text of its Regulations, which, among other matters, assigned to the Nomination and Compensation Committee the duty of assessing the necessary knowledge, expertise and experience of the Board, defining in consequence the duties and qualifications required of the candidates for filling each vacancy and assessing the time and dedication required to adequately perform their duties.</p> <p>Furthermore, Article 33 of the Regulations of the Board of Directors expressly provides that the Nomination and Compensation Committee ensure that whenever new vacancies are foreseen or on appointing new directors, the selection procedures are not affected by implicit bias that could entail some kind of discrimination and that women who meet the professional profile sought are deliberately sought and included among the potential candidates, informing the board on the initiatives taken in this respect and the results thereof.</p>

In particular, state whether the Nomination and Compensation Committee has established procedures to ensure that the selection procedures are not affected by implicit bias that could hamper the selection of female directors and that women with the required profile are deliberately included among

the candidates:

Yes No

B.1.28 Indicate whether there are any formal processes for proxy voting in the board of directors. If so, briefly describe these.

Without prejudice to the directors' duty to attend the meetings of the bodies they belong to or, if they are unable for justified reasons to attend the meetings to which they have been called, to issue the appropriate instructions to the director who is to represent them, if any, each Board member may grant a proxy to another member, with no limit on the number of proxies that may be held by any director for attendance of Board meetings.

Absent directors may grant proxies by any written means, including telegram, telex or telefax addressed to the Chairman or Secretary of the Board.

B.1.29 State the number of meetings held by the Board of Directors during the year, indicating, if appropriate, how many times the Board has met without the Chairman:

Number of Board meetings	13
Number of Board meetings held without the Chairman	0

Number of meetings held by the different Committees of the Board:

Number of meetings of the Delegate Committee	5
Number of meetings of the Audit Committee	9
Number of meetings of the Nomination and Compensation Committee	3
Number of meetings of the Nomination Committee	0
Number of meetings of the Compensation Committee	0

B.1.30 Indicate the number of meetings held by the Board of Directors during the year without the attendance of all its members, counting as non-attendance any proxies made without specific instructions:

Number of non-attendances by directors during the year	7
Non-attendances / total votes during the year (%)	3.365

B.1.31 Indicate whether the individual and consolidated annual accounts presented for Board for approval are previously certified:

Yes No

If appropriate, name the person(s) who certify the individual or consolidated annual accounts of the company before they are approved by the Board:

Name	Position
Antonio Brufau Niubó	Chairman
Miguel Ángel Devesa del Barrio	Chief Financial Officer

B.1.32 Explain the mechanisms, if any, established by the Board to avoid a qualified auditors' report on the individual and consolidated accounts laid before the

General Meeting.

The Audit and Control Committee, set up on 27 February 1995, is intended to support the Board in its supervisory duties, through regular checking of the preparation of economic and financial reporting, executive controls and the independence of the external auditors, as well as supervising the internal audit department, and checking compliance with all the legal provisions and internal regulations applicable to the company.

This Committee has the following duties, among others:

- Supervise the integrity and process of preparing the financial information on the company and its group, ensuring compliance with all requirements, adequate definition of the consolidated group and correct application of the accounting principles.
- Regularly check the internal control and risk management systems, ensuring that the principal risks are identified, handled and reported on adequately.
- Prior to their submission to the board, analyse the financial statements of the company and its consolidated group included in the annual, half-year and quarterly reports and any other financial information that the company is obliged to publish regularly by virtue of being a listed company, with the necessary requirements to ensure that they are correct, reliable, adequate and clear. For this purpose it shall have all the necessary information and such degree of aggregation as it may deem fit, assisted as necessary by the top management of the group, particularly its financial management and the company's auditor. It shall, in particular, see that the annual accounts that are to be submitted to the board are certified by the Chairman, the Managing Director(s), if any, and the Chief Finance Officer (CFO) pursuant to the internal or external regulations applicable from time to time.
- Regularly receive information from the external auditors on the audit plan and results of their work, and check that the executives heed their recommendations.
- Regularly require the auditors, at least one a year, to assess the quality of the group's internal control procedures.
- Be informed of any situations requiring adjustments that may be detected during the work of the external auditors whenever they are significant, considering this to mean any situations which, per se or in combination with others, may cause a material impact or damage to the net worth, results or reputation of the group. This consideration shall be left to the discretion of the external auditors, who shall, in case of doubt, opt for notification. The Chairman of the Committee shall be notified accordingly as soon as the auditors become aware of the situation in question.
- Oversee the degree of fulfilment by the audited units of the corrective measures recommended by the internal audit department in previous audits.

The committee shall be informed of any significant irregularities, anomalies or defaults detected by the internal audit department in the course of its work.

For this purpose, the members of this Committee shall have the necessary experience, capacity and dedication to perform their duties. Moreover, the Chairman shall have experience in business management and a working knowledge of accounting procedures, and at least one of the members shall have the financial experience that may be required by the regulatory bodies of the stock markets on which the stocks or shares of the company are listed.

B.1.33 Is the Secretary of the Board a Director?

Yes No

B.1.34 Explain the procedures for appointment and removal of the Secretary of the Board, indicating whether a report is issued by the Nomination Committee and whether they are approved by the full Board.

Procedure for appointment and removal
As established in Article 42 of the Articles of Association, the Board chooses its Secretary and Vice-Secretary, if any, who may or may not be Directors.
Moreover, pursuant to Articles 5 and 33 of the Regulations of the Board of Directors, the Board shall appoint or remove its Secretary and Vice-Secretary, subject to a report by the Nomination and Compensation Committee.

Does the Nomination Committee issue a report on the appointment?	YES
Does the Nomination Committee issue a report on the removal?	YES
Does the full Board approve the appointment?	YES
Does the full Board approve the removal?	YES

Is the Secretary of the Board commissioned especially to see that the good governance recommendations are heeded?

Yes No

Remarks
Article 42 of the Articles of Association establishes that the Secretary will ensure that the Board actions comply in form and substance with the law and that the company's procedures and rules of governance are respected.
Furthermore, in pursuance of Article 27 of the Regulations of the Board of Directors, the Secretary of the Board is commissioned to ensure compliance with any provisions issued by regulatory bodies and heeding of their recommendations, if any, and to ensure that the corporate governance principles of the company are observed.

B.1.35 Describe any mechanisms established by the company to preserve the independence of the auditor, financial analysts, investment banks and rating agencies.

One of the powers of the Audit and Control Committee contemplated in Article 39 of the Articles of Association is that of receiving information on any issues that may jeopardise the independence of the external auditors.

In development of this provision of the Articles of Association, the Regulations of the Audit and Control Committee establish, as one of its duties, ensuring the independence of the External Auditors, in two ways:

- a) Avoiding any factors that may compromise the warnings, opinions and recommendations of the Auditors, and
- b) Establishing and overseeing any incompatibilities between auditing and consultancy services and any others, the limits on concentration of the auditor's business and, in general, all other rules established to guarantee the independence of the auditor.

According to these duties, in 2003 the Audit and Control Committee agreed on a procedure to approve previously all the services, auditing or otherwise, provided by the External Auditor, whatever their extent, scope and nature. This procedure is regulated in an Internal Rule mandatory for the whole of the Repsol YPF Group.

Furthermore, Repsol YPF Group has the Investor Relations Division whose responsibilities include ensuring that the information supplied by the Company to the market (financial analysts and investment banks, amount other) is transmitted fairly, commensurate and in useful time and, according with the Repsol YPF Group Internal Conduct Regulations Regarding the Securities Market, that such information is accurate, clear, complete and, when required by the nature of the information, quantified, and shall by no means be misleading or confusing.

B.1.36 State whether the Company has changed its external auditor during the year. If so, name the outgoing and incoming auditors:

Yes No

Outgoing auditor	Incoming auditor

Did the Company have any disagreements with the outgoing auditor? If so, explain what they consisted of:

Yes No

B.1.37 State whether the firm of auditors does any work for the Company and/or its Group other than standard audit work and if so, declare the amount of the fees received for such work and the percentage it represents of the fees invoiced to the company and/or its group:

Yes No

	Company	Group	Total
Cost of work other than auditing (thousands of euro)	228	597	825

Cost of work other than auditing / Total amount invoiced by the auditors (%)	8.61	9.55	9.27
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B.1.38 State whether the auditors' report on the Annual Accounts of the previous year contains any qualifications. If so, indicate the reasons given by the Chairman of the Audit Committee to explain the contents and scope of those qualifications.

Yes No

B.1.39 State the number of years in succession that the current firm of auditors has been auditing the annual accounts of the company and/or its group. Indicate the ratio of the number of years audited by the current auditors to the total number of years that the annual accounts have been audited:

	Company	Group
Number of years in succession	20	20

	Company	Group
Number of years audited by current auditors / No. years that the company has been audited (%)	100	100

B.1.40 Indicate the company board members' shareholdings, reported to the company, in companies engaging in the same or similar activities as those within the company's or group's scope of business. Indicate their positions or duties in these companies:

Name of director	Name of company	% stake	Position or duties
Antonio Brufau Niubó	Gas Natural SDG, S.A.	0.008	Vice-Chairman
Luis Fernando del Rivero Asensio	Valoriza Gestión, S.A.	0.000	Director
Luis Fernando del Rivero Asensio	Vallehermoso División Promoción, S.A.	0.000	Chairman
Isidro Fainé Casas	Gas Natural SDG, S.A.	0.011	-
Carmelo de las Morenas López	BP	0.000	-
José Manuel Loureda Mantiñán	Valoriza Gestión, S.A.	0.000	Chairman
José Manuel Loureda Mantiñán	Vallehermoso División Promoción, S.A.	0.000	Director
Juan María Nin Génova	Gas Natural SDG, S.A.	0.000	Director
Henri Philippe Reichstul	Ashmore Energy International	0.000	Director
Luis Suárez de Lezo Mantilla	Gas Natural SDG, S.A.	0.002	Director
Luis Suárez de Lezo Mantilla	Repsol - Gas Natural LNG, S.L.	0.000	Director

B.1.41 Indicate, with details if appropriate, whether there is an established procedure for directors to receive external advice:

Yes No

Details of procedure
<p>The Regulations of the Board of Repsol YPF, S.A. expressly recognise the directors' right to advisory services. Article 23 provides as follows:</p> <ul style="list-style-type: none">- The Directors shall likewise have the power to propose to the Board, by majority vote, the contracting at the Company's expense of legal advisers, accountants, technical, financial, and commercial experts, and experts of any other kind they consider necessary to the Company's interests, to provide assistance in the performance of the Directors' functions in regard to concrete problems of some magnitude and complexity relating to their positions.- Said proposals must be submitted to the Chairman of the Company through the Secretary of the Board. The Board of Directors may veto their approval on the grounds that they are unnecessary to the performance of the assigned functions, or that the number is disproportionate to the importance of the problem and to the Company's assets and income, or that the technical assistance in question could be adequately provided by experts within the Company. <p>Furthermore, the Regulations of the Board of Directors establish that the Audit and Control Committee, the Nomination and Compensation Committee and the Strategy, Investment and Corporate Social Responsibility Committee may obtain counselling from lawyers or other independent professionals, in which case the Secretary of the Board shall, at the request of the Chairman of the Committee, take whatever action may be necessary to engage the services of such lawyers or other professionals, which shall be provided directly to the corresponding Committee.</p>

B.1.42 Indicate, with details if appropriate, whether there is an established procedure for directors to obtain sufficiently in advance any information they may need to prepare the meetings of the governing bodies:

Yes No

Details of procedure
<p>The Regulations of the Board of Directors of Repsol YPF, S.A. establish that the notice of call to Board meetings shall be sent to each director at least 48 hours prior to the date specified for the meeting, and shall include the agenda. The minutes of the previous meeting shall be enclosed, regardless of whether they have been approved, and any information considered necessary and that is available.</p> <p>The Regulations of the Board of Directors of Repsol YPF, S.A. contemplate procedures to ensure that directors have the necessary information sufficiently in advance to prepare Board meetings. In this regard, Article 23 provides as follows:</p> <ul style="list-style-type: none">- The Directors shall have access to all the Company's services and may obtain, with the broadest possible powers, the information and advising they need on any aspect of the Company provided they request it in connection with the performance of their functions. The right to information extends to the subsidiaries, whether national or foreign, and shall be channelled through the Chairman or the Secretary of the Board of Directors or of the appropriate Board Committee, who shall respond to Directors' requests and directly furnish them the information, offering them access to appropriate sources or taking all necessary measures to answer questions.

B.1.43 Indicate, with details if appropriate, whether the company has established rules obliging directors to report and, if necessary, resign in any cases that could be detrimental to the company's reputation:

Yes No

Explain the rules
<p>According to Article 16 of the Regulations of the Board of Directors, Directors shall offer their resignation and, should the board deem fit, step down as directors if, in the opinion of the Board, in view of a report by the Nomination and Compensation Committee, their remaining on the board could jeopardise the interests of the company or adversely affect the functioning of the board or the standing and reputation of the company.</p> <p>In this regard, Article 17 of the Regulations of the Board of Directors provides that Directors shall notify the board as soon as possible and keep it up to date on any situations in which they may be involved and that could be detrimental to the standing and reputation of the company, to enable the board to assess the circumstances, particularly in pursuance of the preceding paragraph.</p>

B.1.44 Indicate whether the Company has been notified by any Board member that he has been sued or is being tried for any of the offences contemplated in Article 124 of the Joint Stock Companies Act:

Yes No

Indicate whether the Board has studied the case. If so, give a reasoned explanation of the decision made as to whether or not the director in question should remain in office.

Yes No

Decision made	Reasoned explanation

B.2. Board of Directors Committees

B.2.1 List all the committees of the Board of Directors and their members:

DELEGATE COMMITTEE

Name	Position	Type
Antonio Brufau Niubó	Chairman	Executive
Luis Fernando del Rivero Asensio	Member	Institutional
Isidro Fainé Casas	Member	Institutional
Javier Echenique Landiribar	Member	Independent
Artur Carulla Font	Member	Independent
Pemex Internacional España, S.A.	Member	Institutional
Henri Philippe Reichstul	Member	Independent
Luis Suárez de Lezo Mantilla	Member & Secretary	Executive

AUDIT AND CONTROL COMMITTEE

Name	Position	Type
Ángel Durández Adeva	Chairman	Independent
Paulina Beato Blanco	Member	Independent
Carmelo de las Morenas López	Member	Independent
Javier Echenique Landiribar	Member	Independent

NOMINATION AND COMPENSATION COMMITTEE

Name	Position	Type
Artur Carulla Font	Chairman	Independent
María Isabel Gabarró Miquel	Member	Independent
José Manuel Loureda Mantiñán	Member	Institutional
Juan María Nin Génova	Member	Institutional

STRATEGY, INVESTMENT AND CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Name	Position	Type
Pemex Internacional España, S.A.	Chairman	Institutional
Juan Abelló Gallo	Member	Institutional
Luis Carlos Croissier Batista	Member	Independent
María Isabel Gabarró Miquel	Member	Independent
José Manuel Loureda Mantiñán	Member	Institutional
Juan María Nin Génova	Member	Institutional

B.2.2 Indicate whether the following duties correspond to the Audit Committee:

Supervise the integrity and process of preparing the financial information on the company and its group, ensuring compliance with all requirements, adequate definition of the consolidated group and correct application of the accounting principles	YES
Regularly check the internal control and risk management systems, ensuring that the principal risks are identified, handled and reported on adequately	YES
Guarantee the independence and efficiency of the internal audit department; propose the selection, appointment, re-election and removal of the chief audit officer; propose the budget for this department; receive regular information on its activities; and check that the top management heeds the conclusions and recommendations of its reports	YES
Establish and oversee a mechanism whereby employees may report, confidentially and, if appropriate, anonymously, any potentially important irregularities, especially financial and accounting irregularities, that they may detect within the company	YES

Submit proposals to the Board for the selection, appointment, re-election and replacement of the external auditors and the terms and conditions of their engagement	YES
Regularly receive information from the external auditors on the audit plan and results of their work, and check that the executives heed their recommendations	YES
Guarantee the independence of the external auditors	YES
In the case of groups, encouraging the group auditors to audit the group companies.	YES

B.2.3 Describe the rules of organisation and procedure and the responsibilities attributed to each Committee.

Delegate Committee

The Delegate Committee consists of the Chairman of the Board and up to a maximum of seven directors from the three existing categories (executive, institutional and independent), endeavouring to maintain a similar proportion to that existing on the Board of Directors. Its members shall be appointed with a majority of at least two-thirds of the current Board members

All the powers of the Board are permanently delegated to the Delegate Committee, except those that may not be lawfully delegated and those considered as such by the Regulations of the Board of Directors.

The Chairman of the Delegate Committee shall be the Chairman of the Board and the Secretary shall be the Secretary of the Board, who may be assisted by the Vice-Secretary.

Whenever the business is sufficiently important, in the opinion of the Chairman or three members of the Delegate Committee, the resolutions adopted by the Delegate Committee shall be submitted to the full Board for ratification. The same shall be applicable in any business referred by the Board to be studied by the Delegate Committee, while reserving the ultimate decision thereon. In all other cases, the resolutions adopted by the Delegate Committee shall be valid and binding with no need for subsequent ratification by the Board.

At the end of the meeting, the Secretary issues the minutes of the resolutions adopted, that will be reported to the Board at the following full Board meeting, and makes available to the Board members a copy of the minutes. Five meetings were held in 2010.

Audit and Control Committee

The Audit and Control Committee consists of at least three directors appointed by the Board for four years on the basis of their experience and expertise in accounting, auditing or risk management. Executive directors may not sit on this Committee.

This Committee, set up on 27 February 1995, supports the Board in its supervisory duties, through regular checking of the preparation of economic and financial reporting, executive controls, supervision of the systems for recording and controlling the company's hydrocarbon reserves, the internal audit department and the independence of the external auditors, as well as checking compliance with all the legal provisions and internal regulations applicable to the company. This Committee is competent to submit proposals to the Board regarding the appointment of external auditors, extension of their appointment, their removal and the terms of their engagement. It shall also inform the General Meeting, through its Chairman, on any issues raised by shareholders regarding matters within its competence.

Its duties shall also include knowing and guiding the company's environmental and safety policies and objectives and drawing up an Annual Report on its activities, on which it shall report to the Board.

The Committee shall appoint one of its members to be Chairman, who shall necessarily be an Independent Outside Director; the Secretary shall be the Secretary of the Board.

The Committee shall meet as often as necessary, in the opinion of the Chairman, to perform the duties commissioned to it, although an annual calendar of meetings shall be drawn up before the end of each year for the following year, as well as an Action Plan for each year, informing the Board accordingly. Meetings shall be called whenever so requested by any two of its members. Nine meetings were held in 2010.

The Chairman of the Committee shall regularly report to the Board on the actions taken by the Committee.

At least once a year, the Committee shall assess its functioning and the quality and efficiency of its work, reporting to the full Board.

The Secretary of the Committee shall issue minutes of the resolutions adopted at each meeting, which shall be made available to Board members.

Nomination and Compensation Committee

This Committee consists of no fewer than three directors appointed by the board for four years, taking account of the expertise, skills and experience of the directors and the duties of the committee.

This Committee, which was set up on 27 February 1995, has the duties of proposing and reporting to the Board on the selection, appointment, re-election and removal of Directors, Managing Director, Chairman, Vice-Chairman, Secretary, Vice-Secretary and the Directors who are to sit on the different Committees of the Board; proposing the Board compensation policy and, in the case of Executive Directors, the additional consideration for their management duties and other contract conditions; reporting on the appointment of Senior Executives of the Company and their general pay policy and incentives; reporting on the compliance by Directors of the corporate governance principles

or the obligations established in the Articles of Association or the Regulations of the Board; and, in general, proposing and informing on any other business related with the above at the request of the Chairman or the Board of Directors.

The Chairman of this Committee shall be one of its members, who shall necessarily be an Independent Outside Director, and the Secretary shall be the Secretary of the Board.

The Committee shall meet whenever the Board or Chairman of the Board requests reports or proposals within the scope of its duties, and whenever called by the Chairman of the Committee, requested by two Committee members or when reports are required to be able to adopt the corresponding resolutions. Three meetings were held in 2010.

The Chairman of the Committee shall regularly report to the Board on the actions taken by the Committee.

At least once a year, the Committee shall assess its functioning and the quality and efficiency of its work, reporting to the full Board.

The Secretary of the Committee shall issue minutes of the resolutions adopted at each meeting, which shall be made available to Board members.

Strategy, Investment and Corporate Social Responsibility Committee

On December 2007, the Board of Directors of Repsol YPF, S.A. resolved, within the modification of its Regulations, to change the name of the Strategy, Investment and Competition Committee, set up on 25 September 2002, to Strategy, Investment and Corporate Social Responsibility Committee.

The strategy, investment and corporate social responsibility committee consists of no fewer than three directors appointed by the board, taking account of the expertise, skills and experience of the directors and the duties of the committee. The members of this Committee shall retire four years after their appointment.

This Committee has the duties of reporting on the principal highlights, landmarks and reviews of the group's strategic plan; major strategic decisions for the Repsol YPF Group; and investments or divestments in assets which, by virtue of their value or strategic nature, the Executive Chairman believes should be first considered by the Committee.

It must also be familiar with and steer the policy, objectives and guidelines of the Repsol YPF Group on Corporate Social Responsibility and inform the Board thereon; check and report on the Corporate Responsibility Report of the Repsol YPF Group before it is submitted to the Board; and, in general, perform any other duties related with the matters within its competence and requested by the Board or its Chairman.

One of the members of this Committee shall be appointed Chairman and the secretary shall be the Secretary of the Board.

The Committee shall meet with the established frequency or whenever called by its Chairman or requested by two of its members. Three meetings were held in 2010.

The Chairman of the Committee shall regularly report to the Board on the actions taken by the Committee.

At least once a year, the Committee shall assess its functioning and the quality and efficiency of its work, reporting to the full Board.

The Secretary of the Committee shall issue minutes of the resolutions adopted at each meeting, which shall be made available to Board members.

B.2.4 Indicate, where appropriate, the powers of advising, consultation and, where appropriate, delegations of each Committee:

Committee	Brief description
Delegate Committee	See B.2.3
Audit and Control Committee	See B.2.3
Nomination and Compensation Committee	See B.2.3
Strategy, Investment and Corporate Social Responsibility Committee	See B.2.3

B.2.5 Indicate the existence, if appropriate, of regulations of the board committees, where they are available for consultation and any modifications made during the year. State whether an annual report has been issued voluntarily on the activities of each Committee.

Audit and Control Committee

The internal regulation of the Audit and Control Committee is currently set out in the Articles of Association and the Regulations of the Board of Directors.

The Articles of Association and the Regulations of the Board of Directors are entered in the Madrid Trade Registry and accessible to the public through the company's web site (www.repsol.com).

The Audit and Control Committee has drawn up a Report of its activities during 2010.

Strategy, Investment and Corporate Social Responsibility Committee

The internal regulation of the Strategy, Investment and Corporate Social Responsibility Committee is currently set out in the Regulations of the Board of Directors.

The Regulations of the Board of Directors are entered in the Madrid Trade Registry and accessible to the public through the company's web site (www.repsol.com).

Nomination and Compensation Committee

The internal regulation of the Compensation Committee is currently set out in the Regulations of the Board of Directors.

The Regulations of the Board of Directors are entered in the Madrid Trade Registry and accessible to the public through the company's web site (www.repsol.com).

Delegate Committee

The internal regulation of the Delegate Committee is currently set out in the Articles of Association and the Regulations of the Board of Directors.

The Articles of Association and the Regulations of the Board of Directors are entered in the Madrid Trade Registry and accessible to the public through the company's web site (www.repsol.com).

B.2.6 Does the composition of the Delegate Committee reflect the participation on the Board of the different types of Director?

Yes No

C RELATED PARTY TRANSACTIONS

C.1 Indicate whether the full Board has reserved approval, subject to a favourable report by the Audit Committee or any other committee commissioned this task, of any transactions that the company may enter into with directors, significant shareholders or shareholders represented on the Board, or with persons related to them:

Yes No

C.2 List any significant transactions involving a transfer of resources or obligations between the company and/or companies in its group and significant shareholders of the company:

Name of significant shareholder	Name of company or group company	Nature of the relationship	Type of transaction	Amount (thousand euro)
SACYR VALLEHERMOSO, S.A.	GRUPO REPSOL YPF	Commercial	Services received	8,044
SACYR VALLEHERMOSO, S.A.	GRUPO REPSOL YPF	Commercial	Purchase of tangible assets, intangible or other assets	58,900
SACYR VALLEHERMOSO, S.A.	GRUPO REPSOL YPF	Contractual	Leases	1,441
SACYR VALLEHERMOSO, S.A.	GRUPO REPSOL YPF	Corporate	Dividends and other distributed profits	103,825
SACYR VALLEHERMOSO, S.A.	GRUPO REPSOL YPF	Commercial	Services provided	171

SACYR VALLEHERMOSO, S.A.	GRUPO REPSOL YPF	Commercial	Sales of goods (finished or outstanding)	20,011
SACYR VALLEHERMOSO, S.A.	GRUPO REPSOL YPF	Commercial	Other incomes	208
SACYR VALLEHERMOSO, S.A.	GRUPO REPSOL YPF	Contractual	Purchase of goods (finished or outstanding)	85
SACYR VALLEHERMOSO, S.A.	GRUPO REPSOL YPF	Contractual	Commitments acquired	98,145
SACYR VALLEHERMOSO, S.A.	GRUPO REPSOL YPF	Contractual	Bonds and guarantees received	6,025
CAJA DE AHORROS Y PENSIONES DE BARCELONA	GRUPO REPSOL YPF	Commercial	Financial expenses	107,596
CAJA DE AHORROS Y PENSIONES DE BARCELONA	GRUPO REPSOL YPF	Contractual	Leases	1,338
CAJA DE AHORROS Y PENSIONES DE BARCELONA	GRUPO REPSOL YPF	Commercial	Services received	1,056
CAJA DE AHORROS Y PENSIONES DE BARCELONA	GRUPO REPSOL YPF	Commercial	Other expenses	10,291
CAJA DE AHORROS Y PENSIONES DE BARCELONA	GRUPO REPSOL YPF	Contractual	Financial incomes	20,985
CAJA DE AHORROS Y PENSIONES DE BARCELONA	GRUPO REPSOL YPF	Commercial	Sales of goods (finished or outstanding)	240
CAJA DE AHORROS Y PENSIONES DE BARCELONA	GRUPO REPSOL YPF	Commercial	Other incomes	666
CAJA DE AHORROS Y PENSIONES DE BARCELONA	GRUPO REPSOL YPF	Contractual	Redemption or cancellation of credits and leases (lessor)	1,111
CAJA DE AHORROS Y PENSIONES DE BARCELONA	GRUPO REPSOL YPF	Commercial	Sales of tangible assets, intangible or other assets	52,876
CAJA DE AHORROS Y PENSIONES DE BARCELONA	GRUPO REPSOL YPF	Contractual	Financing agreements: loans and capital contributions (borrower)	733,942
CAJA DE AHORROS Y PENSIONES DE BARCELONA	GRUPO REPSOL YPF	Contractual	Bonds and guarantees received	33,895
CAJA DE AHORROS Y PENSIONES DE BARCELONA	GRUPO REPSOL YPF	Contractual	Bonds and guarantees provided	32,970

CAJA DE AHORROS Y PENSIONES DE BARCELONA	GRUPO REPSOL YPF	Corporate	Dividends and other distributed profits	140,117
PETRÓLEOS MEXICANOS	GRUPO REPSOL YPF	Commercial	Services received	712
PETRÓLEOS MEXICANOS	GRUPO REPSOL YPF	Contractual	Purchase of goods (finished or outstanding)	2,030,533
PETRÓLEOS MEXICANOS	GRUPO REPSOL YPF	Commercial	Other expenses	388
PETRÓLEOS MEXICANOS	GRUPO REPSOL YPF	Contractual	Financial incomes	1,017
PETRÓLEOS MEXICANOS	GRUPO REPSOL YPF	Commercial	Services provided	36,601
PETRÓLEOS MEXICANOS	GRUPO REPSOL YPF	Commercial	Sales of goods (finished or outstanding)	154,574
PETRÓLEOS MEXICANOS	GRUPO REPSOL YPF	Commercial	Other incomes	3,646
PETRÓLEOS MEXICANOS	GRUPO REPSOL YPF	Contractual	Bonds and guarantees provided	99,581
PETRÓLEOS MEXICANOS	GRUPO REPSOL YPF	Contractual	Commitments acquired	33,738
PETRÓLEOS MEXICANOS	GRUPO REPSOL YPF	Corporate	Dividends and other distributed profits	24,939

C.3 List any significant transactions involving a transfer of resources or obligations between the company and/or companies in its group and the directors or executives of the company:

Name of director or executive	Name of company or group company	Nature of the transaction	Type of transaction	Amount (thousand euro)
Company Executives	Repsol YPF Group	Contractual	Financing Agreements : credits and capital contributions (lender)	647

C.4 List any significant transactions with other companies in the group that are not eliminated in the consolidated financial statements and which do not, by virtue of their object or terms, correspond to the normal business of the Company:

C.5 Indicate whether any company directors have been in any conflicts of interest during the year, pursuant to Article 127 ter of the Joint Stock Companies Act.

Yes No

C.6 Explain the mechanisms established to detect and resolve possible conflicts of interests between the company and/or its group, and its directors, executives or significant shareholders.

The Regulations of the Board of Directors require directors to avoid any direct or indirect conflicts of interest with the Company's interests, notifying the Board whenever any such conflicts inevitably exist. In the event of a conflict, the director affected shall abstain in the discussion and decision dealing with the issues giving rise to the conflict.

Any directors affected by proposals for appointment, re-election or removal shall abstain in the discussions and votings dealing with those matters. Ballots shall be secret.

Directors shall inform the Nomination and Compensation Committee of any other professional obligations they may have and any material change in their professional situation, as well as any affecting the nature or condition by virtue of which they have been appointed Director.

Finally, directors shall tender their resignations and step down from the Board, should the latter deem fit, whenever they incur in any of the events of incompatibility or disqualification established in law, the Articles of Association or Regulations.

In this regard, Articles 19-22 of the Regulations of the Board of Directors set out the obligations to be met by Directors in respect of non-competition, use of corporate information and assets and taking advantage of business opportunities, and the requirements established in respect of related party transactions between the Company and the Directors, significant shareholders represented on the Board or persons related to them.

Similarly, the Repsol YPF Group Internal Conduct Regulations regarding the Securities Market, applicable to directors, top management and the executives of certain departments and divisions with access to privileged information of the company or its group and who carry out tasks related with the Securities Market, contemplate the preclusion and solving of conflicts of interest in Articles 8.3. and 8.4., as follows:

"To control potential conflicts of interest, the executives and employees of Repsol YPF Group must inform the person responsible for their respective Area, sufficiently in advance for timely decisions to be made and before conducting the transaction or concluding the business in question, of any situation which may potentially involve, and in each concrete circumstance that actually involves, the appearance of a conflict of interest with Repsol YPF, S.A. or any company of its Group.

If the person affected is a member of the Board of Directors, the conflict must be reported to the Board of Directors, which, if it considers fit, will apply for the opinion of the Audit and Control Committee.

In case of a doubt about the existence of a conflict of interest, the executives and employees of Repsol YPF Group must act prudently and inform the person responsible for their respective Area or the Board of Directors, as the case may be, about the specific circumstances of the case, for the appropriate consideration of the situation by the latter.

The general principle to be considered in the resolution of all kind of conflicts of interest is abstention. Therefore, persons subject to conflicts of interest must refrain from making decisions that could affect the individuals or legal entities with which said conflict is posed. They must likewise refrain from exerting any influence on said decision-making and must act with full

loyalty to the Repsol YPF Group in all cases. In any situation of conflict of interest between the executives and employees of Repsol YPF Group and Repsol YPF or any company within the Group, the former must act in all moments with loyalty to the Repsol YPF Group, giving preference to the interest of the Repsol YPF Group over its own interests."

Finally, the Ethics and Conduct Regulation for Repsol YPF Employees stipulates in Article 6.4., with regard to executives, that "Repsol YPF recognizes and respects the financial and business activities of its employees that are not directly related to the activities carried out for the Company provided that these are legal and do not represent a conflict of interests with their responsibilities as Repsol YPF employees.

Repsol YPF employees should avoid any situation that could give rise to any conflict between their personal interests and those of the Company and will abstain from representing the Company, taking part in or influencing decisions in any situation in which, the employee or any close relative has a personal interest. Employees should always act in accordance with their responsibilities, loyally and defending the interests of Repsol YPF.

Furthermore, employees may not undertake any tasks, jobs, or render any services in the benefit of companies in the sector or those that engage in activities that may, directly or indirectly, compete, or could compete, with those of Repsol YPF.

Repsol YPF employees, who could be affected by a conflict of interests, will inform the head of their Area before undertaking any transaction or closing any business deal, in order to make the appropriate decisions in each specific case thereby avoiding compromising their impartial job performance."

C.7 Are more than one of the Group companies listed in Spain?

Yes No

Name the subsidiaries listed in Spain:

D RISK CONTROL SYSTEMS

D.1 General description of the risk policy of the company and/or its group, including details and assessment of the risks covered by the system, together with justification that those systems adapt to the profile of each type of risk.

Repsol YPF operates in numerous countries, under numerous regulatory frameworks and in all areas of the oil and gas business. Consequently, Repsol YPF is exposed to:

- market risks, deriving from the price volatility of oil, natural gas and by-products, exchange rates and interest rates,
- counterparty risks, deriving from financial arrangements and commercial commitments with suppliers and clients,
- liquidity and solvency risks,
- legal and regulatory risks (including risks of changes in the tax regimes, sectorial and environmental regulations, exchange legislation, production constraints, limits on exports, etc.),

- operating risks (including the risks of accidents and natural catastrophes, uncertainty regarding the geological characteristics of oil and gas fields, safety and environmental risks and reputation risks, such as those relating to corporate ethics and the social impact of Repsol YPF's business),
- economic environment risks (including those resulting from international and local business cycles, technological innovations in the industries in which Repsol YPF operates, etc.).

The company considers the most important risks to be those that could hamper it in achieving the goals established in its Strategic Plan, particularly the goal of maintaining its financial flexibility and long-term solvency. Repsol YPF manages its assets and businesses prudently. Nevertheless, many of the risks mentioned above are inherent in the activities it performs, are beyond the control of the company and cannot be entirely eliminated.

Repsol YPF has an organisation, procedures and systems that enable it to identify measure, assess, prioritize and control the risks to which the group is exposed, and decide to what extent those risks are to be assumed, managed, reduced or avoided. Risk analysis is an integral element in the group's decision-making processes, both in the centralised governing bodies and in the management of the different businesses, paying special attention in all cases to the existence of several risks at the same time or the effects of diversification that may occur on an aggregate level.

The following independent analysis, supervision and control units specialise in different areas of risk management exist:

- * Internal Audit Unit, focusing on the permanent assessment and improvement of existing controls to ensure that potential risks of whatsoever nature (control, business, reputation, etc...) that could hamper achievement of the strategic goals of the Repsol YPF Group are identified, measured and controlled at all times.
- * Credit Risk Management Unit, responsible for:
 - monitoring and controlling the Group's credit risk,
 - coordinating the development of specific rules and regulations concerning market and credit risks of the different business units and corporate areas of the Group and establishing methods for measuring and assessing such risks according to the best practices,
 - analysing and controlling the credit risk generated by the Group's activities, establishing individual third-party credit risk limits,
 - defining the criteria regarding the funding and use of provisions for insolvency, refinancing and judicial claiming of debts.
- * Market Middle Office Unit, responsible for:
 - calculating, monitoring, controlling and assessing at market the liquidity positions, foreign exchange and interest rate risk positions,
 - measuring of the risk position and analysis of sensitivity of the result and the value of products and instruments traded for different risk factors,

- developing and validation of the methodology for measuring and assessing instruments and positions according to best market practices.
- * Risk Monitoring Unit, responsible for:
 - coordinating the development of specific rules and regulations concerning commodities price risk of the different business units and corporate areas of the Group, and establishing methods for measuring and assessing these risks according to best practices,
 - monitoring and controlling Group's commodities price risk.
- * Insurance Unit, responsible for:
 - analysing and assessing any accidental risks that could affect the assets and activities of the Group,
 - defining the most efficient financing policy for these risks, through an optimum combination of self-insurance and risk transfer measures,
 - taking out such insurance cover as may be considered convenient in each case,
 - negotiating the compensations deriving from insured accidents.
- * Safety and Environment Unit, responsible for:
 - defining and monitoring the company's safety and environmental strategic policies and objectives,
 - establishing the corporate rules and regulations (policy, rules, procedures, manuals and guidelines) on safety and environment throughout the company worldwide and the mechanisms required to publicise them,
 - identifying and leading corporate safety and environment projects, counselling business units in their implementation and monitoring the progress,
 - establishing key indicators of performance, monitoring the company's performance in safety and environmental matters and proposing actions for improvement,
 - promoting the creation of working groups and exchanging of the best practices in safety and the environment,
 - coordinating safety and environmental audits and following them up.
- * Corporate Responsibility Unit, within the Direction of Corporate Responsibility and Institutional Services, responsible for advising, promoting and coordinating the joint Company's Corporate Responsibility strategy:
 - Proposing corporate government elements, such as corporate regulations, manuals or guides, goals, indicators and other management tools of CR, and issuing them in a complementary manner to that provided within the Company in a general level.
 - Coordinating the dialogue with Company's stakeholders at corporate level and submitting their expectations to the Corporate Responsibility Committee.

Coordinating the monitoring of the dialogue with stakeholders on ethical and social-environmental contingencies, that may have relevance at corporate level.

- Monitoring the Company's performance on CR, reporting to the Board of Director's Investment, Strategy and Corporate Responsibility Committee, the Executive Committee and the Corporate Responsibility Committee.
 - Consolidating information on CR at corporate level and develop the Company's communication tools on CR at this level, such as the Annual Report on CR and its verification; the Repsol YPF's CR website; and the reports for quotation in selective sustainability indexes.
 - Representing the Company on corporate external forums of CR, disclosing the corporate positions, compiling the relevant information about competition best practices and reporting this information to the Corporate Responsibility Committee.
- * Financial Reporting Internal Control Unit, responsible for monitoring and management of the internal economic and financial reporting control system, introduced to comply with the requirements of section 404 of the Sarbanes-Oxley Act.

The system applied by Repsol YPF is based on the conceptual framework defined in the COSO model.

- * Reserves Control Unit, which aims to make sure that the estimates of Repsol YPF proved reserves comply with prevailing legislation on the different Securities Markets on which the company is listed. It also makes internal audits of reserves, coordinates certification of reserves by external auditors and assesses the quality controls on reserve reporting, making the appropriate suggestions within a process of continuous improvement and application of best practices.

There are also several functional and business committees responsible for the oversight of the risk management activities performed within their respective areas of responsibility.

D.2 Indicate whether any of the risks (operating, technological, financial, legal, reputational, tax...) affecting the company and/or its group have actually materialised during the year:

Yes No

If so, indicate the underlying circumstances and whether the established control systems worked adequately.

Risks occurred during the year	Causes of risks	Operation of Control Systems
Risks inherent to the Company's business.	Circumstances of business development.	Control systems established by the Company have worked correctly, making possible to manage the risks appropriately.

D.3 Is there a Committee or other governing body responsible for establishing and supervising the control systems?

Yes No

If so, state its duties.

Name of Committee or governing body	Description of duties
Audit and Control Committee	<p>The main duty of the Audit and Control Committee, as advisory body to the Board of Directors, is to support the Board in its oversight duties, among other actions by regularly checking the risk management and internal control systems, to ensure that the principal risks are identified, managed and adequately publicised.</p> <p>With this aim, the Audit and Control Committee monitors the development of the Annual Corporate Audit Plan, drawn up to assess and oversee the correct functioning and adequacy of the established control systems, to ensure that they are sufficient to identify, manage and/or mitigate the operating, financial and reputation risks of the Repsol YPF Group. The Corporate Audit Department informs the Committee on any material irregularities, anomalies or defaults of the audited units reporting to the Board whenever they are considered to represent a significant risk for the Group.</p> <p>Moreover, the Audit and Control Committee ensures that the procedures and systems for recording and internal control of the measuring, assessment, classification and entering in the accounts of the Group's hydrocarbon reserves are sufficient, adequate and efficient.</p> <p>Finally, the Committee is informed by the corresponding divisions of the company and steers the environmental and safety policies, guidelines and objectives of the Repsol YPF Group.</p>

D.4 Identification and description of processes for compliance with the different regulations affecting the company and/or its group.

The Audit and Control Committee supports the Board in its oversight duties, watching over the compliance with all legal and internal laws and regulations applicable to the company. It oversees compliance with applicable national and international rules and regulations on market conduct and data protection and ensures that the Internal Codes of Conduct and Professional Ethics and of Market Conduct applicable to Group employees meet all the legal requirements and are adequate for the company.

The Audit and Control Committee also supervises the preparation and integrity of the financial information on the Company and the Group, checking compliance with the applicable legal requirements and correct application of the accounting principles.

E GENERAL MEETING

E.1 Indicate whether there are any differences between the quorums for General Meetings and the minimums stipulated in the Joint Stock Companies Act and, if appropriate, explain.

Yes No

	% quorum different from that established in Art. 102 Joint Stock Companies Act for general cases	% quorum different from that established in Art. 103 Joint Stock Companies Act for the special cases of Art. 103
Quorum required on first call	0	0
Quorum required on second call	0	0

E.2 Explain whether there are any differences between the system used for adopting corporate resolutions and the system stipulated in the Joint Stock Companies Act, and if so give details:

Yes No

Title	Value
Amendment of voting rights limitation	75.000

Describe how it differs from the system contemplated in the Joint Stock Companies Act.

Describe the differences
As an exception to the provisions of the Stock Company Act, the maximum number of votes that may be cast at a general meeting by any one shareholder, or by companies belonging to the same Group, is 10% of the subscribed voting capital. Any resolution to change that limit shall require a majority of 75% of the voting capital attending or represented at the general meeting, on first or second call, and the same majority will be required to modify the majority stipulated to amend that limit.

E.3 Describe any shareholders' rights in respect of General Meetings differing from those established in the Joint Stock Companies Act.

According to Article 23 of the Articles of Association, general meetings may be attended by shareholders holding any number of shares, provided they have been recorded in the corresponding accounting record five days prior to the date of the meeting and the shareholder has obtained the attendance card proving that the above requirements have been met. Attendance cards shall be issued by the institutions indicated in law and shall be non-transferable.

The Regulations of the Board of Directors of Repsol YPF S.A. provide as follows regarding shareholders' right to participate and information:

"6.3. The Board of Directors shall take all the measures it sees fit to ensure that the Shareholders Meeting performs its proper functions. To that end it shall place all the legally demandable information, as well as information which is not legally required but is of interest to the Shareholders and can reasonably be furnished, at the Shareholders' disposal prior to the Shareholders Meeting. It shall likewise respond with the greatest possible diligence to information requests and questions from shareholders prior to the Shareholders Meetings or while they are underway.

6.4. The information given to Shareholders and other financial market participants by the Company shall be complete, accurate, fair, symmetrical, and timely.

To achieve maximum transparency and immediacy in the dissemination of information, the Company shall make use of the generally available procedures and technologies to which companies and private citizens have access. To that end, the Board of Directors shall intensify the use of the Company's Web page and determine the contents to be transmitted through that medium, which shall include among other documents the Articles of Association, the Board of Directors' Regulations, the quarterly and annual reports, the notices of Shareholders Meetings, their regulations and the resolutions or decisions adopted at the previous meeting, and any other information considered of interest."

Furthermore, pursuant to Article 5 of the Regulations of the General Shareholders Meeting, concerning shareholders' right to information and participation, the notice of call to General Meetings shall state *"the place and times at which shareholders may consult the documents to be laid before the general meeting and such other reports as may be required by law or decided by the board, without prejudice to the right of shareholders to request and receive, free of charge, copies of all the above-mentioned documents"*.

Article 5 of the Regulations of the General Shareholders Meeting also provides that *"in addition to the requirements stipulated in law or the Articles of Association, as from the date of publication of the notice of call to the general meeting, the company shall publish on its web site the text of all proposed resolutions submitted by the board in connection with the items on the agenda, including, with regard to proposals for the appointment of directors, the information contemplated in Article 47.13 of the Articles of Association ((i) professional and biographic profile, (ii) list of other boards they are on, (iii) indication of the type of director, indicating, in the case of institutional directors, the shareholder they represent or with which they have ties, (iv) date of first appointment as company directors, and subsequent appointments, and (v) company shares and options they hold).*

An exception may be made to this rule for proposals which the law and Articles of Association do not require to be made available to shareholders as from the notice of call, if the board considers there are just grounds for not doing so.

If a supplementary notice of call is published, the company shall thereafter publish on its web site the text of the proposals contained in that supplementary notice, provided they have been sent to the company."

Article 6.1. of the Regulations for the General Shareholders Meeting further provides that:

"Through the Shareholders' Information Office of the Company's web page, shareholders may at any time, upon entering proof of identification as such, raise any questions or make suggestions relating to the activities and interests of the Company and which they consider should be discussed at a General Shareholders' Meeting.

Once a General Shareholders' Meeting has been called and up to seven consecutive days before the date set for the meeting on first call, shareholders may utilize the same means to comment upon or make suggestions in writing regarding the proposals included on the Agenda thereof.

The Company's Departments will examine the shareholders' questions, suggestions and comments, and the responses will be disclosed, grouped together as pertinent, on the Company web page or, if the Board of Directors considers it appropriate, they will be considered at the General Shareholders' Meeting, even if they are not included on the Agenda."

Apart from the foregoing and with a view to facilitating access by shareholders to the information on the company, Repsol set up the Shareholders' Information Office mentioned above, offering shareholders a free call service and an e-mail address at which they may request whatever information they may require. Shareholders may also visit the Office, where they will receive personal attention.

E.4 Describe the measures adopted, if any, to encourage the participation of shareholders at General Meetings.

To encourage shareholders to participate in general meetings, Article 6 of the Regulations of the General Shareholders Meeting, establishes shareholders' right to information and participation, indicating that they may raise any questions or make any suggestions in connection with the company's activities or interests which they consider ought to be discussed by the General Meeting, through the Shareholders' Information Office or the company's web site (www.repsol.com).

Apart from these measures, which are expressly contemplated in the Repsol YPF, S.A. Rules of Corporate Governance, the company also encourages shareholders to participate in general meetings with the following measures:

- Publication of the notice of call sufficiently in advance in the media with the widest distribution, inserting a copy on the company's web site (www.repsol.com) and sending copies to the stock exchanges on which its shares are listed and to the depositaries of its shares, so that they can issue the necessary attendance cards.
- Warning in the notice of call that the general meeting will be held on second call.
- Practices to encourage attendance, by delivering gifts and even, if appropriate, paying attendance premiums.
- Holding general meetings at a large-capacity location with ideal conditions for the procedure and following of the meeting, providing transport.
- Possibility of exercising or delegating the vote through distance means (post or electronic means), providing for shareholders:
 - * A form prepared for postal votes on the company's web site and at the Shareholders' Information Office.
 - * An application on the web site to exercise or delegate the vote by electronic means, for all shareholders having a recognised or advanced electronic signature based on a recognised, valid electronic certificate issued by the Spanish Public Certification Entity (CERES).
- Possibility of fractioning votes through the voting platform and delegation by post and electronic means.
- Assistance and personalized guidance for all shareholders who wish to participate through staff of the Shareholders' Information Office.
- Possibility of connecting to a live broadcast of the meeting through the company's

web site (www.repsol.com).

- Publication through the company's web site (www.repsol.com) of the proposed resolutions corresponding to the items on the Agenda and the Board's report on each of the proposed resolutions to be laid before the General Meeting.

E.5 Indicate if the Chairman of the Board chairs the General Meeting. List any measures adopted to ensure the independence and correct operation of the General Meeting:

Yes No

Details of measures
The Board traditionally requests, on its own initiative, the presence of a Notary to attend the General Meeting and issue minutes thereof.
Consequently, neither the Chairman nor the Secretary of the General Meeting participate in the preparation of the minutes, for which a notary or other public attesting officer is engaged, with the consequent guarantee of neutrality for the shareholders.

E.6 Indicate any modifications made during the year to the Regulations of the General Shareholders Meeting.

The Annual Shareholders Meeting held on April 30, 2010, approved the amendment of paragraph 3.5 of Article 3 ("Powers of the shareholders' meeting") and paragraph 9.2 of Article 9 ("Shareholders' meeting quorum") of its Regulations.

The above amendments were made to adapt the text of the Regulations of the General Shareholders Meeting to the amendments in the regulation of Joint Stock Companies by Law 3/2009, April 3rd.

The CNMV was notified of the amendments in a letter dated 18 June, 2010 and they have been entered in the Madrid Trade Register.

The Regulations of the General Shareholders Meeting may be consulted on the company's web site (www.repsol.com).

E.7 Give details of attendance of General Meetings held during the year:

Date General Meeting	Details of attendance				Total
	% attending in person	% attending by proxy	% Distance voting		
			Electronic vote	Others	
04-30-2010	0.058	63.358	0.006	0.446	63.868

E.8 Give a brief account of the resolutions adopted at the General Meetings held during the year and percentage of votes with which each resolution was approved.

Only one General Shareholders Meeting of Repsol YPF, S.A., the Annual General Meeting, was held during 2010, on 30 April 2010, at which the following resolutions were adopted with the majorities indicated below:

- 1.1 To approve the Annual Financial Statements and the Management Report of Repsol YPF, S.A., the Consolidated Annual Financial Statements and the Consolidated Management Report, for the fiscal year ended 31st December 2009, and the proposal of application of its earnings.

Votes for 604,291,620 shares, votes against 98,609 shares, abstentions 10,971,712 shares.

- 1.2 To approve the management by the Board of Directors during fiscal year 2009.

Votes for 596,098,123 shares, votes against 8,741,305 shares, abstentions 10,522,513 shares.

- 2.1 To amend the first paragraph of Article 9 (“Capital calls and default by the Shareholders”).

Votes for 600,008,846 shares, votes against 98,358 shares, abstentions 15,254,737 shares.

- 2.2 To amend Article 12.bis (“Preferential subscription right”).

Votes for 599,694,119 shares, votes against 413,679 shares, abstentions 15,254,143 shares.

- 2.3 To amend the first paragraph of Article 22 (“Special resolutions, constitution and majorities”).

Votes for 599,960,369 shares, votes against 143,416 shares, abstentions 15,258,156 shares.

- 3.1 To amend paragraph 3.5 of Article 3 (“Powers of the shareholders’ meeting”).

Votes for 599,880,057 shares, votes against 176,115 shares, abstentions 15,305,769 shares.

- 3.2 To amend paragraph 9.2 of Article 9 (“Shareholders’ meeting quorum”).

Votes for 599,984,159 shares, votes against 131,195 shares, abstentions 15,246,587 shares.

- 4.1 To re-elect Mrs. Paulina Beato, as Director of the Company, for a new period of four years.

Votes for 602,026,416 shares, votes against 156,935 shares, abstentions 13,178,590 shares.

- 4.2 To re-elect Mr. Carulla Font, as Director of the Company, for a new period of four years.

Votes for 595,416,578 shares, votes against 7,240,441 shares, abstentions 12,704,922 shares.

- 4.3 To re-elect Mr. Javier Echenique Landiribar, as Director of the Company, for a new period of four years.

Votes for 601,633,095 shares, votes against 2,491,037 shares, abstentions 11,237,809 shares.

- 4.4 To re-elect Pemex International España, S.A., as Director of the Company, for a new period of four years.

Votes for 597,174,003 shares, votes against 6,246,245 shares, abstentions 11,941,693 shares.

- 4.5 To re-elect Mr. Henri Philippe Reichstul, as Director of the Company, for a new period of four years.

Votes for 604,012,048 shares, votes against 148,075 shares, abstentions 11,201,818 shares.

5. To re-elect as the Accounts Auditor of Repsol YPF, S.A. and of its Consolidated Group the company Deloitte, S.L. for the legally established period of one year. It is also entrusted with carrying out the other Audit services required by Law and needed by the Company until the next Ordinary General Shareholders' Meeting is held.

Votes for 602,410,163 shares, votes against 2,507,334 shares, abstentions 10,444,444 shares.

6. To authorize the Board of Directors, with express power of delegation, for the derivative acquisition of shares of Repsol YPF, S.A., directly or through controlled companies, within a period of 5 years from the resolution of the Shareholders Meeting, leaving without effect the authorization granted by the Ordinary General Shareholders Meeting held on May 14, 2009.

Votes for 594,579,635 shares, votes against 9,602,838 shares, abstentions 11,179,468 shares.

7. To delegate to the Board of Directors of the power to resolve the increase of the capital stock, up to the maximum amount legally prescribed, with the possibility of excluding the preferential subscription right, leaving without effect the sixth resolution of the General Shareholders' Meeting held on May 31, 2005.

Votes for 570,986,716 shares, votes against 27,382,419 shares, abstentions 16,992,806 shares.

8. To delegate the powers to supplement, develop, execute, rectify and formalize the resolutions adopted by the General Shareholders' Meeting".

Votes for 602,821,148 shares, votes against 2,637,137 shares, abstentions 9,903,656 shares.

- E.9 State whether any restrictions are established in the Articles of Association requiring a minimum number of shares to attend General Meetings:**

Yes No

Number of shares required to attend General Meetings	
--	--

E.10 Describe and justify the company's policies on proxy votes at General Meetings.

According to Article 8 of the Regulations of the General Shareholders Meeting, all shareholders entitled to attend may be represented at general meetings by another person, who need not be a shareholder. Proxies shall be granted in writing or by distance communication, especially for each general meeting.

For this purpose, apart from the possibility of sending proxies for attendance and voting at general meetings through the members of "Sociedad de Gestión de Sistemas de Registro, Compensación y Liquidación de Valores S.A." (Iberclear), shareholders also have the Shareholders' Information Office, where they may deliver proxies by post or by hand, and another office opened exclusively for this purpose at the registered office, Paseo de la Castellana no. 278, where attendance cards may be received and the corresponding gifts are handed out.

An application is made available on the web site for electronic proxies, available for shareholders who have a recognised or advanced electronic signature based on a recognised, valid electronic certificate issued by the *Entidad Pública de Certificación Española* (CERES).

E.11 Indicate whether the company is aware of the policies of institutional investors regarding their participation or otherwise in company decisions:

Yes No

E.12 Indicate the address and access to the corporate governance contents on the company's web site.

The information on corporate governance, regulated in Act 26/2003 of 17 July, Order ECO/3722/2003 of 26 December, and the *Comisión Nacional del Mercado de Valores* (CNMV) Circular 1/2004 of 17 March, is published in the section "Shareholders and investors" on the company's web site (www.repsolypf.com).

F EXTENT OF COMPLIANCE WITH THE CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree of compliance by the company with the recommendations of the Unified Good Governance Code.

In the event of non-compliance with any recommendations, explain the recommendations, standards, practices or principles applied by the company.

- 1. The bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.**

See sections: A.9, B.1.22, B.1.23 and E.1, E.2.

Explain

Art. 27 of the Bylaws and Art. 13.6 of the Regulations of the General Shareholders Meeting of Company stipulate that the maximum number of votes that may be cast at a General Meeting by one shareholder or companies belonging to the same group shall be 10% of the total voting capital.

This limit was approved, according to the provision of article 105 of the Joint Stock Companies Act, at the Extraordinary General Meeting held in 1999 by 95% of the capital attending.

2. When a dominant and a subsidiary company are stock market listed, the two should provide detailed disclosure on:

a) The type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other group companies;

b) The mechanisms in place to resolve possible conflicts of interest.

See sections: C.4 and C.7

Not applicable

3. Even when not expressly required under company law, any decisions involving a fundamental corporate change should be submitted to the General Shareholders' Meeting for approval or ratification. In particular:

a) The transformation of listed companies into holding companies through the process of subsidiarisation, i.e. reallocating core activities to subsidiaries that were previously carried out by the originating firm, even though the latter retains full control of the former;

b) Any acquisition or disposal of key operating assets that would effectively alter the company's corporate purpose;

c) Operations that effectively add up to the company's liquidation.

Comply

4. Detailed proposals of the resolutions to be adopted at the General Shareholders' Meeting, including the information stated in Recommendation 28, should be made available at the same time as the publication of the Meeting notice.

Comply

5. Separate votes should be taken at the General Shareholders' Meeting on materially separate items, so shareholders can express their preferences in each case. This rule shall apply in particular to:

a) The appointment or ratification of directors, with separate voting on each candidate;

b) Amendments to the bylaws, with votes taken on all articles or groups of articles that are materially independent.

See section: E.8

Comply

6. Companies should allow split votes, so financial intermediaries acting as nominees on behalf of different clients can issue their votes according to instructions.

See section: E.4

Comply

7. **The Board of Directors should perform its duties with unity of purpose and independent judgement, according all shareholders the same treatment. It should be guided at all times by the company's best interest and, as such, strive to maximise its value over time.**

It should likewise ensure that the company abides by the laws and regulations in its dealings with stakeholders; fulfils its obligations and contracts in good faith; respects the customs and good practices of the sectors and territories where it does business; and upholds any additional social responsibility principles it has subscribed to voluntarily.

Comply

8. **The board should see the core components of its mission as to approve the company's strategy and authorise the organisational resources to carry it forward, and to ensure that management meets the objectives set while pursuing the company's interests and corporate purpose. As such, the board in full should reserve the right to approve:**

a) The company's general policies and strategies, and in particular:

- i) The strategic or business plan, management targets and annual budgets;**
- ii) Investment and financing policy;**
- iii) Design of the structure of the corporate group;**
- iv) Corporate governance policy;**
- v) Corporate social responsibility policy;**
- vi) Remuneration and evaluation of senior officers;**
- vii) Risk control and management, and the periodic monitoring of internal information and control systems;**
- viii) Dividend policy, as well as the policies and limits applying to treasury stock.**

See sections: B.1.10, B.1.13, B.1.14 and D.3

b) The following decisions:

- i) On the proposal of the company's chief executive, the appointment and removal of senior officers, and their compensation clauses.**

See section: B.1.14.

- ii) Directors' remuneration and, in the case of executive directors, the additional consideration for their management duties and other contract conditions.**

See section: B.1.14.

- iii) The financial information listed companies must periodically disclose.**
- iv) Investments or operations considered strategic by virtue of their amount or**

special characteristics, unless their approval corresponds to the General Shareholders' Meeting;

- v) **The creation or acquisition of shares in special purpose entities resident in jurisdictions considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.**
- c) **Transactions which the company conducts with directors, significant shareholders, shareholders with board representation or other persons related thereto ("related-party transactions").**

However, board authorisation need not be required for related-party transactions that simultaneously meet the following three conditions:

- 1. They are governed by standard form agreements applied on an across-the-board basis to a large number of clients;**
- 2. They go through at market rates, generally set by the person supplying the goods or services;**
- 3. Their amount is no more than 1% of the company's annual revenues.**

It is advisable that related-party transactions should only be approved on the basis of a favourable report from the Audit Committee or committee handling the same function; and that the directors involved should neither exercise nor delegate their votes, and should withdraw from the meeting room while the board deliberates and votes.

Ideally the above powers should not be delegated with the exception of those mentioned in b) and c), which may be delegated to the Delegate Committee in urgent cases and later ratified by the full board.

See sections: C.1 and C.6

Partial compliance

The company complies with this recommendation, except for the following sections:

- a.iii) Owing to the complexity and large number of companies in the Repsol YPF Group at present, it has not been considered convenient to expressly include the contents of this recommendation in the company's internal regulations.
- a.vii) The Company complies with this recommendation, except regarding the periodic monitoring of internal information and control systems. In this regard, since recommendation 50.1 of the Unified Code assigns duties to the Audit and Control Committee involving supervision of the information, internal control and risk management systems, and Repsol YPF is subject to the US Sarbanes-Oxley Act (Section 404), according to which the Audit Committee must oversee and control the functioning of the Internal Financial Reporting Control system, the Company has considered it convenient to assign that Committee the duty of supervising the risk management, internal control and information systems of the company, without prejudice to reporting to the Board on these matters.
- b.i) The Regulations of the Board of Directors does not reserve to the Board the removal of senior officers. The Company considers that this power over the top management should be reserved for the chief executive, since these positions come under his trust and responsibility, without prejudice to reporting to the Board.

Nevertheless, the Board of Directors reserves the power to approve any guarantee or golden parachute clauses for senior executives of the company in cases of dismissals or changes of ownership, when the conditions exceed those normally established on the market.

- b.v) The Company complies with this recommendation, except regarding the creation or acquisition of shares in companies domiciled in countries or territories considered tax havens. In this regard, the Company has opted for the Audit and Control Committee to receive information on these matters and ensure that these transactions correspond to appropriate purposes, and for the Top Management to take the appropriate measures to identify and adequately manage them, without prejudice to reporting to the Board on these matters.

Furthermore, this recommendation includes a vague concept (transactions which might impair the transparency of the Group), which the company has not considered it convenient to include in its internal regulations, owing to the uncertainty that could arise in its application.

9. In the interests of maximum effectiveness and participation, the Board of Directors should ideally comprise no fewer than five and no more than fifteen members.

See section: B.1.1

Explain

The Board of Directors considered it convenient for the company, taking account of the structure of its capital and shareholders' representation on the Board, to incorporate persons with an outstanding professional prestige, from the auditing, financial/accounting, industrial and stock market sectors, who could increase the decision-making capacity of the Board and enhance its points of view.

For this purpose, the Board of Directors proposed to the General Shareholders Meeting in 2007, within the maximum and minimum limits established in the Articles of Association (9 - 16), to set the number of directors at 16. This proposal was approved at the aforesaid General Meeting.

10. External directors, proprietary and independent, should occupy an ample majority of board places, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.

See sections: A.2, A.3, B.1.3 and B.1.14.

Comply

11. In the event that some external director can be deemed neither proprietary nor independent, the company should disclose this circumstance and the links that person maintains with the company or its senior officers, or its shareholders.

See section: B.1.3

Not applicable

12. That among external directors, the relation between proprietary members and independents should match the proportion between the capital represented on the board by proprietary directors and the remainder of the company's capital.

This proportional criterion can be relaxed so the weight of proprietary directors is greater than would strictly correspond to the total percentage of capital they represent:

1. In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings, despite the considerable sums actually invested.
2. In companies with a plurality of shareholders represented on the board but not otherwise related.

See sections: B.1.3, A.2 and A.3

Comply

13. The number of independent directors should represent at least one third of all board members.

See section: B.1.3

Comply

14. The nature of each director should be explained to the General Meeting of Shareholders, which will make or ratify his or her appointment. Such determination should subsequently be confirmed or reviewed in each year's Annual Corporate Governance Report, after verification by the Nomination Committee. The said Report should also disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 5% of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

See sections: B.1.3 and B.1.4

Comply

15. When women directors are few or non existent, the board should state the reasons for this situation and the measures taken to correct it; in particular, the Nomination Committee should take steps to ensure that:
 - a) The process of filling board vacancies has no implicit bias against women candidates;
 - b) The company makes a conscious effort to include women with the target profile among the candidates for board places.

See sections: B.1.2, B.1.27 and B.2.3.

Comply

16. The Chairman, as the person responsible for the proper operation of the Board of Directors, should ensure that directors are supplied with sufficient information in advance of board meetings, and work to procure a good level of debate and the active involvement of all members, safeguarding their rights to freely express and adopt positions; he or she should organise and coordinate regular evaluations of the board and, where appropriate, the company's chief executive, along with the chairmen of the relevant board committees.

See section: B.1 42

Comply

17. When a company's Chairman is also its chief executive, an independent director should be empowered to request the calling of board meetings or the inclusion of new business on the agenda; to coordinate and give voice to the concerns of external directors; and to lead the board's evaluation of the Chairman.

See section: B.1.21

Comply

18. The Secretary should take care to ensure that the Board's actions:

- a) Adhere to the spirit and letter of laws and their implementing regulations, including those issued by regulatory agencies;
- b) Comply with the company bylaws and the regulations of the General Shareholders' Meeting, the Board of Directors and others;
- c) Are informed by those good governance recommendations of the Unified Code that the company has subscribed to.

In order to safeguard the independence, impartiality and professionalism of the Secretary, his or her appointment and removal should be proposed by the Nomination Committee and approved by a full board meeting, the relevant appointment and removal procedures being spelled out in the board's regulations.

See section: B.1.34

Comply

19. The Board should meet with the necessary frequency to properly perform its functions, in accordance with a calendar and agendas set at the beginning of the year, to which each director may propose the addition of other items.

See section: B.1.29

Comply

20. Director absences should be kept to the bare minimum and quantified in the Annual Corporate Governance Report. When directors have no choice but to delegate their vote, they should do so with instructions.

See sections: B.1.28 and B.1.30

Comply

21. When directors or the Secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, the person expressing them can request that they be recorded in the minute book.

Not applicable

22. The board in full should evaluate the following points on a yearly basis:

- a) The quality and efficiency of the board's operation;
- b) Starting from a report submitted by the Nomination Committee, how well the Chairman and chief executive have carried out their duties;
- c) The performance of its committees on the basis of the reports furnished by the same.

See section: B.1.19

Comply

- 23. All directors should be able to exercise their right to receive any additional information they require on matters within the board's competence. Unless the bylaws or board regulations indicate otherwise, such requests should be addressed to the Chairman or Secretary.**

See section: B.1.42

Comply

- 24. All directors should be entitled to call on the company for the advice and guidance they need to carry out their duties. The company should provide suitable channels for the exercise of this right, extending in special circumstances to external assistance at the company's expense.**

See section: B.1.41

Comply

- 25. Companies should organise induction programmes for new directors to acquaint them rapidly with the workings of the company and its corporate governance rules. Directors should also be offered refresher programmes when circumstances so advise.**

Comply

- 26. Companies should require their directors to devote sufficient time and effort to perform their duties effectively, and, as such:**

- a) Directors should apprise the Nomination Committee of any other professional obligations, in case they might detract from the necessary dedication;**
- b) Companies should lay down rules about the number of directorships their board members can hold.**

See sections: B.1.8, B.1.9 and B.1.17

Partial compliance

The Company complies with this recommendation, except regarding the rules on the number of directorships its directors may hold. It considers the obligations that Directors are to meet by virtue of their office, as stipulated in Article 17 of the Regulations of the Board of Directors, sufficient to guarantee the efficient performance by directors of their duties:

- Constantly devote such time and efforts as may be necessary to regularly oversee the issues concerning administration of the company.
- Be informed and adequately prepare meetings of the board and any other delegated and advisory committees to which they belong, obtaining sufficient information and such collaboration or assistance as they may deem fit.
- Attend meetings of all committees they are on and participate actively in the debates, such that their opinions may contribute effectively to the decision-making process. If they are justifiably unable to attend any meetings to which they have been called, they shall duly instruct another director to represent them.

- Carry out any specific task commissioned by the board that is reasonably within his dedication commitment.
- Inform the Nomination and Compensation Committee of any other professional obligations they may have and any material changes in their professional situation, as well as any that may affect the nature or condition by virtue of which they have been appointed director.

The Nomination and Compensation Committee shall inform the Board on directors' performance of these obligations.

27. The proposal for the appointment or renewal of directors which the board submits to the General Shareholders' Meeting, as well as provisional appointments by the method of co-option, should be approved by the board:

- a) On the proposal of the Nomination Committee, in the case of independent directors.**
- b) Subject to a report from the Nomination Committee in all other cases.**

See section: B.1.2

Comply

28. Companies should post the following director particulars on their websites and keep them permanently updated:

- a) Professional experience and background;**
- b) Directorships held in other companies, listed or otherwise;**
- c) An indication of the director's classification as executive, proprietary or independent; in the case of proprietary directors, stating the shareholder they represent or have links with.**
- d) The date of their first and subsequent appointments as a company director, and;**
- e) Shares held in the company and any options on the same.**

Comply

29. Independent directors should not stay on as such for a continuous period of more than 12 years.

See section: B.1.2

Comply

30. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.

See sections: A.2, A.3 and B.1.2

Comply

31. The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where just cause is

found by the board, based on a proposal from the Nomination Committee. In particular, just cause will be presumed when a director is in breach of his or her fiduciary duties or comes under one of the disqualifying grounds enumerated in section III.5 (Definitions) of this Code.

The removal of independents may also be proposed when a takeover bid, merger or similar corporate operation produces changes in the company's capital structure, in order to meet the proportionality criterion set out in Recommendation 12.

See sections: B.1.2, B.1.5 and B.1.26

Comply

32. Companies should establish rules obliging directors to inform the board of any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, with particular mention of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is indicted or tried for any of the crimes stated in article 124 of the Public Limited Companies Law, the board should examine the matter and, in view of the particular circumstances and potential harm to the company's name and reputation, decide whether or not he or she should be called on to resign. The board should also disclose all such determinations in the Annual Corporate Governance Report.

See sections: B.1.43, B.1.44

Comply

33. All directors should express clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors unaffected by the conflict of interest should challenge any decision that could go against the interests of shareholders lacking board representation.

When the board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next Recommendation.

The terms of this Recommendation should also apply to the Secretary of the board; director or otherwise.

Not applicable

34. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Irrespective of whether such resignation is filed as a significant event, the motive for the same must be explained in the Annual Corporate Governance Report.

See section: B.1.5

Not applicable

35. The company's remuneration policy, as approved by its Board of Directors, should specify at least the following points:

- a) The amount of the fixed components, itemised where necessary, of board and board committee attendance fees, with an estimate of the fixed annual payment

they give rise to;

- b) Variable components, in particular:
- i) The types of directors they apply to, with an explanation of the relative weight of variable to fixed remuneration items;
 - ii) Performance evaluation criteria used to calculate entitlement to the award of shares or share options or any performance-related remuneration;
 - iii) The main parameters and grounds for any system of annual bonuses or other, non cash benefits; and
 - iv) An estimate of the sum total of variable payments arising from the remuneration policy proposed, as a function of degree of compliance with pre-set targets or benchmarks.
- c) The main characteristics of pension systems (for example, supplementary pensions, life insurance and similar arrangements), with an estimate of their amount or annual equivalent cost.
- d) The conditions to apply to the contracts of executive directors exercising senior management functions. Among them:
- i) Duration;
 - ii) Notice periods; and
 - iii) Any other clauses covering hiring bonuses, as well as indemnities or 'golden parachutes' in the event of early termination of the contractual relation between company and executive director.

See section: B.1.15

Comply

36. Remuneration comprising the delivery of shares in the company or other companies in the group, share options or other share-based instruments, payments linked to the company's performance or membership of pension schemes should be confined to executive directors.

The delivery of shares is excluded from this limitation when directors are obliged to retain them until the end of their tenure.

See sections: A.3, B.1.3

Comply

37. External directors' remuneration should sufficiently compensate them for the dedication, abilities and responsibilities that the post entails, but should not be so high as to compromise their independence.

Comply

38. In the case of remuneration linked to company earnings, deductions should be computed for any qualifications stated in the external auditor's report.

Comply

39. In the case of variable awards, remuneration policies should include technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, atypical or exceptional transactions or circumstances of this kind.

Comply

40. The board should submit a report on the directors' remuneration policy to the advisory vote of the General Shareholders' Meeting, as a separate point on the agenda. This report can be supplied to shareholders separately or in the manner each company sees fit.

The report will focus on the remuneration policy the board has approved for the current year with reference, as the case may be, to the policy planned for future years. It will address all the points referred to in Recommendation 34, except those potentially entailing the disclosure of commercially sensitive information. It will also identify and explain the most significant changes in remuneration policy with respect to the previous year, with a global summary of how the policy was applied over the period in question.

The role of the Remuneration Committee in designing the policy should be reported to the Meeting, along with the identity of any external advisors engaged.

See section: B.1.16

Partial compliance

The company prepared the Report on the Directors' Remuneration Policy, which is made available to shareholders, for their information, at the Ordinary General Shareholders Meeting.

41. The notes to the annual accounts should list individual directors' remuneration in the year, including:
- a) A breakdown of the compensation obtained by each company director, to include where appropriate:
 - i) Participation and attendance fees and other fixed director payments;
 - ii) Additional compensation for acting as chairman or member of a board committee;
 - iii) Any payments made under profit-sharing or bonus schemes, and the reason for their accrual;
 - iv) Contributions on the director's behalf to defined-contribution pension plans, or any increase in the director's vested rights in the case of contributions to defined-benefit schemes;
 - v) Any severance packages agreed or paid;
 - vi) Any compensation they receive as directors of other companies in the group;
 - vii) The remuneration executive directors receive in respect of their senior management posts;
 - viii) Any kind of compensation other than those listed above, of whatever nature and provenance within the group, especially when it may be accounted as a related-party transaction or when its omission would detract from a true and fair view of the total remuneration received by the director.

- b) **An individual breakdown of deliveries to directors of shares, share options or other share-based instruments, itemised by:**
 - i) **Number of shares or options awarded in the year, and the terms set for their execution;**
 - ii) **Number of options exercised in the year, specifying the number of shares involved and the exercise price;**
 - iii) **Number of options outstanding at the annual close, specifying their price, date and other exercise conditions;**
 - iv) **Any change in the year in the exercise terms of previously awarded options.**
- c) **Information on the relation in the year between the remuneration obtained by executive directors and the company's profits, or some other measure of enterprise results.**

Comply

- 42. When the company has a Delegate Committee, the breakdown of its members by director category should be similar to that of the board itself. The Secretary of the board should also act as secretary to the Delegate Committee.**

See sections: B.2.1 and B.2.6

Comply

- 43. The board should be kept fully informed of the business transacted and decisions made by the Delegate Committee. To this end, all board members should receive a copy of the Committee's minutes.**

Comply

- 44. In addition to the Audit Committee mandatory under the Securities Market Law, the Board of Directors should form a committee, or two separate committees, of Nomination and Remuneration.**

The rules governing the make-up and operation of the Audit Committee and the committee or committees of Nomination and Remuneration should be set forth in the board regulations, and include the following:

- a) **The Board of Directors should appoint the members of such committees with regard to the knowledge, aptitudes and experience of its directors and the terms of reference of each committee; discuss their proposals and reports; and be responsible for overseeing and evaluating their work, which should be reported to the first board plenary following each meeting;**
- b) **These committees should be formed exclusively of external directors and have a minimum of three members. Executive directors or senior officers may also attend meetings, for information purposes, at the Committees' invitation.**
- c) **Committees should be chaired by an independent director.**
- d) **They may engage external advisors, when they feel this is necessary for the discharge of their duties.**
- e) **Meeting proceedings should be minuted and a copy sent to all board members.**

See sections: B.2.1 and B.2.3

Comply

45. The job of supervising compliance with internal codes of conduct and corporate governance rules should be entrusted to the Audit Committee, the Nomination Committee or, as the case may be, separate Compliance or Corporate Governance committees.

Comply

46. All members of the Audit Committee, particularly its chairman, should be appointed with regard to their knowledge and background in accounting, auditing and risk management matters.

Comply

47. Listed companies should have an internal audit function, under the supervision of the Audit Committee, to ensure the proper operation of internal reporting and control systems.

Comply

48. The head of internal audit should present an annual work programme to the Audit Committee; report to it directly on any incidents arising during its implementation; and submit an activities report at the end of each year.

Comply

49. Control and risk management policy should specify at least:

- a) The different types of risk (operational, technological, financial, legal, reputational...) the company is exposed to, with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks;**
- b) The determination of the risk level the company sees as acceptable;**
- c) Measures in place to mitigate the impact of risk events should they occur;**
- d) The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.**

See section: D

Comply

50. The Audit Committee's role should be:

1. With respect to internal control and reporting systems:

- a) Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.**
- b) Review internal control and risk management systems on a regular basis, so main risks are properly identified, managed and disclosed.**
- c) Monitor the independence and efficacy of the internal audit function; propose the selection, appointment, reappointment and removal of the head of internal audit; propose the department's budget; receive regular report-backs on its**

- activities; and verify that senior management are acting on the findings and recommendations of its reports.
- d) Establish and supervise a mechanism whereby staff can report confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the firm.
2. With respect to the external auditor:
- a) Make recommendations to the board for the selection, appointment, reappointment and removal of the external auditor, and the terms and conditions of his engagement.
- b) Receive regular information from the external auditor on the progress and findings of the audit programme, and check that senior management are acting on its recommendations.
- c) Monitor the independence of the external auditor, to which end:
- i) The company should notify any change of auditor to the CNMV as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.
- ii) The Committee should ensure that the company and the auditor adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other requirements designed to safeguard auditors' independence;
- iii) The Committee should investigate the issues giving rise to the resignation of any external auditor.
- d) In the case of groups, the Committee should urge the group auditor to take on the auditing of all component companies.

See sections: B.1.35, B.2.2, B.2.3 and D.3

Comply

51. The Audit Committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

Comply

52. The Audit Committee should prepare information on the following points from Recommendation 8 for input to board decision-making:
- a) The financial information that all listed companies must periodically disclose. The Committee should ensure that interim statements are drawn up under the same accounting principles as the annual statements and, to this end, may ask the external auditor to conduct a limited review.
- b) The creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.
- c) Related-party transactions, except where their scrutiny has been entrusted to some other supervision and control committee.

See sections: B.2.2 and B.2.3

Partial compliance

The Company complies with this recommendation, except for paragraph b on entities resident in tax havens and transactions that might impair the transparency of the group.

In this respect, Article 32 of the Regulations of the Board of Directors establishes that the Audit and Control Committee shall be informed on the creation or acquisition of shares in companies domiciled in countries or territories considered tax havens. The Committee shall also see that these transactions correspond to appropriate purposes and that top management takes the necessary measures to identify and adequately handle them.

Furthermore, this recommendation includes a vague concept (transactions which might impair the transparency of the Group), which the company has not considered it convenient to include in its internal regulations, owing to the uncertainty that could arise in its application.

- 53. The Board of Directors should seek to present the annual accounts to the General Shareholders' Meeting without reservations or qualifications in the audit report. Should such reservations or qualifications exist, both the Chairman of the Audit Committee and the auditors should give a clear account to shareholders of their scope and content.**

See section: B.1.38

Comply

- 54. The majority of Nomination Committee members - or Nomination and Remuneration Committee members as the case may be - should be independent directors.**

See section: B.2.1

Explain

The Nomination and Compensation Committee has proposed to the Board of Directors the appointment of Mr. Mario Fernández Pelaz as a third Independent member of the Nomination and Compensation Committee, with the purpose that the majority of the members of said Committee will hold the condition of Outside Independent Director.

The above appointment will be agreed, if appropriate, by the Company's Board of Directors scheduled for the day of the Annual Shareholders Meeting 2011, after it, which shall approve the appointment of Mr. Fernandez as Director of the Company.

- 55. The Nomination Committee should have the following functions in addition to those stated in earlier recommendations:**
- a) Evaluate the balance of skills, knowledge and experience on the board, define the roles and capabilities required of the candidates to fill each vacancy, and decide the time and dedication necessary for them to properly perform their duties.**
 - b) Examine or organise, in appropriate form the succession of the chairman and the chief executive, making recommendations to the board so the handover proceeds in a planned and orderly manner.**

- c) Report on the senior officer appointments and removals which the chief executive proposes to the board.
- d) Report to the board on the gender diversity issues discussed in Recommendation 14 of this Code.

See section: B.2.3

Partial compliance

As mentioned in respect of Recommendation 8 above, the Company considers that the power to remove senior officers of the company should be reserved to the chief executive, since they are positions within his trust and responsibility.

- 56. The Nomination Committee should consult with the company's Chairman and chief executive, especially on matters relating to executive directors.**

Any board member may suggest directorship candidates to the Nomination Committee for its consideration.

Comply

- 57. The Remuneration Committee should have the following functions in addition to those stated in earlier recommendations:**

- a) Make proposals to the Board of Directors regarding:

- i) The remuneration policy for directors and senior officers;
- ii) The individual remuneration and other contractual conditions of executive directors.
- iii) The standard conditions for senior officer employment contracts.

- b) Oversee compliance with the remuneration policy set by the company.

See sections: B.1.14, B.2.3

Comply

- 58. The Remuneration Committee should consult with the Chairman and chief executive, especially on matters relating to executive directors and senior officers.**

Comply

G OTHER INFORMATION OF INTEREST

If you consider there to be an important principle or aspect regarding the corporate governance practices applied by your company that have not been mentioned in this report, indicate them below and explain the contents.

This section may be used to include any other information, clarification or qualification relating to the previous sections of the report.

In particular, state whether the company is subject to any laws other than the laws of Spain on corporate governance and, if this is the case, include whatever information

the company may be obliged to supply that differs from the information included in this report.

1. Note on section A.2.

Due to the fact the company's shares are issued in book-entry form, the company does not have up-to-date information on the identity of its shareholders or details of their stakes. Therefore, the details set out in this section are obtained from the information supplied by *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, Sociedad Anónima Unipersonal* (IBERCLEAR) for the Annual Shareholders Meeting of April 30, 2010, and from the information sent by shareholders to *Comisión Nacional del Mercado de Valores* (CNMV) and to the Company.

Petróleos Mexicanos (Pemex) holds its stake through Pemex Internacional España, S.A. and through several swap instruments (equity swaps) with certain financial entities which enable Pemex to exercise the economic and political rights of a percentage of up to 4.8 % of the share capital of the Company.

2. Note on section A.10

With regard to the legal restrictions on the purchase or sale of shares in the capital, under Supplementary Provision 11 to the Hydrocarbons Act 34/1998, as drafted in Royal Decree-Law 4/2006 of February 24, prior administrative authorisation by the *Comisión Nacional de Energía* must be sought for certain acquisitions or investments in companies that engage in regulated activities or activities subject to significant oversight by administrative bodies that implies special regulation.

On July 2008, the European Court of Justice determined that Spain had, through the imposition of this requirement of administrative authorisation by the *Comisión Nacional de Energía*, failed to fulfil its obligations under Articles 43 and 56 of the EC Treaty.

3. Note on section B.1.11.

Following the former practice of Repsol YPF, S.A. and to supplement the information supplied in section B.1.11., the sums accrued by members of the Board during 2010, individually and by types of remuneration, or other benefits, are set out in this Annual Report on Corporate Governance.

a) Due to membership of the Board

Under the system established and approved by the Nomination and Compensation Committee, the amounts of the annual remunerations earned in 2009 and 2010 by virtue of membership of each of the Group's managing bodies are as follows:

Governing Body	Euro	
	2009	2010
Board of Directors	172,287	172,287
Delegate Committee	172,287	172,287
Audit and Control Committee	86,144	86,144
Strategy, Investment and Corporate Social Responsibility Committee	43,072	43,072
Nomination and Compensation Committee	43,072	43,072

The amount of the remunerations earned by the members of the Board of Directors for belonging to same in 2010 and payable against the aforesaid assignment in the Articles of

Association was EUR 4.910 million, itemised as follows:

	Board	Deleg. C.	Audit C.	Nominat C.	Strat C.	TOTAL
ANTONIO BRUFAU NIUBÓ	172,287	172,287	-	-	-	344,574
LUIS SUÁREZ DE LEZO MANTILLA	172,287	172,287	-	-	-	344,574
PEMEX INTERNACIONAL ESPAÑA, S.A.	172,287	172,287	-	-	43,072	387,646
CARMELO DE LAS MORENAS LÓPEZ	172,287	-	86,144	-	-	258,431
HENRI PHILIPPE REICHSTUL	172,287	172,287	-	-	-	344,574
PAULINA BEATO BLANCO	172,287	-	86,144	-	-	258,431
JAVIER ECHENIQUE LANDIRIBAR	172,287	172,287	86,144	-	-	430,718
ARTUR CARULLA FONT	172,287	172,287	-	43,072	-	387,646
LUIS DEL RIVERO ASENSIO	172,287	172,287	-	-	-	344,574
JUAN ABELLÓ GALLO JOSÉ MANUEL LOUREDA MANTIÑÁN	172,287	-	-	-	43,072	215,359
LUIS CARLOS CROISSIER BATISTA	172,287	-	-	-	43,072	215,359
ISIDRO FAINÉ CASAS	172,287	172,287	-	-	-	344,574
JUAN MARÍA NIN GÉNOVA	172,287	-	-	43,072	43,072	258,431
ÁNGEL DURÁNDEZ ADEVA	172,287	-	86,144	-	-	258,431
M ^a ISABEL GABARRO MIQUEL	172,287	-	-	43,072	43,072	258,431

It should also be noted that:

- The members of the Board of Directors of Repsol YPF, S.A. have not been granted any loans or advances by any Group company, jointly controlled entity or associate.
- No Group company, jointly controlled entity or associate has pension or life insurance obligations to any former or current member of the Board of Directors of Repsol YPF, S.A., except in the case of the Executive Chairman and the General Counsel whose remunerations, as Executive Directors, are governed by the obligations provided for in their contracts for services, which envisage a defined contribution system.

b) Due to the holding of executive posts and the discharge of executive duties

The fixed monetary remuneration earned in 2010 by the Board members who had an employment relationship with or discharged executive duties in the Group during the year totalled EUR 3.269 million, EUR 2.310 million corresponding to Antonio Brufau and EUR 0.959 million to Luis Suárez de Lezo. These remunerations are the same earned in 2009 for this concept.

Additionally, the remuneration in kind (housing, etc.), annual and multi-annual variable, multi-annual variable calculated on the basis of the degree to which targets of the Medium Term Incentives Program 2006-2009, earned by Antonio Brufau, totalled EUR 1.620 million. The remuneration in kind, annual and multi-annual variable, multi-annual as a participant of the above program, earned by Luis Suárez de Lezo, totalled EUR 0.666 million.

These amounts do not include those indicated in the section “Due to retirement and disability insurance policies and contributions to pension plans and permanency awards” below.

c) Due to membership of the Boards of Directors of subsidiaries

The remuneration earned in 2010 by the members of the Board of Directors of Repsol YPF, S.A. in their capacity as directors of other Group companies, jointly controlled entities and associates amounted to EUR 0.536 million, according to the following details:

	YPF	Gas Natural	Euro CLH	Total
Antonio Brufau	78,981	265,650	-	344,631
Luis Suárez de Lezo	77,553	103,500	9,921	190,975

d) Due to third-party liability insurance premiums

The Board members are covered by the same third-party liability insurance policy as that covering all the directors and executives of the Repsol YPF Group.

e) Due to retirement and disability insurance policies and contributions to pension plans and permanency awards

The cost of retirement, disability and death insurance policies, and contributions to pension plan and the permanency awards, including the corresponding on account payments, if any, incurred by the Company in relation to Board members who discharged executive duties at the Group during 2010 totalled EUR 2.784 million, of which EUR 2.496 million corresponded to Antonio Brufau and EUR 0.288 million to Luis Suárez de Lezo.

f) Indemnity payments to members of the Board of Directors

No director received any indemnity payment from Repsol YPF in 2010.

g) Transactions with Directors

Apart from the remuneration earned, the dividends corresponding to the shares they hold and, in the case of institutional outside directors, the transactions with significant shareholders, the directors of Repsol YPF did not perform any relevant transaction other than in the normal course of business or other than on an arm's-length basis with the Company or with Group companies.

h) Related with Company's profit

Remuneration received by Executive Board Members, as detailed under sections a, b and c of this note, amounted to EUR 6.780 million, 0.14% of period's profit.

4. Note on section B.1.12.

For the purposes of this Annual Report on Corporate Governance, Repsol YPF considers "senior management" to members of the Executive Committee of Repsol YPF Group, the other executives who report directly to the Executive Chairman and the Director of Audit and Control.

This description, for informational purposes only, does not replace or is configured as

interpreting element of other “senior management” concepts establish in the rules applicable to the Company (as Royal Decree 1382/1985), and has not the effect of creating, recognition, modification or termination of rights or legal or contractual obligations.

The information about senior management supplied in paragraph B.1.12 does not include the managerial staff with condition of executive director.

The amount of EUR 12.551 million corresponds to the total remuneration of senior management includes the remuneration of senior management mentioned in paragraph B.1.12 .

The total remuneration indicated is not that accrued, but the sum actually received.

This amount does not include the cost of contributions to pension plans, life insurance, contingent plans and award for permanency, which totalled EUR 2.048 million, and the amounts paid to senior management as indemnities on termination contract and not competition agreements that amounts EUR 7.592 million.

5. Note on section C.2.

In the case of Sacyr Vallehermoso, S.A. and Petróleos Mexicanos commitments acquired correspond to volume of purchases commitments in force at 31 Decemenber, 2010 net of volume of sales commitments.

Additionally to the related party transactions mentioned above, at 31 December 2010 the Group has another transactions with “la Caixa” Group, totalled EUR 3,044 million, which include short term investments in a sum of EUR 739 million, exchange rate hedging tools in a sum of EUR 1,183 million and interest rate hedging tools in a sum of 711 million.

6. Good Tax Practice Code

Repsol YPF is adhered to the Good Tax Practice Code, sponsored by the Large Business Forum and the State Tax Agency, and complies with the provisions contained therein.

Binding definition of Independent Director:

Indicate whether any of the independent directors have or have had any relationship with the company, its significant shareholders or its executives, which, if sufficiently significant or important, would have meant that the director could no longer be considered independent, pursuant to the definition set out in section 5 of the Unified Good Governance Code:

Yes No

This annual report on corporate governance was approved by the Board of Directors of the Company on 23 February 2011.

Indicate whether any Directors have voted against or abstained in connection with the approval of this Report.

Yes No

Management report

The Managing Directors present their report together with the audited financial statements for the year ended December 31, 2011.

Introduction

The company is part of the Repsol YPF Group, a Spanish integrated oil company engaged in all aspects of the petroleum business and one of the largest industrial groups in Spain. The company is a wholly owned subsidiary of Repsol YPF, S.A., Madrid, Spain.

The issued and paid-in share capital of the company amounts to USD 389 million.

Activities

Its principal activities consist of financing and investing in subsidiaries and affiliated companies.

Funds denominated in U.S. Dollars and in Euros are raised on the international capital markets by using a short-term commercial paper programme and a medium and long-term notes programme, which are lent to subsidiaries and affiliated companies, also in other currencies than U.S. Dollars. In this case the company hedges the foreign currency exposure by entering into foreign exchange contracts with major international banks.

Currently, as part of the required Repsol Group financing needs the company is engaged in a Euro Medium Term Note Programme and a Euro Commercial Paper Programme.

The existing bonds are the following, maturing in 2012 for an amount of EUR 750 million (USD 970.4 million), maturing in 2013 for an amount of EUR 1,000 million (USD 1,293.9 million), maturing in 2014 for an amount of EUR 2,000 million (USD 2,587.8 million), maturing in 2016 for an amount of EUR 850 million (USD 1,099.8 million) and maturing in 2017 for an amount of EUR 885.8 million (USD 1,146.1 million).

On December 2011 the Company closed a 850 million euro 4 year and 2 months bond at 99.642 per cent with a coupon of 4.25 per cent to be listed on the regulated market of the Luxembourg Stock Exchange. This bond, guaranteed by Repsol YPF, S.A., is issued under the Euro 10,000,000,000 Guaranteed Euro Medium Term Note Programme, approved by the Luxembourg Commission de Surveillance du Secteur Financier.

The company is the holder of shares in subsidiaries. These investments have been valued at cost or if permanently impaired at lower recoverable value.

Result for the Year

The company made a profit of USD 203.9 million (2010: USD 173.5 million profit). This profit is primarily caused by a positive result from dividends from subsidiaries and the financial interest result.

Deloitte.

Deloitte Accountants B.V.

For identification purposes.
Related to the independent auditor's report dated:

March 12, 2012

Audit committee

The board took into consideration the enactment of the EU Directive 2006/43/EU by a Royal Decree of July 2008 and the obligations from the fact that the company, because of its listed securities, is a public interest organisation. It was decided to delegate the public governance compliance obligations as regards the company in respect to article 2, section 3, sub a to d of the Decree to the audit committee of its parent company, Repsol YPF S.A.

Future Outlook

It is envisaged that the company will continue to provide loan capital to subsidiaries and affiliated companies. The future level of profits will be dependent on developments of the investments and financing activities.

The company does not foresee changes in the number of personnel in the future and does not perform any R&D activities.

The Hague, The Netherlands,

12th March, 2012

THE MANAGING DIRECTORS

Deloitte.

Deloitte Accountants B.V.

For identification purposes.

Related to the independent auditor's report dated :

March 12, 2012

Balance Sheet at December 31, 2011

(Before appropriation of net result)

(Amounts in thousands of U.S. Dollars)

ASSETS	Notes	31.12.2011	31.12.2010
Financial Fixed Assets			
Investments	3	609,031	609,031
Loans to affiliated companies	4	6,113,729	6,701,001
Other long term receivable from third parties		4,105	7,702
Guarantees and deposits		34	35
		6,726,899	7,317,769
Deferred expenses	5	21,582	18,925
		6,748,481	7,336,694
Current assets			
Short-term loans to affiliated companies		4,033,070	3,090,400
Other receivable from affiliated companies		20,835	125,275
Short-term portion of other receivable from third parties		6,203	17,478
Interest receivable from affiliated companies		172,186	174,855
Other receivables and prepayments		57,690	1,218
		4,289,984	3,409,226
Short term Deposits		3,290	11,419
Cash and Banks		9,868	1,053
		13,158	12,472
		4,303,142	3,421,698
		11,051,623	10,758,392

The accompanying notes from 1 to 16 form an integral part of the financial statements.

Deloitte.

Deloitte Accountants B.V.

For identification purposes.
Related to the independent auditor's report dated:

March 12, 2012

Balance Sheet at December 31, 2011

(Before appropriation of net result)

(Amounts in thousands of U.S. Dollars)

SHAREHOLDER'S EQUITY AND LIABILITIES	Notes	31.12.2011	31.12.2010
Shareholder's equity	6		
Issued and paid-in capital		388,917	401,631
Additional paid-in capital		337,272	337,272
Other Reserves		(32,601)	(45,315)
Retained earnings		1,085,793	912,245
Net result for the year		203,871	173,548
		1,983,252	1,779,381
Long-term liabilities			
Deferred income		1,428	1,566
Euronotes	7	6,127,682	6,194,421
Long term loans from affiliates			200
		6,129,110	6,196,187
Short-term liabilities			
Loans from affiliates	8	728,801	576,487
Commercial Paper and Medium term bonds	7	1,882,545	1,906,456
Interest payable on Medium Term Notes and Euronotes		161,641	165,563
Interest payable to affiliated companies		268	35
Other payable to affiliated companies and subsidiaries		146,047	126,266
Accrued liabilities		1,416	226
Taxes		17,176	6,280
Other payables		1,367	1,511
		2,939,261	2,782,824
		11,051,623	10,758,392

The accompanying notes from 1 to 16 form an integral part of the financial statements.

Deloitte.

Deloitte Accountants B.V.

For identification purposes.
Related to the independent auditor's report dated :

March 12, 2012

Income Statement for the year ended December 31, 2011

(Amounts in thousands of U.S. Dollars)

INCOME STATEMENT	Notes	31.12.2011	31.12.2010
Financial income and expense			
Income from investments	3	166,552	80,067
Change in carrying value investments	3		53,750
Interest income	10	385,120	359,933
Interest expense	10	(322,163)	(319,615)
Exchange gain (loss)		(6,363)	16,897
Other financial incomes (expenses)		1,652	3,732
		224,798	194,764
Amortization deferred expenses	5	(4,726)	(4,891)
General and administrative expenses	11	(3,136)	(2,093)
Income before provision for income taxes		216,936	187,780
Provision for income taxes	12	(13,065)	(14,232)
Net result		203,871	173,548

The accompanying notes from 1 to 16 form an integral part of the financial statements.

Deloitte.

Deloitte Accountants B.V.

For identification purposes.
Related to the independent auditor's report dated:

March 12, 2012

Notes to financial statements at December 31, 2011

(Amounts in thousands of U.S. Dollars)

1 General

Repsol International Finance B.V. ("the company"), having its legal seat in The Hague, is a wholly owned subsidiary of Repsol YPF, S.A., located in Madrid, Spain. Companies in which Repsol YPF, S.A. participates are referred to as affiliated companies.

The company's principal activities consist of investing in and financing of subsidiaries and affiliated companies, and the company is the holder of shares in subsidiaries.

Based upon Article 2:408 of the Dutch Civil Code no consolidated financial statements have been presented. The financial statements of the company and its subsidiaries are included in the consolidated financial statements of Repsol YPF, S.A.

A significant part of the company's transactions is denominated in U.S. Dollars. Consequently, the company's financial statements are reported in U.S. Dollars.

Based on the DAS 360.106, no statement of cash flow has been included, since a consolidated statement of cash flows is included in the consolidated financial statements of Repsol YPF.

2 Accounting Principles

General

The accompanying accounts have been prepared in accordance with Part 9, Book 2 of the Dutch Civil Code.

The financial statements are prepared under the historical cost convention. Unless stated otherwise, assets and liabilities are stated at face value.

Income and expenses are accounted for on an accrual basis. Profit is only included when realized on the end of the reporting period. Losses and risks originating before the end of the financial year are taken into account if they have become known before preparation of the financial statements.

Assets and liabilities denominated in foreign currencies are translated into U.S. Dollars at the year-end exchange rate unless indicated otherwise. Transactions in foreign currencies are translated at the exchange rate in effect at the time of the transaction. The exchange results are recorded under financial income and expense in the Income Statement.

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Deloitte Accountants B.V.

For identification purposes.
Related to the independent auditor's report dated :

March 12, 2012

Notes to financial statements at December 31, 2011 continued.

Financial fixed assets

Based upon Article 2:408 of the Dutch Civil Code, the company accounts for its investments in subsidiaries and other investments at cost or, if permanently impaired, at lower recoverable value.

Deferred expenses

Deferred expenses relate to the Guaranteed Euronote issues raised between 2003 and 2011.

Aforementioned expenses are capitalised and recognised in profit or loss over the period of the duration of the note.

Financial Instruments

Financial instruments are used to hedge exposures to movements in currency exchange rates. These financial instruments include currency forward contracts.

These financial instruments are stated at fair value.

The results on these instruments are recognised as other financial income (expense) in the Income Statement.

Recognition of income

Revenues and expenses are recorded in the period in which they originate.

Taxation

The company belongs to a fiscal unity along with certain Dutch subsidiaries and affiliated companies. Taxes for the fiscal unity have been fully allocated to each subsidiary. The company is several and jointly liable for the total corporate income tax payable within the fiscal unity.

Notes to financial statements at December 31, 2011 continued.

Notes to specific items of the balance sheet

3. Investments

For the year ended December 31, 2011, the company has the following investments:

<u>Name and Legal Seat</u>	<u>Percentage Ownership</u>
Gaviota RE, Luxembourg	99.88%
Occidental de Colombia LLC., Delaware	25.00%
Repsol International Capital Ltd., Cayman Islands	100.00%
Repsol Netherlands Finance B.V., The Hague	66.50%
Repsol Investeringen B.V., The Hague	100.00%
Repsol LNG Port Spain B.V., The Hague	100.00%
Repsol YPF Capital S.L., Madrid	99.99%

Key financial information of the investments for the year ended December 31, 2011 is as follows:

<i>(Amounts in thousands)</i>	<u>Carrying Value</u>	<u>Acquisition Cost</u>
<u>Subsidiary</u>	USD	USD
Gaviota RE, S.A.	18,088	18,088
Repsol International Capital Ltd.	53,750	518,900
Repsol Netherlands Finance B.V.	14	14
Repsol Investeringen B.V.		22
Repsol LNG Port Spain B.V.	27	27
Repsol YPF Capital, S.L.	473,407	473,407
<u>Other participations</u>		
Occidental de Colombia LLC.	63,745	63,745
Total	609,031	1,074,203

The movement in investments at carrying value is as follows:

<i>(Amounts in thousands)</i>	2011 USD	2010 USD
Balance January 1	609,031	680,781
Proceeds from investments		(125,500)
Reversal of impairment		53,750
Balance December 31	609,031	609,031
Distributed dividend from investments	166,552	80,067

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For identification purposes.
Related to the independent auditor's report dated:

March 12, 2012

Notes to financial statements at December 31, 2011 continued.

The main variations during the year ended December 31, 2011 are as follows.

During 2011 the company has received USD 166,551 thousand dividends, from which USD 75,301 thousand were received from Repsol YPF Capital S.A., and USD 91,250 thousand from Occidental de Colombia LLC.

4 Long-term loans to Affiliated Companies

Long term loans to affiliated companies expire over more than one year. The loans bear an average interest rate of 5.19% per annum.

Long term loans with a fixed interest rate and a book value of USD 6,102.9 million have a fair value of USD 6,572.2 million. All other long term and short term loans have floating interest rates. Therefore their book values approach their fair values.

5 Deferred Expenses

The deferred expenses related to the Guaranteed Euronotes issues raised during 2003, 2004, 2007, 2009 and 2011 are capitalized and amortized to the Income statement over the period of the duration of the notes.

The movement of deferred expenses is as follows:

<i>(Amounts in thousands)</i>	USD
Balance January 1, 2011	18,925
Additions	7,383
Amortization	(4,726)
 Balance December 31, 2011	 <u>21,582</u>

The part of amortization of deferred expenses related to the difference between face value and issue price for each Euronote issued is recorded under caption "Amortization deferred expenses".

6 Shareholder's Equity

<i>(Amounts in thousands)</i>	Issued and Paid in Capital USD	Additional Paid in Capital USD	Other Reserves USD	Retained earnings USD	Net Result for the year USD	Total USD
<u>Balance December 31, 2010</u>	401,631	337,272	(45,315)	912,245	173,548	1,779,381
Currency translation - adj.	(12,714)		12,714			
Dividend paid to shareholder						
Appropriation of result				173,548	(173,548)	
Net result 2011					203,871	203,871
 <u>Balance December 31, 2011</u>	 388,917	 337,272	 (32,601)	 1,085,793	 203,871	 1,983,252

The issued and paid-in capital consists of 300,577 shares with a par value of 1,000 Euros, translated to U.S. Dollars at an exchange rate of EUR 0.7728 per U.S. dollar as at December 31, 2011.

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7 Euronotes

Long Term

The different issues of guaranteed medium term notes are summarized as follows:

Maturity	Nominal in €	Amount in \$	Coupon	Yield	Fair Value in €	Fixed / Floating Rate
July 22, 2013	1,000 million	1,293.9 million	Annual	5.000%	1,032.3 million	Fixed
March 27, 2014	1,000 million	1,293.9 million	Annual	4.625%	1,039 million	Fixed
October 8, 2014	1,000 million	1,293.9 million	Annual	6.500%	1,068.3 million	Fixed
February 12, 2016	850 million	1,099.8 million	Annual	4.250%	855.5 million	Fixed
February 16, 2017	886 million	1,146.1 million	Annual	4.750%	912.1 million	Fixed
	4,735.8 million	6,127.7 million				

Short Term

On February 16, 2012 the EUR 750 million (USD 970.4 million) floating rate – three month EURIBOR plus 0.25 per cent per annum - will be redeemed on a par basis. Fair value of short term floating interest rate bonds approach their fair value.

The Euronotes are listed at the stock exchange of Luxembourg.

Under the Euro-Commercial Paper Programme the company has issue several notes, at December 31, 2011 the outstanding balance amounts USD 912 million, being issued in EUR 686 million, and in USD 24 million. All the notes are repayable in the first quarter 2012.

8 Short term loans from affiliates

Liabilities with a remaining period up to 1 year, including the short-term portion of long-term liabilities, are presented under short-term liabilities.

The short-term liabilities comprise credit facilities denominated in U.S. Dollar, received from affiliated companies for an amount of USD 729 million at an average interest rate of 0.28%.

9 Covenants in Repsol International Finance B.V.'s Indebtedness

The bank loans generally contain customary covenants for contracts of this nature, including negative pledge and cross-default clauses.

The issues of unsecured and unsubordinated Euronotes representing a nominal of EUR 5,486 million guaranteed by Repsol YPF, S.A., contain clauses whereby the company undertakes to pay interest when due and the liabilities at maturity and the guarantor, subject to certain exceptions, undertakes not to create encumbrances on its assets in relation to these issues or to future issues of debt securities.

In the event of a default under any series of the bonds, the trustee, at his sole discretion or at the request of the holders of at least one-fifth or one quarter of the bonds, depending upon the series, can declare the bonds of that series to be due and payable.

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Deloitte Accountants B.V.

For identification purposes.
Related to the independent auditor's report dated:

March 12, 2012

Notes to financial statements at December 31, 2011 continued.

Almost all of our total outstanding debt is subject to cross-default provisions. These provisions may be triggered if an event of default occurs with respect to indebtedness equal to or exceeding a range between USD 20 million and USD 50 million or 0.25% of Repsol YPF's shareholders' equity.

As a result of these cross-default provisions, a default on the part of Repsol YPF, YPF or any subsidiary covered by such provisions could result in a substantial portion of our debt being declared in default or accelerated. Repsol YPF believes that none of its debt or that of any of its subsidiaries is currently in default.

Regarding bonds issued March 2009 and December 2011 each holder of the notes will have the option to require the Issuer to redeem such notes if a change of control occurs and, during the change of control period a rating downgrade, as defined in the final terms, occurs to Repsol YPF.

So long as any of the notes remain outstanding the Company will not create or have outstanding any mortgage, charge, pledge, lien or other security interest upon the whole or any part of its undertaking, assets or revenues or to secure any guarantee of or indemnity in respect to any relevant indebtedness.

The company's directors believe that at the date of this writing there are no reasons, nor there will be foreseeable reasons in the future, which will make it necessary to apply the clauses providing for early maturity of the debt.

10 Interest Income and Expense

The following table shows the analysis of the Interest Income for 2011 and 2010.

<u>Interest Income</u>	2011	2010
<i>(Amounts in thousands)</i>	USD	USD
Interest Income from affiliated companies	384,678	358,754
Interest Income from third parties	442	1,179
	<u>385,120</u>	<u>359,933</u>

The following table shows the analysis of the Interest Expense for 2011 and 2010.

<u>Interest Expense</u>	2011	2010
<i>(Amounts in thousands)</i>	USD	USD
Interest Expense to affiliated companies	1,069	2,518
Interest Expense to third parties	171	47
Interest Expense of debentures and bonds	320,923	317,050
	<u>322,163</u>	<u>319,615</u>

11 General and administrative expenses

Under general and administrative expenses, an amount of USD 702 thousand has been recorded for salary costs, an amount of USD 37 thousand has been recorded for social security charges and an amount of USD 12 thousand has been recorded for pension costs.

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Deloitte Accountants B.V.

For identification purposes.
Related to the independent auditor's report dated:

March 12, 2012

Notes to financial statements at December 31, 2011 continued.

Based on the Civil Code Book 2 Article 2.382a.3 the auditors' remuneration of Deloitte Accountants B.V. is not separately included.

12 Income Taxes

The effective tax amounts to 6% which differs from the applicable corporate income tax rate of 25% in The Netherlands as a result of the application of the participation exemption.

The company, Repsol Netherlands Finance B.V. and Repsol Investeringen B.V. constitute a fiscal unity. Taxes for the fiscal unity have been fully allocated to each subsidiary. The company is severally and jointly liable for the total corporate income tax payable of the fiscal unity.

13 Financial Instruments

In the normal course of business the company uses forward exchange contracts, to hedge currency exchange rate risks resulting from financing arrangements in foreign currencies.

The estimated fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair values are determined from listed market prices, price quotations from banks or pricing models.

The company has procedures and policies in place to control risks related to financial instruments. These policies and procedures include a clear segregation of duties between operating, settlement, accounting and controlling of all financial instruments used. The company's management is involved in the risk management process.

The company attempts to minimize the counterparty credit risk associated with the financial instruments used by selecting counterparties that it assumes to be creditworthy, given their high credit ratings.

The table below summarises by major currency the contractual amounts of the company's foreign exchange contracts in U.S. Dollars as of December 31, 2011. Foreign currency amounts are translated at rates prevailing at the balance sheet date. The "buy" amounts represent the USD equivalent of commitments to purchase foreign currencies, and the "sell" amounts represent the USD equivalent of commitments to sell foreign currencies. These commitments expire in the first quarter of 2012.

	BUY	SELL
<i>(Amounts in thousands)</i>		
U.S. Dollar	1,956,849	(248,528)
Canadian Dollar	22,060	
Euro	226,549	(1,899,626)

The fair value of these forwards amount to USD 56,308 thousand.

14 Personnel

As of December 31, 2011, the company has five employees.

15 Statutory and Supervisory Directors

12 Repsol International Finance B.V.

Deloitte.

Deloitte Accountants B.V.

For identification purposes.
Related to the independent auditor's report dated :

March 12, 2012

Notes to financial statements at December 31, 2011 continued.

Based on Article 383.1 of Book 2, Title 9 of the Dutch Civil Code the remuneration of the sole remunerated statutory director is not disclosed. The company does not have supervisory directors.

16 Subsequent events

On January 12, 2012 the company, with the Guarantee of Repsol YPF S.A., closed a EUR 750 million 7 year and 1 month bond at 99.937 per cent with a coupon of 4.875 percent to be listed on the regulated market of the Luxembourg Stock Exchange.

On February 7, 2012 the company closed a EUR 250 million tap issue, at 103.166 per cent, with a coupon of 4.875%. This issue has been consolidated in a single series with the EUR 750,000,000 4.875 per cent Guaranteed Notes due February 19, 2019, issued by the Issuer on January 19, 2012. After this issue, the aggregate nominal amount of the 4.875% EUR Feb-2019 Fixed Rate Notes is EUR 1 billion, due on 19 February 2019. This issue is made under the Euro 10,000,000,000 Guaranteed Euro Medium Term Note Programme, approved by the Luxembourg Commission de Surveillance du Secteur Financier.

The Hague, The Netherlands,

12th March, 2012

STATUTORY DIRECTORS:

G. A. L. R. Diepenhorst

F. J. Sanz Cedrón

F. Bonastre Capell

J.M. Pérez Garrido

Additional information

1 Independent auditors' report

Reference is made to the independent auditor's report included hereafter.

2 Appropriation of Net Result 2010

The Annual report 2010 was determined in the Annual General Meeting of Shareholders held on June 7, 2011. The General Meeting of Shareholders determined the appropriation of the Net Result 2010 in accordance with the proposal being made to that end.

3. Appropriation of Net Result 2011

The Articles of Incorporation provide that the appropriation of income for the year is decided upon at the Annual General Meeting of Shareholders. Awaiting the decision by the shareholder, the net result for the year is separately included in the shareholder equity as net result for the year.

Deloitte.

Deloitte Accountants B.V.

For identification purposes.

Related to the independent auditor's report dated :

March 12, 2012

Independent auditor's report

To: The shareholder of Repsol International Finance B.V.

Report on the financial statements

We have audited the accompanying financial statements 2011 of Repsol International Finance B.V., The Hague, which comprise the balance sheet as at December 31, 2011, the profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements and for the preparation of the management report, both in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 with respect to the financial statements

In our opinion, the financial statements give a true and fair view of the financial position of Repsol International Finance B.V. as at December 31, 2011 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the management report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the management report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Rotterdam, March 12, 2012

Deloitte Accountants B.V.



J. Penon

STATEMENT

The members of the Board of Directors of REPSOL INTERNATIONAL FINANCE B.V. (“The Company”) state that, to the best of our knowledge, the Financial Statements for the year ended on the 31st of December 2011, approved by the Board of Directors on 12th of March 2012 and prepared in accordance with the applicable accounting principles give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and that the management reports include a fair view of the development and performance of the business and the position of the Company, as well as a description of the principal risk and uncertainties facing it.

José María Pérez Garrido
Director

G.A.L.R Diepenhorst
Director

Javier Sanz Cedrón
Director

Fernando Bonastre Capell
Director

Management report

The Managing Directors present their report together with the audited financial statements for the year ended December 31, 2010.

Introduction

The company belongs to the Repsol YPF Group, a Spanish integrated oil company engaged in all aspects of the petroleum business and one of the largest industrial groups in Spain. The company is a wholly owned subsidiary of Repsol YPF, S.A., Madrid, Spain.

The issued and paid-in share capital of the company amounts to USD 402 million.

Activities

Its principal activities consist of financing and investing in subsidiaries and affiliated companies.

Funds denominated in U.S. Dollars and in Euros are raised on the international capital markets by using a short-term commercial paper programme and a medium and long-term notes programme, which are lent to subsidiaries and affiliated companies, also in other currencies than U.S. Dollars. In this case the company hedges the foreign currency exposure by entering into foreign exchange contracts with major international banks.

Currently, as part of the required Repsol Group financing needs the company is engaged in a Euro Medium Term Note Programme and a Euro Commercial Paper Programme.

The existing bonds are the following, maturing in 2012 for an amount of EUR 750 million (USD 1,002.2 million), maturing in 2013 for an amount of EUR 1,000 million (USD 1,336.2 million), maturing in 2014 for an amount of EUR 2,000 million (USD 2,672.4 million) and maturing in 2017 for an amount of EUR 885.8 million (USD 1,183.6 million).

On March 26, 2010 by the Luxembourg Commission de Surveillance du Secteur Financier approved the company Euro 1,500 million Euro-Commercial Paper Programme. A supplement to the Programme dated 25 October 2010 increased the maximum aggregate amount of the notes from Euro 1,500 million to Euro 2,000 million. Under this program the outstanding notes at December 31, 2010 amounts Euros 1,426.8 million (USD 1,906.5 Million) all of them maturing the first quarter of 2011.

On May 5, 2010 the EUR 943.4 million (USD 1,219.2 million) 6% fixed euro bond matured.

The company is the holder of shares in subsidiaries. These investments have been valued at cost or if permanently impaired at lower recoverable value. During December 2010 a non commercial restructuring resulted in a share swap between the Repsol Occidental Corp. and Occidental de Colombia LLC.

Result for the Year

The company made a profit of USD 173.5 million (2009: USD 308 million losses). This profit is primarily caused by a positive result from dividends from subsidiaries, the change in the carrying value of the investments and the financial interest result.

Audit committee

The board took into consideration the enactment of the EU Directive 2006/43/EU by a Royal Decree of July 2008 and the obligations from the fact that the company, because of its listed securities, is a public interest organisation. It was decided to delegate the public governance compliance obligations as regards the company in respect to article 2, section 3, sub a to d of the Decree to the audit committee of its parent company, Repsol YPF S.A.

Future Outlook

It is envisaged that the company will continue to provide loan capital to subsidiaries and affiliated companies. The future level of profits will be dependent on developments of the investments and financing activities.

The company does not foresee changes in the number of personnel in the future and does not perform any R&D activities.

The Hague, The Netherlands,

February 25th , 2011

THE MANAGING DIRECTORS

Deloitte.

Deloitte Accountants B.V.

For identification purposes.
Related to auditor's report dated:

February 25, 2011

Balance Sheet at December 31, 2010.

(Before appropriation of net result)

(Amounts in thousands of U.S. Dollars)

BALANCE SHEET

ASSETS	Notes	31.12.10	31.12.09
Financial Fixed Assets			
Investments	3	609,031	680,781
Loans to affiliated companies	4	6,701,001	6,877,577
Other long term receivable from third parties		7,702	11,831
Guarantees and deposits		35	38
		<u>7,317,769</u>	<u>7,570,227</u>
Deferred expenses	5	18,925	23,816
		<u>7,336,694</u>	<u>7,594,043</u>
Current assets			
Short-term loans to affiliated companies		3,090,400	2,287,469
Other receivable from affiliated companies		125,275	327,464
Short-term portion of other receivable from third parties		17,478	37,521
Interest receivable from affiliated companies		174,855	239,837
Other receivables and prepayments		1,218	13
Taxes (assets)		-	5,463
		<u>3,409,226</u>	<u>2,897,767</u>
Short term Deposits		11,419	223,098
Cash and Banks		1,053	17,760
		<u>12,472</u>	<u>240,858</u>
		<u>3,421,698</u>	<u>3,138,625</u>
		<u>10,758,392</u>	<u>10,732,668</u>

The accompanying notes from 1 to 15 form an integral part of the financial statements.

Deloitte.

Deloitte Accountants B.V.

For identification purposes.
Related to auditor's report dated:

Balance Sheet at December 31, 2010.

(Before appropriation of net result)

(Amounts in thousands of U.S. Dollars)

SHAREHOLDER'S EQUITY AND LIABILITIES	Notes	31.12.10	31.12.09
Shareholder's equity	6		
Issued and paid-in capital		401,631	433,011
Additional paid-in capital		337,272	337,272
Other Reserves		(45,315)	(76,695)
Retained earnings		912,245	1,434,496
Net result for the year		173,548	(308,019)
		1,779,381	1,820,065
Long-term liabilities			
Deferred income		1,566	1,874
Euronotes	7	6,194,421	6,678,320
Long term loans from affiliates		200	64,165
		6,196,187	6,744,359
Short-term liabilities			
Loans from affiliates	8	576,487	429,587
Commercial Paper and Medium term notes	7	1,906,456	1,359,062
Interest payable on Medium Term Notes and Euronotes		165,563	227,663
Interest payable to affiliated companies		35	3,766
Other payable to affiliated companies and subsidiaries		126,266	144,881
Accrued liabilities		226	444
Taxes		6,280	-
Other payables		1,511	2,841
		2,782,824	2,168,244
		10,758,392	10,732,668

The accompanying notes from 1 to 15 form an integral part of the financial statements.

Deloitte.

Deloitte Accountants B.V.

For identification purposes.
Related to auditor's report dated:*February 25, 2011*

Income Statement for the year ended December 31, 2010.

(Amounts in thousands of U.S. Dollars)

	Notes	31.12.10	31.12.09
Financial income and expense			
Income from investments	3	80,067	178,496
Change in carrying value investments	3	53,750	(518,000)
Lose on disposal of financial fixed assets	3	-	(8,793)
Interest income	10	359,933	422,497
Interest expense	10	(319,615)	(369,790)
Exchange gain (loss)		16,897	9,935
Other financial income (expenses)		3,732	(1,216)
		194,764	(286,871)
Amortization deferred expenses	5	(4,891)	(2,737)
General and administrative expenses	11	(2,093)	(2,727)
Income before provision for income taxes		187,780	(292,335)
Provision for income taxes	12	(14,232)	(15,684)
Net result		173,548	(308,019)

The accompanying notes from 1 to 15 form an integral part of the financial statements.

Deloitte.

Deloitte Accountants B.V.

For identification purposes.
Related to auditor's report dated:

February 25, 2011

Notes to financial statements at December 31, 2010.

(Amounts in thousands of U.S. Dollars)

1 General

Repsol International Finance B.V. ("the company"), having its legal seat in The Hague, is a wholly owned subsidiary of Repsol YPF, S.A., located in Madrid, Spain. Companies in which Repsol YPF, S.A. participates are referred to as affiliated companies.

The company's principal activities consist of investing in and financing of subsidiaries and affiliated companies, and the company is the holder of shares in subsidiaries.

Based upon Article 2:408 of the Dutch Civil Code, no consolidated financial statements have been presented. The financial statements of the company and its subsidiaries are included in the consolidated financial statements of Repsol YPF, S.A.

A significant part of the company's transactions is denominated in U.S. Dollars. Consequently, the company's financial statements are reported in U.S. Dollars.

No statement of cash flows has been included since a consolidated statement of cash flows is included in the consolidated financial statements of Repsol YPF.

2 Accounting Principles

General

The accompanying accounts have been prepared in accordance with Part 9, Book 2 of the Dutch Civil Code.

The financial statements are prepared under the historical cost convention. Unless stated otherwise, assets and liabilities are stated at face value.

Income and expenses are accounted for on an accrual basis. Profit is only included when realized on the end of the reporting period. Losses and risks originating before the end of the financial year are taken into account if they have become known before preparation of the financial statements.

Assets and liabilities denominated in foreign currencies are translated into U.S. Dollars at the year-end exchange rate unless indicated otherwise. Transactions in foreign currencies are translated at the exchange rate in effect at the time of the transaction. The exchange results are recorded under financial income and expense in the Income Statement.

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Related to auditor's report dated:

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Notes to financial statements at December 31, 2010 continued.

Financial fixed assets

Based upon Article 2:408 of the Dutch Civil Code, the company accounts for its investments in subsidiaries and other investments at cost or, if permanently impaired, at lower recoverable value.

Deferred expenses

Deferred expenses relate to the Guaranteed Euronote issues raised between 2003 and 2009.

Aforementioned expenses are capitalised and recognised in profit or loss over the period of the duration of the note.

Financial Instruments

Financial instruments are used to hedge exposures to movements in currency exchange rates. These financial instruments include currency forward contracts and swaps.

These financial instruments are stated at fair value.

The results on these instruments are recognised as other financial income (expense) in the Income Statement.

Recognition of income

Revenues and expenses are recorded in the period in which they originate.

Taxation

The company belongs to a fiscal unity along with certain Dutch subsidiaries and affiliated companies. Taxes for the fiscal unity have been fully allocated to each subsidiary. The company is several and jointly liable for the total corporate income tax payable within the fiscal unity.

Notes to financial statements at December 31, 2010 continued.

Notes to specific items of the balance sheet

3. Investments

For the year ended December 31, 2010, the company has the following investments:

Name and Legal Seat	Percentage Ownership
Gaviota RE, Luxembourg	99.88%
Occidental de Colombia LLC., Delaware	25.00%
Repsol LNG Port Spain B.V., The Hague	100.00%
Repsol Netherlands Finance B.V., The Hague	66.50%
Repsol Investeringen B.V., The Hague	100.00%
Repsol International Capital Ltd., Cayman Islands	100.00%
Repsol YPF Capital S.L., Madrid	99.99%

Key financial information of the investments for the year ended December 31, 2010 is as follow,

(Amounts in thousands)	Carrying Value USD	Acquisition Cost USD
Subsidiary		
Gaviota RE, S.A.	18,088	18,088
Repsol International Capital Ltd.	53,750	518,900
Repsol Netherlands Finance B.V.	14	14
Repsol Investeringen B.V.	-	22
Repsol LNG Port Spain B.V.	27	27
Repsol YPF Capital, S.L.	473,407	473,407
Other participations		
Occidental de Colombia LLC.	63,745	63,745
Total	609,031	1,074,203

The movement in investments at carrying value is as follows:

(Amounts in thousands)	2010 USD	2009 USD
Balance January 1	680,781	957,655
Capital contributions	-	569,987
Proceeds from investments	(125,500)	(320,068)
Loss on disposal	-	(8,793)
Impairment of financial fixed assets	-	(518,000)
Reversal of impairment	53,750	
Balance December 31	609,031	680,781
Distributed dividend from investments	80,067	178,495

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Notes to financial statements at December 31, 2010 continued.

The main variations during the year ended December 31, 2010 are as follows,

- During 2010 the company has received USD 80,067 thousand dividends from Repsol YPF Capital S.A.
- During 2010 there was a reversal in the provision on investments for Repsol International Capital Ltd since the management believes that economic performance of the investments was and is expected to continue to be better than expected.

(Amounts in thousands)	USD
Balance January 1, 2010	(518,922)
Reversal of Impairment	<u>53,750</u>
Balance December 31, 2010	<u>(465,172)</u>

- On December 29, 2010, a non commercial restructuring resulted in a share swap between the investment that the company had in Repsol Occidental Corp. and the investment in Occidental de Colombia LLC. Since the transaction lacks commercial substance the result is regarded as unrealised and therefore is not recognised in the income statement.

4 Long-term loans to Affiliated Companies

Long-term loans to affiliated companies expire over more than one year. The loans bear an average interest rate of 4.44% per annum.

5 Deferred Expenses

The deferred expenses related to the Guaranteed Euronotes issues raised during 2003, 2004, 2007 and 2009 are capitalized and amortized to the Income statement over the period of the duration of the notes.

The movement of deferred expenses is as follows:

(Amounts in thousands)	USD
Book value January 1, 2010	23,816
Amortization	(4,891)
Book value December 31, 2010	18,925

The part of amortization of deferred expenses related to the difference between face value and issue price for each Euronote issued is recorded under caption "Amortization deferred expenses".

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Notes to financial statements at December 31, 2010 continued.

6 Shareholder's Equity

(Amounts in thousands)	Issued and Paid in Capital USD	Additional Paid in Capital USD	Other Reserves USD	Retained earnings USD	Net Result for the year USD	Total USD
Balance December 31, 2009	433,011	337,272	(76,695)	1,434,496	(308,019)	1,820,065
Currency translation - adjustment	(31,380)	-	31,380	-	-	-
Dividend paid to shareholder	-	-	-	(214,232)	-	(214,232)
Appropriation of result	-	-	-	(308,019)	308,019	-
Net result 2010	-	-	-	-	173,548	173,548
Balance December 31, 2010	401,631	337,272	(45,315)	912,245	173,548	1,779,381

The issued and paid-in capital consists of 300,577 shares with a par value of 1,000 Euros, translated to U.S. Dollars at an exchange rate of EUR 0.7484 per U.S. dollar as at December 31, 2010.

On March 12th the Company paid out a dividend to the shareholder for an amount of USD 214,232 thousand.

7 Euronotes

The different issues of guaranteed medium term notes are summarized as follows:

Maturity	Nominal in €	Amount in \$	Coupon	Yield	Fair Value in €	Fixed / Floating Rate
February 16, 2012	750 million	1,002.2 million	Quarterly	1.2990%	747.1 million	Floating
July 22, 2013	1,000 million	1,336.2 million	Annual	5.000%	1,072.1 million	Fixed
March 27, 2014	1,000 million	1,336.2 million	Annual	6.500%	1,139.1 million	Fixed
October 8, 2014	1,000 million	1,336.2 million	Annual	4.625%	1,045.3 million	Fixed
February 16, 2017	885.8 million	1,183.6 million	Annual	4.750%	936.5 million	Fixed
	4,635.8 million	6,194.4 million				

Euronotes

The Euronotes are listed at the stock exchange of Luxembourg.

Under the Euro-Commercial Paper Programme the company has issue several notes, at December 31, 2010 the outstanding balance amounts Euros 1,426.8 million (USD 1,906.5 million) all the notes are repayable in the first quarter 2011.

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Notes to financial statements at December 31, 2010 continued.

8 Short term loans from affiliates

Liabilities with a remaining period up to 1 year, including the short-term portion of long-term liabilities, are presented under short-term liabilities.

The short-term liabilities comprise credit facilities denominated in U.S. Dollar, received from affiliated companies for an amount of USD 424.2 million at an average interest rate of 0.14%.

9 Covenants in Repsol International Finance B.V.'s Indebtedness

The bank loans generally contain customary covenants for contracts of this nature, including negative pledge and cross-default clauses.

The issues of unsecured and unsubordinated Euronotes representing a nominal of EUR 4,635.8 million guaranteed by Repsol YPF, S.A., contain clauses whereby the company undertakes to pay interest when due and the liabilities at maturity and the guarantor, subject to certain exceptions, undertakes not to create encumbrances on its assets in relation to these issues or to future issues of debt securities.

In the event of a default under any series of the bonds, the trustee, at his sole discretion or at the request of the holders of at least one-fifth or one quarter of the bonds, depending upon the series, can declare the bonds of that series to be due and payable.

Almost all of our total outstanding debt is subject to cross-default provisions. These provisions may be triggered if an event of default occurs with respect to indebtedness equal to or exceeding USD 20 million or 0.25% of Repsol YPF's shareholders' equity.

As a result of these cross-default provisions, a default on the part of Repsol YPF, YPF or any subsidiary covered by such provisions could result in a substantial portion of our debt being declared in default or accelerated. Repsol YPF believes that none of its debt or that of any of its subsidiaries is currently in default.

The company's directors believe that at the date of this writing there are no reasons, nor will there foreseeably be in the future, which will make it necessary to apply the clauses providing for early maturity of the debt.

10 Interest Income and Expense

The following table shows the analysis of the Interest Income for 2010 and 2009.

(Amounts in thousands)	2010	2009
Interest Income from affiliated companies	358,754	420,943
Interest Income from third parties	1,179	1,554
Interest Income	359,933	422,497

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The following table shows the analysis of the Interest Expense for 2010 and 2009.

(Amounts in thousands)	2010	2009
Interest Expense to affiliated companies	2,549	5,771
Interest Expense to third parties	16	3,180
Interest Expense of debentures and bonds	317,050	360,839
Interest Expense	319,615	369,790

11 General and administrative expenses

Under general and administrative expenses, an amount of USD 525 has been recorded for salary costs, an amount of USD 29 has been recorded for social security charges and an amount of USD 8 has been recorded for pension costs.

Based on the Civil Code Book 2 Article 2.382a.3 the auditors' remuneration of Deloitte Accountants B.V. is not separately included.

12 Income Taxes

The effective tax amounts to 7.6% which differs from the applicable corporate income tax rate of 25.5% in The Netherlands as a result of the application of the participation exemption.

The company, Repsol Netherlands Finance B.V. and Repsol Investerings B.V. constitute a fiscal unity. Taxes for the fiscal unity have been fully allocated to each subsidiary. The company is severally and jointly liable for the total corporate income tax payable of the fiscal unity.

13 Financial Instruments

In the normal course of business the company uses forward exchange contracts, to hedge currency exchange rate risks resulting from financing arrangements in foreign currencies.

The estimated fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair values are determined from listed market prices, price quotations from banks or pricing models.

The company has procedures and policies in place to control risks related to financial instruments. These policies and procedures include a clear segregation of duties between operating, settlement, accounting and controlling of all financial instruments used. The company's management is involved in the risk management process.

The company attempts to minimize the counterparty credit risk associated with the financial instruments used by selecting counterparties that it assumes to be creditworthy, given their high credit ratings.

The table below summarises by major currency the contractual amounts of the company's foreign exchange contracts in U.S. Dollars as of December 31, 2010. Foreign currency amounts are translated at rates prevailing at the balance sheet date. The "buy" amounts represent the USD equivalent of commitments to

12 Repsol International Finance B.V.

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Notes to financial statements at December 31, 2010 continued.

purchase foreign currencies, and the "sell" amounts represent the USD equivalent of commitments to sell foreign currencies. These commitments expired in January 2011.

(Thousands)	Buy USD	Sell USD
U.S. Dollar	589,561	
Canadian Dollar	24,750	
Euro		460,535

The fair value of these swaps amount to USD (995) thousand.

14 Personnel

As of December 31, 2010, the company has five employees.

15 Statutory and Supervisory Directors

Based on Article 383.1 of Book 2, Title 9 of the Dutch Civil Code the remuneration of the sole remunerated statutory director is not disclosed. The company does not have supervisory directors.

The Hague, The Netherlands,

February 25th, 2011

STATUTORY DIRECTORS:

G. A. L. R. Diepenhorst

F. J. Sanz Cedrón

J. J. Molina Fernández

J.M. Pérez Garrido

Additional information

1 Auditors' report

Reference is made to the auditor's report included hereafter.

2 Appropriation of Net Result 2009

The Annual report 2009 was determined in the Annual General Meeting of Shareholders held on 20th of April 2010. The General Meeting of Shareholders determined the appropriation of the Net Result 2009 in accordance with the proposal being made to that end.

3. Appropriation of Net Result 2010

The Articles of Incorporation provide that the appropriation of income for the year is decided upon at the Annual General Meeting of Shareholders. Awaiting the decision by the shareholder, the net result for the year is separately included in the shareholder equity as net result for the year.

Independent auditor's report

To: The shareholders of Repsol International Finance B.V.

Report on the financial statements

We have audited the accompanying financial statements 2010 of Repsol International Finance B.V., The Hague which comprise the balance sheet as at December 31, 2010, the profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements and for the preparation of the Management report, both in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 with respect to the financial statements

In our opinion, the financial statements give a true and fair view of the financial position of Repsol International Finance B.V. as at December 31, 2010 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the Management report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the Management report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Rotterdam, February 25, 2011

Deloitte Accountants B.V.



J. Penon

SUPPLEMENTARY INFORMATION ON OIL AND GAS EXPLORATION AND PRODUCTION ACTIVITIES (Unaudited information)

Below is presented the information on Repsol YPF Group's oil and gas exploration and production activities which includes the following disclosures:

- Capitalised cost, in relation with capitalized historical costs;
- Cost incurred: which represent the amounts capitalized or charged to profit during the year;
- Results of oil and gas exploration and production activities, including revenue and expenses associated directly to this activity;
- Estimated proved net developed and undeveloped oil and gas reserves;
- Standardized measure of discounted future net cash flows relating to proved oil and gas reserves, which represent the estimate of future net cash flows from proven reserves on the basis of a standardized measure criteria.
- Changes in Standardized measure of discounted future net cash flows relating to proved oil and gas reserves with respect to those presented for the previous year.

This information, which the Group performs and publishes annually, is prepared in accordance with the general accepted principles applied in the oil and gas industry, specifically those principles laid down by the U.S. Financial Accounting Standards Board (FASB) and the guidelines and framework established for the industry by the U.S. Securities and Exchange Commission (SEC), which govern financial information practices in the U.S.A. Proved reserves are also estimated in accordance with the criteria established by the Petroleum Reserves Management System of the Society of Petroleum Engineers (PRMS-SPE).

Capitalised costs

Capitalised costs represent the historical costs capitalised related to oil and gas exploration and production activities, including auxiliary equipment and facilities, and the related accumulated depreciation and accumulated impairment losses.

	Million of euros							
	Total	Europe	Argentina	Trinidad & Tobago	Rest of South America	North America	Africa	Asia
<u>At 31 December 2009</u>								
Capitalised costs of proved oil and gas properties	26,789	338	20,532	1,218	2,516	1,324	807	54
Capitalised costs of unproved oil and gas properties.....	2,588	103	81	222	532	1,267	376	7
	<u>29,377</u>	<u>441</u>	<u>20,613</u>	<u>1,440</u>	<u>3,048</u>	<u>2,591</u>	<u>1,183</u>	<u>61</u>
Auxiliary equipment and facilities.....	1,759	48	368	598	245	282	217	1
Total capitalised costs	31,136	489	20,981	2,038	3,293	2,873	1,400	62
Accumulated depreciation and impairment losses.....	(19,401)	(352)	(15,692)	(876)	(1,575)	(355)	(550)	(1)
Net amounts (1)	11,735	137	5,289	1,162	1,718	2,518	850	61

	Million of euros							
	Total	Europe	Argentina	Trinidad & Tobago	Rest of South America	North America	Africa	Asia
<u>At 31 December 2010</u>								
Capitalised costs of proved oil and gas properties	30,847	488	23,164	1,342	2,981	1,886	933	53
Capitalised costs of unproved oil and gas properties.....	2,297	5	116	243	531	1,017	377	8
	<u>33,144</u>	<u>493</u>	<u>23,280</u>	<u>1,585</u>	<u>3,512</u>	<u>2,903</u>	<u>1,310</u>	<u>61</u>
Auxiliary equipment and facilities.....	2,093	52	521	697	265	316	242	0
Total capitalised costs	35,237	545	23,801	2,282	3,777	3,219	1,552	61
Accumulated depreciation and impairment losses.....	(22,830)	(367)	(18,171)	(1,094)	(1,670)	(732)	(743)	(53)
Net amounts (1)	12,407	178	5,630	1,188	2,107	2,487	809	8

	Million of euros							
	Total	Europe	Argentina	Trinidad & Tobago	Rest of South America	North America	Africa	Asia
<u>At 31 December 2011</u>								
Capitalised costs of proved oil and gas properties	34,481	504	25,492	1,581	3,599	2,116	1,189	-
Capitalised costs of unproved oil and gas properties.....	2,624	13	158	263	720	1,312	103	55
	<u>37,105</u>	<u>517</u>	<u>25,650</u>	<u>1,844</u>	<u>4,319</u>	<u>3,428</u>	<u>1,292</u>	<u>55</u>
Auxiliary equipment and facilities.....	2,401	52	595	818	350	331	255	-
Total capitalised costs	39,506	569	26,245	2,662	4,669	3,759	1,547	55
Accumulated depreciation and impairment losses.....	(25,264)	(359)	(19,986)	(1,268)	(1,867)	(1,062)	(722)	-
Net amounts (1)	14,242	210	6,259	1,394	2,802	2,697	825	55

(1) It does not include capitalised costs regarding to non current assets held for sale (e.g. Eurotek).

As of 31 December 2011 and 2010, Repsol YPF Group's share in oil and gas exploration and production activities from equity method investees amounted to €30 and €68 million, respectively.

Costs incurred

The costs incurred represent amounts capitalised or charged to profit during the year relating to acquisitions of properties and for exploration and development activities.

At 31 December 2009	Millions of euro								
	Total	Europe	Argentina	Trinidad & Tobago	Rest of South America	North America	Africa	Asia	Australia
Acquisitions of proved properties.....	6	-	-	-	6	-	-	-	-
Acquisitions of unproved properties	61	-	-	-	57	4	-	-	-
Exploration costs	875	119	104	4	283	130	208	27	-
Development costs	1,240	23	715	112	108	212	64	6	-
TOTAL (1)	2,182	142	819	116	454	346	272	33	

At 31 December 2010	Millions of euro								
	Total	Europe	Argentina	Trinidad & Tobago	Rest of South America	North America	Africa	Asia	Australia
Acquisitions of proved properties.....	266	-	-	-	266	-	-	-	-
Acquisitions of unproved properties	45	-	-	-	45	-	-	-	-
Exploration costs	818	28	85	9	478	113	80	25	-
Development costs	1,724	48	1,205	79	278	70	44	-	-
TOTAL (1)	2,853	76	1,290	88	1,067	183	124	25	

At 31 December 2011	Millions of euro								
	Total	Europe	Argentina	Trinidad & Tobago	Rest of South America	North America	Africa	Asia	Australia
Acquisitions of proved properties.....	-	-	-	-	-	-	-	-	-
Acquisitions of unproved properties	-	-	-	-	-	-	-	-	-
Exploration costs	1,259	62	268	3	346	386	127	66	1
Development costs	2,332	44	1,389	276	446	159	18	-	-
TOTAL (1)	3,591	106	1,657	279	792	545	145	66	1

(1) It does not include costs incurred regarding to Non current assets held for sale (e.g. Eurotek).

As of December 31, 2011 and 2010, Repsol YPF Group's share in investments made in oil and gas exploration and production activities from equity method investees amounted to €65 and €64 million, respectively.

Results of oil and gas exploration and production activities

The following table shows the revenues and expenses associated directly with the Group's oil and gas exploration and production activities. It does not include any allocation of the finance costs or general expenses and, therefore, is not necessarily indicative of the contribution to consolidated net profit of the oil and gas activities.

	Millions of euros								
	Total	Europe	Argentina	Trinidad & Tobago	Rest of South America	North America	Africa	Asia	Australia
2009									
Income									
Sales to non-Group companies	1,560	-	622	323	545	35	35	-	-
Sales between business segments and to Group companies	4,289	34	2,872	401	332	412	238	-	-
Other income	446	-	-	-	33	-	413	-	-
Total Income	6,295	34	3,494	724	910	447	686	-	-
Production costs (1)	(2,365)	(17)	(1,563)	(295)	(365)	(35)	(90)	-	-
Exploration expenses	(466)	(26)	(100)	(4)	(103)	(50)	(154)	(29)	-
Other operating expenses	(230)	-	(187)	(3)	(38)	(1)	(1)	-	-
Depreciation and amortisation charge	(1,895)	(10)	(1,143)	(151)	(202)	(323)	(66)	-	-
Profit (Loss) before taxes and charges	1,339	(19)	501	271	202	38	375	(29)	-
Taxes and charges	(643)	12	(232)	(148)	20	(20)	(284)	9	-
Results of oil and gas production activities (2)	696	(7)	269	123	222	18	91	(20)	-
2010									
Income									
Sales to non-Group companies	2,022	-	906	222	830	37	27	-	-
Sales between business segments and to Group companies	5,584	50	3,464	699	384	628	359	-	-
Other income (3)	644	-	-	-	33	-	611	-	-
Total Income	8,250	50	4,370	921	1,247	665	997	-	-
Production costs (1)	(3,104)	(21)	(2,009)	(360)	(530)	(47)	(137)	-	-
Exploration expenses	(502)	(30)	(64)	(5)	(249)	(48)	(76)	(30)	-
Other operating expenses	(332)	(4)	(286)	(4)	(35)	(1)	(2)	-	-
Depreciation and amortisation charge	(2,066)	(6)	(1,275)	(153)	(209)	(352)	(71)	-	-
Profit (Loss) before taxes and charges	2,246	(11)	736	399	224	217	711	(30)	-
Taxes and charges	(1,277)	10	(255)	(206)	(245)	(89)	(500)	8	-
Results of oil and gas production activities (2)	969	(1)	481	193	(21)	128	211	(22)	-
2011									
Income									
Sales to non-Group companies	2,031	-	643	404	911	42	31	-	-
Sales between business segments and to Group companies	5,433	51	3,614	552	380	746	90	-	-
Other income (3)	187	-	-	-	33	-	154	-	-
Total Income	7,651	51	4,257	956	1,324	788	275	-	-
Production costs (1)	(3,107)	(25)	(2,224)	(334)	(397)	(42)	(85)	-	-
Exploration expenses	(494)	(64)	(82)	(3)	(67)	(130)	(124)	(23)	(1)
Other operating expenses	(352)	(6)	(317)	(3)	(24)	(1)	(1)	-	-
Depreciation and amortisation charge	(1,786)	(4)	(1,142)	(130)	(198)	(286)	(26)	-	-
Profit (Loss) before taxes and charges	1,912	(48)	492	486	638	329	39	(23)	(1)
Taxes and charges	(806)	29	(172)	(288)	(148)	(120)	(114)	7	-
Results of oil and gas production activities (2)	1,106	(19)	320	198	490	209	(75)	(16)	(1)

- (1) Production costs include local taxes, production taxes and other similar payments, as well as withholdings on exports of crude oil from Argentina amounting, €1,241, €1,191 and €995 million in 2011, 2010 and 2009 respectively. It also includes transport and other costs in 2011, 2010 and 2009 totalling €70, €426 and €189 million, respectively.
- (2) The results do not show the income and expenses associated with the impairment provisions registered as a result of the comparison between market value (discounted cash flows) from oil and gas proved and non-proved reserves (the latter of which are subject to a risk factor) from each field owned by the Company at year-end and the carrying amount of the assets associated therewith, which represented a net income of €36 and €134 million in 2011 and 2009 respectively and a net expense of €63 million in 2010.
- (3) The results do not include gains recognised as consequence of the agreement reached in relation the exploration and production assets in Brazil which amounted to €2,847 million (See note 31 to the consolidated Financial Statements for the year ended December 31, 2010).

Estimated proved net developed and undeveloped oil and gas reserves:

The tables below reflect the net developed and undeveloped proved reserves of crude oil, condensed oil and LPG and natural gas as of December 31, 2011, 2010 and 2009, and the variations therein. Proved reserves shown includes the reserves equivalent to the economic income obtained under certain production sharing contracts entered into as of December 31, 2011, 2010 and 2009.

In determining net reserves, we exclude from our reported reserves royalties due to others, whether payable in cash or in kind, where the royalty owner has a direct interest in the underlying production and is able to make lifting and sales arrangements independently. By contrast, to the extent that royalty payments required to be made to a third party, whether payable in cash or in kind, are a financial obligation, or are substantially equivalent to a production or severance tax, the related reserves are not excluded from our reported reserves despite the fact that such payments are referred to as “royalties” under local rules. We follow the same methodology in reporting our production amounts.

Proved reserves in each year were estimated in accordance with the disclosure requirements and framework established for the petroleum and gas industry by the SEC and on the basis of the criteria established by the Petroleum Reserves Management System of the Society of Petroleum Engineers (PRMS-SPE). In accordance with these rules, proved oil and gas reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible – from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations – prior to the time at which contracts providing the right to operate expire, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonable certain that it will commence the project within a reasonable time.

All of Repsol YPF’s oil and gas reserves have been estimated by the company’s petroleum engineers.

To control the quality of reserves booked, Repsol YPF has established a process that is integrated into Repsol YPF’s internal control system. The process to manage reserves booking is centrally controlled by the Reserve Control Direction which is independent from the upstream activities and it is overseen by the Audit and Control Committee. Furthermore, the volumes booked are submitted to third party engineers for a reserves audit on a periodic basis (100% of the reserves on a three years cycle).

For those areas submitted to third party audit, Repsol YPF’s proved reserves figures have to be within 7% of the third party reserves audit figures for Repsol YPF to declare that the reserves information meets the third party reserves audit standards. In the event that the difference is greater than 7% tolerance, Repsol YPF reestimates its proved reserves to achieve this tolerance level or discloses the third party reserves audit figures.

In 2011, Gaffney, Cline & Associates Inc., (CGA) audited certain areas in Spain and South America; DeGolyer and MacNaughton (D&M) audited certain areas in Argentina and Africa; Netherland, Sewell & Associates, Inc., (NSAI) audited certain areas in South America, and Ryder Scott Company (RSC) audited certain areas in South America. The third party engineers' reports are available at www.repsol.com

Proved developed and undeveloped reserves of crude oil, condensate GPL:

	Millions of barrels						
	Total	Europe	Argentina	Trinidad & Tobago	Rest of South America	North America	Africa
Reserves at December 31, 2008 (1) (2)	903	2	581	46	97	48	129
Revisions of previous estimates	92	2	38	1	26	20	5
Improved recovery	15	-	15	-	-	-	-
Extensions and discoveries	30	4	15	-	-	7	4
Purchases of minerals in place	4	-	-	-	4	-	-
Sales of minerals in place	-	-	-	-	-	-	-
Production (1)	(160)	(1)	(110)	(6)	(19)	(9)	(15)
Reserves at December 31, 2009 (1) (2)	883	7	539	40	108	66	123
Revisions of previous estimates	92	1	45	1	32	2	11
Improved recovery	32	-	32	-	-	-	-
Extensions and discoveries	31	-	23	-	6	-	2
Purchases of minerals in place	38	-	-	-	38	-	-
Sales of minerals in place	(8)	-	-	-	(8)	-	-
Production (1)	(160)	(1)	(107)	(6)	(20)	(11)	(15)
Reserves at December 31, 2010 (1) (2)	908	7	532	35	156	57	121
Revisions of previous estimates	112	-	91	1	19	1	(1)
Improved recovery	19	-	19	-	-	-	-
Extensions and discoveries	80	-	43	-	37	-	-
Purchases of minerals in place	0	-	-	-	-	-	-
Sales of minerals in place	(1)	(1)	-	-	-	-	-
Production (1)	(140)	-	(100)	(5)	(21)	(10)	(4)
Reserves at December 31, 2011 (1) (2)	978	6	584	32	192	49	115
Proved Developed Reserves of crude oil, condensate and GPL							
At December 31, 2008	652	1	452	34	78	3	84
At December 31, 2009	656	2	429	33	86	29	77
At December 31, 2010	649	2	404	28	116	21	78
At December 31, 2011	671	2	438	24	115	21	71

Note: The aggregated changes in reserves and total reserves at December 31, may differ from the individual values shown because the calculations use more precise figures than those shown in the table.

(1) Total proved developed and undeveloped net reserves at December 31, 2011, 2010, 2009, and 2008 include an estimated approximately 109, 99, 94 and 94 millions of barrels of oil equivalent, respectively, in respect of royalty payments which, as described above, are a financial obligation, or are substantially equivalent to a production or similar tax. Net production in 2011, 2010 and 2009 includes an estimated approximately 15, 16, and 16 millions of barrels of oil equivalent, respectively, in respect of such types of payments.

(2) Includes 249, 107, 86 millions of barrels of oil equivalent relating to the participation in the minority interest of YPF, as of December 31, 2011, 2010 and 2009, respectively.

Proved developed and undeveloped reserves of natural gas:

	Thousand Millions of Standard Cubic Feet						
	Total	Europe	Argentina	Trinidad & Tobago	Rest of South America	North America	Africa
Reserves at December 31, 2008(1) (2)	7,341	5	3,145	2,484	1,530	12	165
Revisions of previous estimates	290	-	54	32	230	5	(31)
Improved recovery	1	-	1	-	-	-	-
Extensions and discoveries	70	-	68	-	-	2	-
Purchases of minerals in place	-	-	-	-	-	-	-
Sales of minerals in place	-	-	-	-	-	-	-
Production (1)	(958)	(2)	(549)	(277)	(104)	(3)	(23)
Reserves at December 31, 2009 (1) (2)	6,744	3	2,719	2,239	1,656	16	111
Revisions of previous estimates	730	-	313	78	351	5	(17)
Improved recovery	1	-	1	-	-	-	-
Extensions and discoveries	230	-	50	-	180	-	-
Purchases of minerals in place	-	-	-	-	-	-	-
Sales of minerals in place	(149)	-	-	-	(149)	-	-
Production (1)	(913)	(2)	(505)	(281)	(108)	(4)	(13)
Reserves at December 31, 2010 (1) (2)	6,643	1	2,578	2,036	1,930	17	81
Revisions of previous estimates	164	1	167	55	(50)	2	(11)
Improved recovery	1	-	-	-	1	-	-
Extensions and discoveries	778	-	104	-	568	-	106
Purchases of minerals in place	-	-	-	-	-	-	-
Sales of minerals in place	-	-	-	-	-	-	-
Production (1)	(839)	(1)	(452)	(250)	(120)	(4)	(12)
Reserves at December 31, 2011 (1) (2)	6,747	0	2,397	1,842	2,329	14	165
Proved Developed Reserves of Natural Gas							
At December 31, 2008	3,741	5	2,265	375	1,007	3	86
At December 31, 2009	4,513	3	2,149	1,058	1,228	9	66
At December 31, 2010	4,275	1	1,994	875	1,317	7	81
At December 31, 2011	3,854	0	1,796	699	1,293	8	58

Note: The aggregated changes in reserves and total reserves at December 31, may differ from the individual values shown because the calculations use more precise figures than those shown in the table.

(1) Total proved developed and undeveloped net reserves at December 31, 2011, 2010, 2009 and 2008 include an estimated approximately 1,026, 959, 812, 700 thousand millions of standard cubic feet of gas, respectively, in respect of royalty payments which, as described above, are a financial obligation, or are substantially equivalent to a production or similar tax. Net production in 2011, 2010 and 2009 includes an estimated approximately 74, 73 y 80 thousands millions of standard cubic feet of gas, respectively, in respect of such types of payments.

(2) Includes 1,021, 521, 434 thousand millions of standard cubic feet of gas relating to the participation in the minority interest of YPF, as of December 31, 2011, 2010 and 2009, respectively.

Proved developed and undeveloped reserves of crude oil, condensate, natural gas liquids and natural gas:

	Millions of Barrels of Oil Equivalent						
	Total	Europe	Argentina	Trinidad & Tobago	Rest of South America	North America	Africa
Reserves at December 31, 2008 (1) (2)	2,209	2	1,141	488	370	50	158
Revisions of previous estimates	144	2	48	6	67	21	-
Improved recovery	15	-	15	-	-	-	-
Extensions and discoveries	43	4	27	-	-	8	4
Purchases of minerals in place	4	-	-	-	4	-	-
Sales of minerals in place	-	-	-	-	-	-	-
Production (1)	(331)	(1)	(208)	(55)	(38)	(10)	(19)
Reserves at December 31, 2009 (1) (2)	2,084	7	1,023	439	403	69	143
Revisions of previous estimates	222	1	101	15	94	3	8
Improved recovery	32	-	32	-	-	-	-
Extensions and discoveries	72	-	32	-	38	-	2
Purchases of minerals in place	38	-	-	-	38	-	-
Sales of minerals in place	(34)	-	-	-	(34)	-	-
Production (1)	(323)	(1)	(197)	(56)	(39)	(12)	(18)
Reserves at December 31, 2010 (1) (2)	2,091	7	991	398	500	60	135
Revisions of previous estimates	141	-	121	11	10	1	(3)
Improved recovery	19	-	19	-	-	-	-
Extensions and discoveries	219	-	62	-	138	-	19
Purchases of minerals in place	-	-	-	-	-	-	-
Sales of minerals in place	(1)	(1)	-	-	-	-	-
Production (1)	(290)	(1)	(180)	(49)	(43)	(11)	(7)
Reserves at December 31, 2011 (1) (2)	2,179	6	1,011	360	607	51	145
At December 31, 2008	1,318	2	855	101	258	3	99
At December 31, 2009	1,461	3	812	221	305	31	89
At December 31, 2010	1,410	2	759	184	351	22	92
At December 31, 2011	1,358	2	758	149	345	23	82

Note 1: The aggregated changes in reserves and total reserves at December 31, may differ from the individual values shown because the calculations use more precise figures than those shown in the table.

- (1) Total proved developed and undeveloped net reserves at December 31, 2011, 2010, 2009 and 2008 include an estimated approximately 292, 270, 239 and 219 million of barrels of oil equivalent, respectively, in respect of royalty payments which, as described above, are a financial obligation, or are substantially equivalent to a production or similar tax. Net production in 2011, 2010 and 2009 includes an estimated approximately 28, 29 and 31 millions of barrels of oil equivalent, respectively, in respect of such types of payments.
- (2) Includes 431, 200 and 163 millions of barrels of oil equivalent relating to the participation in the minority interest of YPF, as of December 31, 2011, 2010 and 2009, respectively.

Standardized measure of discounted future net cash flows and changes therein relating to proved oil and gas reserves

The estimate of future net cash flows was performed in accordance with the guidelines and framework established for the oil and gas industry by the SEC and the principles laid down by the FASB. The method applied is the impartiality or fairness method and is the result of applying the average oil and gas prices in 2011 (considering price changes only by contractual agreement) to estimated future production of proved reserves of oil and gas as of the date of the last balance sheet, less the estimated future costs (based on current costs) to be incurred in the development and production of proved reserves, assuming the continuation of current economic conditions.

Future production costs were estimated on based on a costs structure at the end of the year. Future development costs were calculated on the basis of technical studies conducted by Repsol YPF and by the operators holding joint title with Repsol YPF. The taxes projected for each of the future years were determined under the contractual and tax regime prevailing at the end of the year. The rate used to discount the future net revenues was 10%.

The present value of the future net cash flows estimated on the basis of the aforementioned assumptions, applying the principle of impartiality, is not intended to be interpreted, and should not be interpreted, as the fair value of the Group's oil and gas reserves. An estimation of the fair value of these reserves should also include the future exploitation of reserves not yet classified as proved reserves, possible changes in future prices and costs and a discount rate which represents the time value of money at the calculation date and the uncertainties inherent to estimating the reserves.

The following table shows the present value of the future net revenues relating to proved oil and gas reserves, calculated on the basis of the aforementioned assumptions:

	Millions of euros						
	Total	Europe	Argentina	Trinidad & Tobago	Rest of South America	North America	Africa
At December 31, 2009							
Future cash inflows	40,714	260	20,832	4,759	6,168	2,706	5,989
Future production costs	(14,478)	(107)	(7,901)	(2,154)	(2,599)	(571)	(1,146)
Future development and abandonment costs	(5,369)	(179)	(2,525)	(1,268)	(703)	(413)	(281)
Future income tax expenses	(6,595)	-	(2,561)	(473)	(717)	(9)	(2,835)
Future net cash flows after taxes	14,272	(26)	7,845	864	2,149	1,713	1,727
10% annual discount for estimated timing of cash flows	(4,502)	40	(2,189)	(300)	(897)	(491)	(665)
Standardized measure of discounted future net cash flows (1)	9,770	14	5,656	564	1,252	1,222	1,062

	Millions of euros						
	Total	Europe	Argentina	Trinidad & Tobago	Rest of South America	North America	Africa
At December 31, 2010							
Future cash inflows	57,177	360	29,900	5,426	10,800	3,227	7,464
Future production costs	(18,593)	(120)	(10,839)	(2,250)	(4,174)	(362)	(848)
Future development and abandonment costs	(6,827)	(183)	(3,203)	(1,385)	(1,231)	(518)	(307)
Future income tax expenses	(10,844)	2	(4,423)	(650)	(1,610)	(191)	(3,972)
Future net cash flows after taxes	20,913	59	11,435	1,141	3,785	2,156	2,337
10% annual discount for estimated timing of cash flows	(6,499)	40	(3,130)	(425)	(1,541)	(578)	(865)
Standardized measure of discounted future net cash flows (1)	14,414	99	8,305	716	2,244	1,578	1,472

	Millions of euros						
	Total	Europe	Argentina	Trinidad & Tobago	Rest of South America	North America	Africa
At December 31, 2011							
Future cash inflows	72,363	498	32,052	6,437	18,493	4,033	10,850
Future production costs	(25,993)	(145)	(14,144)	(2,610)	(7,507)	(361)	(1,226)
Future development and abandonment costs	(9,621)	(215)	(4,687)	(1,506)	(2,098)	(526)	(589)
Future income tax expenses	(13,162)	3	(3,344)	(902)	(2,585)	(621)	(5,713)
Future net cash flows after taxes	23,587	141	9,877	1,419	6,303	2,525	3,322
10% annual discount for estimated timing of cash flows	(8,887)	16	(3,440)	(573)	(2,756)	(792)	(1,342)
Standardized measure of discounted future net cash flows (1)	14,700	157	6,437	846	3,547	1,733	1,980

(1) Includes €2,747, €1,681 and €905 million relating to the share of minority interest of YPF, as of December 31, 2011, 2010 and 2009.

Changes in Standardized measure of discounted future net cash flows relating to proved oil and gas reserves

The detail of the changes in the standardized measure of discounted future net cash flows for 2011, 2010 and 2009 is as follows:

	Millions of euros						
	Total	Europe	Argentina	Trinidad & Tobago	Rest of South America	North America	Africa
Balance at 31 December 2008 (1)	7,746	(14)	4,632	627	1,061	556	884
Changes due to sale or transfer prices or future production costs	3,327	5	2,091	(319)	529	267	754
Changes in future development costs	(476)	53	(445)	463	(330)	(182)	(35)
Oil and gas sales and transfers in the period	(3,063)	(23)	(1,776)	(367)	(315)	(111)	(471)
Net changes due to extensions, discoveries, and improvements in the recovery of reserves	782	39	502	-	7	134	100
Net changes due to purchases/sales of assets	19	(21)	-	-	40	-	-
Net changes due to revisions of reserves	1,302	(20)	643	28	169	372	110
Previously estimated development costs incurred in the year	900	3	384	221	78	147	67
Effect of discounting to a different date and exchange rate effect	343	(5)	190	29	48	39	42
Other non-specific changes	-	-	-	-	-	-	-
Changes in income tax	(1,110)	(3)	(565)	(118)	(35)	-	(389)
Net change	2,024	28	1,024	(63)	191	666	178
Balance at 31 December 2009 (1)	9,770	14	5,656	564	1,252	1,222	1,062
Changes due to sale or transfer prices or future production costs	5,074	56	2,679	370	596	501	872
Changes in future development costs	(1,218)	14	(747)	(55)	(212)	(194)	(24)
Oil and gas sales and transfers in the period	(3,887)	7	(2,021)	(373)	(423)	(417)	(660)
Net changes due to extensions, discoveries, and improvements in the recovery of reserves	1,718	-	1,388	-	258	-	72
Net changes due to purchases/sales of assets	193	-	-	-	193	-	-
Net changes due to revisions of reserves	2,215	1	1,104	64	447	222	377
Previously estimated development costs incurred in the year	993	3	389	130	233	167	71
Effect of discounting to a different date and exchange rate effect	1,623	3	935	92	212	203	178
Other non-specific changes	-	-	-	-	-	-	-
Changes in income tax	(2,067)	1	(1,078)	(76)	(312)	(126)	(476)
Net change	4,644	85	2,649	152	992	356	410
Balance at 31 December 2010 (1)	14,414	99	8,305	716	2,244	1,578	1,472
Changes due to sale or transfer prices or future production costs	(497)	90	(4,420)	508	915	930	1,480
Changes in future development costs	(2,222)	(44)	(1,566)	(134)	(313)	(147)	(18)
Oil and gas sales and transfers in the period	(4,958)	(43)	(2,407)	(472)	(697)	(476)	(863)
Net changes due to extensions, discoveries, and improvements in the recovery of reserves	2,704	-	1,525	-	1,152	-	27
Net changes due to purchases/sales of assets	-	-	-	-	-	-	-
Net changes due to revisions of reserves	2,153	10	1,934	59	10	(285)	425
Previously estimated development costs incurred in the year	1,499	33	627	173	390	203	73
Effect of discounting to a different date and exchange rate effect	1,763	12	1,011	84	291	191	174
Other non-specific changes	-	-	-	-	-	-	-
Changes in income tax	(156)	-	1,428	(88)	(445)	(261)	(790)
Net change	286	58	(1,868)	130	1,303	155	508
Balance at 31 December 2011 (1)	14,700	157	6,437	846	3,547	1,733	1,980

(1) Includes €2,741, €1,681 and €905 million relating to the share of minority interest of YPF, as of December 31, 2011, 2010 and 2009.