**SUPPLEMENT DATED 11 SEPTEMBER 2012 TO THE BASE PROSPECTUS DATED 27 OCTOBER 2011 (AS PREVIOUSLY SUPPLEMENTED ON 18 NOVEMBER 2011 AND 11 APRIL 2012)**

# 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 1 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 Assesment); 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 we 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 subsidy 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 Nº 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 Nº 530/2012, NEP Decree Nº 532/2012, and NEP Decree Nº 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 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.

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.*

Deloitte.

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Torre Picasso
28020 Madrid
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*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.

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469.
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

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**

| | | Millions of euros | |
|---|---|---|---|
| **ASSETS** | Note | **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**

| | | Millions of euros | |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | Note | **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 | 06/30/2012 | 06/30/2011 (1) |
|---|---|---|---|
| | | Millions of euros | |
| 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 tominority 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 ATRIBUTTABLE 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 conection 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 | |
|---|---|---|
| | **06/30/2012** | **06/30/2011** |
| **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 | | | | | | | |
| | 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 | Minority interests | Total equity |
| **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)** |
| Dividens 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 liabilites** | **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 INVESTEES COMPOSING THE REPSOL GROUP

Explanatory notes to the interim condensed consolidated financial statements for the six-month period ended June 30, 2012.

## CONTENTS

## (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 63ª. 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 sheme 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 Liquified 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 Associattes 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:

| | Millions of euros (1) | | |
|---|---|---|---|
| **ASSETS** | **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 €54 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 expropiation 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 valuated 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 €524 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 €280 million , mainly due to appreciation of the US dollar against the euro, while *"Available-for-sale financial assets*" decreased by €31 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 discountinued operations** | **280** | **371** |
| **Results after taxes of the valuation of the assets and liabilites related to the expropiation (2)** | **(38)** | **-** |
| **NET INCOME FOR THE PERIOD FROM DISCOUNTINUED 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 €524 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 $Km^2$ 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 reminder 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 (€296 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*

<u>Assets classified as held for sale and associated liabilities during the six-month period ended June 30, 2012</u>

Repsol has reached an agreement to sale its Liquified Petroleum Gas (LPG) business in Chile, through its subsidiary Repsol Butano Chile, S.A. As a consecuence 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:

| | Millions of euros |
|---|---|
| | 2012 |
| Goodwill | 92 |
| Tangible assets and other intangible assets | 90 |
| Other non-current assets | 9 |
| Current assets | 32 |
| **TOTAL ASSETS** | **223** |
| Minority interests | 4 |
| Non- current liabilities | 44 |
| Current liabilities | 35 |
| **TOTAL LIABILITIES AND MINORITY INTERESTS** | **83** |
| **NET VALUE** | **140** |

On June 30, 2011, Gas Natural Fenosa agreed to sell approximately 245,000 gas supply customers and associated contracts in the Madrid region for €11 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.

<u>Assets classified as held for sale during the six-month period ended June 30, 2011 and associated liabilities</u>

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 wether 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 Spainsh 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 €242 million and waived the shares corresponding to the free-of-charge allocation rights acquired by virtue of the mentioned commitment. As a consecuence 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 profesional 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 autorizing 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 €52 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:

| | 2012 | 2011 |
|---|---|---|
| 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)

| | 2012 | 2011 |
|---|---|---|
| Basic | | |
| EPS attributable to the parent company | 0.87 | 1.07 |
| EPS attributable to the parent company from discountinued operations | 0.11 | 0.23 |
| Diluted | | |
| EPS attributable to the parent company | 0.87 | 1.07 |
| EPS attributable to the parent company from discountinued 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 Respsol 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 | Operating revenue from customers | | Operating revenue among segments | | Total operating revenue | |
|---|---|---|---|---|---|---|
| **SEGMENTS** | **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*

| | Millions of euros | |
|---|---|---|
| **SEGMENTS** | **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 countinuing 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 discountinued 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 | Millons 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 €535 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 €5,303 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 | Millons 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:

| | Millons of euros | |
|---|---|---|
| | **06/30/2012** | **12/31/2011** |
| 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 |
| | **5,766** | **5,869** |

(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:

| Millions of euros | June 30, 2012 | | | | | | |
|---|---|---|---|---|---|---|---|
| **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 | - | - | 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** |

| Millions of euros | December 31, 2011 | | | | | | |
|---|---|---|---|---|---|---|---|
| **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 €249 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 €110 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 | |
|---|---|---|
| | **06/30/2012** | **12/31/2011** |
| 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 |
| | **18,410** | **20,375** |

(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 €838 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 | **June 30, 2012** | | | |
|---|---|---|---|---|
| **Nature/Category** | **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 liabilites** | **71** | **2,967** | **9** | **3,047** |
| **TOTAL (2)** | **84** | **18,082** | **244** | **18,410** |

| Millions of euros | December 31, 2011 | | | |
|---|---|---|---|---|
| **Nature/Category** | **Financial liabilities held for trading** | **Debts and payable items** | **Hedging derivatives** | **Total** |
| 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 an other debt securities issued in the European Union with Prospectus | 11,836 | 3,916 | (3,856) | 52 | - | 11,948 |
| Bonds an 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 bursatiles*) 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 dividens 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:

| **EXPENSES AND INCOME:** Thousands of euros | June 30, 2012 | | | |
|---|---|---|---|---|
| | 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** |

| **OTHER TRANSACTIONS** Thousands of euros | June 30, 2012 | | | |
|---|---|---|---|---|
| | 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, wich 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:

| | June 30, 2011 | | | |
|---|---|---|---|---|
| **EXPENSES AND INCOME:**<br>Thousands of euros | Major shareholders | Directors and executives (1) | Persons, companies or entities within the Group (2) | Total |
| 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** |

| OTHER TRANSACTIONS<br>Thousands of euros | June 30, 2011 | | | |
|---|---|---|---|---|
| | 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: €14,212 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: €523 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 €59,815 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

### <u>Litigation</u>

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 heding 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 Injuction 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 nº 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 nª 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 receiveas 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 siposal 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 Assesment); 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) disclousure 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 Nº 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 Nº 530/2012, NEP Decree Nº 532/2012, and NEP Decree Nº 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:

| | 06/30/2012 | 06/30/2011 |
|---|---|---|
| **AVERAGE HEADCOUNT** | | |
| Men | 20,925 | 33,717 |
| Women | 9,196 | 12,354 |
| | **30,121** | **46,071** |

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<br>**06/30/2012** | <br>**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<br>**06/30/2012** | <br>**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): Consideration (net) paid + other costs directly atributable to the business combination | Cost of the business combination (net) (millions of euros): Fais value of the equity instruments issued to acquire the acquiree | % of voting rights acquired (2) | % of total voting rights acquired in the entity post - acquisition |
|---|---|---|---|---|---|---|
| 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 Petrólíferos 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.*

# INDEX

# 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:

| | (€ million) | |
|---|---|---|
| **Repsol Group (*according to IFRS*)** | 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 amounted 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 voluntary 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.

# 2Q 2012
# Earnings Preview

Madrid, 26 July 2012

**INDEX:**



**TABLES:**

As a result of the process involving the expropriation of YPF, S.A. and Repsol YPF Gas, S.A. shares held by the Repsol Group, reported as relevant events published on 16 and 17 April 2012, registration numbers 161677 and 161679, respectively, financial information for previous periods was restated for comparison purposes in accordance with applicable accounting regulations. The accounting policies applied for the recording of the effects of the expropriation process are described in Note 3 (Changes in the Group's structure) in the abridged interim consolidated financial statements at 30 June 2012.

Furthermore, the average number of outstanding shares used for calculating earnings per share at 30 June 2011 was changed in accordance with applicable accounting regulations to include the effect of the capital increase carried out in 2012 as part of the shareholders remuneration scheme known as "*Repsol dividendo flexible*" (Repsol flexible dividend) described in the Highlights section.

## 1. INCOME FROM CONTINUED OPERATIONS (M€)

**Unaudited figures**

| 2Q 2011 | 1Q 2012 | 2Q 2012 | % Variation 2Q12/2Q11 | SECOND QUARTER 2012 RESULTS | Jan-Jun 2011 | Jan-Jun 2012 | % Variation 12/11 |
|---|---|---|---|---|---|---|---|
| 792 | 1,079 | 893 | 12.8 | CCS OPERATING INCOME | 1,787 | 1,972 | 10.4 |
| 442 | 458 | 436 | -1.4 | CCS NET INCOME | 867 | 894 | 3.1 |
| 699 | 1,081 | 936 | 33.9 | CCS ADJUSTED OPERATING INCOME | 1,700 | 2,017 | 18.6 |
| 380 | 460 | 481 | 26.6 | CCS ADJUSTED NET INCOME | 825 | 941 | 14.1 |
| 886 | 1,330 | 636 | -28.2 | OPERATING INCOME | 2,109 | 1,966 | -6.8 |
| 495 | 629 | 274 | -44.6 | NET INCOME | 1,057 | 903 | -14.6 |
| 793 | 1,332 | 679 | -14.4 | ADJUSTED OPERATING INCOME | 2,022 | 2,011 | -0.5 |
| 432 | 631 | 319 | -26.2 | ADJUSTED NET INCOME | 1,016 | 950 | -6.5 |

## 2. NET INCOME (*) (M€)

**Unaudited figures**

| 2Q 2011 | 1Q 2012 | 2Q 2012 | % Variation 2Q12/2Q11 | SECOND QUARTER 2012 RESULTS | Jan-Jun 2011 | Jan-Jun 2012 | % Variation 12/11 |
|---|---|---|---|---|---|---|---|
| 526 | 621 | 406 | -22.8 | CCS NET INCOME | 1,154 | 1,027 | -10.9 |
| 579 | 792 | 244 | -57.9 | NET INCOME | 1,344 | 1,036 | -22.9 |

(*) This caption includes income from both continued and discontinued operations (mainly YPF and Repsol YPF Gas)

## SECOND QUARTER 2012 MAIN HIGHLIGHTS AND KEY FINANCIAL FIGURES

*All the comments below are referred to the income from continued operations*

- **Net adjusted income at CCS** in the quarter was 481 M€ and **adjusted operating income at CCS** amounted to 936 M€, both figures higher than in the same year-ago quarter (27% and 34%, respectively).
- The key factors contributing to this growth were the resumption of operations in Libya, higher gas realisation prices mainly in Bolivia as a result of the increase in export prices linked to the price of oil products and the start of production of Phase I in the Margarita field, plus enhanced performance at the LNG and Gas Natural Fenosa divisions.
- Upstream production in the quarter reached 320 Kboepd, 8% higher year-on-year. Production during the entire quarter in Libya, after the resumption of operations in October 2011 is one of the key highlights, reaching levels in the quarter similar to those before the armed conflict. In addition, the start of operations at the beginning of May of Phase 1 in Margarita (Bolivia) mentioned in the previous paragraph, also contributed to production growth.

- The **Group's net financial debt, excluding Gas Natural Fenosa**, at the end of second quarter 2012 totalled 5,170 M€, which implies 996 M€ more than at the end of first quarter 2012. The net debt has been negatively affected by the effects associated by the Petersen Group's loans (-1,389 M€), mainly the declaration of default in the month of May. This was partially offset by the EBITDA generated in this period coupled with a significant reduction in trade working capital which made it possible to completely cover tax payments, investments and interest.

- The Repsol Group, excluding Gas Natural Fenosa, enjoys a sound financial position, maintaining at 30 June liquidity (including committed but undrawn credit facilities) sufficient to cover 4.4x its current debt maturities. The net debt/capital employed ratio, excluding Gas Natural Fenosa, at the end of second quarter 2012 stood at 14.7% and 23.3% taking preference shares into account. Excluding capital employed from discontinued operations, these ratios would be 17.6% and 27.9% respectively.

- On 19 July, Repsol reached an agreement for the sale of Repsol Butano Chile for 540 million US dollars to a consortium of Chilean investors. This transaction represents the first disposal of non-core assets made by Repsol since it announced its new strategic plan.

# 1.- BREAKDOWN OF RESULTS BY BUSINESS AREA

## 1.1.- UPSTREAM

Unaudited figures

| 2Q 2011 | 1Q 2012 | 2Q 2012 | % Variation 2Q12/2Q11 | | Jan- Jun 2011 | Jan-Jun 2012 | % Variation 12/11 |
|---|---|---|---|---|---|---|---|
| 316 | 654 | 490 | 55.1 | **OPERATING INCOME** (M€) | 806 | 1,144 | 41.9 |
| 293 | 659 | 518 | 76.8 | **ADJUSTED OPERATING INCOME** (M€) | 783 | 1,177 | 50.3 |
| 100 | 136 | 144 | 44.0 | **LIQUIDS PRODUCTION** (Thousand boepd) | 115 | 140 | 21.8 |
| 1,099 | 1,054 | 987 | -10.2 | **GAS PRODUCTION (*)** (Million scf/d) | 1,096 | 1,021 | -6.9 |
| 296 | 323 | 320 | 8.1 | **TOTAL PRODUCTION** (Thousand boepd) | 310 | 322 | 3.8 |
| 353 | 610 | 499 | 41.4 | **OPERATING INVESTMENTS** (M€) | 789 | 1,109 | 40.6 |
| 103 | 80 | 206 | 100.0 | **EXPLORATION EXPENSE** (M€) | 156 | 286 | 83.3 |

| 2Q 2011 | 1Q 2012 | 2Q 2012 | % Variation 2Q12/2Q11 | INTERNATIONAL PRICES | Jan-Jun 2011 | Jan-Jun 2012 | % Variation 12/11 |
|---|---|---|---|---|---|---|---|
| 117.0 | 118.6 | 108.3 | -7.4 | **Brent** ($/Bbl) | 111.1 | 113.6 | 2.3 |
| 102.3 | 103.0 | 93.4 | -8.7 | **WTI** ($/Bbl) | 98.5 | 98.2 | -0.3 |
| 4.3 | 2.7 | 2.2 | -48.8 | **Henry Hub** ($/MBtu) | 4.2 | 2.5 | -40.5 |

| 2Q 2011 | 1Q 2012 | 2Q 2012 | % Variation 2Q12/2Q11 | REALISATION PRICES | Jan-Jun 2011 | Jan-Jun 2012 | % Variation 12/11 |
|---|---|---|---|---|---|---|---|
| 86.1 | 93.8 | 86.9 | 0.9 | **OIL** ($/Bbl) | 83.6 | 90.3 | 8.0 |
| 3.5 | 3.5 | 3.9 | 11.4 | **GAS** ($/Thousands scf) | 3.3 | 3.7 | 12.1 |

(*)1,000 Mcf/d = 28.32 Mm3/d = 0.178 Mboed

**Adjusted operating income** in second quarter 2012 was 518 M€, 77% higher than in second quarter 2011.

This growth was mainly driven by greater liquids production volume in Libya, the positive currency exchange impact, and higher gas realisation prices basically in Bolivia thanks to the increase in export prices, linked to oil product prices and the start of production of Phase I in the Margarita field. Other factors included:

- Oil and gas realisation prices, net of royalties, had a positive impact of 55 M€.
- Increased production volumes, particularly of liquids, increased income by 269 M€.
- Higher exploration costs had a negative impact of 83 M€. Seismic activity in the second quarter 2012 was more intensive as well as the amortization of wells, particularly Jagüey Grande in Cuba which represented the most significant amount.
- Greater amortizations diminished income by 33 M€.
- The appreciation of the dollar versus the Euro increased income by 59 M€.

**Production** in this quarter totalled 320Kboepd, 8% more than in the same period in 2011. The main variations were in Libya, Bolivia, and Trinidad and Tobago. In Libya, production was 47 Kboepd. In Bolivia, production totalled 26 Kboepd, 24% more than in second quarter 2011 thanks to the start of production of Phase I in Margarita. These increases, however, were offset by production in Trinidad and Tobago which, at 119 Kboepd fell 16% year-on-year mainly on the back of fewer gas deliveries due to stoppages and operating incidences in the Atlantic LNG trains and in the platforms due to maintenance and to the execution of the project to improve living quarters. During the first two weeks of July, average production in Trinidad and Tobago was 133 Kboepd.

Four exploration wells are currently being drilled: one in the Espiritu Santo 21 block (Magadi-1), one in Bolivia (Sararenda-X1), one in block 57 in Peru (Sagari-4XD) and one in the PL-356 block in Norway (Ulvetanna).

**First-half 2012 results**

Adjusted operating income in the first six months of 2012 totalled 1,177 M€, 50% more than in the same year-ago quarter. Greater production volumes, particularly in liquids, higher oil and gas realisation prices in the period (better performance than the international Brent and HH benchmarks), and the appreciation of the dollar against the Euro were the key factors behind this growth.

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, which was ongoing throughout the entire period, and increased production in the United States as a result of the development wells drilled after the drilling moratorium was lifted.

**Operating investments**

**Operating investments** in second quarter 2012 in Upstream totalled 499 M€, 41% more than in the same period in 2011. Investments in development accounted for 63% of the total and were mainly earmarked for the U.S. (37%), Brazil (13%), Peru (11%), Trinidad and Tobago (11%) and Bolivia (11%). Exploration investments accounted for 28% of the total were basically in the U.S. (52%), Cuba (21%), Peru (11%) and Sierra Leone (8%).

In the first half of the year, investments in the Upstream division amounted to 1,109 M€, 41% above the figure recorded in the first six months of 2011. Investments in development represented 54% of the total and were mainly spent in the U.S. (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 U.S. (43%), Cuba (20%), Brazil (14%), Peru (8%) and Sierra Leona (7%).

## 1.2.- LNG

Unaudited figures

| 2Q 2011 | 1Q 2012 | 2Q 2012 | % Variation 2Q12/2Q11 | | Jan-Jun 2011 | Jan-Jun 2012 | % Variation 12/11 |
|---|---|---|---|---|---|---|---|
| 53 | 158 | 79 | 49.1 | **OPERATING INCOME** (M€) | 168 | 237 | 41.1 |
| 53 | 158 | 78 | 47.2 | **ADJUSTED OPERATING INCOME** (M€) | 168 | 236 | 40.5 |
| 48.1 | 50.7 | 46.1 | -4.2 | **ELECTRICITY PRICES IN THE SPANISH ELECTRICITY POOL** (€/MWh) | 46.7 | 48.4 | 3.6 |
| 97.9 | 106.3 | 95.4 | -2.6 | **LNG SALES** (TBtu) | 230.5 | 201.7 | -12.5 |
| 5 | 11 | 6 | 20.0 | **OPERATING INVESTMENTS**(M€) | 7 | 17 | 142.9 |

1 TBtu= 1,000,000 MBtu
1 bcm= 1,000 $Mm^3$= 39.683 TBtu

**Adjusted operating income** in second quarter 2012 was 78 M€, 47% higher than the 53 M€ posted a year earlier.

Earnings in second quarter 2012 increased mainly as a result of wider LNG marketing margins.

### First-half 2012 results

At 236 M€, adjusted operating income in the first half of the year was up 41% year-on-year mainly thanks to wider LNG marketing margins.

### Operating investments

Operating investments in the second quarter and in the first half of the year totalled 6 M€ and 17 M€, respectively. These investments were higher than in 2011 mainly due to expenditures in maintenance activities and in development projects.

## 1.3.- DOWNSTREAM

**Unaudited figures**

| 2Q 2011 | 1Q 2012 | 2Q 2012 | % Variation 2Q12/2Q11 | | Jan-Jun 2011 | Jan-Jun 2012 | % Variation 12/11 |
|---|---|---|---|---|---|---|---|
| 210 | 81 | 202 | -3.8 | **CCS OPERATING INCOME**(M€) | 422 | 283 | -32.9 |
| 216 | 82 | 205 | -5.1 | **CCS ADJUSTED OPERATING INCOME** (M€) | 428 | 287 | -32.9 |

| 2Q 2011 | 1Q 2012 | 2Q 2012 | % Variation 2Q12/2Q11 | | Jan-Jun 2011 | Jan-Jun 2012 | % Variation 12/11 |
|---|---|---|---|---|---|---|---|
| 304 | 332 | -55 | - | **OPERATING INCOME** (M€) | 744 | 277 | -62.8 |
| 310 | 333 | -52 | - | **ADJUSTED OPERATING INCOME** (M€) | 750 | 281 | -62.5 |
| 9,458 | 10,138 | 9,839 | 4.0 | **OIL PRODUCT SALES** (Thousand tons) | 18,709 | 19,977 | 6.8 |
| 666 | 593 | 545 | -18.2 | **PETROCHEMICAL PRODUCT SALES** (Thousand tons) | 1,376 | 1,137 | -17.3 |
| 596 | 782 | 607 | 1.8 | **LPG SALES** (Thousand tons) | 1,380 | 1,388 | 0.6 |
| 360 | 138 | 157 | -56.4 | **OPERATING INVESTMENTS**(M€) | 646 | 295 | -54.3 |

| 2Q 2011 | 1Q 2012 | 2Q 2012 | % Variation 2Q12/2Q11 | **REFINING MARGIN INDICATOR** ($/Bbl) | Jan-Jun 2011 | Jan-Jun 2012 | % Variation 12/11 |
|---|---|---|---|---|---|---|---|
| 2.1 | 3.0 | 4.7 | 123.8 | **Spain** | 2.1 | 3.9 | 85.7 |

CCS adjusted operating income in second quarter 2012, at 205 M€, was 5% lower year-on-year

The drop in CCS adjusted operating income in second quarter in comparison with the same quarter a year earlier is due to the following:

- In **Refining,** wider margins and greater volumes of distillates (mainly after the start-up of the Cartagena enlargement project) had a positive impact of 43 M€.

- In **Chemicals,** margins remained at the same levels as in second quarter 2011 (although above the minimum levels recorded in the first quarter of this year). However, lower sales volumes because of weaker demand and the yearly turnaround at the Sines facility diminished income by 27 M€. Despite this impact, however, CCS operating income at the Chemicals division remains on positive grounds.

- The performance of the LPG and Marketing activities was similar to that of second quarter 2011.
  - In the case of Marketing, margins at Spanish pump stations remained solid, although this was not sufficient to offset the drop in sales volumes.
  - In LPG, margins were wider as a result of the drop in the price of raw materials which, coupled with similar sales levels as in the comparative quarter, resulted in an increase in this activity's operating income.

- The results of Trading and other activities explain the year-on-year variation.

**First-half 2012 results**

CCS operating income in the first six months of 2012, totalled 287 M€, 33% less than the 428 M€ recorded a year earlier mainly as the result of weaker earnings performance in the Chemicals business and, to a lesser extent, lower Marketing sales volumes.

### Operating investments

**Operating investments** in the Downstream division in second quarter 2012 amounted to 157 M€ and 295 M€ during the first half of the year, lower than in the equivalent year-ago periods due to the completion of the enlargement and conversion projects at the Cartagena refinery and the fuel oil reduction unit in Bilbao.

## 1.4.- GAS NATURAL FENOSA

Unaudited figures

| 2Q 2011 | 1Q 2012 | 2Q 2012 | % Variation 2Q12/2Q11 | | Jan-Jun 2011 | Jan-Jun 2012 | % Variation 12/11 |
|---|---|---|---|---|---|---|---|
| 265 | 246 | 229 | -13.6 | **OPERATING INCOME** (M€) | 512 | 475 | -7.2 |
| 188 | 241 | 232 | 23.4 | **ADJUSTED OPERATING INCOME** (M€) | 437 | 473 | 8.2 |
| 86 | 67 | 118 | 37.2 | **OPERATING INVESTMENTS** (M€) | 156 | 185 | 18.6 |

**Adjusted operating income** in second quarter 2012 in Gas Natural Fenosa amounted to 232 M€, 23% higher than the 188 M€ reported a year earlier.

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).

### First-half 2012 results

**Adjusted operating income** in first-half 2012 was 473 M€, 8% higher year-on-year due to the same factors affecting second quarter earnings performance.

**Operating investments** at Gas Natural Fenosa in the second quarter and first half of 2012 totalled 118 M€ and 185 M€, respectively. Material investments were mainly earmarked for Gas and Power Distribution activities in Spain and in Latin America.

## 1.5.- CORPORATE AND OTHER

This caption reflects operating income/expenses of the Corporation and activities not attributable to operating areas as well as inter-segment consolidation adjustments.

An adjusted expense of 97 M€ was recorded in second quarter 2012.

## 2.- FINANCIAL INCOME/CHARGES AND DEBT

(*) This caption reflects data on the Group's financial income/charges and financial situation excluding Grupo Gas Natural Fenosa. Consolidated Group data are included in the tables detailing second quarter 2012 results (page 25 of this earnings preview).

Unaudited figures

| BREAKDOWN OF NET DEBT (M€) – GROUP, EX GAS NATURAL FENOSA | 1Q2012 | 2Q2012 | % variation 2Q12/1Q12 | Jan-Jun 12 |
|---|---|---|---|---|
| **NET DEBT AT THE START OF THE PERIOD (EX GAS NATURAL FENOSA)** | **6,775** | - | - | **6,775** |
| ELIMINATION OF YPF AND RYPF Gas NET DEBT AT 31 DECEMBER 2011 | -1,939 | - | - | -1,939 |
| **GROUP NET DEBT EX GAS NATURAL FENOSA AND YPF AT THE START OF THE PERIOD** | **4,836** | **4,174** | **-13.7** | **4,836** |
| EBITDA | -1,534 | -1,030 | -32.9 | -2,564 |
| VARIATION IN TRADE WORKING CAPITAL | 473 | -402 | - | 71 |
| INCOME TAX COLLECTIONS / PAYMENTS | 103 | 446 | 333.0 | 549 |
| INVESTMENTS **(1)** | 838 | 735 | -12.3 | 1,573 |
| DIVESTMENTS **(1)** | -8 | -16 | 100.0 | -24 |
| DIVIDENDS PAID (including affiliates) | 643 | 0 | - | 643 |
| OWN SHARES TRANSACTIONS | -1,364 | 51 | - | -1,313 |
| TRANSLATION DIFFERENCES | 123 | -262 | - | -139 |
| INTEREST EXPENSE AND OTHER MOVEMENTS **(2)** | 87 | 85 | -2.3 | 172 |
| ASSOCIATED EFFECTS TO TO PETERSEN'S LOANS **(3)** | -23 | 1,389 | **-** | 1,366 |
| **NET DEBT AT THE CLOSE OF THE PERIOD** | **4,174** | **5,170** | **23.9** | **5,170** |
| **NET DEBT + PREFERENCE SHARES AT THE CLOSE OF THE PERIOD** | **7,211** | **8,202** | **13.7** | **8,202** |
| **Debt ratio** | | | | |
| CAPITAL EMPLOYED (M€) **(4)** | 28,483 | 29,346 | 3.0 | 29,346 |
| **NET DEBT / CAPITAL EMPLOYED (%)** | **14.7** | **17.6** | **19.7** | **17.6** |
| NET DEBT + PREFERENCE SHARES/ CAPITAL EMPLOYED (%) | 25.3 | 27.9 | 10.3 | 27.9 |
| ROACE before non-adjusted items (%) **(5)** | 11.3 | 4.9 | -56.6 | 8.1 |

**(1)** As of June 30, 2012, financial investments totalling 9 M€ and financial divestments for the amount of 178 M€ were made which are not included in this table.

**(2)** Mainly includes dividends received, provisions and interest expense. In this quarter, Repsol collected dividends paid by Gas Natural Fenosa (139 M€) during this quarter.

**(3)** It mainly includes the amount associated to the provision registered in relation with the Petersen Group loans.

**(4)** Capital employed excludes discontinued operations. Including discontinued operations, net debt/capital employed ratio as of June 30 2012, would be 14.7% and 23.3% (with preference shares).

**(5)** ROACE does not include neither income nor capital employed from discontinued operations.

**The Group's net financial debt, excluding Gas Natural Fenosa,** which stood at 5,170 M€ at the end of second quarter, was 996 M€ higher than at the end of first quarter 2012. The following are worth mentioning:

- EBITDA generated during this period, coupled with the significant reduction in trade working capital, made it possible to fully cover taxes, investments and interest payments.
- The increase in debt (1,389 M€) due to the effects associated to the Petersen Group financial loans mainly related to their default declaration.

The Repsol Group, excluding Gas Natural Fenosa, enjoys a sound financial position, with sufficient liquidity at 30 June 2012 (including committed and undrawn credit facilities) to cover 4.4x its current debt maturities. At the end of the second quarter, the net debt/capital employed ratio, excluding Gas Natural Fenosa, stood at 17.6% or 27.9% if preference shares are taken into account. Including capital employed from discontinued operations these ratios would be 14.7% and 23.3% respectively.

**Unaudited figures**

| 2Q 2011 | 1Q 2012 | 2Q 2012 | % Variation 2Q12/2Q11 | FINANCIAL INCOME/EXPENSES OF THE GROUP EX GNF (M€) | Jan-Jun 2011 | Jan-Jun 2012 | % Variation 12/11 |
|---|---|---|---|---|---|---|---|
| -58 | -104 | -104 | 79.3 | NET INTEREST EXPENSE (incl. preference shares) | -130 | -208 | 60.0 |
| 25 | -61 | 67 | 168.0 | HEDGING POSITIONS INCOME/EXPENSE | -26 | 6 | - |
| -13 | -13 | -13 | 0.0 | UPDATE OF PROVISIONS | -40 | -26 | -35.0 |
| 35 | 17 | 17 | -51.4 | CAPITALISED INTEREST | 65 | 34 | -47.7 |
| -45 | -55 | -55 | 22.2 | OTHER FINANCIAL INCOME/EXPENSES | -95 | -110 | 15.8 |
| **-56** | **-216** | **-88** | **57.1** | **TOTAL** | **-226** | **-304** | **34.5** |

The Group’s **net financial expenses** at the end of second quarter 2012 **ex Gas Natural Fenosa,** amounted to 304 M€, increasing 78 M€ versus the same year-ago period mainly because of higher interest expenses as a result of larger average net debt balances and the “step up” of preference shares.

# 3.- OTHER CAPTIONS IN THE PROFIT AND LOSS ACCOUNT

## 3.1.- TAXES

The effective tax rate in the first half of 2012 before the earnings of unconsolidated affiliates, was 44% and the accrued tax expense totalled 674 M€. The new estimated tax rate for fiscal year 2012 is approximately 44%.

## 3.2.- EQUITY ON EARNINGS OF UNCONSOLIDATED AFFILIATES

Unaudited figures

| 2Q 2011 | 1Q 2012 | 2Q 2012 | % Variation 2Q12/2Q11 | BREAKDOWN OF UNCONSOLIDATED AFFILIATES (M€) | Jan-Jun 2011 | Jan-Jun 2012 | % Variation 12/11 |
|---|---|---|---|---|---|---|---|
| -6.4 | 1.2 | 10.2 | - | UPSTREAM | -0.9 | 11.4 | - |
| 10.7 | 16.4 | 27.6 | 157.9 | LNG | 17.8 | 44.1 | 147.8 |
| 7.8 | 7.9 | 1.1 | -85.9 | DOWNSTREAM | 14.3 | 9.0 | -37.1 |
| 1.0 | 1.1 | 0.5 | -50.0 | Gas Natural Fenosa | 1.6 | 1.7 | 6.3 |
| **13.1** | **26.7** | **39.4** | **200.8** | **TOTAL** | **32.8** | **66.1** | **101.5** |

Income from minority interests in second quarter 2012 totalled 39 M€, significantly higher than in the same year-ago quarter.

The variation in the Upstream division is positive compared to the same quarter a year earlier due to the drawdown of inventories and expenses in connection with the decision to renounce further activities in ENIREPSA in 2Q11. In LNG, income growth was driven by Peru LNG and in Downstream, the negative variation is due to lower operating income at Dynasol.

## 3.3.- MINORITY INTERESTS

Recurrent income attributable to minority interests in second quarter 2012 amounted to 1M€ versus 26 M€ recorded in second quarter 2011.

Having excluded minority interests in YPF's results, this caption now mainly reflects the minority interests in the La Pampilla (Peru) and Petronor (Bilbao) refineries. The quarter-on-quarter variation is due to the weaker earnings performance of both companies as a result of inventory losses recorded in second quarter 2012.

## 4.- HIGHLIGHTS

Since the publication of first quarter 2012 results, the most relevant items on the Company are as follow:

In **Upstream,** the new gas processing plant started operations in early May and Phase I of the major Margarita-Huacaya (Bolivia) gas development project also came on stream. The start-up of the plant together with the fluid collection system and gas pipelines, and the completion of wells, made it possible to increase production from the previous 3 Mm3 per day to 9 Mm3 per day. Margarita, one of the major projects contemplated in the Repsol Strategic Plan, started to contribute a significant volume of production and the corresponding economic income.

On 24 May, Repsol Sinopec issued a press release confirming the enormous potential of Block BM-C-33 in the Brazilian pre-salt play. On Repsol Sinopec Brasil's estimates, Block BM-C-33, situated in ultra-deep waters in the Campos Basin, contains more than 700 million barrels of light crude oil resources and 3 Tcf of gas. The consortium partners are currently working on a plan for developing the potential of this zone that has already become a reality. The consortium operating the well is led by Repsol Sinopec Brazil (which owns a 35% stake and is the operator) and includes Statoil (35%) and Petrobras (30%) as the other partners.

On 20 June 2012, Repsol was awarded five new exploration blocks, 3 of which it will operate, in the central offshore sector in the Gulf of Mexico in the 2012 Exploration Round held in the U.S. This was the first round held following the Macondo well incident and the moratorium imposed by the U.S. Government.

In June, Repsol acquired from Arcadia Petroleum, Ltd. ("Arcadia") a 44% interest in the 0010 exploration license situated offshore Namibia that includes the 1910A, 1911, and 2011A offshore blocks. This transaction is currently pending the approval of Namibia's authorities.

In **Downstream**, on 19 July Repsol announced that it had reached an agreement on the sale of Repsol Butano Chile to a consortium of Chilean investors led by LarrainVial for the sum of approximately 540 million dollars. The transaction will generate approximately 170 million dollars in net capital gains. This transaction is the first divestment of non-core assets contemplated in the Repsol Strategic Plan 2012-2016 which contemplates up to 4.5 billion Euros divestments during this period. These divestments, already totalling 1.85 billion Euros.

In the **Corporation**, on 19 July Repsol announced that, as part of its divestment plan, it was performing a preliminary analysis of different alternatives for the permanent dynamic management of its business portfolio, including those activities relating to its LNG assets (Liquefied Natural Gas) without having taken a decision to date in this respect. Furthermore, to improve its liquidity and reinforce its cash position in the event of potentially adverse market conditions, the Company has concluded three separate finance deals for a total sum of 1 billion Euros and a 12-month term by entering into several share forward transactions which have 104,762,387 shares of Gas Natural SDG, S.A. representing 10.47% of its share capital, as underlying assets. These financial derivatives will be settled in cash upon maturity and Repsol undertakes to return to each financial entity the market value of the underlying shares on the maturity date. To hedge against variations in the trading price of these underlying shares, Repsol, on the signing date of the transactions, entered into another derivative transaction (share swap transaction) with each of the financial entities for the same notional sum and settlement, also in cash, upon maturity.

On 6 July, following the official notices sent to the Comisión Nacional del Mercado de Valores (Spanish Securities Exchange Commission) on 31 May 2012 (registration number 165,830) and on 19 June 2012 (registration number 167,400), Repsol, S.A. ("Repsol") informed the conclusion on 5 July 2012 of the trading period for the rights relating to the bonus rights issue corresponding to the "Repsol Flexible Dividend" program to substitute what would have been the final dividend for 2011. Holders of 63.64% of the free-of-charge allocation rights (a total of 776,935,821 rights) opted to receive new Repsol shares. Accordingly, the definitive number of ordinary shares, each with a par value of one Euro, issued in the capital increase is 35,315,264, with the nominal value of the increase totalling 35,315,264 Euros, implying an approximate 2.89% increase in Repsol's share capital prior to capital increase.

On 12 June, Moody's Investors Service announced that it had downgraded the credit rating of Repsol and of its subsidiaries Repsol International Finance B.V. and Repsol International Capital Ltd., issuers of debt securities and preference shares respectively. Accordingly, the long-term credit ratings were downgraded from Baa2 to Baa3, the short-term rating from Prime-2 to Prime-3, and the rating for preference shares from Ba1 to Ba2, all with a stable outlook. Also, on 29 June, Moody's announced the downgrade of the outlook from stable to negative.

On 22 June, Standard & Poors announced that it had changed Repsol's rating outlook (BBB-/A3) from negative to stable.

On 8 June, Fitch Ratings announced that it had downgraded Repsol's non-current debt from BBB to BBB-, with negative outlook, removing it from the Rating Watch Negative (RWN). The current debt rating remained unchanged at F3.

On 6 June, the Company launched the Second Cycle of the Share Delivery Plan aimed at beneficiaries of the Repsol Group multi-annual remuneration schemes.

On 31 May, the Repsol, S.A. Annual General Meeting on its second call approved all the proposals submitted by the Board of Directors on the items included in the agenda. These agreements include changing the Company's corporate name back to Repsol, S.A. The AGM also approved the re-election of the Board Members Isidro Fainé Casas and Juan María Nin Génova for the statutory 4-year term.

On 31 May, Repsol reported that, exercising the contractual faculties to which it was entitled, it had served notice on the previous day to the entities Petersen Energía Inversora, S.A. and Petersen Energía, S.A. on the early termination of the Loan agreements entered into with these companies on 21 February 2008 and 19 May 2011 (Seller Credit Agreement I and II) which contemplate a collateral pledge of 21,174,920 ordinary Class D shares of YPF, S.A. represented by American Depositary Shares (ADRs), held by the Petersen Group. Pursuant to the terms and conditions of the pledge, upon notification of the early termination of the loans, Repsol, as the pledgee and through its collateral agent (The Bank of New York Mellon) may exercise the voting rights corresponding to the pledged shares.

On 28 May, the Repsol Board of Directors passed a resolution approving the Company's new Strategic Plan for the 2012-2016 period. At the same time and in order to promote the execution of the Plan, focusing on its vision for the future, the Board of Directors unanimously approved the proposal of its Chairman that was subject to the prior report of the Nomination and Compensation Committee, to create a new Organizational Structure to reinforce the Company's Corporate Division as well as its Business Areas.

On 10 May, Repsol informed the President of Argentina on the controversy between Repsol, S.A. and Repsol Butano, S.A., on one part, and the Republic of Argentina, on the other, pursuant to the Agreement for the Promotion and Reciprocal Protection of Investments between the Kingdom of Spain and the Republic of Argentina executed on 3 October 1991 (the "Treaty"). The controversy stems from the Argentinean State's expropriation process affecting the majority of share capital of YPF, S.A. and Repsol YPF Gas, S.A. represented by shares held by Repsol, S.A. and Repsol Butano, S.A., respectively.

**Madrid, 26 July 2012**

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A teleconference for analysts and institutional investors is scheduled today, 26 July, at 12:30 p.m. (CET) to report on Repsol's second quarter 2012 results.
The teleconference can be followed live at Repsol's website (www.repsol.com). A recording of the entire event will be available for at least one month at the company's website www.repsol.com for investors and any interested party.

# TABLES

## 2nd QUARTER 2012 RESULTS

## REPSOL ADJUSTED OPERATING INCOME BASED ON ITS MAIN COMPONENTS

**(Million euros)**

(Unaudited figures)

*Compiled in accordance with International Financial Reporting Standards*

| | QUARTERLY FIGURES | | | JANUARY-JUNE | |
|---|---|---|---|---|---|
| | 2Q11 | 1Q12 | 2Q12 | 2011 | 2012 |
| **EBITDA** | **1,346** | **1,926** | **1,405** | **3,089** | **3,331** |
| Operating revenue | 13,096 | 15,060 | 14,018 | 26,330 | 29,078 |
| Operating income | 886 | 1,330 | 636 | 2,109 | 1,966 |
| Financial expenses | (129) | (282) | (151) | (374) | (433) |
| Share in income of companies carried by the equity method - net of taxes | 13 | 27 | 39 | 33 | 66 |
| **Income before income tax** | **770** | **1,075** | **524** | **1,768** | **1,599** |
| Income tax | (249) | (425) | (249) | (645) | (674) |
| **Income from continued operations** | **521** | **650** | **275** | **1,123** | **925** |
| Income attributed to minority interests for continued operations | (26) | (21) | (1) | (66) | (22) |
| **NET INCOME FROM CONTINUED OPERATIONS** | **495** | **629** | **274** | **1,057** | **903** |
| Income from discontinued operations (*) | 84 | 163 | (30) | 287 | 133 |
| **Net Income** | **579** | **792** | **244** | **1,344** | **1,036** |

| | 2Q11 | 1Q12 | 2Q12 | 2011 | 2012 |
|---|---|---|---|---|---|
| Earnings per share accrued by parent company (**) | | | | | |
| * Euro/share | 0.46 | 0.67 | 0.20 | 1.07 | 0.87 |
| * $/ADR | 0.67 | 0.89 | 0.26 | 1.55 | 1.10 |

NOTE: Information for 2011 and 1Q12 includes the necessary changes in relation to the profit and loss account published in each period on the expropriation process affecting YPF, S.A. and Repsol YPF Gas, S.A. shares.

(*) It includes net income/(losses) net of taxes and minority interests contributed by YPF, S.A: and Repsol YPF Gas, S.A. and the affiliates of each company for each period and for the loans extended to the Petersen Group as well as the effects recorded as a result of the expropriation of YPF, S:A: and Repsol YPF Gas, S.A. shares.

(**) A capital increase for the shareholder's remuneration scheme known as "Repsol dividendo flexible" was carried out in July 2012 and, accordingly, share capital is currently represented by 1,256,178,727 shares. The average weighted number of outstanding shares for the presented periods was recalculated in comparison with the previous periods to include the impact of this capital increase in accordance with IAS 33 "Earnings per share". The average number of shares held by the company during each period was also taken into account. The average number of outstanding shares was 1,256,178,727 in 2011 and 1,190,466,357 in 2012.

Dollar/euro exchange rate at date of closure of each quarter:
1.445 dollars per euro in 2Q11
1.336 dollars per euro in 1Q12
1.259 dollars per euro in 2Q12

## REPSOL ADJUSTED OPERATING INCOME BY RECURRENT AND NON RECURRENT ITEMS

**(Million euros)**

(Unaudited figures)

| | 2Q11 | | | JANUARY - JUNE 2011 | | |
|---|---|---|---|---|---|---|
| | Total | Non recurrent | Adjusted | Total | Non recurrent | Adjusted |
| **Income from continuous operations before financial expenses** | **886** | **93** | **793** | **2.109** | **87** | **2.022** |
| Upstream | 316 | 23 | 293 | 806 | 23 | 783 |
| LNG | 53 | - | 53 | 168 | - | 168 |
| Downstream | 304 | (6) | 310 | 744 | (6) | 750 |
| Gas Natural Fenosa | 265 | 77 | 188 | 512 | 75 | 437 |
| Corporate and others | (52) | (1) | (51) | (121) | (5) | (116) |
| Financial expenses | (129) | 1 | (130) | (374) | (16) | (358) |
| Share in income of companies carried by the equity method - net of taxes | 13 | - | 13 | 33 | - | 33 |
| **Income before income tax** | **770** | **94** | **676** | **1.768** | **71** | **1.697** |
| Income tax | (249) | (31) | (218) | (645) | (30) | (615) |
| **Income from continued operations** | **521** | **63** | **458** | **1.123** | **41** | **1.082** |
| Income attributed to minority interests for continued operations | (26) | - | (26) | (66) | - | (66) |
| **NET INCOME FROM CONTINUED OPERATIONS** | **495** | **63** | **432** | **1.057** | **41** | **1.016** |
| Income from discontinued operations (*) | 84 | 84 | - | 287 | 287 | - |
| **Net Income** | **579** | **147** | **432** | **1.344** | **328** | **1.016** |

| | 1Q12 | | |
|---|---|---|---|
| | Total | Non recurrent | Adjusted |
| **Income from continuous operations before financial expenses** | **1.330** | **(2)** | **1.332** |
| Upstream | 654 | (5) | 659 |
| LNG | 158 | - | 158 |
| Downstream | 332 | (1) | 333 |
| Gas Natural Fenosa | 246 | 5 | 241 |
| Corporate and others | (60) | (1) | (59) |
| Financial expenses | (282) | (1) | (281) |
| Share in income of companies carried by the equity method - net of taxes | 27 | - | 27 |
| **Income before income tax** | **1.075** | **(3)** | **1.078** |
| Income tax | (425) | 1 | (426) |
| **Income from continued operations** | **650** | **(2)** | **652** |
| Income attributed to minority interests for continued operations | (21) | - | (21) |
| **NET INCOME FROM CONTINUED OPERATIONS** | **629** | **(2)** | **631** |
| Income from discontinued operations (*) | 163 | 163 | - |
| **Net Income** | **792** | **161** | **631** |

| | 2Q12 | | | JANUARY - JUNE 2012 | | |
|---|---|---|---|---|---|---|
| | Total | Non recurrent | Adjusted | Total | No recurrentes | Ajustado |
| **Income from continuous operations before financial expenses** | **636** | **(43)** | **679** | **1.966** | **(45)** | **2.011** |
| Upstream | 490 | (28) | 518 | 1.144 | (33) | 1.177 |
| LNG | 79 | 1 | 78 | 237 | 1 | 236 |
| Downstream | (55) | (3) | (52) | 277 | (4) | 281 |
| Gas Natural Fenosa | 229 | (3) | 232 | 475 | 2 | 473 |
| Corporate and others | (107) | (10) | (97) | (167) | (11) | (156) |
| Financial expenses | (151) | (11) | (140) | (433) | (12) | (421) |
| Share in income of companies carried by the equity method - net of taxes | 39 | - | 39 | 66 | - | 66 |
| **Income before income tax** | **524** | **(54)** | **578** | **1.599** | **(57)** | **1.656** |
| Income tax | (249) | 9 | (258) | (674) | 10 | (684) |
| **Income from continued operations** | **275** | **(45)** | **320** | **925** | **(47)** | **972** |
| Income attributed to minority interests for continued operations | (1) | - | (1) | (22) | - | (22) |
| **NET INCOME FROM CONTINUED OPERATIONS** | **274** | **(45)** | **319** | **903** | **(47)** | **950** |
| Income from discontinued operations (*) | (30) | (30) | - | 133 | 133 | - |
| **Net Income** | **244** | **(75)** | **319** | **1.036** | **86** | **950** |

NOTE: Information for 2011 and 1Q12 includes the necessary changes in relation to the profit and loss account published in each period on the expropriation process affecting YPF, S.A. and Repsol YPF Gas, S.A. shares.

(*) It includes net income/(losses) net of taxes and minority interests contributed by YPF, S.A. and Repsol YPF Gas, S.A. and the affiliates of each company for each period and for the loans extended to the Petersen Group as well as the effects recorded as a result of the expropriation of YPF, S.A. and Repsol YPF Gas, S.A. shares.

## BREAKDOWN OF REPSOL ADJUSTED OPERATING INCOME BY ACTIVITIES AND GEOGRAPHICAL AREAS

**(Million euros)**

(Unaudited figures)

*Compiled in accordance with International Financial Reporting Standards*

| | QUARTERLY FIGURES | | | JANUARY-JUNE | |
|---|---|---|---|---|---|
| | **2Q11** | **1Q12** | **2Q12** | **2011** | **2012** |
| **Upstream** | **316** | **654** | **490** | **806** | **1,144** |
| USA and Brazil | 115 | 117 | 75 | 201 | 192 |
| North of Africa | (34) | 337 | 347 | 128 | 684 |
| Rest of the World | 235 | 200 | 68 | 477 | 268 |
| **LNG** | **53** | **158** | **79** | **168** | **237** |
| **Downstream** | **304** | **332** | **(55)** | **744** | **277** |
| Europe | 255 | 292 | (43) | 635 | 249 |
| Rest of the World | 49 | 40 | (12) | 109 | 28 |
| **Gas Natural Fenosa** | **265** | **246** | **229** | **512** | **475** |
| **Corporate and others** | **(52)** | **(60)** | **(107)** | **(121)** | **(167)** |
| **TOTAL** | **886** | **1,330** | **636** | **2,109** | **1,966** |

NOTE: Information for 2011 and 1Q12 includes the necessary changes in relation to the profit and loss account published in each period on the expropriation process affecting YPF, S.A. and Repsol YPF Gas, S.A. shares.

## BREAKDOWN OF REPSOL ADJUSTED EBITDA
## BY ACTIVITIES AND GEOGRAPHICAL AREAS

**(Million of euros)**

(Unaudited figures)

*Compiled in accordance with International Financial Reporting Standards*

| | QUARTERLY FIGURES | | | JANUARY-JUNE | |
|---|---|---|---|---|---|
| | 2Q11 | 1Q12 | 2Q12 | 2011 | 2012 |
| **Upstream** | **497** | **868** | **857** | **1,151** | **1,725** |
| USA and Brazil | 161 | 216 | 204 | 312 | 420 |
| North of Africa | 8 | 352 | 368 | 183 | 720 |
| Rest of the World | 328 | 300 | 285 | 656 | 585 |
| **LNG** | **94** | **202** | **129** | **251** | **331** |
| **Downstream** | **469** | **502** | **120** | **1,043** | **622** |
| Europe | 411 | 451 | 120 | 913 | 571 |
| Rest of the World | 58 | 51 | 0 | 130 | 51 |
| **Gas Natural Fenosa** | **325** | **391** | **377** | **731** | **768** |
| **Corporate and others** | **(39)** | **(37)** | **(78)** | **(87)** | **(115)** |
| **TOTAL** | **1,346** | **1,926** | **1,405** | **3,089** | **3,331** |

NOTE: Information for 2011 and 1Q12 includes the necessary changes in relation to the profit and loss account published in each period on the expropriation process affecting YPF, S.A. and Repsol YPF Gas, S.A. shares.

## BREAKDOWN OF REPSOL ADJUSTED OPERATING INVESTMENTS BY ACTIVITIES AND GEOGRAPHICAL AREAS (*)

**(Million of euros)**

(Unaudited figures)

*Compiled in accordance with International Financial Reporting Standards*

| | QUARTERLY FIGURES | | | JANUARY-JUNE | |
|---|---|---|---|---|---|
| | 2Q11 | 1Q12 | 2Q12 | 2011 | 2012 |
| **Upstream** | **353** | **610** | **499** | **789** | **1,109** |
| USA and Brazil | 171 | 406 | 260 | 466 | 666 |
| North of Africa | 33 | 5 | 7 | 47 | 12 |
| Rest of the World | 149 | 199 | 232 | 276 | 431 |
| **LNG** | **5** | **11** | **6** | **7** | **17** |
| **Downstream** | **360** | **138** | **157** | **646** | **295** |
| Europe | 345 | 127 | 146 | 618 | 273 |
| Rest of the World | 15 | 11 | 11 | 28 | 22 |
| **Gas Natural Fenosa** | **86** | **67** | **118** | **156** | **185** |
| **Corporate and others** | **23** | **32** | **17** | **29** | **49** |
| **TOTAL** | **827** | **858** | **797** | **1,627** | **1,655** |

(*) Includes investments accrued during the period regardless of having been paid or not. Does not include investments in "other financial assets".

NOTE: Information for 2011 and 1Q12 includes the necessary changes in relation to the profit and loss account published in each period on the expropriation process affecting YPF, S.A. and Repsol YPF Gas, S.A. shares.

## REPSOL ADJUSTED BALANCE SHEET

**(Million euros)**

(Unaudited figures)

*Compiled in accordance with International Financial Reporting Standards*

| | DECEMBER 2011 | JUNE 2012 |
|---|---|---|
| **NON-CURRENT ASSETS** | | |
| Goodwill | 4,645 | 2,684 |
| Other intangible assets | 3,138 | 3,114 |
| Property, Plant and Equipmment | 36,759 | 28,070 |
| Investment property | 24 | 25 |
| Equity-accounted financial investments | 699 | 738 |
| Consolidated Net Book Value of YPF (*) | - | 5,653 |
| Non-current financial assets | | |
| Non-current financial instruments | 2,322 | 887 |
| Others | 128 | 382 |
| Deferred tax assets | 2,569 | 3,109 |
| Other non-current assets | 344 | 251 |
| **CURRENT ASSETS** | | |
| Non-current assets classified as held for sale | 258 | 464 |
| Inventories | 7,278 | 5,639 |
| Trade and other receivables | 9,222 | 7,815 |
| Other current assets | 220 | 120 |
| Other current financial assets | 674 | 473 |
| Cash and cash equivalents | 2,677 | 3,953 |
| **TOTAL ASSETS** | **70,957** | **63,377** |
| **TOTAL EQUITY** | | |
| Attributable to equity holders of the parent | 23,538 | 26,732 |
| Attributable to minority interests | 3,505 | 762 |
| **NON-CURRENT LIABILITIES** | | |
| Subsidies | 118 | 72 |
| Non-current provisions | 3,826 | 2,193 |
| Non-current financial debt | 15,345 | 15,357 |
| Deferred tax liabilities | 3,839 | 2,895 |
| Other non-current liabilities | | |
| Non-current debt for finance leases | 2,864 | 2,892 |
| Others | 818 | 806 |
| **CURRENT LIABILITIES** | | |
| Liabilities associated with non-current assets held for sale | 32 | 107 |
| Current provisions | 452 | 183 |
| Current financial liabilities | 4,985 | 3,020 |
| Trade debtors and other payables: | | |
| Current debt for finance leases | 223 | 230 |
| Other trade debtors and payables | 11,412 | 8,128 |
| **TOTAL LIABILITIES** | **70,957** | **63,377** |

## STATEMENT OF CASH FLOW

**(Million euros)**

(Unaudited figures)

*Compiled in accordance with International Financial Reporting Standards*

| | JANUARY - JUNE | |
|---|---|---|
| | 2011 | 2012 |
| **I.CASH FLOWS FROM OPERATING ACTIVITIES (*)** | | |
| Income before taxes and associates | 1,768 | 1,599 |
| Adjustments: | | |
| Depreciation of Property, Plant and Equipment | 1,044 | 1,287 |
| Other adjustments (net) | 277 | 445 |
| **EBITDA** | **3,089** | **3,331** |
| Variation in working capital | (1,060) | (139) |
| Dividends received | 17 | 37 |
| Income taxes received/(paid) | (488) | (637) |
| Other proceeds/(payments) from operating activities | (86) | (147) |
| **OTHER CASH FLOWS FROM OPERATING ACTIVITIES** | **(557)** | **(747)** |
| | **1,472** | **2,445** |
| **II. CASH FLOWS FROM INVESTING ACTIVITIES (*)** | | |
| Investment payments | | |
| Group companies, associates, and business units | (90) | (57) |
| Property, plant and equipment, intangible assets and property investments | (1,537) | (1,674) |
| Other financial assets | (290) | (132) |
| **Total Investments** | **(1,917)** | **(1,863)** |
| Proceeds on divestments | 589 | 395 |
| Other cash flows | (6) | 2 |
| | **(1,334)** | **(1,466)** |
| **III. CASH FLOWS FROM FINANCING ACTIVITIES (*)** | | |
| Receipts/Payments from equity instruments | - | 1,313 |
| Proceeds on issue of financial liabilities | 2,738 | 5,443 |
| Payments for return and amortization of financial obligations | (4,002) | (5,335) |
| Dividends paid | (671) | (685) |
| Interest paid | (419) | (413) |
| Other proceeds/(payments) from financing activities | (283) | 303 |
| | **(2,637)** | **626** |
| Impact of translation differences from continued operations. | (110) | **15** |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS FROM CONTINUED OPERATIONS** | **(2,609)** | **1,620** |
| Cash flows from operating activities from discontinued operations | 564 | 874 |
| Cash flows from investment activities from discontinued operations | (738) | (872) |
| Cash flows from finance activities from discontinued operations | 2,099 | (339) |
| Impact from translation differences from discontinued operations | (28) | (7) |
| **NET INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS FROM DISCONTINUED OPERATIONS** | **1,897** | **(344)** |
| **CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD** | **6,448** | **2,677** |
| **CASH AND CASH EQUIVALENT AT THE END OF THE PERIOD** | **5,736** | **3,953** |

NOTE: Information for 2011 and 1Q12 includes the necessary changes in relation to the profit and loss account published in each period on the expropriation process affecting YPF, S.A. and Repsol YPF Gas, S.A. shares.

(*) Relates to cash flows from continued operations.

# FINANCIAL INCOME/CHARGES AND DEBT FOR THE CONSOLIDATED GROUP

**Unaudited figures (IFRS)**

| NET DEBT (M€) – Consolidated Group | 1Q2012 | 2Q2012 | % variation 2Q12/1Q12 | Jan-Jun 12 |
|---|---|---|---|---|
| **NET DEBT OF THE CONSOLIDATED GROUP AT THE START OF THE PERIOD** | **11,663** | **-** | **-** | **11,663** |
| ELIMINATION OF YPF AND RYPF Gas DEBT AT 31 DECEMBER 2011 | -1,939 | - | - | -1,939 |
| **NET DEBT OF THE CONSOLIDATED GROUP EX YPF AT THE START OF THE PERIOD** | **9,724** | **8,911** | **-8.4** | **9,724** |
| EBITDA | -1,926 | -1,405 | -27.1 | -3,331 |
| VARIATION IN TRADE WORKING CAPITAL | 528 | -389 | - | 139 |
| INCOME TAX COLLECTIONS / PAYMENTS | 126 | 511 | 305.6 | 637 |
| INVESTMENTS **(1)** | 924 | 930 | 0.6 | 1,854 |
| DIVESTMENTS **(1)** | -140 | -60 | -57.1 | -200 |
| DIVIDENDS PAID (including affiliates) | 646 | 39 | -94.0 | 685 |
| OWN SHARES TRANSACTIONS | -1,364 | 51 | - | -1,313 |
| TRANSLATION DIFFERENCES | 167 | -276 | - | -109 |
| INTEREST EXPENSE AND OTHER MOVEMENTS **(2)** | 249 | 259 | 4.0 | 508 |
| IMPACT FROM THE DEFAULT OF THE PETERSEN GROUP **(3)** | -23 | 1,389 | - | 1,366 |
| **NET DEBT AT THE CLOSE OF THE PERIOD** | **8,911** | **9,960** | **11.8** | **9,960** |
| **NET DEBT + PREFERENCE SHARES AT THE CLOSE OF THE PERIOD** | **12,126** | **13,171** | **8.6** | **13,171** |
| **Debt ratio** | | | | |
| CAPITAL EMPLOYED (M€) **(4)** | 33,898 | 34,797 | 2.7 | 34,797 |
| **NET DEBT / CAPITAL EMPLOYED (%)** | **26.3** | **28.6** | **8.7** | **28.6** |
| NET DEBT + PREFERENCE SHARES / CAPITAL EMPLOYED (%) | 35.8 | 37.9 | 5.9 | 37.9 |
| ROACE before non-recurrent items (%) **(5)** | 10.2 | 4.8 | -52.9 | 7.5 |

**(1)** In second quarter 2012, financial investments totalling 9 M€ and financial diverstments for the sum of 195 M€, were made which are not reflected in this table.

**(2)** Mainly includes dividends collected, provisions, and interest expenses.

**(3)** Mainly includes the sum relating to the provision recorded for the financial loans extended to the Petersen Group.

**(4)** The capital employed excludes discontinued operations. Including discontinued operations, as of June 30 2012, the ratio net debt/capital employed would be 24.5% and 32.4% considering preference shares.

**(5)** ROACE does not include neither income nor capital employed from discontinued operations.

**Unaudited figures (IFRS)**

| 2Q 2011 | 1Q 2012 | 2Q 2012 | % Variation 2Q12/1Q12 | FINANCIAL INCOME / EXPENSES CONSOLIDATED GROUP (M€) | Jan-Jun 2011 | Jan-Jun 2012 | % Variation 12/11 |
|---|---|---|---|---|---|---|---|
| -122 | -163 | -162 | 32.8 | NET INTEREST EXPENSE (incl. preference shares) | -260 | -325 | 25.0 |
| 23 | -59 | 67 | 191.3 | HEDGING POSITION INCOME / EXPENSE | -24 | 8 | - |
| -16 | -15 | -15 | -6.3 | UPDATE OF PROVISIONS | -45 | -30 | -33.3 |
| 36 | 18 | 18 | -50.0 | CAPITALISED INTEREST | 67 | 36 | -46.3 |
| -50 | *-63* | -59 | 18.0 | OTHER FINANCIAL INCOME / EXPENSES | -112 | -122 | 8.9 |
| **-129** | **-282** | **-151** | **17.1** | **TOTAL** | **-374** | **-433** | **15.8** |

# TABLES

## OPERATING HIGHLIGHTS 2Q 2012

## OPERATING HIGHLIGHTS UPSTREAM

| | Unit | 2011 1Q | 2011 2Q | 2011 Acum | 2012 1Q | 2012 2Q | 2012 Acum | % Variation 12 / 11 |
|---|---|---|---|---|---|---|---|---|
| **HYDROCARBON PRODUCTION** | **K Boed** | **324** | **296** | **310** | **323** | **320** | **322** | **3.8%** |
| **Crude and Liquids production** | **K Boed** | **130** | **100** | **115** | **136** | **144** | **140** | **21.8%** |
| USA and Brazil | K Boed | 30 | 30 | 30 | 33 | 30 | 32 | 6.4% |
| North Africa | K Boed | 30 | 3 | 16 | 39 | 49 | 44 | 173.0% |
| Rest of the world | K Boed | 70 | 68 | 69 | 64 | 65 | 64 | -6.9% |
| **Natural gas production** | **K Boed** | **195** | **196** | **195** | **188** | **176** | **182** | **-6.9%** |
| USA and Brazil | K Boed | 1 | 2 | 2 | 2 | 2 | 2 | 34.0% |
| North Africa | K Boed | 6 | 6 | 6 | 6 | 6 | 6 | 0.4% |
| Rest of the world | K Boed | 187 | 188 | 188 | 180 | 167 | 174 | -7.4% |

## OPERATING HIGHLIGHTS DOWNSTREAM

| | Unit | 2011 1Q | 2011 2Q | 2011 Acum | 2012 1Q | 2012 2Q | 2012 Acum | % Variation 12 / 11 |
|---|---|---|---|---|---|---|---|---|
| **CRUDE PROCESSED** | **Mtoe** | **7.3** | **7.7** | **15.0** | **8.2** | **8.5** | **16.7** | **11.7%** |
| Europe | Mtoe | 6.4 | 6.8 | 13.3 | 7.3 | 7.6 | 14.9 | 12.5% |
| Rest of the world | Mtoe | 0.9 | 0.9 | 1.7 | 0.9 | 0.9 | 1.8 | 5.8% |
| **SALES OF OIL PRODUCTS** | **Kt** | **9,251** | **9,458** | **18,709** | **10,138** | **9,839** | **19,977** | **6.8%** |
| **Europe** | **Kt** | **8,215** | **8,465** | **16,680** | **9,029** | **8,737** | **17,766** | **6.5%** |
| **–Own network** | **Kt** | **5,009** | **5,274** | **10,283** | **4,961** | **4,796** | **9,757** | **-5.1%** |
| - Light products | Kt | 4,273 | 4,409 | 8,682 | 4,170 | 4,100 | 8,270 | -4.7% |
| - Other Products | Kt | 736 | 865 | 1,601 | 791 | 696 | 1,487 | -7.1% |
| **–Other Sales to Domestic Market** | **Kt** | **1,607** | **1,534** | **3,141** | **1,660** | **1,878** | **3,538** | **12.6%** |
| - Light products | Kt | 1,202 | 1,110 | 2,312 | 1,446 | 1,685 | 3,131 | 35.4% |
| - Other Products | Kt | 405 | 424 | 829 | 214 | 193 | 407 | -50.9% |
| **–Exports** | **Kt** | **1,599** | **1,657** | **3,256** | **2,408** | **2,063** | **4,471** | **37.3%** |
| - Light products | Kt | 474 | 425 | 899 | 797 | 657 | 1,454 | 61.7% |
| - Other Products | Kt | 1,125 | 1,232 | 2,357 | 1,611 | 1,406 | 3,017 | 28.0% |
| **Rest of the world** | **Kt** | **1,036** | **993** | **2,029** | **1,109** | **1,102** | **2,211** | **9.0%** |
| **–Own network** | **Kt** | **406** | **467** | **873** | **480** | **518** | **998** | **14.3%** |
| - Light products | Kt | 345 | 377 | 722 | 424 | 450 | 874 | 21.1% |
| - Other Products | Kt | 61 | 90 | 151 | 56 | 68 | 124 | -17.9% |
| **–Other Sales to Domestic Market** | **Kt** | **398** | **413** | **811** | **387** | **403** | **790** | **-2.6%** |
| - Light products | Kt | 304 | 321 | 625 | 295 | 304 | 599 | -4.2% |
| - Other Products | Kt | 94 | 92 | 186 | 92 | 99 | 191 | 2.7% |
| **–Exports** | **Kt** | **232** | **113** | **345** | **242** | **181** | **423** | **22.6%** |
| - Light products | Kt | 31 | 68 | 99 | 78 | 73 | 151 | 52.5% |
| - Other Products | Kt | 201 | 45 | 246 | 164 | 108 | 272 | 10.6% |
| **CHEMICALS** | | | | | | | | |
| **Sales of petrochemicals products** | **Kt** | **710** | **666** | **1,376** | **593** | **545** | **1,137** | **-17.3%** |
| **Europe** | **Kt** | **624** | **590** | **1,214** | **518** | **459** | **976** | **-19.5%** |
| Base petrochemical | Kt | 236 | 214 | 450 | 161 | 140 | 301 | -33.1% |
| Derivative petrochemicals | Kt | 388 | 376 | 764 | 357 | 319 | 676 | -11.6% |
| **Rest of the world** | **Kt** | **86** | **77** | **162** | **75** | **86** | **161** | **-0.9%** |
| Base petrochemical | Kt | 16 | 19 | 36 | 22 | 17 | 40 | 12.1% |
| Derivative petrochemicals | Kt | 69 | 57 | 127 | 53 | 68 | 121 | -4.5% |
| **LPG** | | | | | | | | |
| **LPG sales** | **Kt** | **784** | **596** | **1,380** | **782** | **607** | **1,388** | **0.6%** |
| Europe | Kt | 507 | 292 | 799 | 496 | 304 | 799 | 0.0% |
| Rest of the world | Kt | 276 | 304 | 580 | 286 | 303 | 589 | 1.5% |

**Other sales to the domestic market: includes sales to operators and bunker.**
**Exports: expressed from the country of origin.**
LPG sales do not include those for Repsol YPF Gas that were 94 Kt in 2Q11 and 64 Kt in 1Q12

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Madrid, April 16th 2012

Today the Argentinian Government announced the start of a process of parliamentary approval in Argentina of a law for a change in control in YPF, by which 51% of YPF S.A.'s Class D shares, all of them owned by Repsol, are declared of public interest and subject to expropriation. Also today, a Decree (*Decreto de Necesidad y Urgencia*) has been approved by the Argentinian Government with immediate effect, establishing the administration of YPF, S.A. for a 30-day period and appointing a Minister of the Government as Controller with all the powers of the Board of Directors.

Repsol considers the announced measure to be manifestly unlawful and gravely discriminatory, that its public interest has in no way been justified and clearly contravenes the obligations undertaken by the Republic of Argentina during the privatisation of YPF, breaching the most basic principles of legal certainty and of reliance by the international investment community. The Company makes express and full reserve of all legal remedies and actions that it is entitled to under Argentinean law, the securities market law where YPF securities are listed, and international law, including the Spanish-Argentinean investment protection treaty.

Repsol will carry out all pertinent legal actions to preserve the value of all their assets and the interests of all their shareholders.

Repsol owns a 57.43% stake in YPF, with a book value in its consolidated financial statements as of 31 December 2011 of 4.122 billion euro. Additionally, Repsol YPF had at that date an outstanding loan to the Petersen Group valued at 1.542 billion euro. As of December 31 2011, YPF represented 25.6% of the group's operating income and 21% of the net income. During the last year, YPF represented 33.7% of the group's total investments. As a consequence of the decision announced today by the Argentinean Government, the group's net debt will be reduced by nearly 1.600 billion euro.

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Madrid, April 17th 2012

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Due to the soundness of the financial position of Repsol, this decision will not affect its developments plans nor its dividend policy, as it was announced by the Company in March 21, 2011. In this regard, and as was announced in February, the Board of Directors will propose to the next General Shareholders Meeting of Repsol YPF a new remuneration system (Scrip dividend), by which shareholders will be offered the opportunity to receive their remuneration in cash or in new paid up shares. Repsol YPF expects the per share remuneration in 2011 to be approximately 10% higher than that paid against 2010 earnings.

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# YPF and Argentina

April 17, 2012

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# Index

## Energy Situation in Argentina

### *Characteristics of Argentina's Energy Situation*

1. Hydrocarbons-intensive energy matrix.

2. Mature Basins, First Oil in 1907.

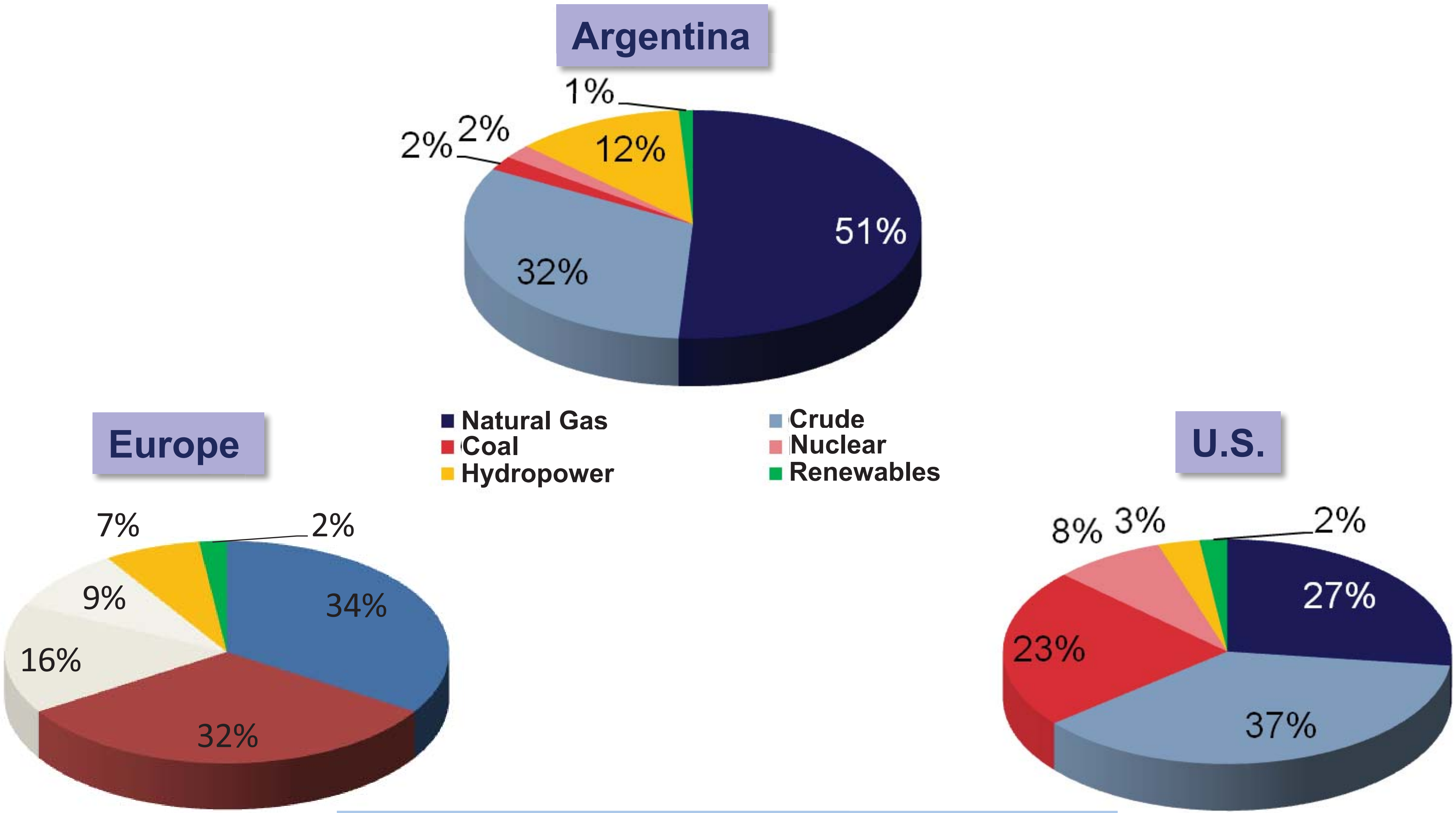
3. Country with high inflation, large salary increases and frozen energy prices, far below international prices.

4. Difference between international import prices and domestic rates bridged with increaseing subsidies. This policy discourages energy saving and affects public finances.

5. Fall in dollar reserves

# Energy Situation in Argentina

## *Primary energy Matrix*

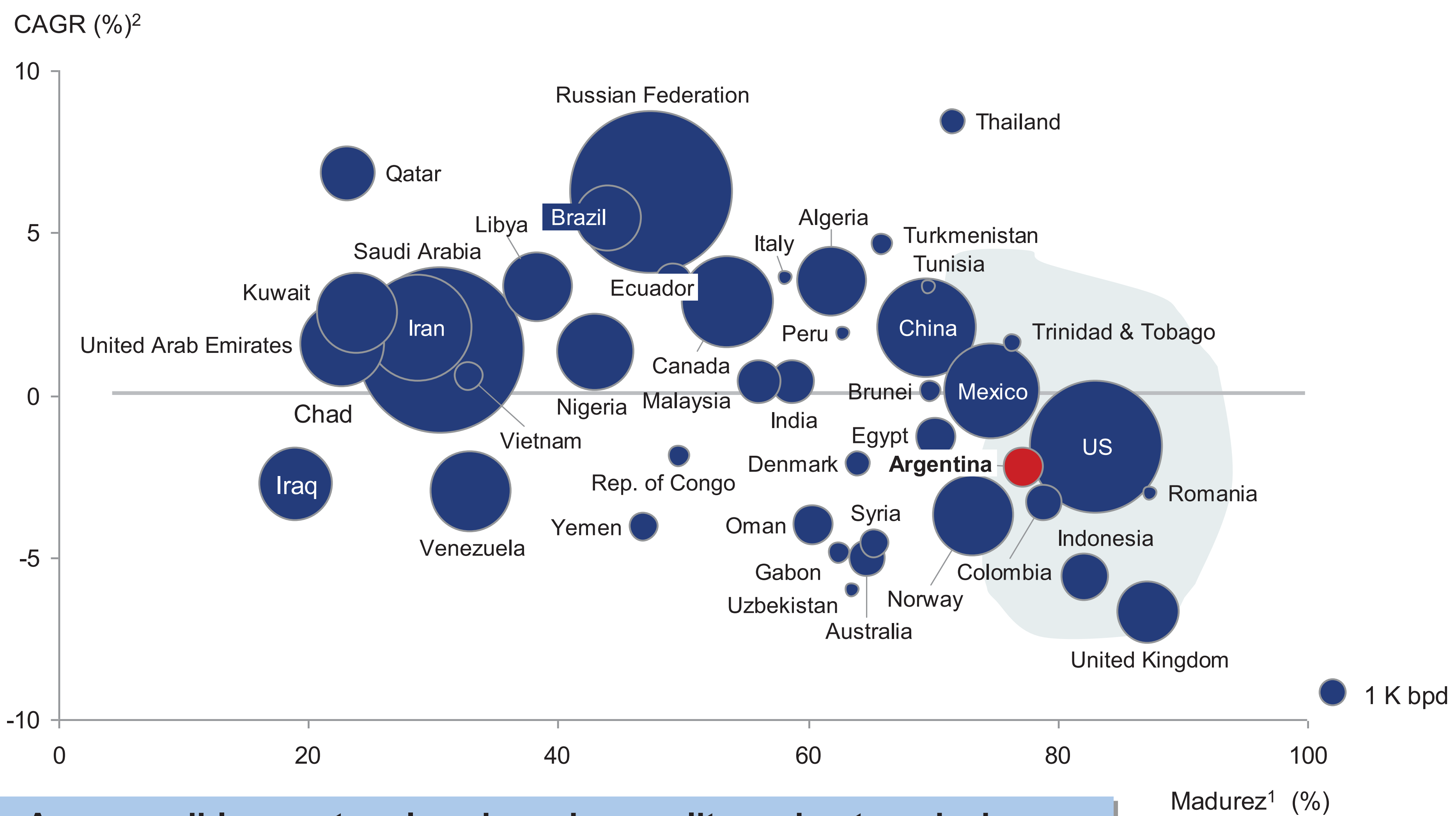



**Argentina is highly dependent on hydrocarbons, mainly natural gas.**

Fuente: BP statistical Review 2010

# Energy Situation in Argentina

## *A mature basin with challenges similar to basins in the US and Mexico*



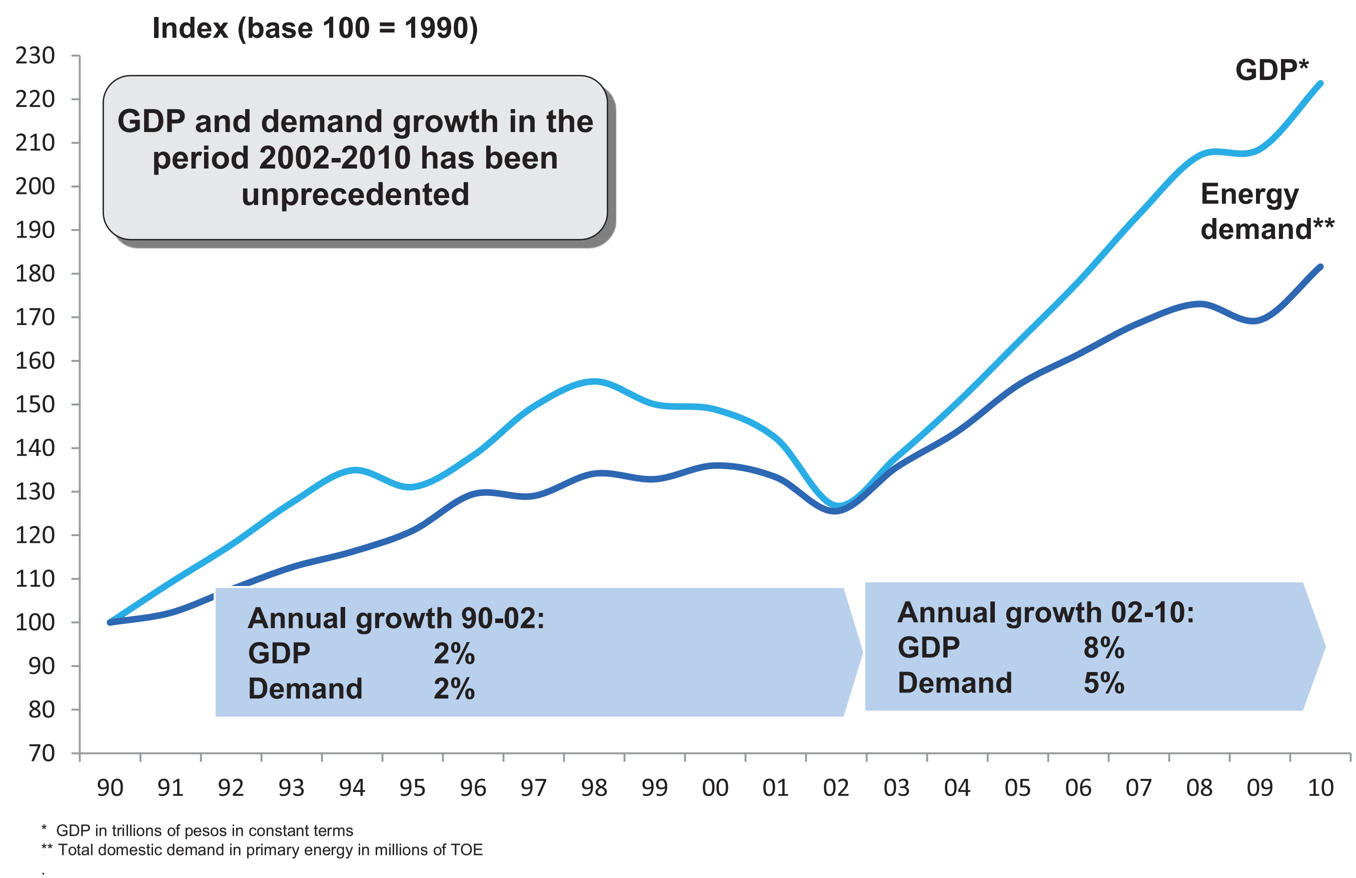

**A responsible country plans based on reality and not on desires**

9

1. Maturity = Accumulated production 1965-2007 / (Accumulated production 1965 - 2007 + proven reserves in 2007); 2. Annualized growth rate in 2000-2007
Source: BP Statistical Review

# Energy Situation in Argentina

## *Economic evolution in Argentina and demand growth*




* GDP in trillions of pesos in constant terms
** Total domestic demand in primary energy in millions of TOE

**In an environment of high GDP growth, subsidies and frozen prices cause energy demand to rise exponentially, making self-supply unsustainable**

Source: INDEC, Secretaría de Energía y Enargas

# Energy Situation in Argentina

## *Natural Gas imports since 2004*

### Main Highlights

**2008** — First LNG imports in the Bahía Blanca port. **6** shipments, 441 Mm3

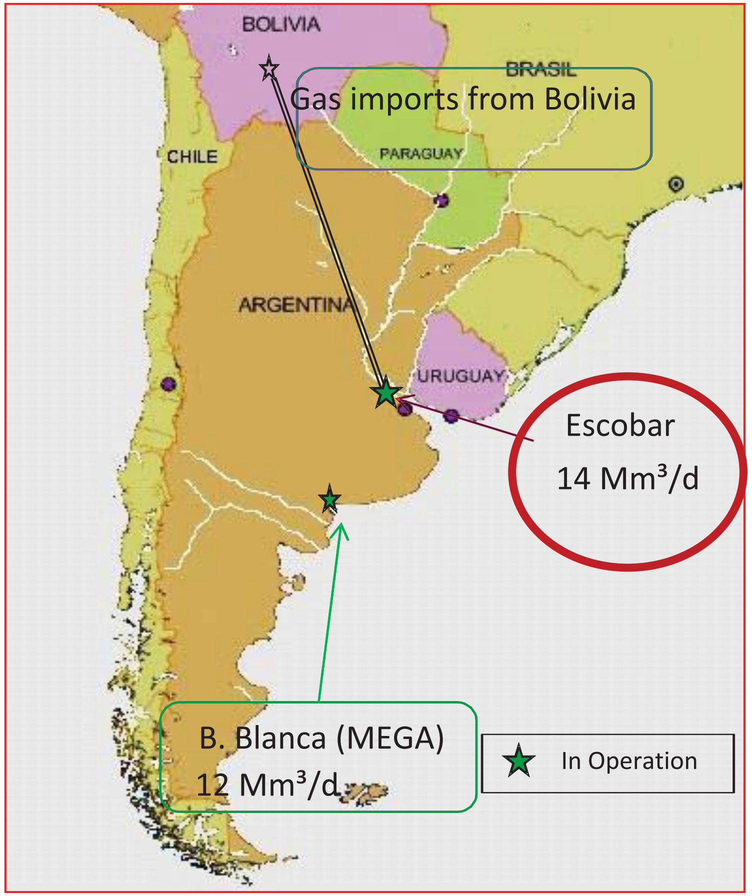
**2009** — LNG imports from May to September 10 cargoes, 783 Mm3

**2010** — LNG imports. Regasification 23 cargoes in 2010

**2011** — LNG imports. Regasification 50 cargoes in 2011

**2012** — Enarsa began an auction for 80 cargoes (aprox.15 pending) in 2012.

### LNG and Bolivia projects




### Escobar LNG

### Bahía Blanca LNG

### Bolivian gas imports

**Gas from LNG and Bolivia are already part of Argentina's energy mix, with the first investmensts in 2006**

Source: YPF

# Energy Situation in Argentina

## *Difference between international import prices and domestic rates leads to growing subsidies*

**The total amount in subsidies increases:**

- because of the difference between import prices and internal rates,
- and because of growing import volumes

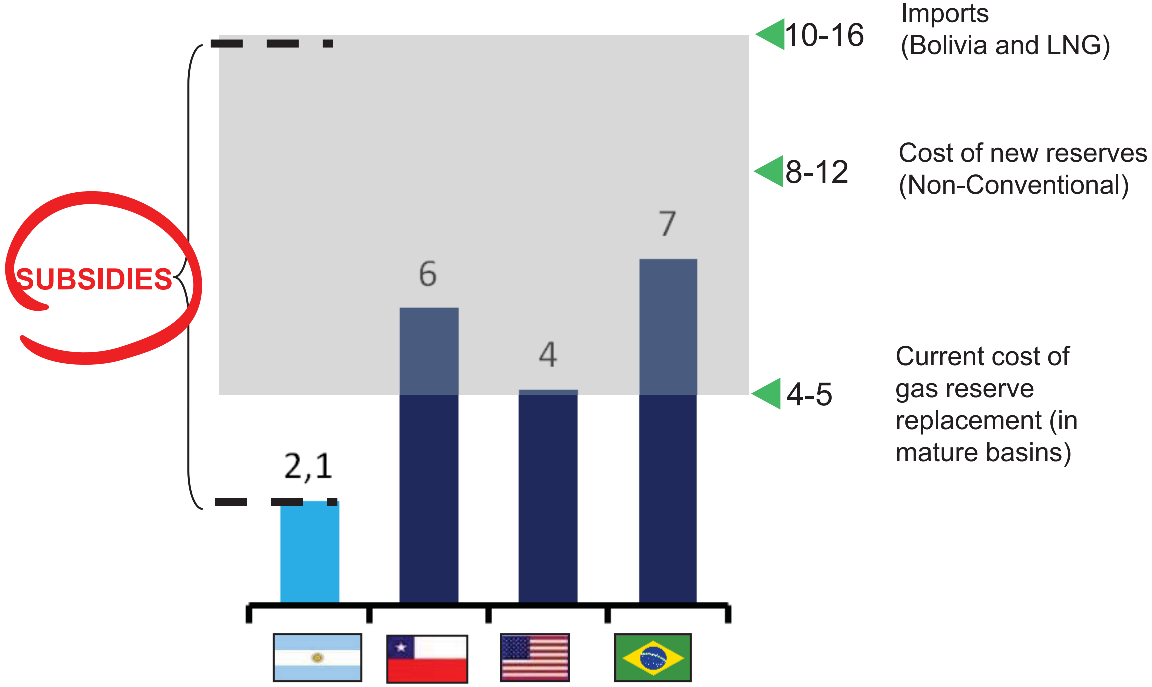
**ENERGY TRADE BALANCE**
**In Millions of Dolars**

| Año | Exportaciones | Importaciones | Balance |
|---|---|---|---|
| 2003 | 5.412 | 548 | **4.864** |
| 2004 | 6.195 | 1.004 | **5.192** |
| 2005 | 7.132 | 1.545 | **5.587** |
| 2006 | 7.760 | 1.729 | **6.031** |
| 2007 | 6.919 | 2.845 | **4.074** |
| 2008 | 7.996 | 4.334 | **3.662** |
| 2009 | 6.438 | 2.626 | **3.812** |
| 2010 | 6.401 | 4.443 | **1.958** |
| 2011 e | 5.657 | 9.095 | **-3.438** |

Fuente: OJF & Asociados en base a INDEC

**Gas realization prices** (at the wellhead)

2011 USD/MBtu




**Imports of LNG and from Bolivia are at international prices, much higher than prices in the country.**

12

Source: Secretaría de Energía (Argentina), Ministerio de economía (Argentina), Ministerio de Minas e Energia-ANP (Brazil), Fondo de Compensación y Comisión Nacional de Energía (Chile), EIA (Henry-Hub)

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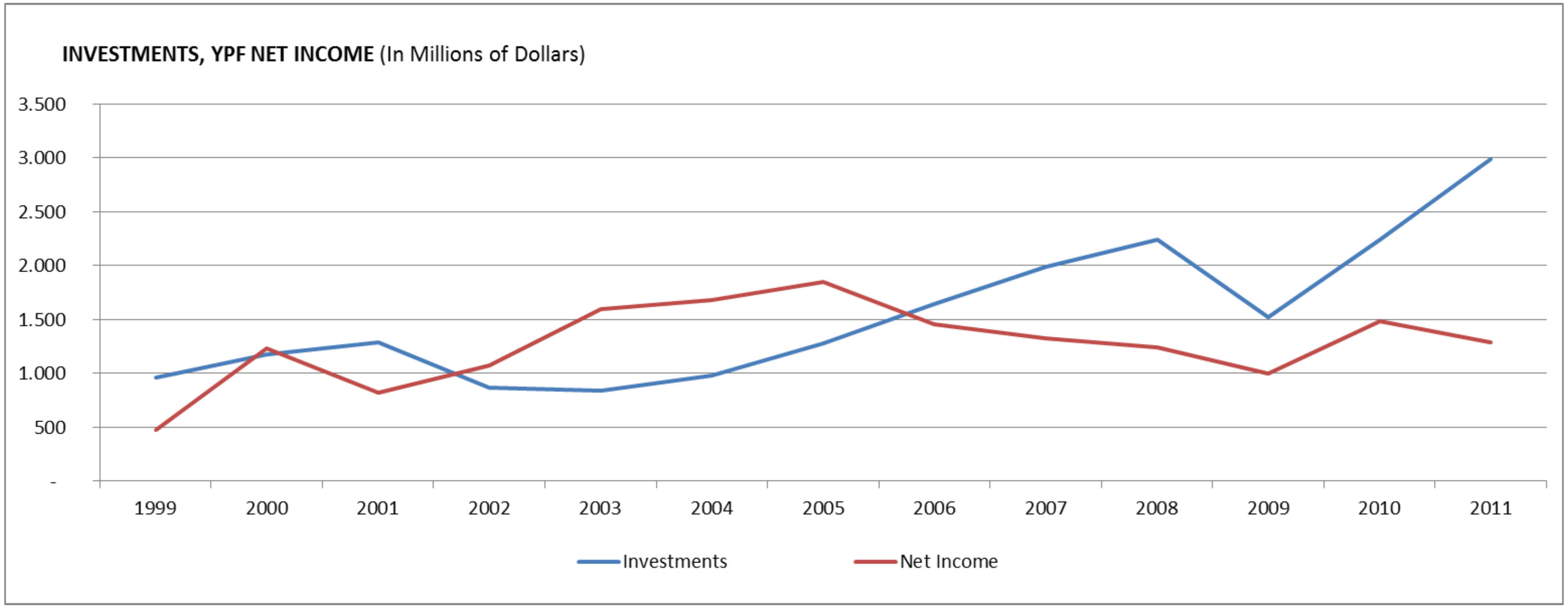
2. Evolution of YPF Key Metrics
3. Argentina-USA Comparison
4. Vaca Muerta: The cause of the Pillage?
5. Accounting impact and Valuation
6. Final Considerations

# Evolution of YPF Key Metrics
## *Evolution of investments and earnings*




| INVESTMENT IN FIXED ASSETS ACQUISITION YPF (In Millions of Dollars) | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **1999** | **2000** | **2001** | **2002** | **2003** | **2004** | **2005** | **2006** | **2007** | **2008** | **2009** | **2010** | **2011** |
| 963 | 1.173 | 1.286 | 867 | 834 | 981 | 1.282 | 1.638 | 1.991 | 2.239 | 1.518 | 2.242 | 2.990 |

| YPF NET INCOME (In Millions of Dollars) | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **1999** | **2000** | **2001** | **2002** | **2003** | **2004** | **2005** | **2006** | **2007** | **2008** | **2009** | **2010** | **2011** |
| 477 | 1.229 | 819 | 1.076 | 1.596 | 1.679 | 1.847 | 1.459 | 1.320 | 1.241 | 994 | 1.487 | 1.289 |

**Since 2006 investment has been higher than earnings. Record investment in 2011**

14

According to Argentinean Gaap (pesos) with accumulated average exchange rate pesos/US$

# Evolution of YPF Key Metrics
## *Reserve addition* *(SEN data)*

### Crude

**Reserves (Million barrels)**

| | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| YPF | 639 | 614 | 601 | 582 | 621 |
| Rest of competitors | 1,948 | 2,002 | 1,920 | 1,922 | 1,904 |
| Total country | 2,587 | 2,616 | 2,520 | 2,505 | 2,525 |

**Incorporation of reserves (Million of barrels)**

| | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| YPF | 24 | 73 | 79 | 70 | 126 |
| Rest of competitors | 607 | 191 | 56 | 141 | 117 |
| Total country | 632 | 264 | 135 | 212 | 243 |

**RRR**

| | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| YPF | 0.23 | 0.75 | 0.85 | 0.79 | 1.44 |
| Rest of competitors | 4.43 | 1.40 | 0.40 | 1.02 | 0.87 |
| Total country | 2.62 | 1.13 | 0.58 | 0.93 | 1.09 |

Data until end of life. Source: IAPG

### Gas

**Reserves (Million boe)**

| | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| YPF | 846 | 798 | 694 | 637 | 637 |
| Rest of competitors | 1,960 | 1,981 | 1,812 | 1,745 | 1,619 |
| Total country | 2,806 | 2,780 | 2,507 | 2,383 | 2,256 |

**Incorporation of reserves (Million of barrels)**

| | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| YPF | 60 | 76 | 16 | 52 | 102 |
| Rest of competitors | 310 | 218 | 29 | 129 | 68 |
| Total country | 371 | 295 | 45 | 181 | 170 |

**RRR**

| | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| YPF | 0.48 | 0.62 | 0.13 | 0.48 | 1.00 |
| Rest of competitors | 1.56 | 1.11 | 0.15 | 0.66 | 0.35 |
| Total country | 1.14 | 0.92 | 0.14 | 0.59 | 0.57 |

Data until end of life. Source: IAPG

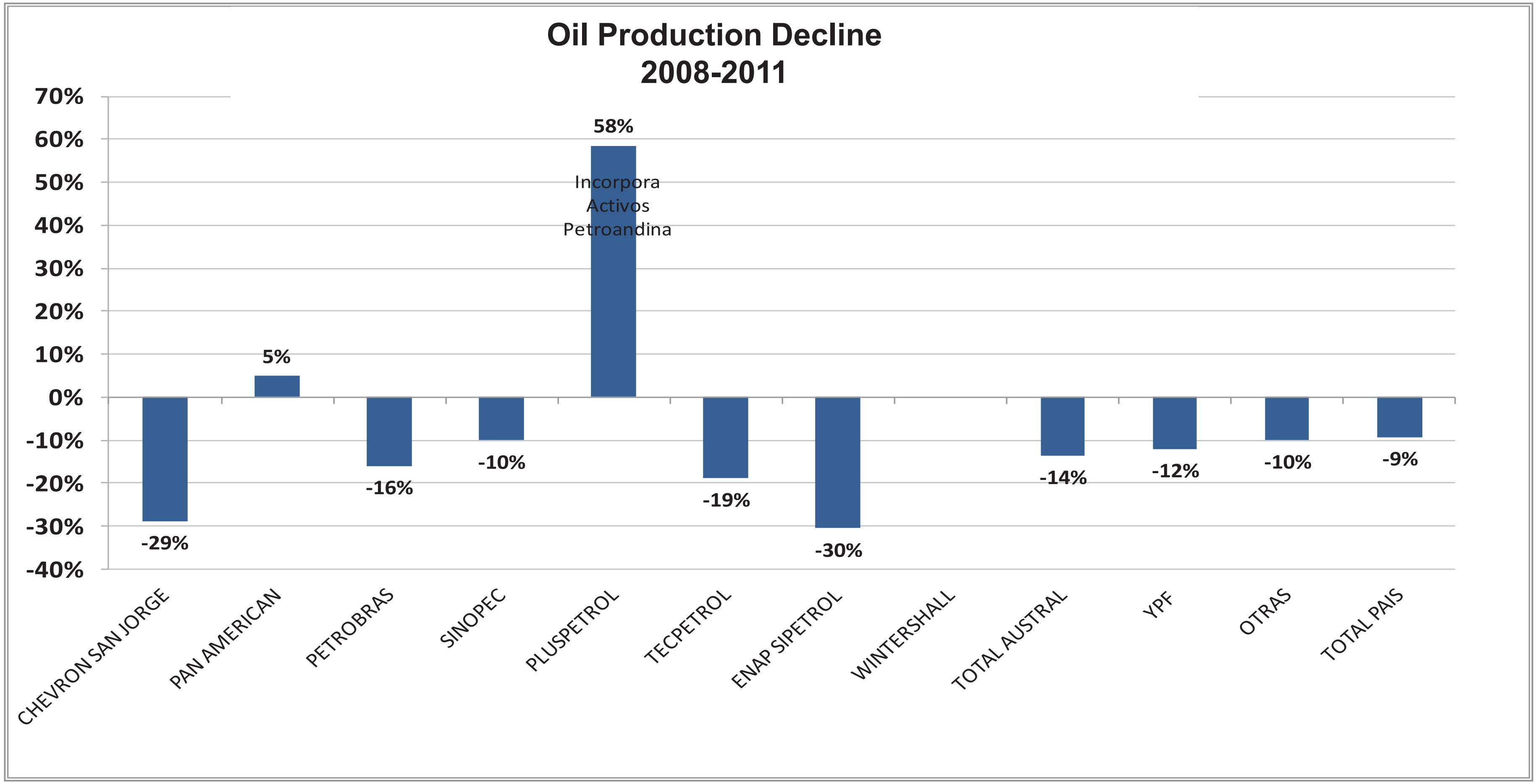
**In 2010, YPF's reserve replacement ratio was 144% for oil and 100% in gas, higher than the average of other companies.**

**In 2011 the oil and gas reserve replacement ratio is expected to be 113% (**).**

15

(*) Ajdjustment due to reserve writedown in 2005
(**) SEC criteria

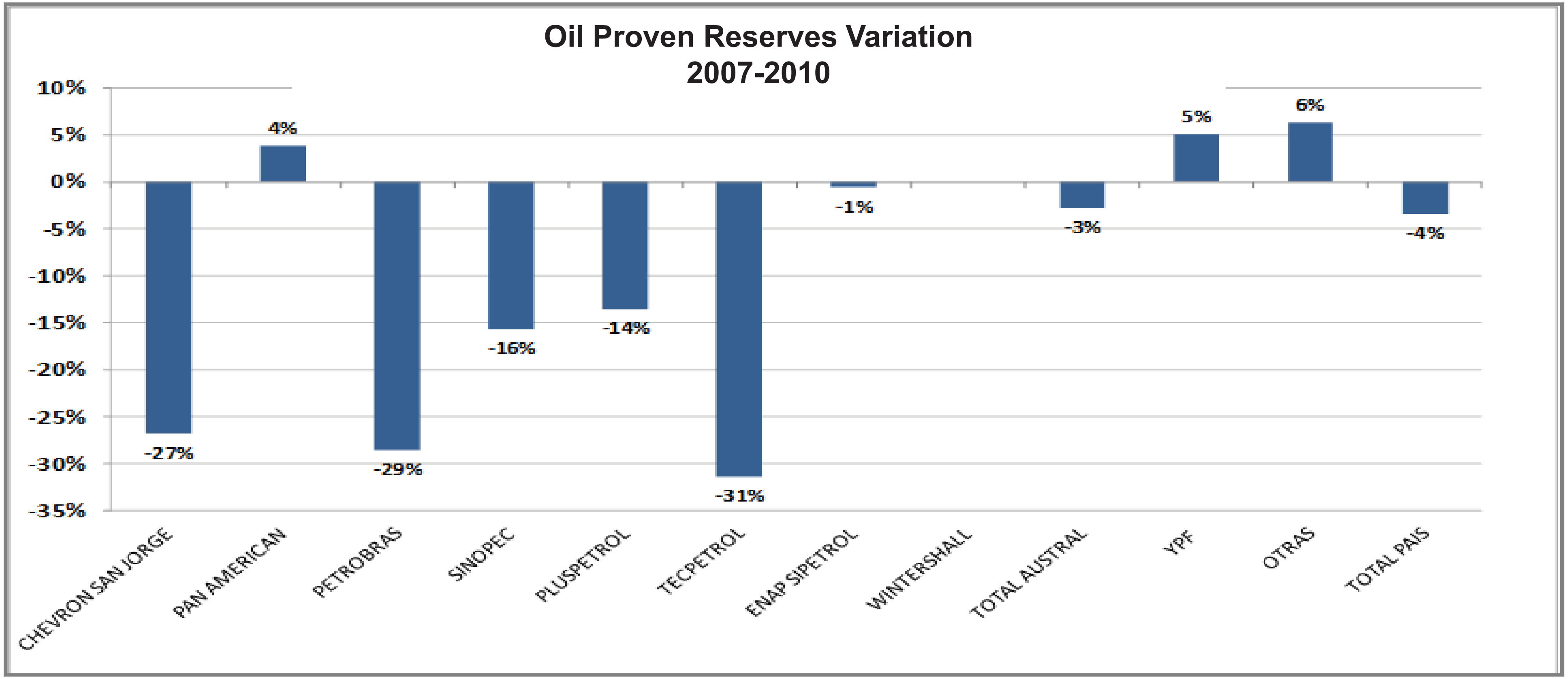
# Evolution of YPF Key Metrics
## *Oil production and reserves*




**YPF's production is 34% of the oil produced in the country**

Fuente: IAPG

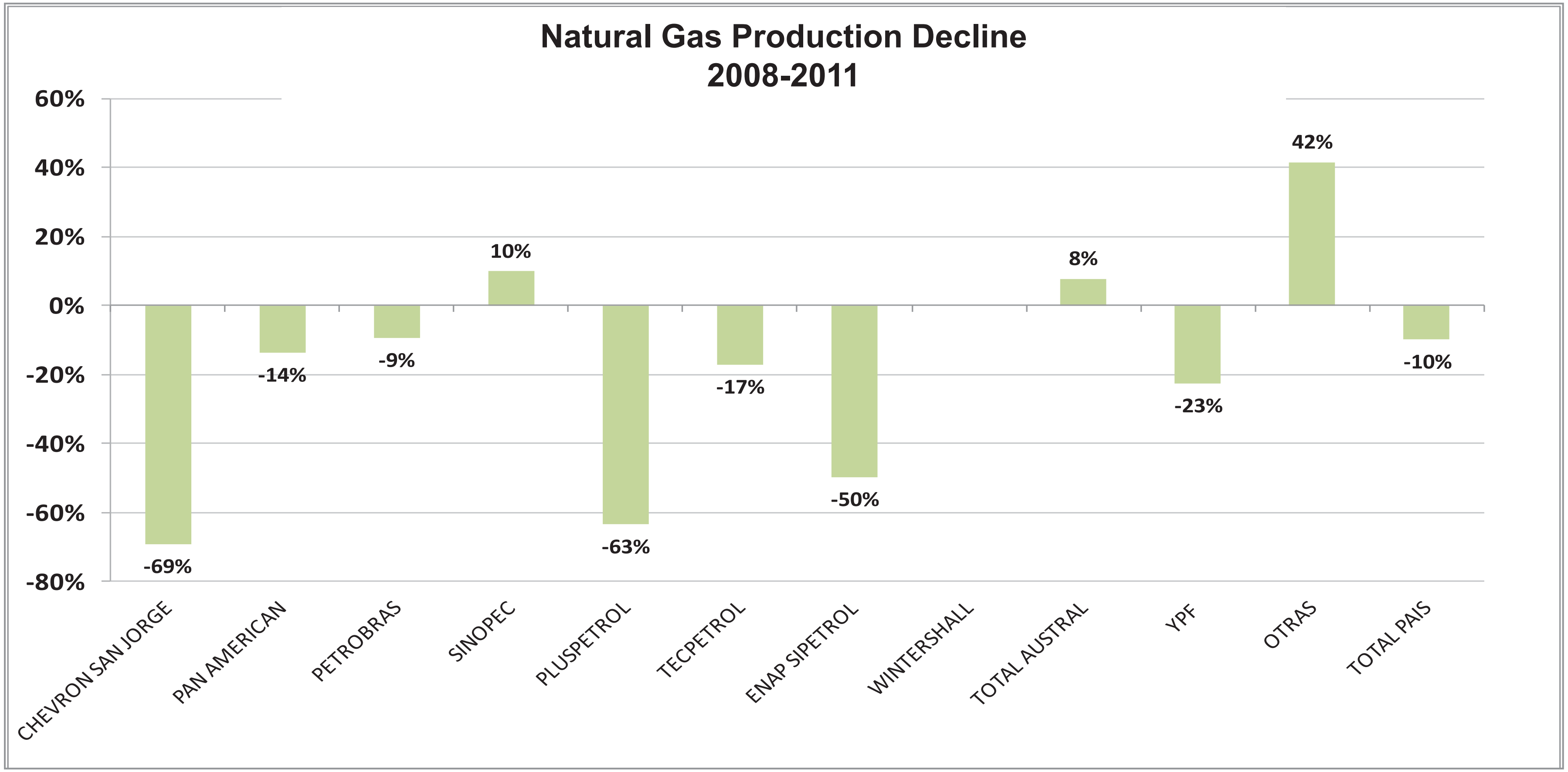
# Evolution of YPF Key Metrics
## *Oil production and reserves*




Fuente: IAPG

# Evolution of YPF Key Metrics

## *Natural Gas production and Reserves*

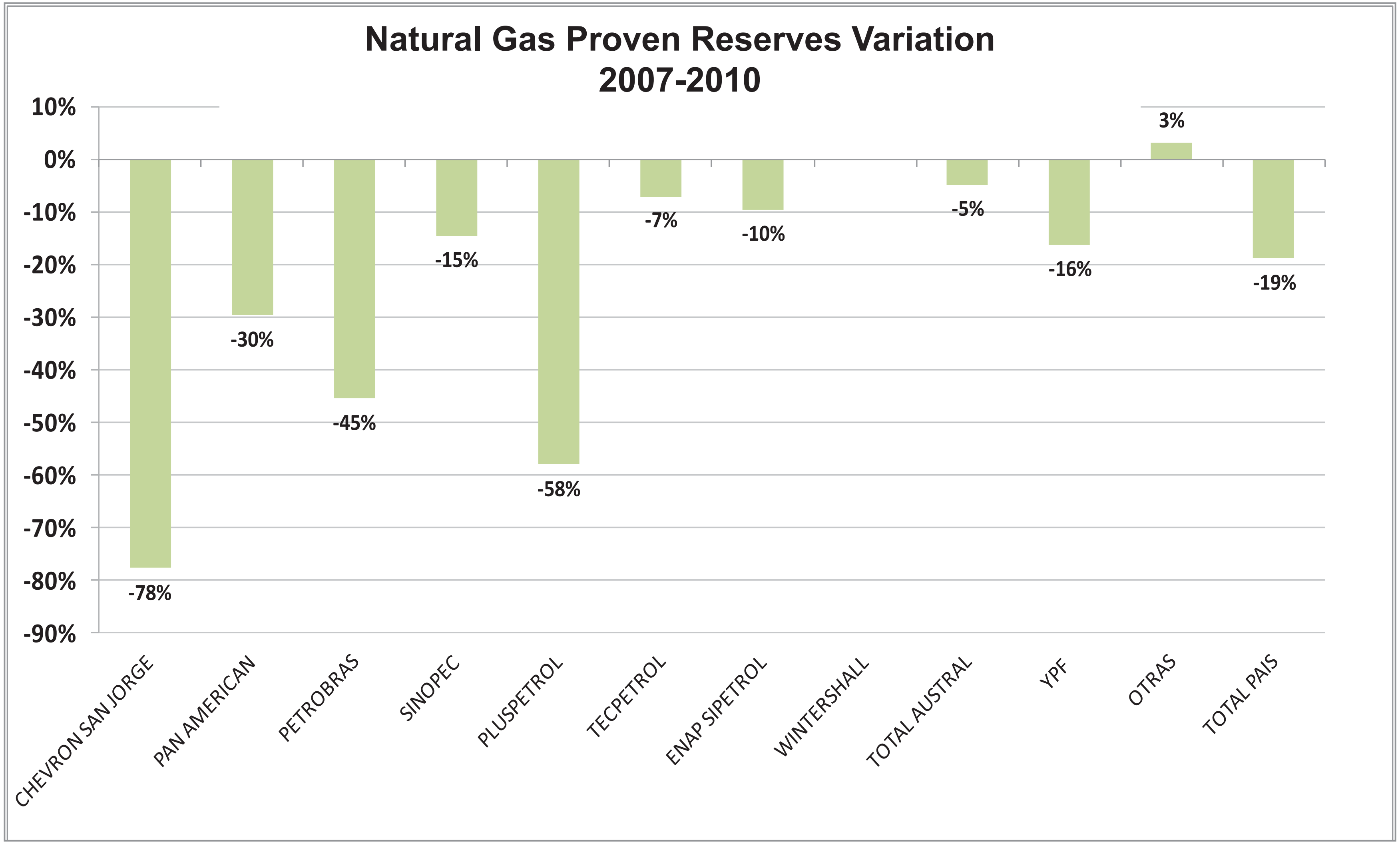



**YPF's production is 23% of the natural gas produced in the country**

18

Fuente: IAPG

# Evolution of YPF Key Metrics
## *Natural Gas production and Reserves*

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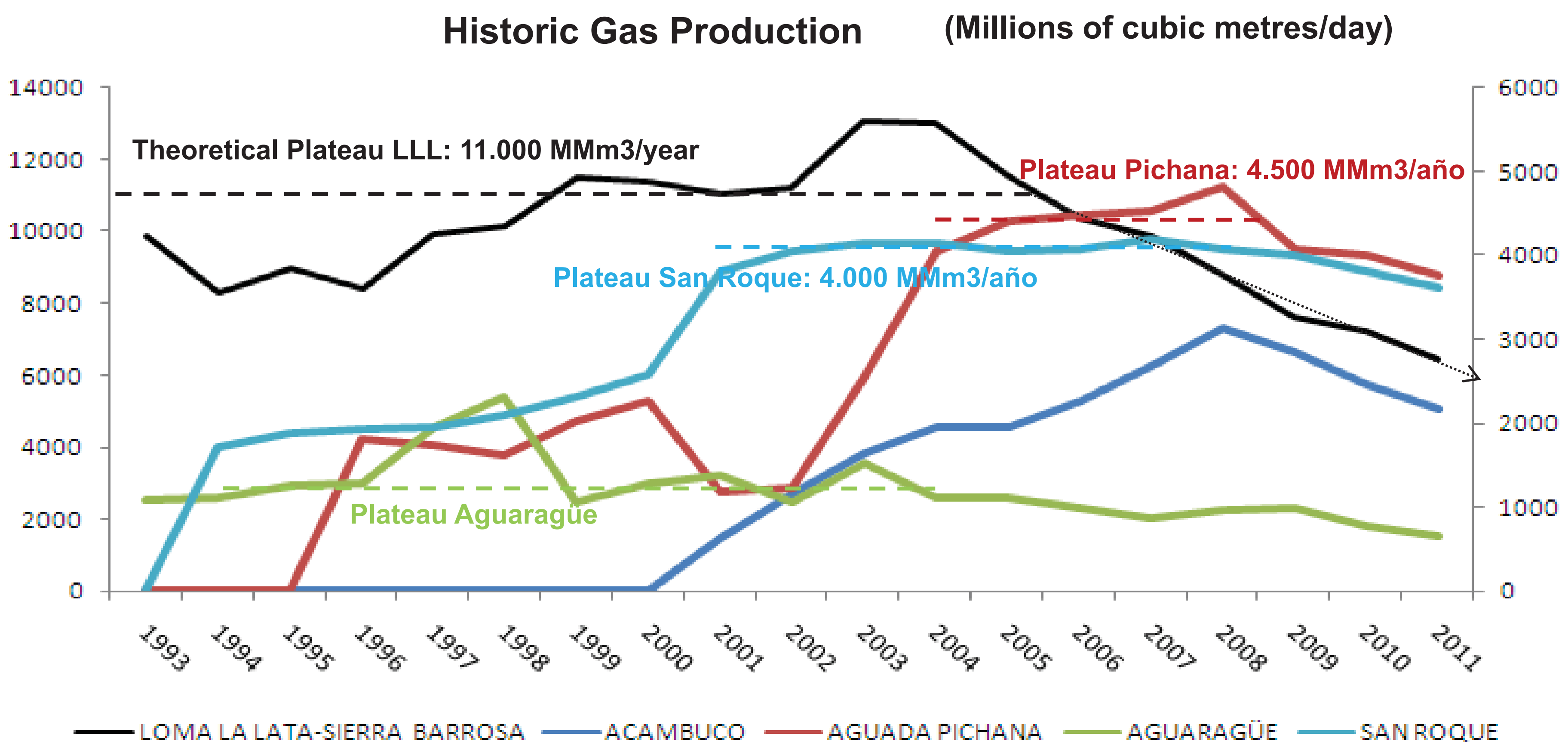
Fuente: IAPG

# Evolution of YPF Key Metrics
## *Historical production in the largest fields*



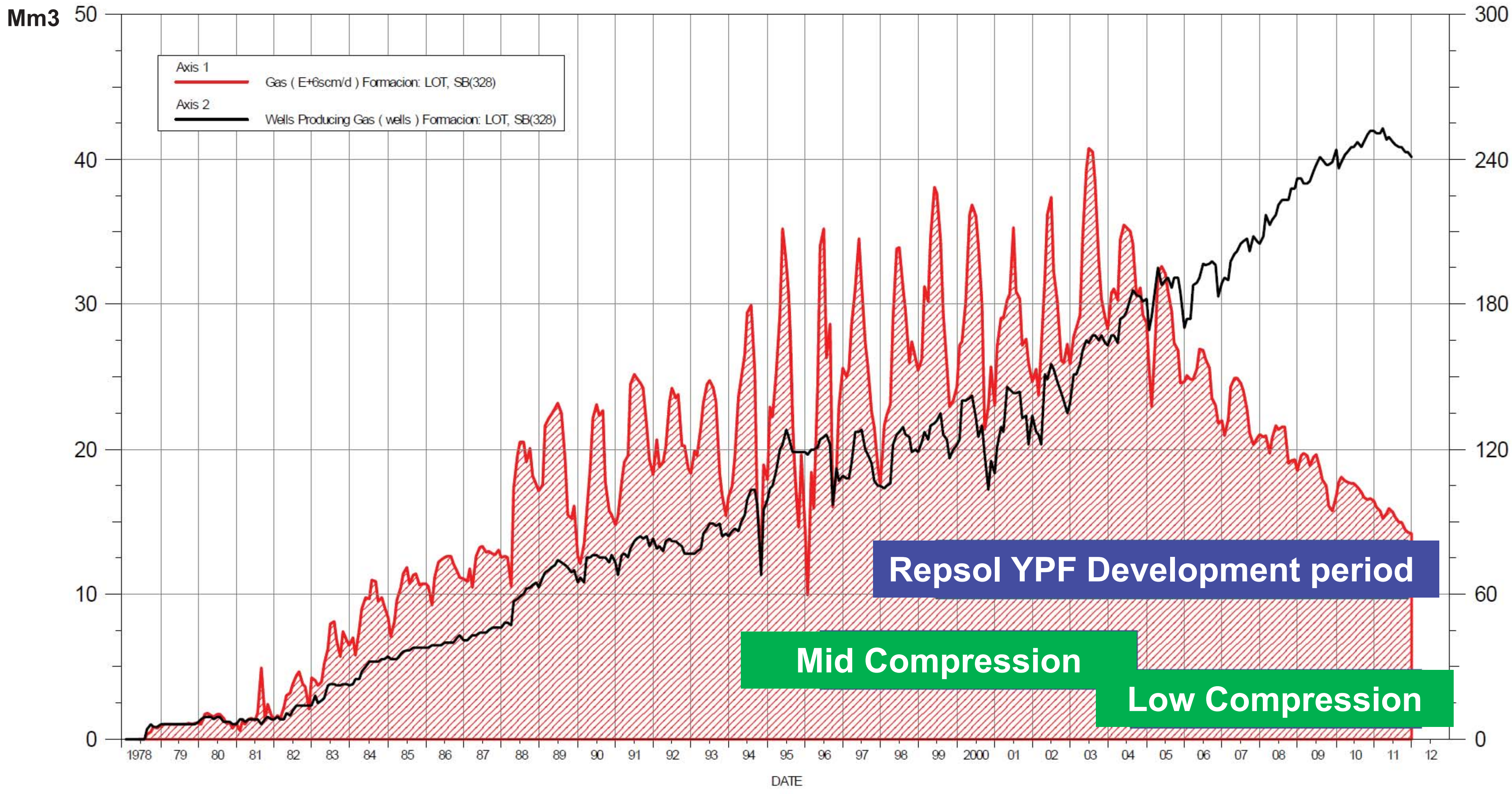

**Loma La Lata can be considered to have ended its plateau, reaching peak production in 2004**

20

Source: IAPG

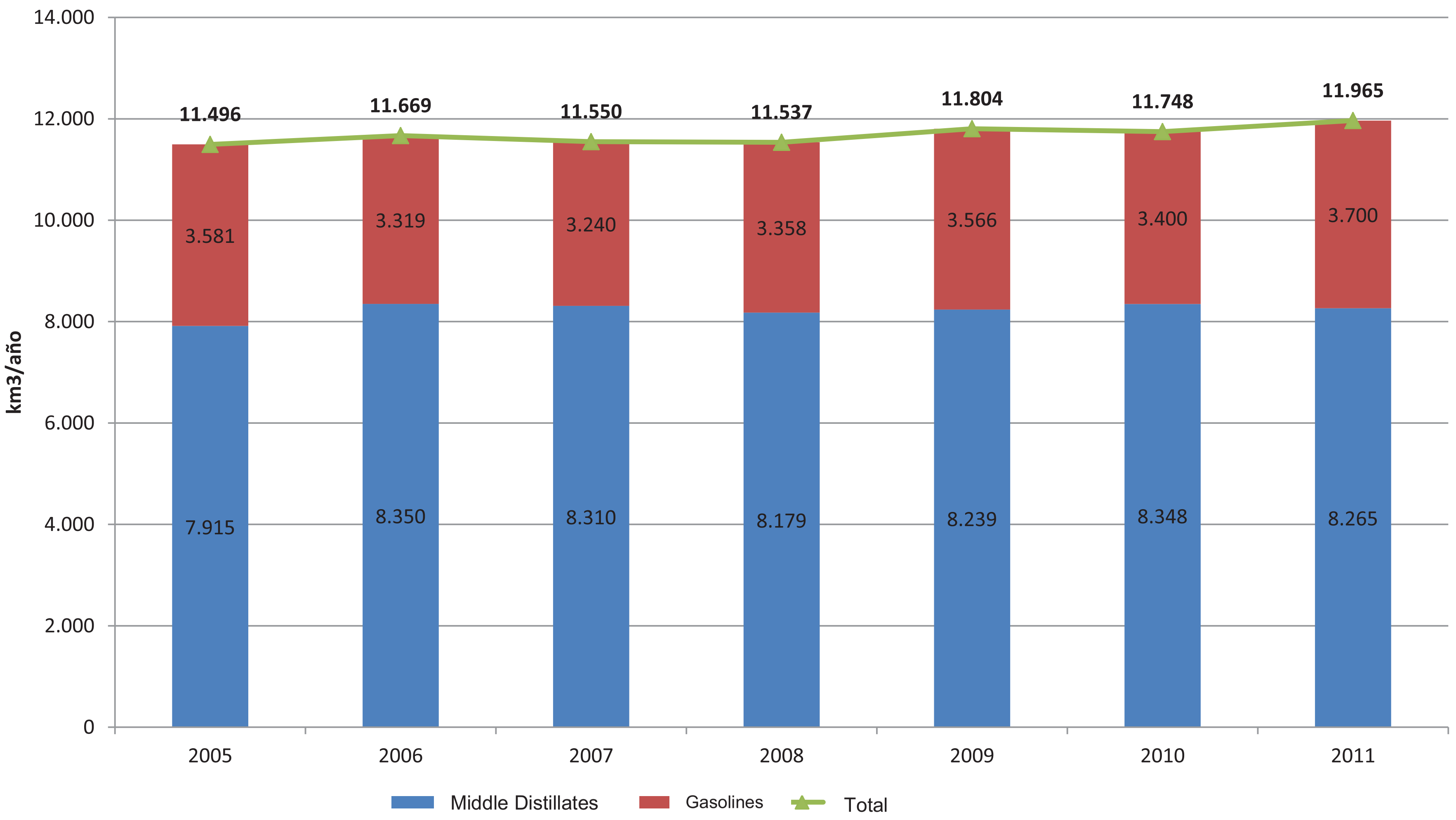
# Evolution of YPF Key Metrics

## *Loma La Lata: Evolution of production and producing wells to date*



# Evolution of YPF Key Metrics

*Yield and market share: Production of gasoline and middle distilates*

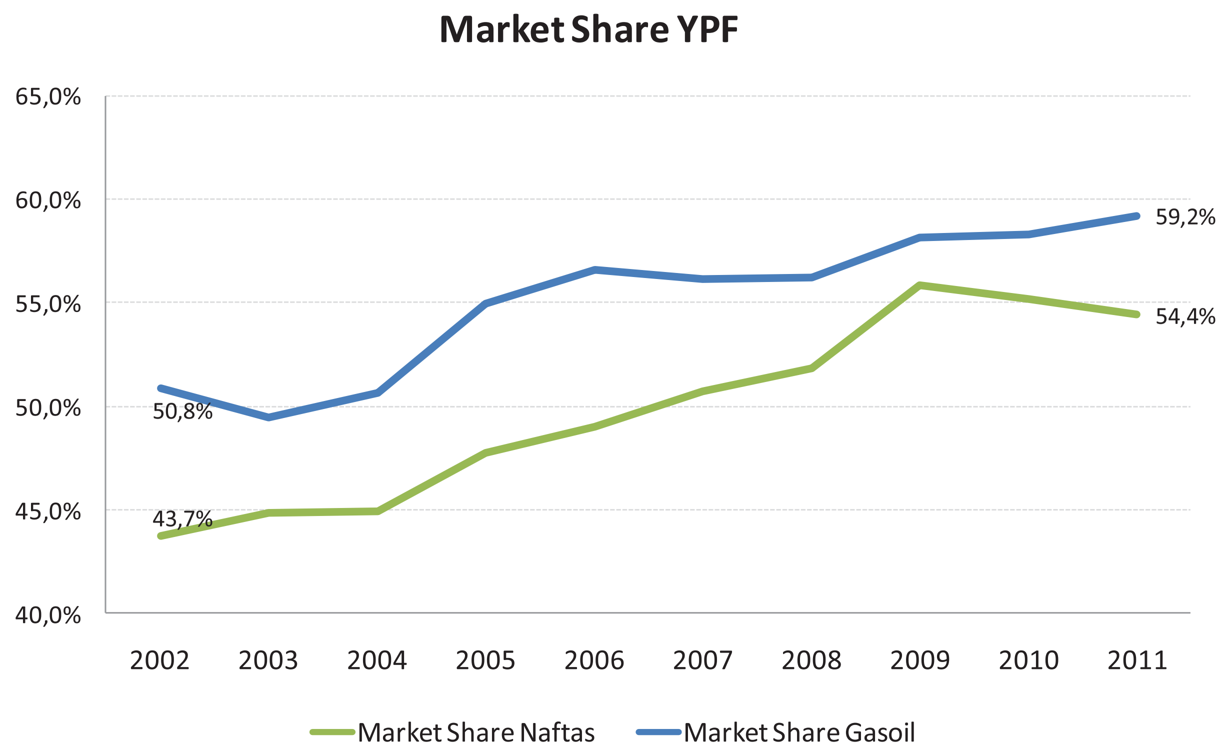



**YPF has maintained gasoline and middle distillate production in the last few years.**

22

Source: Secretaria de Energía

# Evolution of YPF Key Metrics
## *Evolution of YPF market share*



Fuente: SESCO Secretaría de Energía

**YPF's market share went from 44% in gasolines and 51% in diesel in 2002 to 54% in gasolines and 59% in gasoil in 2011.**



*Note: 2011 preliminary data*

# Evolution of YPF Key Metrics

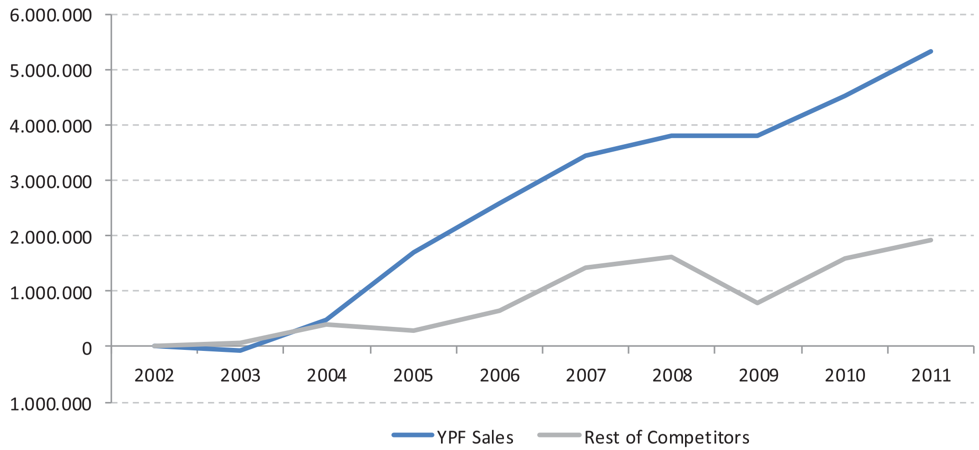
## *Gasoil and gasoline sales*

### Diesel and Gasolines Sales to Local Market (m3)

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|---|---|---|---|---|
| YPF Sales | 6,823,599 | 6,759,210 | 7,309,074 | 8,512,124 | 9,406,796 | 10,275,442 | 10,631,181 | 10,616,558 | 11,348,330 | 12,150,857 |
| Rest of competitors | 7,124,980 | 7,196,582 | 7,510,537 | 7,424,070 | 7,785,267 | 8,548,394 | 8,737,039 | 7,898,321 | 8,703,485 | 9,035,551 |
| Total Country | 13,948,579 | 13,955,792 | 14,819,611 | 15,936,194 | 17,192,063 | 18,823,836 | 19,368,220 | 18,514,879 | 20,051,814 | 21,186,409 |

Source: SEN

**Increase in Sales since 2002 (m3)**



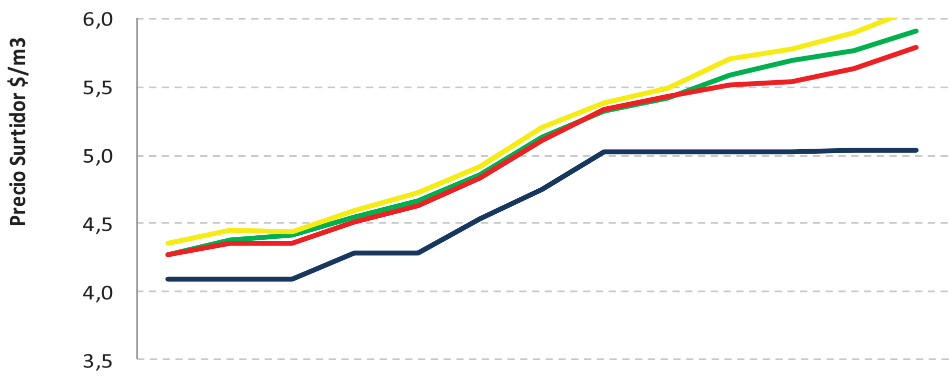

**YPF has supplied more than 74% of market growth since 2002**

24

*Source: SEN*

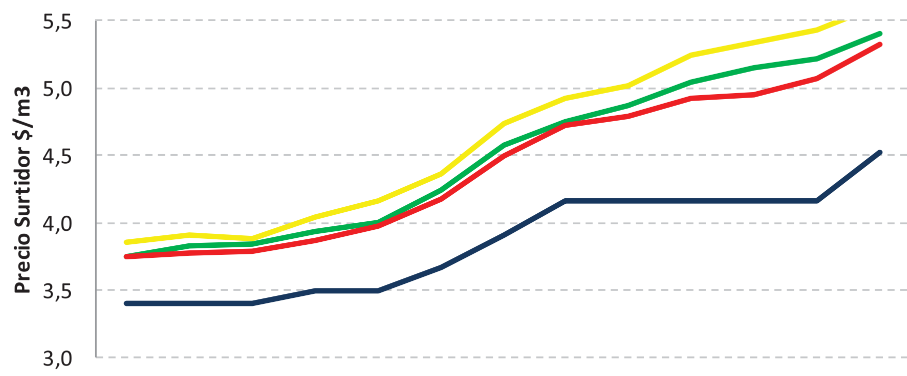
# Evolution of YPF Key Metrics
## *Gasoil and gasoline prices*

### Premium Gasoline Price Evolution




| | ene-11 | feb-11 | mar-11 | abr-11 | may-11 | jun-11 | jul-11 | ago-11 | sep-11 | oct-11 | nov-11 | dic-11 | ene-12 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Competidor A | 4,266 | 4,377 | 4,413 | 4,548 | 4,663 | 4,854 | 5,133 | 5,321 | 5,421 | 5,588 | 5,695 | 5,768 | 5,916 |
| Competidor B | 4,271 | 4,352 | 4,36 | 4,507 | 4,634 | 4,837 | 5,104 | 5,340 | 5,428 | 5,519 | 5,534 | 5,637 | 5,794 |
| Competidor C | 4,358 | 4,455 | 4,443 | 4,593 | 4,725 | 4,918 | 5,204 | 5,388 | 5,496 | 5,708 | 5,779 | 5,894 | 6,079 |
| YPF | 4,092 | 4,092 | 4,092 | 4,288 | 4,288 | 4,539 | 4,753 | 5,029 | 5,029 | 5,029 | 5,029 | 5,036 | 5,039 |

### Diesel Price Evolution




| | ene-11 | feb-11 | mar-11 | abr-11 | may-11 | jun-11 | jul-11 | ago-11 | sep-11 | oct-11 | nov-11 | dic-11 | ene-12 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Competidor A | 3,750 | 3,827 | 3,845 | 3,934 | 4,003 | 4,242 | 4,582 | 4,747 | 4,868 | 5,039 | 5,156 | 5,225 | 5,402 |
| Competidor B | 3,745 | 3,778 | 3,782 | 3,864 | 3,971 | 4,176 | 4,491 | 4,719 | 4,790 | 4,922 | 4,951 | 5,068 | 5,329 |
| Competidor C | 3,848 | 3,901 | 3,883 | 4,035 | 4,159 | 4,366 | 4,733 | 4,923 | 5,011 | 5,241 | 5,334 | 5,428 | 5,613 |
| YPF | 3,402 | 3,402 | 3,402 | 3,498 | 3,498 | 3,664 | 3,907 | 4,160 | 4,160 | 4,160 | 4,160 | 4,166 | 4,521 |

Prices on the las thuirsday of every month. Competition: sample of 335 competitors' service stations. YPF entire network average.

Average country prices

**YPF has the lowest prices in the market. In January 2012 competitors had prices which were 18% and 21% higher than YPF's in premium gasoline and diesel respectively.**

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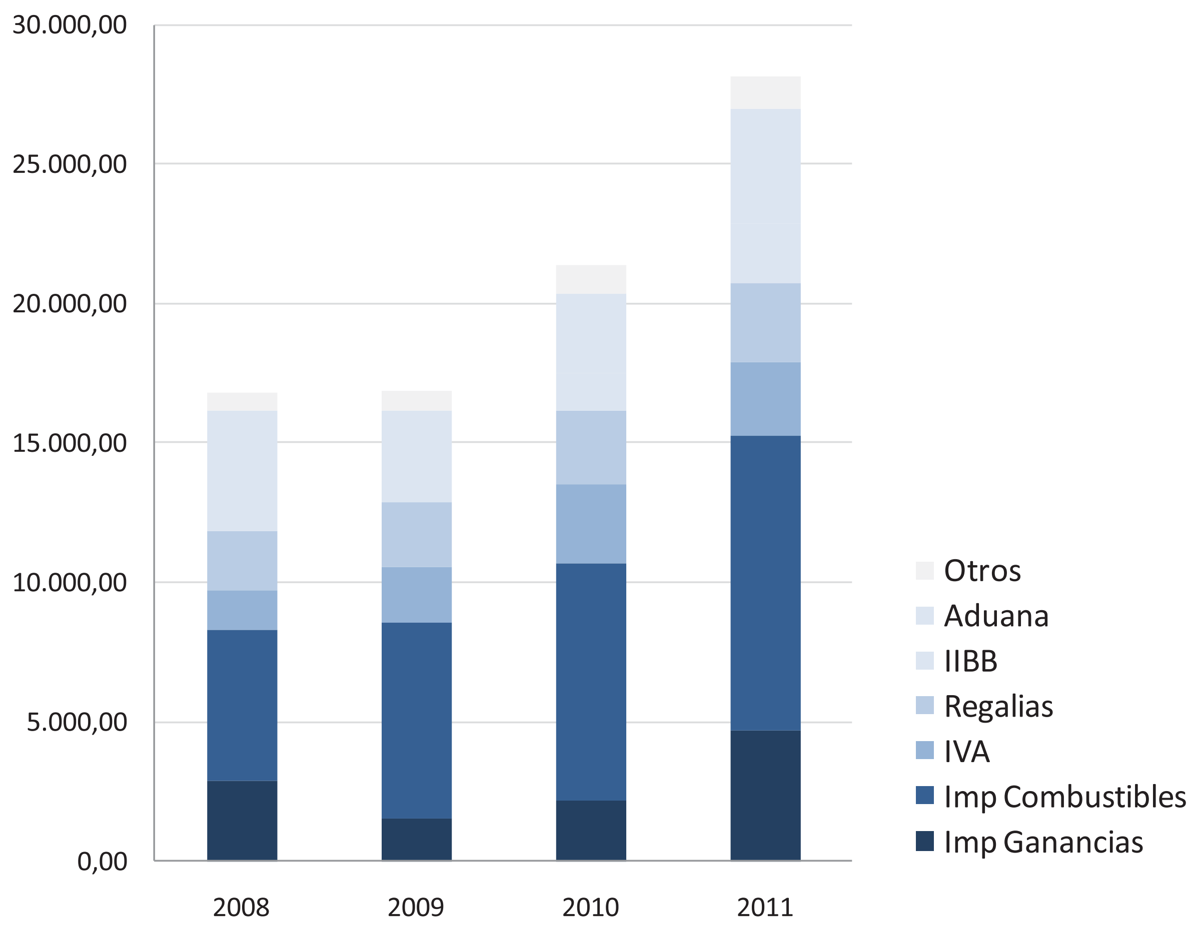
# Evolution of YPF Key Metrics
## *Taxes paid by YPF*

**Taxes paid by YPF** (In Millions of Pesos)



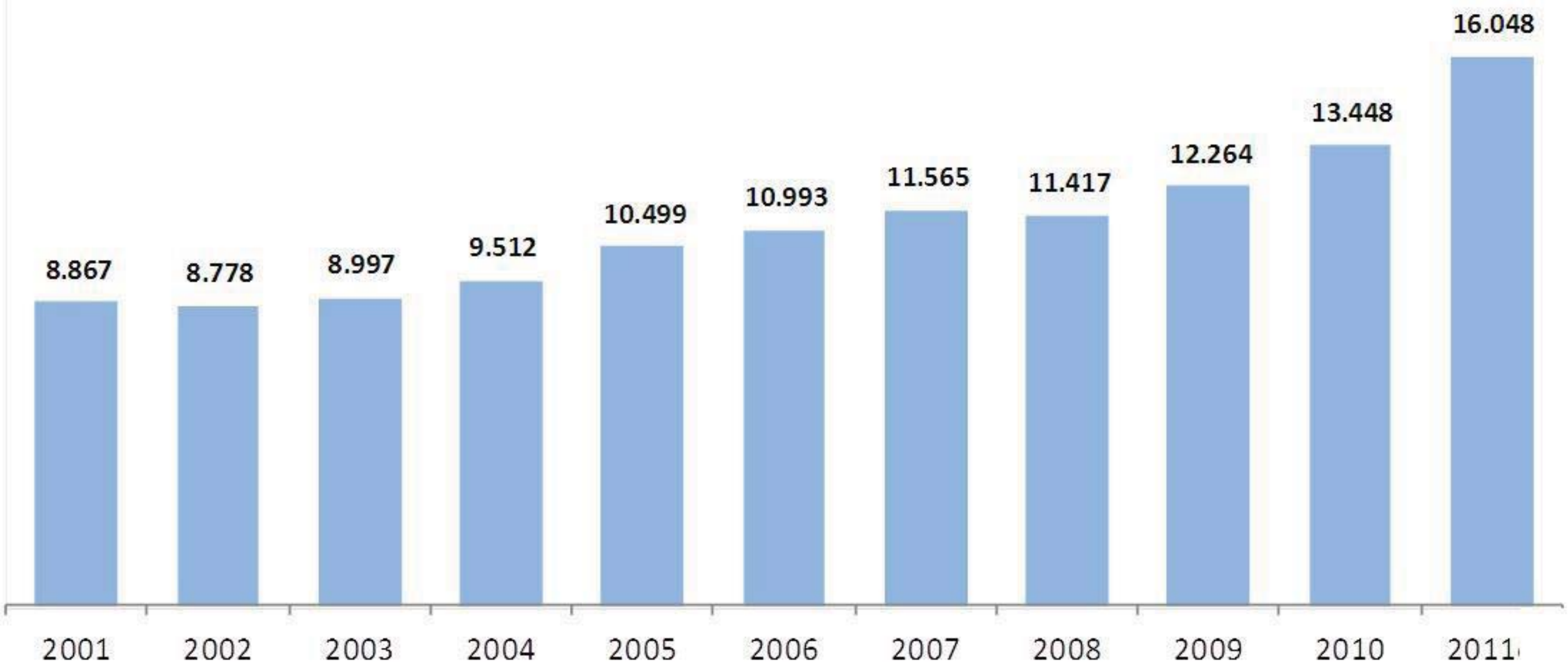



*Note: 2011 preliminary data*

# Evolution of YPF Key Metrics

## *Workplaces: Evolution of YPF total workforce*

### Total workforce GRUPO YPF




**YPF’s workforce has doubled in 10 years**

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*Grupo YPF includes personnel from YPF and its affiliates taht are consolidated by proportional or global integration , such as : OPESSA, AESA, YPF Servicios Petroleros, Refinor, Profertil, MEGA, Pluspetrol Energy, YPF Holding, YPF Services, etc.*

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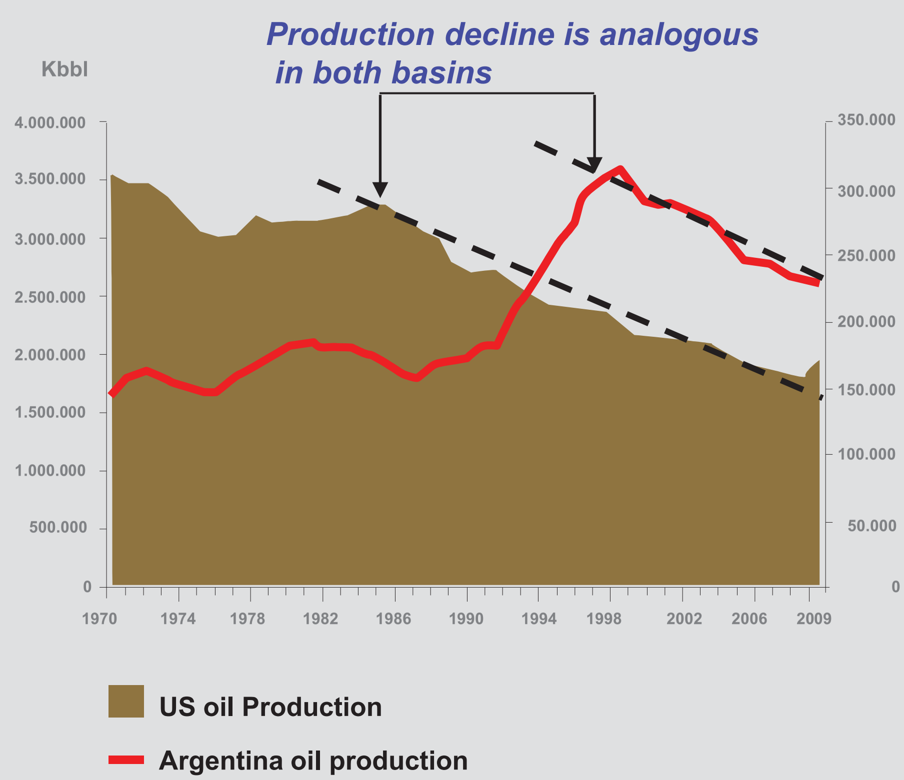
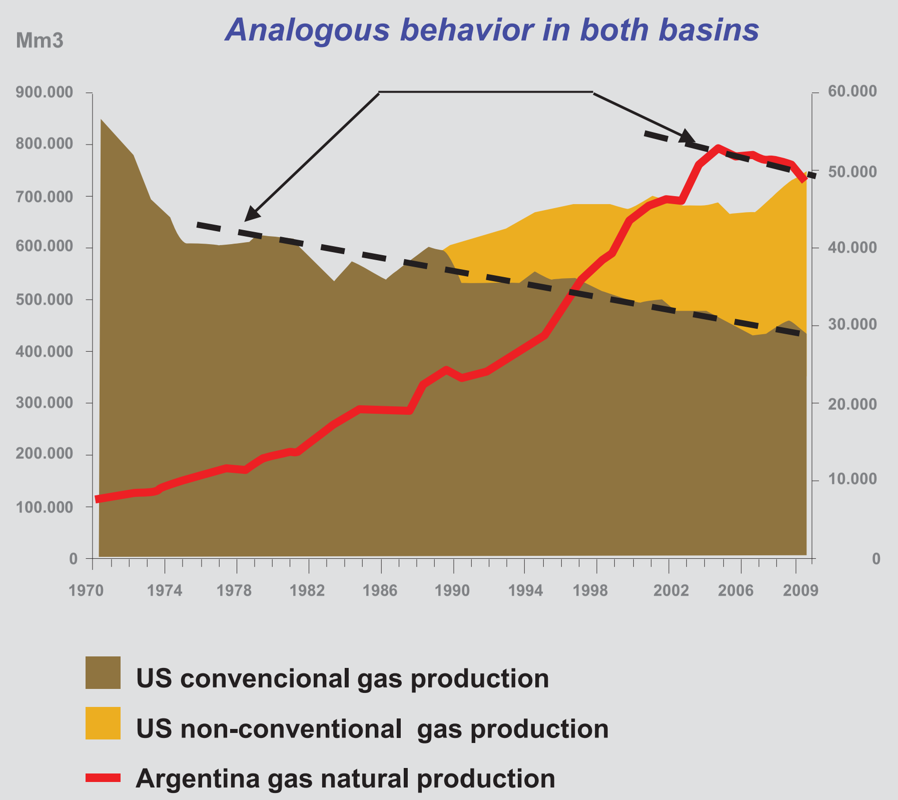
# Argentina – US Comparison
## *Oil & Gas production evolution*

### Oil Production

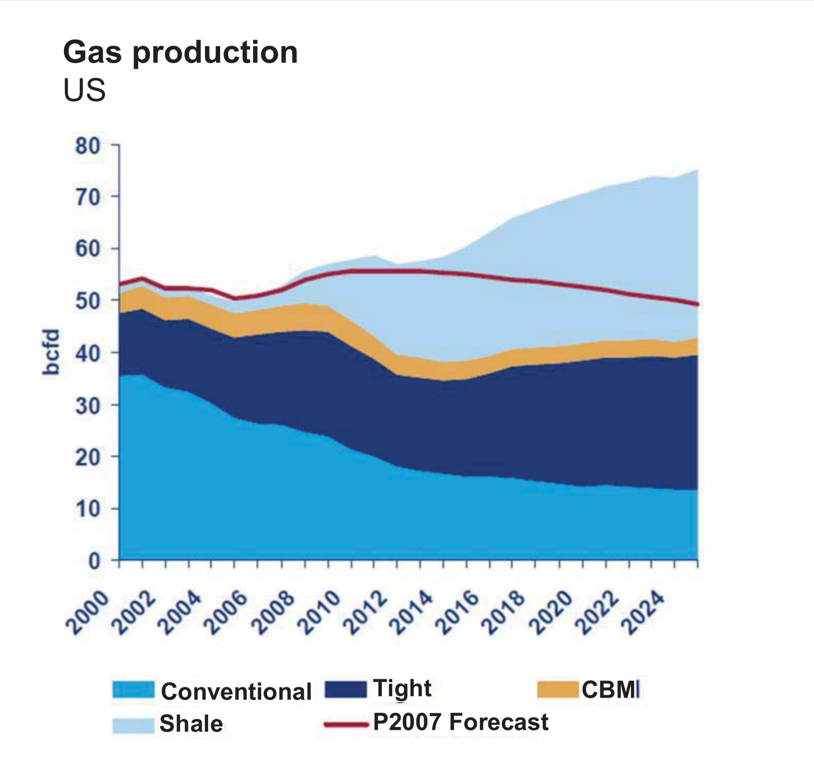


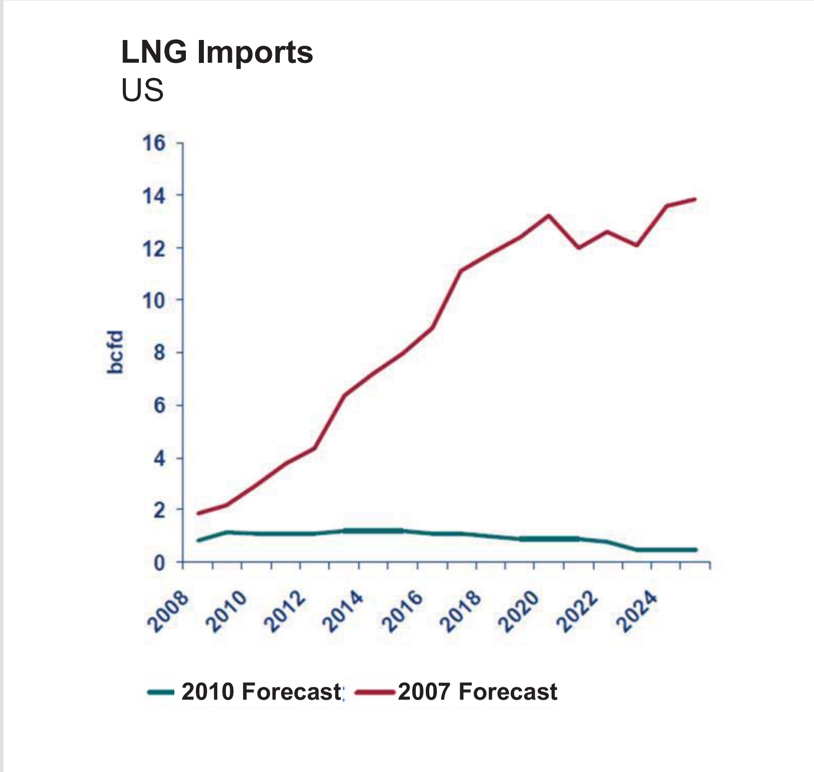

### Gas Natural Production




Source: Wood Mackenzie / SEN Argentina

# Argentina – US comparison
## *US Shale: Impact on natural gas supply*




**Source:** Wood Mackenzie NAGS

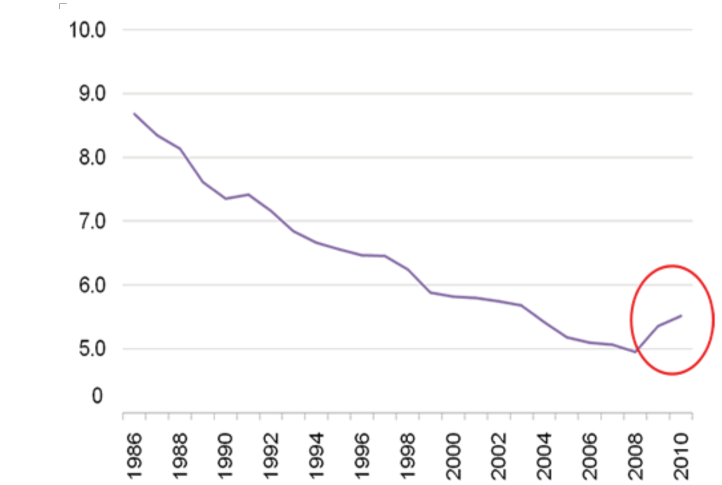
**The Shale Gas development in the US has totally changed the energy balance and has eliminated to a large degree the LNG import needs.**

**Currently 23% of the US natural gas production comes from Shale**

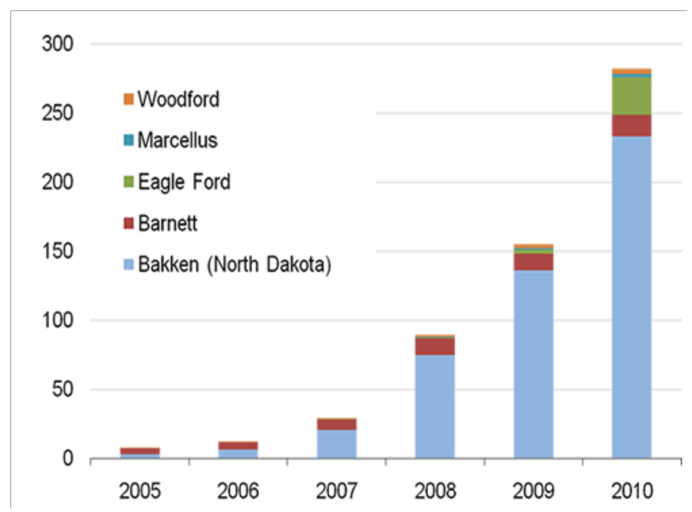
30

NOTE: 1 m3 is equivalent to 35,31 Cubic Feet

# Argentina – US comparison
## *Shale in the US: Oil production impact*




Sourde: U.S. Energy information administration (EIA)




Source: HPDI, LLC

**The 2010 production increase in the US was driven by the rise of horizontal shale drilling campaigns, reversing the historic decline tendency the country had.**

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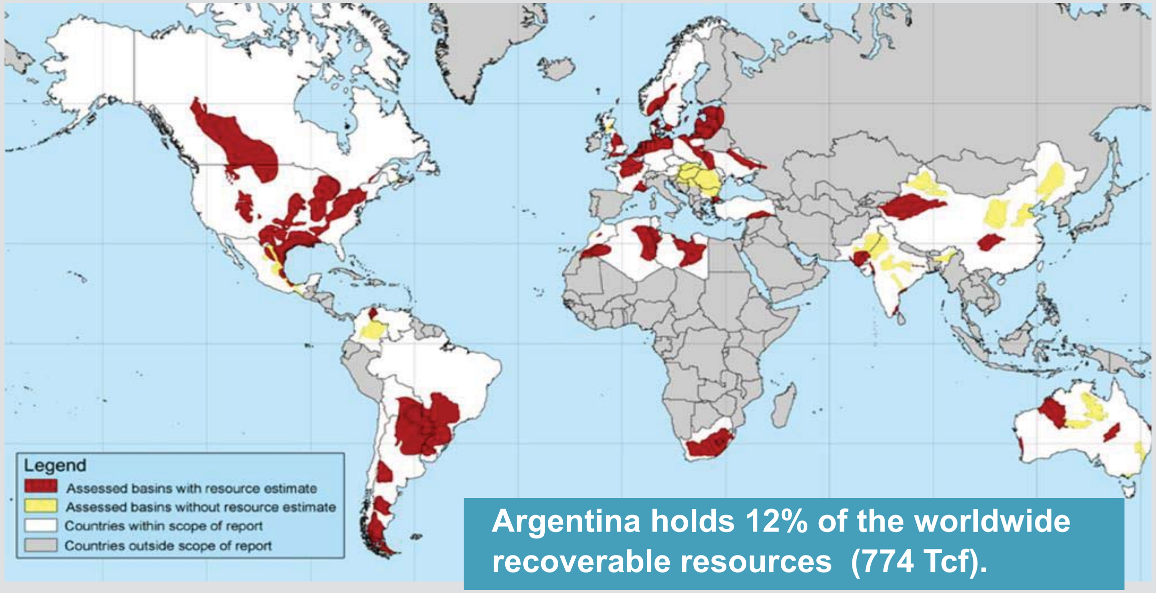
# Vaca Muerta
## *Shale gas: Worldwide resources*

### Main shale gas basins




**Argentina holds 12% of the worldwide recoverable resources (774 Tcf).**

| Continent | Risked technically recoverable (Tcf) |
|---|---|
| North America | **1.931** |
| South America | **1.225** |
| Europe | **624** |
| Africa | **1.042** |
| Asia | **1.404** |
| Australia | **396** |
| **Total** | **6.622** |

**Argentina is ranked third in worldwide shale gas resources according to the EIA report "World Shale Gas Resources", published in April 2010.**

**It is estimated that the non conventional natural gas resources worldwide (6.622 Tcf) is equivalent to the conventional natural gas proved reserves (6.609 Tcf)**





*Source: EIA*

# Vaca Muerta
## *Story of a Discovery*

| 2007–2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|
| Evaluation of Potential and Regional studies | Drilling of 1st Well | Acreage 2nd Round | Discovery of Loma La Lata and Loma Campana areas | Expropriation |
| | Pilot shale gas | 1st Discovery Play shale gas | Shale oil Discovery Bajada de Añelo | |
| | Definition of Pilot Shale Gas project | 1st Discovery Play shale oil | Drilling of 1st Horizontal Well | |
| | | Acreage 3rd Round Associations with Exxon / EOG / Total /Apache | Extension of exploration to the rest of the Basin | |
| | | | Start of Development in Loma La Lata norte | |

2007 | 2008 | 2009 | 2010 | 2011 | 2012

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# Vaca Muerta
## *Evaluation of Reserves and Resources made by Ryder Scott*

- **Total Hydrocarbon Resources and Reserves discovered at the Vaca Muerta formation amounts to 22,807 million barrels of oil equivalent (Mboe).**

- **These volumenes discovered correspond only to 49% of YPF’s acreage in the formation.**

**The average of analysts gives these resources a net present value ( NPV) of USD 1/boe, which means that this portion of YPF’s acreage in Vaca Muerta has a value of approximately 13,700 Million USD.**

# Index

1. Energy Situation in Argentina
2. Evolution of YPF Key Metrics
3. Argentina-USA Comparison
4. Vaca Muerta: The cause of the Pillage?
5. Accounting impact and Valuation
6. Final Considerations

# Accounting Impact

**Greater Exposure in the Finantial Expenses: 5,664 M€**

| | % YPF over total Group |
|---|---|
| **2011 P&L:** | |
| **Operating Income** | **25.6%** |
| **Net Income** | **21.0%** |
| **Investments** | **33.7%** |

## Accounting Impact and Valuation

### *IPO price according to Privatization Law and YPF Bylaws*

REPSOL

- **In the hipothetical case of an acquisition equal or greater than 15% and as per Articles 7 and 28 of theYPF bylaws, the party acquiring the shares must launch a tender offer for the total shares of the company, which shall be paid in cash, according to the highest price of 4 possible caculation criteria.**

- **The applicable price which emerges from the calculations consists of the YPF maximum PER of the last two years multiplied by the net income per share share of the last twelve months.**

**After applying the abovementioned formula, the estimated value comes to us$ 46.55 per share, resulting in a valuation of us$ 18,300 million for 100% of the company and us$ 10,504 million for 57.4%.**

# Accounting Impact and Valuation
## *Comparaison of Government Calculations vs YPF Data*

| Government Data (MU$) | |
|---|---|
| Initial Investment 1999 (97.8%) | -13,158 |
| Dividends to Repsol 1999-2011 | 15,728 |
| | |
| Income from Petersen Adquisition 25.46% | 3,539 |
| IPO Income 17.09% | 2,704 |
| Net Income | 8,813 |

| YPF REALITY (MU$) | |
|---|---|
| Initial Investment | 15,005 |
| | |
| Divestments | 6,239 |
| Petersen Group | 3,554 |
| IPO + Others | 2,685 |
| Net Share 57.4% | 8,766 |
| | |
| Dividends paid 100% YPF | 15,124 |

**Annual average financial profitability since YPF acquisition has been 7-8%, which unfavorably compares to the Argentinean WACC in U$ terms that is 14-16% (*)**

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(*) Range of WACC used by analysts of Argentinean Markets as of 04/16/2012

# Index

# Final Considerations

- Until the end of 2011, the Argentinean Government has made numerous expresions of satisfaction with YPF, publicly praising its management and thanking its commitment to Argentina:

  ***"because of their investment in the country and being the most important contributor"*** **(Cristina Fernández de Kirchner, septiembre 2010).**

  ***"This Plan that YPF is presenting today reafirms everything with optimism and hope in the present and in the future".***
  **(Cristina Fernández de Kirchner, presentation of the Strategic Plan 2010 - 2014).**

  ***"The Federal State completely agrees with the activities carried out by the Company".***
  **(Roberto Baratta, November 2011).**

# Final Considerations

- In November 2011 Repsol YPF hosted in Argentina a Field Trip in which more than 40 international financial analysts and institutional investors participated. During the Field Trip, they gathered the following comments after the meeting with the Minister of Planning, Julio de Vido:

    ***"One conclusion from the meeting with the Minister of Planning, Julio de Vido, is that there is and will continue to be a continuous dialogue between the government, YPF and Repsol. There is no Argentina without YPF and vice-versa" (ITAU)***

    ***"Comments from the government authorities and from management seemed to suggest a clear awareness of the need to provide an economic climate conducive to attracting the investments to realize full potential of the resources" (BoA)***

    ***"Regarding natural gas prices, the Minister of Planning and Infrastructure, Julio De Vido, mentioned a price of US$4/mmbtu which does not seem to be enough to encourage the necessary investments in the non conventional fields" (Santander)***

## Final Considerations

- Repsol considers the announcement:
  - Unlawful
  - Discriminatory
  - Does not justify the public interest pursued
  - Obligations assumed at the time of privatization of YPF by the Argentinean state have been breached
  - Violates the international investment community confidence.
- Consequently, Repsol will take all legal measures to preserve the value of its assets and interests of all shareholders.

**The unlawful expropriation of YPF does not affect the growth capacity of any of Repsol's businesses outside Argentina**

REPSOL

# YPF and Argentina

April 17, 2012

REPSOL

*Paseo de la Castellana, 278-280*
*28046 Madrid*
*España*

*Tel. 34 917 538 100*
*34 917 538 000*
*Fax 34 913 489 494*
*www.repsol.com*

Madrid, April 19th 2012

Repsol encloses the notice of call of the General Shareholders Meeting of the Company which is expected to be held on May 31, 2012 on second call, at 12:00 noon, at the Palacio Municipal de Congresos, Avenida de la Capital de España-Madrid, Campo de las Naciones, Madrid.

The notice of call together with the other documents for the General Shareholders Meeting are available at the Company's registered office and on its web page (www.repsol.com).

* * *

**REPSOL YPF, S.A.**
**NOTICE OF CALL TO ORDINARY GENERAL SHAREHOLDERS' MEETING**

By resolution of the Board of Directors of Repsol YPF, S.A. shareholders are called to the Ordinary General Shareholders Meeting (AGM), which will be held at **Palacio Municipal de Congresos, Avenida de la Capital de España-Madrid, Campo de las Naciones, Madrid**, **at 12:00 noon** on 30 May 2012 on first call and at the same time and place **on 31 May 2012 on second call**, with the following

**AGENDA**

*ITEMS REGARDING THE ANNUAL ACCOUNTS, MANAGEMENT BY THE BOARD AND THE REELECTION OF THE ACCOUNTS AUDITOR*

**First**. Review and approval, if appropriate, of the Annual Financial Statements and Management Report of Repsol YPF, S.A., the Consolidated Annual Financial Statements and Consolidated Management Report, for fiscal year ended 31 December 2011, and the proposal for the application of earnings.

**Second.** Review and approval, if appropriate, of the management of the Board of Directors of Repsol YPF, S.A. during 2011.

**Third.** Appointment of the Accounts Auditor of Repsol YPF, S.A. and its Consolidated Group for fiscal year 2012.

*ITEMS REGARDING THE CORPORATE GOVERNANCE REFORM*

**Fourth.** Modification of Articles 19, 20, 28 and 47 and addition of a new Article 45 bis of the Bylaws; and modification of Articles 5, 6, 8 and 14 of the Regulations of the General Shareholders' Meeting to adjust the Company's corporate governance regulations to the recent changes in law.

**Fifth**. Modification of Articles 27, 32, 37, 39 and addition of a new Article 45ter of the Bylaws to improve the functioning of the Board of Directors and other aspects of the Company's corporate governance.

**Six**. Modification of Article 22 and addition of new Articles 22bis and 44bis of the Bylaws; and modification of Articles 3, 9 and 13 of the Regulations of the General Shareholders' Meeting to reinforce the protection of the Company against conflicts of interest.

*ITEMS REGARDING THE COMPOSITION OF THE BOARD OF DIRECTORS*

**Seventh**. Re-election of Mr. Isidro Fainé Casas as Director.

**Eighth.** Re-election of Mr. Juan María Nin Génova as Director.

*ITEMS REGARDING PROGRAMS FOR PARTICIPATION IN THE SHARE CAPITAL OF THE COMPANY*

**Ninth.** Stock Acquisition Plan 2013-2015.

*ITEMS REGARDING THE CAPITAL OF THE COMPANY*

**Tenth.** Increase of share capital in an amount determinable pursuant to the terms of the resolution, by issuing new common shares having a par value of one (1) euro each, of the same class and series as those currently in circulation, charged to voluntary reserves, offering the shareholders the possibility of selling the scrip dividend rights to the Company itself or on the market. Delegation of authority to the Board of Directors or, by delegation, to the Executive Committee, to fix the date the increase is to be implemented and the terms of the increase in all respects not provided for by the General Meeting, all in accordance with article 297.1.(a) of the Companies Act. Application for official listing of the newly issued shares on the Barcelona, Bilbao, Madrid and Valencia stock exchanges through the Spain's Continuous Market and on the Buenos Aires stock exchange.

**Eleventh.** Second capital increase in an amount determinable pursuant to the terms of the resolution, by issuing new common shares having a par value of one (1) euro each, of the same class and series as those currently in circulation, charged to voluntary reserves, offering the shareholders the possibility of selling the scrip dividend rights to the Company itself or on the market. Delegation of authority to the Board of Directors or, by delegation, to the Executive Committee, to fix the date the increase is to be implemented and the terms of the increase in all respects not provided for by the General Meeting, all in accordance with article 297.1.(a) of the Companies Act. Application for official listing of the newly issued shares on the Barcelona, Bilbao, Madrid and Valencia stock exchanges through Spain's stock exchange Market and on the Buenos Aires stock exchange.

*POINT REGARDING THE CORPORATE NAME OF THE COMPANY*

**Twelfth.** Modify the corporate name of the Company and subsequent modification of Article 1 of the Bylaws.

*POINT REGARDING THE AUTHORISATION AND EXPRESS DELEGATION REQUIRED FOR THE BOARD OF DIRECTORS*

**Thirteenth.** Delegation to the Board of Directors of the power to issue fixed rate, convertible and/or exchangeable securities for company shares or exchangeable for shares in other companies, as well as warrants (options to subscribe new shares or to acquire shares in circulation of the company or other companies). Fixing the criteria to determine the bases and modes of conversion and/or exchange and attribution to the Board of Directors of the powers to increase capital by the amount necessary, as well as to totally or partially exclude the pre-emptive subscription rights of the shareholders of said issues. Authorisation for the company to guarantee securities issued by its subsidiaries. To leave without effect, in the portion not used, the sixteenth B) resolution of the General Shareholders' Meeting held on 15 April 2001.

*ITEM REGARDING THE COMPANY'S CORPORATE WEBSITE*

**Fourteenth**. Ratification of the creation of the Company's corporate website www.repsol.com

*ITEM REGARDING REMUNERATION OF THE COMPANY DIRECTORS*

**Fifteenth.** Advisory vote on the Report on the Remuneration Policy for Directors of Repsol YPF, S.A. for 2011.

*ITEM REGARDING GENERAL MATTERS*

**Sixteenth.** Delegation of powers to supplement, develop, execute, rectify and formalize the resolutions adopted by the General Shareholders' Meeting.

During the AGM shareholders will be informed on the modification of the Regulations of the Board of Directors, pursuant to Article 528 of the Companies Act and on the authorization for the Board of Directors to enter into related party transactions, pursuant to Article 22.2.(c) of the Regulations of the Board of Directors.

**RIGHT TO SUPPLEMENT THE AGENDA AND PROPOSE NEW RESOLUTIONS**

Shareholders representing at least five per cent of the capital may request the publication of a supplemental notice of call, including one or several items on the agenda. This request shall be sent through any certifying means, to be received at the registered office within five days after publication of the original notice of call, stating the identity of the shareholders exercising the right, the number of shares they hold and the items to be included in the agenda, enclosing the reasons for their proposal or the corresponding proposed resolutions and justification thereof, together with any other relevant documents. The same shareholders representing at least five per cent of the capital may also submit, by any certifying means to be received at the registered office within five days after publication of the original notice of call, proposed resolutions, stating reasons, on matters already included or to be included on the agenda, all pursuant to Article 519.2 of the Companies Act. The foregoing is without prejudice to the right of any shareholder, during the General Meeting, to submit alternative proposals or proposals on items that do not need to be included on the agenda, pursuant to the Companies Act.

## ATTENDANCE RIGHT

Shareholders whose shares have been registered in the appropriate stock ledger five (5) days prior to the date set for the Shareholders' Meeting and who have the corresponding attendance, proxy and voting card may attend and vote.

Attendance, proxy and voting cards shall be issued by the corresponding member of *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.* (hereinafter IBERCLEAR) in each case and a model card will also be available for shareholders on the Company's website (www.repsol.com) and at the Shareholder Information Office. Attendance, proxy and voting cards may be exchanged on the date of the Shareholders' Meeting for other standardized documents for recording attendance, issued by the Company to facilitate drawing-up of the attendance list and exercise of the shareholders' voting and other rights.

The registration of attendance, proxy and voting cards shall commence two (2) hours before the scheduled time of the General Shareholders' Meeting.

For the purpose of verifying the identity of shareholders or their valid representatives, attendees may be asked for proof of identity on entry to the Shareholders' Meeting, presenting their National Identity Document or any other official document generally accepted for these purposes.

## REPRESENTATION

Any shareholder entitled to attend may be represented by a proxy, who need not be a shareholder.

If the name of the proxy is left blank on the proxy form received by the Company, it will be presumed granted in favour of the Chairman of the Board or, in his absence, the Secretary of the AGM.

The voting instructions shall be set out in proxy forms. If the corresponding instruction boxes are not marked, the represented shareholder will be deemed to have issued specific instructions to vote for the proposed resolutions submitted by the Board.

Save otherwise indicated by the represented shareholder, the proxy will be deemed extended to proposed resolutions not submitted by the Board of directors or any business which, although not included on the agenda, may lawfully be put to the vote at the General Shareholders' Meeting. In this case, unless otherwise indicated by the represented shareholder, the latter will be deemed to have issued specific instructions to vote against the proposal.

Pursuant to Articles 523 and 526 of the Companies Act, the Board of Directors informs shareholders as follows: (i) the Chairman of the Board of Directors and other Board members may be in a potential conflict of interest in respect of items Second (*Review and approval, if appropriate, of the management of the Board of Directors of Repsol YPF, S.A. during 2011*) and Fifteenth (*Advisory vote on the Report on the Remuneration Policy for Directors of Repsol YPF, S.A. for 2011*) on the Agenda; (ii) the Directors whose re-election is proposed in items Seventh (*Re-election of Mr Isidro Fainé Casas as Director*)and Eighth (*Re-election of Mr Juan María Nin Génova as Director*) on the Agenda are in a conflict of interest in respect of those items; and (iii) if one or some of the proposals contemplated in the Companies Act, Art. 526, section b. (removal) or c. (exercise of a corporate action for liability), the director or directors affected by those proposals shall be in a conflict of interest for the voting thereof.

The shareholder shall notify the designated representative in writing or by electronic means of the proxy granted in his favour. If the proxy is granted in favour of a member of the Board of Directors, notification shall be deemed made upon receipt by the Company of the proxy documents.

The shareholder shall also notify the Company, in writing or by electronic means, of both the appointment of a proxy and revocation, if appropriate.

The Company shall be notified of the appointment of a proxy as follows: (i) by post, sending the attendance, proxy and proxy vote to the Shareholder Information Office; (ii) online, when the shareholder grants the proxy via the Company's website (www.repsol.com); or (iii) in person, upon presentation by the proxy of the attendance, proxy and voting card for inclusion in the shareholder entry register on arrival at the time and place indicated for the Shareholders' Meeting.

Personal attendance at the Shareholders' Meeting by any shareholder who has granted a proxy, or exercise by that shareholder of distance voting, by electronic means or by post, shall automatically revoke the appointment of the designated proxy.

**INFORMATION RIGHT**

In addition to the provisions of Articles 197 and 520 of the Companies Act, from the date of publication of this notice of call to the date of the General Shareholders' Meeting, the following documents shall be permanently posted on the Company's website (www.repsol.com), save in the event of force majeure or technical impossibility beyond its control:

1. The notice of call to the Ordinary General Shareholders' Meeting.

2. The total number of shares and voting rights existing at the date of the meeting.

3. The Annual Financial Statements of Repsol YPF, S.A. and the Consolidated Annual Financial Statements of the Repsol YPF Group for the year ended 31 December 2011.

4. The Auditors' Report on the Annual Financial Statements of Repsol YPF, S.A. and the Consolidated Annual Financial Statements of the Repsol YPF Group for the year ended 31 December 2011.

5. The Management Report of Repsol YPF, S.A. and the Consolidated Management Report of the Repsol YPF Group for the year ended 31 December 2011.

6. The Directors' liability statement contemplated in Article 35 of the Securities Market Act which, together with the documents indicated in the preceding three points, make up the Company's Annual Report for the year ended 31 December 2011.

7. The text of the proposed resolutions corresponding to the items on the agenda and the reports by the Board of Directors on each of the proposed resolutions corresponding to the items on the Agenda.

8. The currently valid recast texts of the Bylaws, Regulations of the General Shareholders' Meeting and Regulations of the Board of Directors.

9. The Report on the Remuneration Policy for Directors of Repsol YPF, S.A. for the year ended 31 December 2011.

10. The Annual Report on Corporate Governance for the year ended 31 December 2011.

11. The Activity Report of the Audit and Control Committee for the year ended 31 December 2011.

12. The Corporate Responsibility Report for the year ended 31 December 2011.

13. The attendance, proxy and voting standard form for the Ordinary General Shareholders' Meeting.

14. The reports by the Nomination and Compensation Committee and the independent expert contemplated in Article 22.2 (b) of the Regulations of the Board of Directors on related party transactions authorized by the Board under indent (c) of that article.

As from the date of publication of the notice of call, shareholders may examine at the registered office (Paseo de la Castellana 278, 28046 Madrid) or request immediate delivery or remittance, free of charge (by e-mail with acknowledgement of receipt if the shareholder accepts this method) copies of all the documents listed in paragraphs 1 - 14 above for or related with the Ordinary General Shareholders' Meeting.

In addition, from the publication of this notice up to the seventh calendar day (inclusive) prior to the date of the General Meeting, shareholders may request in writing further information or clarifications or submit such questions as they may deem fit in respect of the items on the agenda. In the same form and time, shareholders may request written explanations on (i) the information available to the public submitted by the Company to the National Securities Market Commission since the date of the previous General Shareholders' Meeting, i.e. since 15 April 2011; and (ii) the Auditors' Reports on the Annual Financial Statements of Repsol YPF, S.A. and the Consolidated Annual Financial Statements of the Repsol YPF Group for the year ended 31 December 2011.

## DISTANCE VOTING AND PROXIES PRIOR TO THE GENERAL SHAREHOLDERS' MEETING

### 1. Voting by distance communication prior to the General Shareholders' Meeting

Pursuant to Article 23 of the Bylaws and Article 7 of the Regulations of the General Shareholders' Meeting, shareholders entitled to attend may vote through distance communication on the proposals regarding the items on the Agenda prior to the date of the General Meeting, provided the identity of the voting shareholder is duly guaranteed.

#### *1.1 Means for distance voting*

The means of communication valid for distance voting are as follows:

*(i) Postal vote*

To vote by post on the items on the Agenda, shareholders must complete and sign the "Distance Voting" section of the attendance, proxy and voting card issued by the member of IBERCLEAR with which they have deposited their shares or duly complete the model card available on the Company's website (www.repsol.com) and at the Shareholder Information Office.

Once the appropriate section of the card has been completed and signed -with a handwritten signature-, the shareholder must send it to the Company, for the attention of the Shareholder Information Office at Paseo de la Castellana 278, 28046 Madrid.

*(ii) Electronic vote*

Shareholders may vote on the items on the Agenda for the Shareholders' Meeting through the Company's web site (www.repsol.com), entering the AGM 2012 page and following the procedure established there, provided the shareholder has an electronic DNI (national identity document) or a recognised or advanced electronic signature, based on a recognised, valid electronic certificate issued by *Entidad Pública de Certificación Española* (CERES), of *Fábrica Nacional de Moneda y Timbre*, and uses one of these means to identify himself.

### *1.2 Specific rules for distance voting*

*(i) Voting indications*

If the shareholder sending a distance vote fails to mark any of the boxes provided for any of the items on the Agenda, he will be presumed to vote for the Board's proposal.

*(ii) Receipt by company*

In order to be valid, postal or electronic votes must be received by the company no later than 09:00 on 29 May 2012. After this time, the Company will only accept the votes cast at the General Meeting.

## 2. Distance proxies

Pursuant to Article 24 of the Bylaws and Article 8 of the Regulations of the General Shareholders' Meeting, shareholders entitled to attend may grant a proxy through distance communication for voting on the proposals regarding the items on the Agenda prior to the date of the General Meeting, provided the identity of the voting shareholder is duly guaranteed.

### *2.1 Means for granting proxies*

The means of communication valid for distance proxies are as follows:

*(i) Postal proxy*

To grant proxies by post, shareholders must complete and sign the "Proxy" section of the attendance, proxy and voting card issued by the member of IBERCLEAR with which they have deposited their shares or duly complete the model card available on the Company's website (www.repsol.com) and at the Shareholder Information Office.

This section must be signed -with a handwritten signature- by the shareholder and sent to the Company, for the attention of the Shareholder Information Office at Paseo de la Castellana

278, 28046 Madrid, or to the designated proxy for presentation at the General Shareholders' Meeting.

*(ii) Electronic proxy*

Shareholders may grant proxies through the company's web site (www.repsol.com), entering the AGM 2012 page and following the procedure established there, provided the shareholder has an electronic DNI (national identity document) or a recognised or advanced electronic signature, based on a recognised, valid electronic certificate issued by *Entidad Pública de Certificación Española* (CERES), of *Fábrica Nacional de Moneda y Timbre*, and uses one of these means to identify himself.

**2.2 *Specific rules for proxies***

Distance proxies will be subject to the general rules established for representation at Shareholders' Meetings in respect of (i) blank proxies received by the Company; (ii) the issuing of specific voting instructions, consisting of voting in favour of the proposed resolutions submitted by the Board of Directors if the voting instruction boxes are not marked; (iii) extension of the proxy to proposed resolutions not submitted by the Board of Directors and any business not included on the Agenda that may be transacted at the Shareholders' Meeting; and voting instructions in those cases; and (iv) the necessary notification to the designated representative of the proxy granted in his favour, or revoked, as the case may be.

In order to be valid, postal or electronic proxies must be received by the company no later than 09:00 on 29 May 2012. After this time, the Company will only accept the proxies made in writing on the attendance, proxy and voting cards presented for inclusion in the shareholder entry register on arrival at the time and place indicated for the Shareholders' Meeting

At the date and place of the General Shareholders' Meeting, proxies must prove their identity, showing their National Identity Document or any other official document generally accepted for these purposes, together with the attendance, proxy and voting card or a print-out of the electronic proof of proxy, as the case may be, so that the company can confirm the proxy granted.

**3. Rules common to distance voting and distance proxies**

*(i) Confirmation of distance vote or distance proxy*

The validity of votes cast and proxies granted through distance communication is subject to checking of the particulars supplied by the shareholder against those contained in the file supplied by IBERCLEAR. In the event of any discrepancy between the number of shares indicated by the shareholder in the proxy form or distance voting form and those indicated in the aforesaid file, the number of shares indicated by IBERCLEAR will prevail for the purposes of quorum and voting.

*(ii) Rules of priority*

Personal attendance of the general meeting by a shareholder who has previously granted a proxy or voted through distance communication, by whatsoever means used, will render that distance proxy or vote void.

If a shareholder validly issues both a distance vote and a proxy, the former will prevail. Similarly, electronic votes and proxies will prevail over those sent by post.

Electronic votes and proxies may be rendered void through express revocation by the shareholder through the same means.

*(iii) Other provisions*

The Company reserves the right to modify, suspend, cancel or restrict the electronic voting and proxy mechanisms for technical or security reasons. The Company further reserves the right to request additional identification from shareholders as and when it may so deem fit to guarantee the identity of those concerned, the authenticity of the vote or proxy and, in general, the legal certainty of the General Shareholders' Meeting.

The Company will not be responsible for any damages caused to shareholders through unavailability or failure in the maintenance and effective functioning of its website and the services and contents provided through such site, or for any faults, overrun, overload, fallen lines, connection faults or whatsoever other similar incidents beyond the company's control, which prevent use of the electronic voting and proxy mechanisms.

Electronic voting and proxy mechanisms will be available online from 30 April 2012 to 09:00 on 29 May 2012.

In any aspects not expressly contemplated in these procedures, the General Conditions set out in the Legal Notice on the company's web site will be applicable.

**PRESENCE OF NOTARY**

The Board of Directors has requested the presence of a Notary to take the minutes of the General Shareholders' Meeting.

## ELECTRONIC SHAREHOLDERS FORUM

In pursuance of Article 539.2 of the Companies Act and as of the date of the notice of call to the General Shareholders' Meeting, the Company has enabled an Electronic Shareholders' Forum on its website (www.repsol.com), accessible with due guarantees by both individual shareholders and any voluntary associations that may be formed in accordance with current regulations, to facilitate communication prior to the General Shareholders' Meeting.

Proposals to supplement the Agenda as it appears in the notice of call, requests for support for those proposals, initiatives to reach a sufficient percentage to exercise a minority shareholders' right contemplated in law and offers of or requests for voluntary representation may all be published in the Forum.

The Forum is not a communication channel between the Company and its shareholders and is enabled for the sole purpose of facilitating communication among the Company's shareholders prior to the Shareholders' Meeting.

To enter the Forum, shareholders must obtain a specific password on the Company's website (www.repsol.com), following the instructions and terms of use of the Forum established within the section on the 2012 AGM. Participants will generally obtain clearance to obtain the password using their electronic DNI or a recognised or advanced electronic signature, based on a recognised, valid electronic certificate issued by *Entidad Pública de Certificación Española* (CERES), of *Fábrica Nacional de Moneda y Timbre*,.

## GENERAL INFORMATION

Any personal data of shareholders supplied to the Company on exercise or delegation of attendance and voting rights at the Shareholders' Meeting shall be used by the Company, under its own responsibility, to develop, control and manage the shareholding relationship and comply with its legal obligations. For this reason, the particulars shall be provided to the Notary issuing the minutes of the General Shareholders' Meeting.

These data may also be used by the Company to send shareholders, through any means, commercial information on they oil and gas sector, unless the shareholder expresses his objection within thirty (30) days after the Shareholders' Meeting (calling the freephone number 900 100 100), if no opposition is received by the end of that period, the shareholders will be considered to have granted his consent.

Shareholders' rights of access, rectification, deletion and objection (e.g. when they no longer wish to receive commercial information on the oil & gas sector) may be exercised on the terms prescribed by law, sending written notification to the Company at its registered office, Paseo de la Castellana 278, 28046 Madrid.

If personal details of other individuals are included in the attendance, delegation and distance voting card, the shareholder must inform those individuals of the indications of the preceding paragraphs and meet any other requests that may be applicable for a correct transfer of their data to the Company, which need not take any further action in terms of providing information or obtaining consent.

To enable a wider coverage, all or part of the General Shareholders' Meeting may be recorded on video and broadcast through the Company's website. This is deemed accepted by attendees on entering the venue of the Shareholders' Meeting.

**FORESEEABLE EFFECTIVE DATE OF THE SHAREHOLDERS' MEETING**

It is expected to hold the General Shareholders' Meeting on **SECOND CALL**, that is, on 31 May 2012, at the place and date indicated above. Otherwise, due notice will be given sufficiently in advance in an announcement published in the daily press and on the Company's website (www.repsol.com).

Madrid, April 19th, 2012

Luis Suárez de Lezo Mantilla
Director Secretary of the Board of Directors

General Division of Communication
Telf. 91 753 87 87
www.repsol.com
prensa@repsol.com

Press release
Madrid, May 24th 2012
Number of pages: 5

Holding resources of at least 700 million barrels of light oil and 3 Tcf of gas, it is one of the largest finds in the world in 2012

# REPSOL CONFIRMS THE SIGNIFICANT POTENTIAL OF BRAZIL'S BM-C-33 PRESALT BLOCK

- The total estimated resources of the block amount to more than 700 million barrels of light crude and 3 Trillion cubic feet of gas (equivalent to 545 million barrels of oil).

- These figures confirm the potential of the BM-C-33 block in the Campos Basin, including the Seat, Gávea and Pão de Açúcar wells.

- Repsol Sinopec Brasil is the operator, holding 35% of the discovering consortium, partnered by Statoil (35%) and Petrobras (30%).

- The partners are preparing an appraisal plan for submission to Brazil's National Agency of Petroleum, Natural Gas and Biofuels (Agencia Nacional de Petróleo, Gas e Biocombustíveis or ANP).

- Pão de Açúcar was drilled in approximately 2,800 meters of water and encountered a hydrocarbon column of 500 meters. The well is located 195 kilometers from the coast of the State of Rio de Janeiro.

- The proven exploratory success of Repsol Sinopec Brasil has led to the creation of a significant portfolio of projects that will help increase Repsol's production in coming years.

- The Brazilian offshore is one of the areas with the highest hydrocarbon reserves growth in the world

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Repsol Sinopec Brasil estimates that Block BM-C-33, in the deepwater Campos Basin, contains resources of more than 700 million barrels of light oil and 3 trillion cubic feet (Tcf) of gas. The partners are working on an appraisal plan for the area, whose significant potential has become a reality.

Repsol Sinopec Brasil is the operator of the discovering consortium, holding 35%, partnered by Statoil (35%) and Petrobras (30%).

Block BM-C-33, off the coast of the State of Rio de Janeiro, is the site of the recent Seat, Gávea and Pão de Açúcar discoveries. The latter is one of the world's top five discoveries in 2012.

The total estimated resources of these three accumulations represent at least 700 million barrels of light oil and 3 Tcf of gas (equivalent to 545 million barrels of oil). The latest well, Pão de Açúcar, was drilled in approximately 2,800 meters of water depth and 195 km from the coast of the State of Rio de Janeiro, and found a 500 meters-thick oil column.

Repsol Sinopec Brasil and its partners are preparing an appraisal plan to be submitted to the Brazilian National Agency of Petroleum, Natural Gas and Biofuels (ANP). The Brazilian offshore is one of the areas with the highest hydrocarbon reserves growth in the world.

## Repsol exploratory success

The exploratory activity carried out by Repsol in the last few years has resulted in worldwide top-five discoveries in five of the last six years.

As a result, Repsol's Upstream reserve replacement ratio, the proportion of barrels found against barrels produced, was 131% in 2010 and 162% in 2011, an industry-leading performance.

Repsol has created an asset base whose development will allow the company to increase production over the coming years. As well as the significant finds in Brazil, Repsol is also developing projects in the United States, Venezuela, Peru and the North of Africa, amongst others

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# Repsol in Brazil

Repsol Sinopec Brasil is one of the leading independent energy companies in Brazil. It is strategically placed in the areas with most potential of the Brazilian presalt plays, and it leads exploratory activity in the Santos, Campos and Espírito Santo basins, which are amongst the world's highest reserve-growth areas.

The company has a significant and diversified portfolio of projects in Brazil, including a producing field (Albacora Leste), two fields under development (Piracucá and Spainhoá – previously known as Guará), a block under appraisal (BM-S-9: Carioca) and 12 explorations blocks of high potential of which Repsol Sinopec Brasil operates five.

Repsol Sinopec Brasil was created at the end of 2010 to develop exploration and production projects in the country. Repsol has 60% stake and Sinopec owns the remaining 40%.

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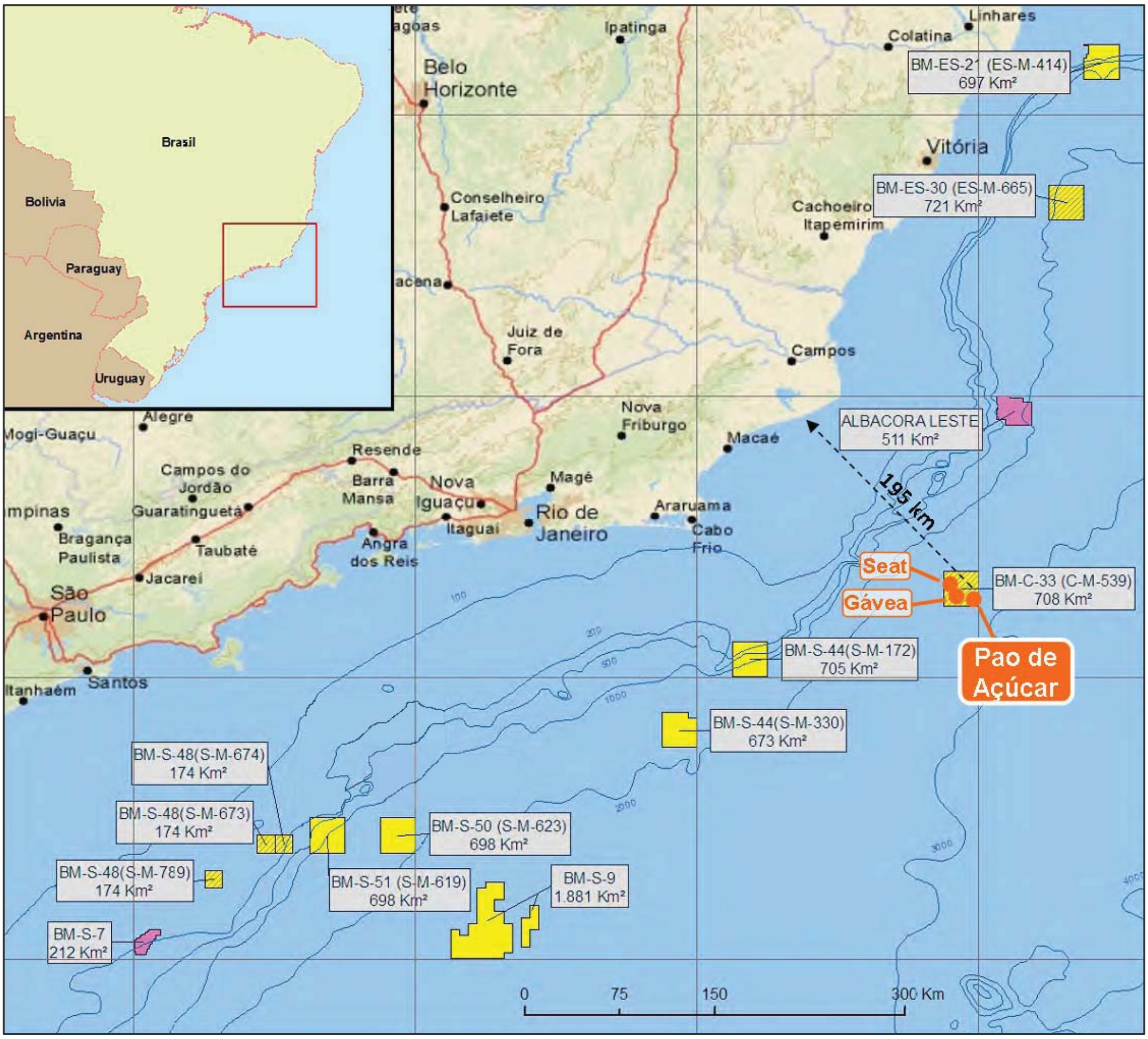
## Location Map



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Madrid, 28 May 2012

# REPSOL APPROVES THE 2012-2016 STRATEGIC PLAN AND A NEW ORGANIZATIONAL STRUCTURE

Repsol's board of Directors today approved the 2012-2016 Strategic Plan, which will be presented to the investment community tomorrow.

At the same time, and to aid the execution of the Strategic Plan and with the focus on its future vision, the Board unanimously approved a proposal submitted by the Chairman with the prior report issued by the Nomination and Compensation Committee to create a new Management Structure to reinforce its Corporate and Business Areas.

To help the growth of the businesses, management will be concentrated in the Business General Direction led by Nemesio Fernandez-Cuesta as Chief Operating Officer.

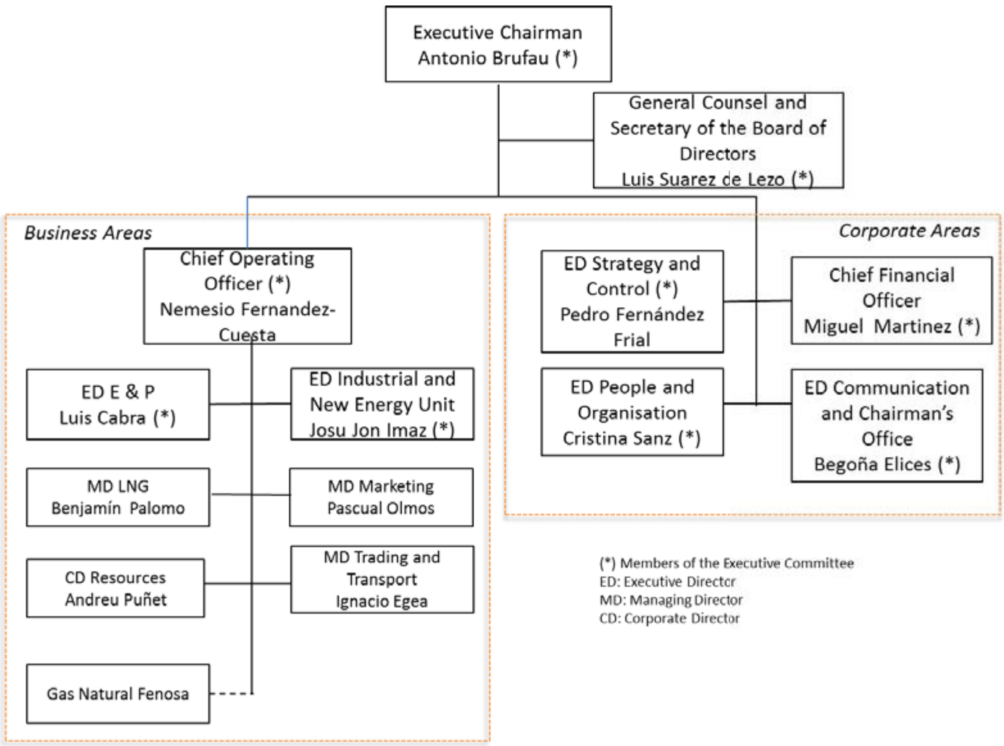
This area will include the General Direction for Exploration and Production and what was the General Direction for Downstream, which will be split into two areas. These will be an industrial unit (Refining and Chemicals) which includes New Energy, and a commercial unit (marketing and LPG) together with Trading and Transport as well as the LNG business and the Resources unit (engineering, purchases and hiring).

To boost 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, led by Pedro Fernandez Frial.

This area will include Strategy, Technology, Safety and Environment, Environment Analysis, Management Control, Auditing and Reserves Control.

The new structure reinforces management by incorporating to the Executive Committee the new Executive Directors for Exploration and Production, (Luis Cabra), and Industrial and New Energy Unit (Josu Jon Imaz).

Therefore the new organizational structure of the Company results as follows:



**Executive Committee:**

- Antonio Brufau, Executive Chairman
- Luis Suárez de Lezo, General Counsel and Secretary of the Board of Directors
- Nemesio Fernández-Cuesta, Executive Director Business Units (COO)
- Pedro Fernández Frial, Executive Director Strategy and Control
- Miguel Martínez San Martín, Chief Financial Officer
- Cristina Sanz Mendiola, Executive Director People and Organization
- Begoña Elices, Executive Director Communication and Chairman's Office
- Luis Cabra, Executive Director Exploration and Production
- Josu Jon Imaz, Executive Director Industrial and New Energy Unit

* * *

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PRESS RELEASE
Madrid, 29 May 2011
6 pages

Investing 19.1 billion euros in the period

# REPSOL PRESENTS ITS 2012-2016 STRATEGIC PLAN

- **The group's strategy rests on four pillars: high growth of Upstream, maximizing the return of Downstream and LNG (liquefied natural gas), financial strength and competitive compensation to shareholders.**
- **To aid the execution of the plan and based on the future growth of the business units, the company will reinforce its organizational structure by naming a Director General for the Business Units and a Director General for Strategy and Control.**
- **The plan is based on the investment of more than 19 billion euros, financed by the group's cash generation. The Upstream unit will drive growth, representing almost 80% of the group's total investment over the period.**
- **Repsol's production will grow at an annual rate of 7% to reach 500,000 barrels of oil equivalent a day in 2016, with a reserve replacement rate exceeding 120% for the period.**
- **Upstream activity will be centred on 10 key growth projects, including some of Repsol's greatest exploratory successes of the previous years in Brazil, United States, Russia, Spain, Venezuela, Peru, Bolivia and Algeria.**
- **Repsol's presence in several of the world's highest growth areas in exploratory potential and its established capacity as a deepwater explorer have transformed Repsol into one of the energy companies with best growth prospects.**

- **The Downstream unit becomes a cash generator, following the completion of the assets' investment cycle, which will entail a 50% reduction of investment to an average of 700 million euros a year.**

- **The expanded Cartagena and Bilbao refineries increase Repsol's refining capacity and allow a margin improvement of approximately $3 per barrel for the entire system. The unit's free cash flow will be an annual average of 1.2 billion euros.**

- **The high profitability of the LNG assets will enable return on capital following the completion of the investment cycle in the asset portfolio.**

- **The plan envisages group net income will grow 1.8 times, excluding YPF.**

- **Repsol's solid financial position and the divestment of non-core assets will enable the company to finance the investments envisaged in the 2012-2016 strategic plan, while also generating cash of between 8.1 and 8.6 billion euros for debt reduction and dividends.**

- **Repsol will carry out selective divestments of non-core strategic assets worth between 4 and 4.5 billion euros.**

- **The strategic plan was presented in Repsol's new corporate headquarters. Repsol's new campus is the only business park located in the centre of Madrid and is one of the city's most sustainable and modern buildings.**

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Repsol Executive Chairman Antonio Brufau today presented the company's new strategic plan today to journalists, analysts and investors, laying out the main growth lines for the coming years.

Repsol's 2012-2016 strategic plan includes an ambitious investment program of over 19 billion euros, self-financed with the company's own cash generation and divestments in non-strategic assets and which ensures adequate return to its shareholders.

The company also plans to almost double its net profit in the next five years from 2011, excluding YPF, through activity in the Upstream unit and cash generation from the Downstream and the LNG business units.

The plan, which builds on Repsol's strengths, envisages a 1.9-times increase in operating profit from that posted in 2011, excluding YPF.

The Exploration and Production unit is the company's growth engine, with investment focused on exploration and 10 key growth projects, including some of the biggest exploration successes obtained by Repsol in recent years. The company will focus its activity on these ten projects in Brazil, United States, Russia, Spain, Venezuela, Peru, Bolivia and Algeria.

The Upstream area will require an annual investment of 2.9 billion euros, approximately 80% of the total investment envisaged by the Repsol Group in the strategic plan.

The development of these projects will result in an annual production growth rate of 7% to reach 500,000 barrels of oil equivalent per day in 2016. These production levels will drive an increase in reserves which will place the average replacement rate above 120% in the period.

Repsol's presence in several of the geographic areas with greatest potential in the world, and its recognised capacity in deepwater exploration, has positioned the company among those with the best growth prospects in the energy sector.

Repsol's liquefied natural gas (LNG) business will take advantage of integration across the entire value chain and the flexibility of the business to maximize the profitability of Repsol's strong asset portfolio in the Atlantic and Pacific basins.

The Downstream area (Refining, Marketing, Chemicals and LPG) becomes a cash-generating business, following the completion of its asset investment cycle. Operational expansion projects in the Cartagena and Petronor (Bilbao) refineries will raise the refining margin by about $3 per barrel in 2016, in addition to increasing the refining capacity and production of middle distillates in a market where there is currently a deficit of these products.

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Repsol's excellent downstream assets and their geographical situation will allow the company to maximize the return on the investments made in the last business cycle and in cash generation, making this business one of the most competitive in the sector.

The 2012-2016 strategic plan envisages increasing the unit's profits through operational excellence, efficiency, and exploiting high-value options for growth with reduced capital needs. Thus, investments in this business segment shrinks by 50%, down to an average of 700 million euros a year over the period.

## New Management Structure to support growth

To aid the execution of the strategic plan and focusing on the future vision, the Board of Directors approved, at the behest of the Chairman, a new management structure to reinforce its corporate and business areas.

To help the growth of the businesses, management will be concentrated in the Business General Direction led by Nemesio Fernandez-Cuesta as Chief Operating Officer.

To boost 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, led by Pedro Fernandez Frial.

¡The new structure reinforces management by incorporating to the Executive Committee the new Executive Directors for Exploration and Production, (Luis Cabra), and Industrial and New Energy Unit (Josu Jon Imaz)

Repsol's new Executive Committee is made up of:

- **Antonio Brufau**, Executive Chairman
- **Luis Suárez de Lezo**, General Counsel and Secretary of the Board of Directors
- **Nemesio Fernández-Cuesta**, Executive Director Business Units (COO)
- **Pedro Fernández Frial**, Executive Director Control and Strategy
- **Miguel Martínez San Martín**, Chief Financial Officer
- **Cristina Sanz Mendiola**, Executive Director People and Organisation
- **Begoña Elices**, Executive Director Communication and Chairman's Office
- **Luis Cabra**, Executive Director Exploration and Production
- **Josu Jon Imaz**, Executive Director  Industrial and New Energy Unit

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## Renewed corporate image

Repsol has transformed and revitalized its corporate image wit a twofold objective: Gaining visibility as well as reflecting the company's new vision.

This project, was carried out by Repsol employees as well as external public, 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 image, which begins today with the presentation of the strategic plan, will be completed in the coming months not only in group communications but also at service stations, products and services 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.

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REPSOL
Growing from our strengths
Strategic Plan 2012-2016
1

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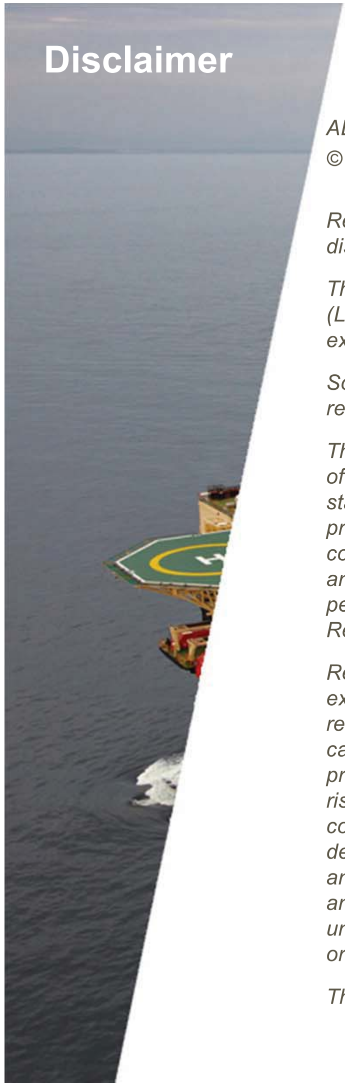



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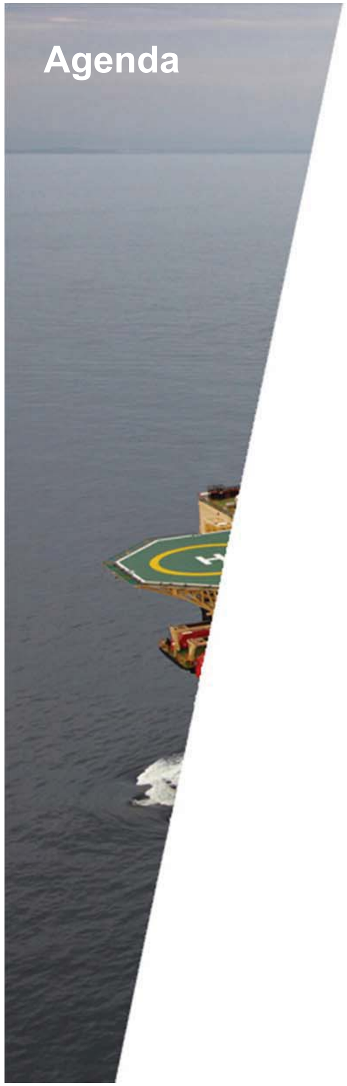



Repsol: A transformation story

YPF expropriation

2012-2016 Group Strategy: Growing from our strengths

Our businesses strategy : 2012-2016

- Upstream
- LNG
- Downstream
- Gas Natural Fenosa

Financial outlook

Summary

Appendix


Repsol: A transformation story
REPSOL
4


## 2008-2011: Key milestones

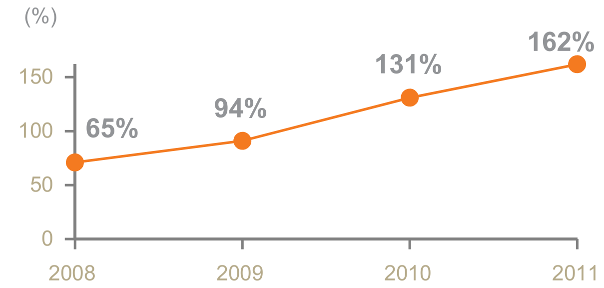
| | 2008 | 2009 | 2010 | 2011 | → |
|---|---|---|---|---|---|
| **Repsol Corporate** | Strategic Plan 2008-2012 | | Strategic Update 2010-2014 | | **Strategic Plan 2012-2016** |
| | YPF sale - Petersen Group (14.9%) | Gas Natural Fenosa merger | JV Sinopec Brazil | YPF further sales (26.6%) | YPF expropriation |
| **Repsol's Business Milestones** | | Shenzi (GoM) and I/R (Libya) start-ups; Canaport start-up (Canada) | Peru LNG start-up (Peru) | Vaca Muerta discovery | Margarita start-up (Bolivia) |
| | Kinteroni & Huacaya discoveries | Buckskin discovery | Carabobo project awarded (Venezuela) | C-33 (Gavea, Seat, Pao de Açucar) discoveries | |
| | Sapinhoa (Guara) discovery | Perla-Cardon discoveries | | Bilbao conversion upgrade | |
| | | Piracuca-Panoramix discoveries | | Cartagena expansion and conversion upgrade | |
| **External Events** | End of Golden Age of Refining; Start of financial crisis | | Macondo disaster | Libyan revolution | |
| | Shale gas revolution | | Euro crisis with stronger impact on peripheral countries | Fukushima accident | |
| | 100 USD/bbl Brent | 40 USD/bbl Brent | | 100 USD/bbl Brent | |

Repsol: A transformation story

# 2008-2011:
# Transformation into a world-class explorer

- World-class exploration success
  - 30 discoveries in 2008-2011 (17 operated by Repsol)
  - 4 discoveries among annual top 5 in 2008 – 2011[2]
- Developed a sizeable position in world's most attractive basins
- Built strong growth project pipeline

## Leading RRR[1] : 162% in 2011




## Discoveries in global annual top 5[2] since 2008

| Country | Basin | Field | Operator |
|---|---|---|---|
| Brazil | Santos | Sapinhoa (Guara) | Petrobras |
| Peru | Ucayali | Kinteroni 1X | Repsol |
| Bolivia | Chaco | Huacaya | Repsol |
| Venezuela | Upper Guajira | Perla 1X-Cardon | Repsol - others |
| Brazil | Campos | Pão Açucar[3] | Repsol-Sinopec |

1. Reserve Replacement Ratio 2. Source IHS 3. In 2012

Repsol: A transformation story

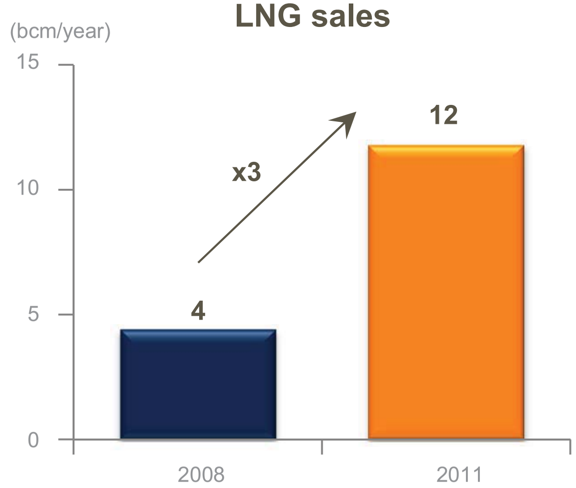
## 2008-2011:
## A consolidated and profitable LNG business

### Repsol has a global and flexible LNG business able to deliver strong value

- Developed a global LNG marketing position
- Access to the Atlantic and Pacific basins
- Delivery of the Peru LNG project, holding 100% of the off-take

**Total operating profit LNG division**


**LNG sales**

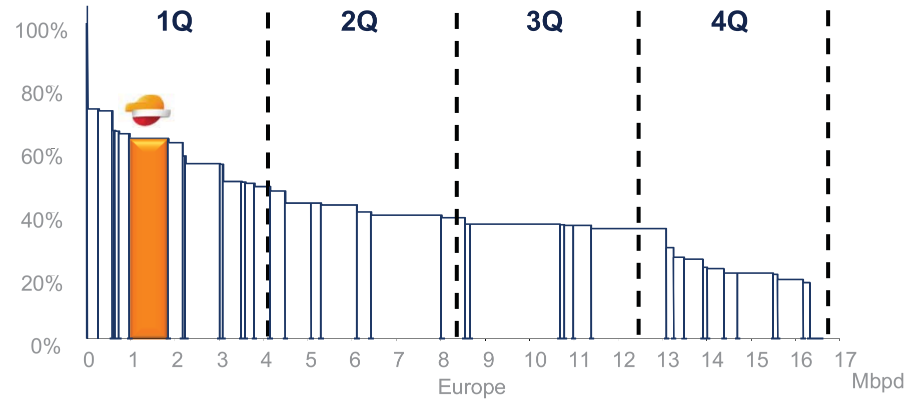


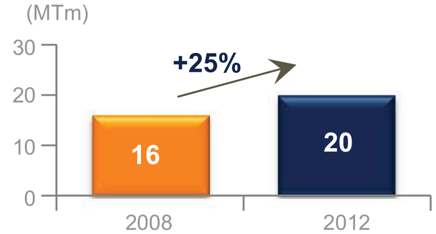

**Profitable portfolio of LNG supply contracts of 12 bcm/y**

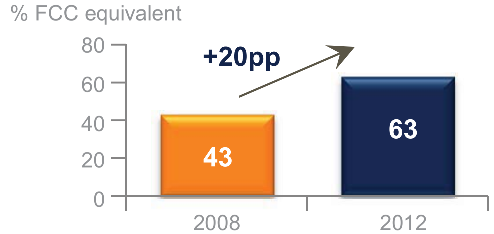
7

# 2008-2011: Increased competitiveness of Downstream business

- Increased competitiveness of refining assets
- Highest integrated R&M margin among European peers along the cycle
- Divested non-core / low return assets (€1.4[1]bn)



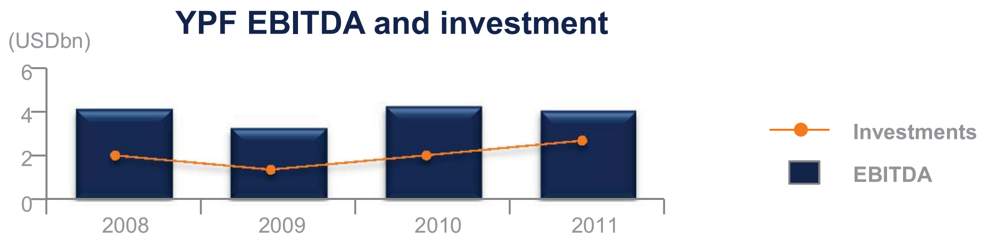




**Improved competitiveness of refining assets**

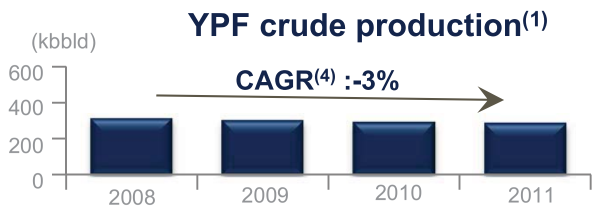
1. Includes sale of 15% of CLH, non-integrated Downstream in LatAm (Chile, Brazil and Ecuador), PMMA Petrochemicals, Refap in Brazil and LPG France, some of them executed in Dec. 2007

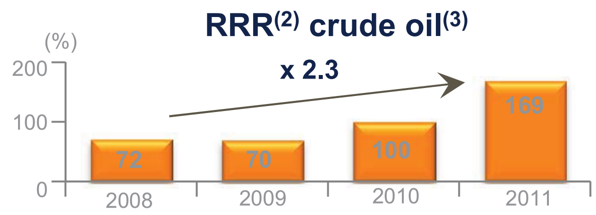
## 2008-2011:
## YPF - A solid company before the expropriation

**YPF key financials**




**YPF crude production and reserve replacement**




**Vaca Muerta discovery**

Outstanding value creation through exploration in unconventionals

- Vaca Muerta discovery among global top-5[5], with 1,525 Mboe gross contingent resources and 21,167 Mboe gross prospective resources in 8,071 km$^2$ audited
  - Repsol net acreage of 12,000 km$^2$
- Intense unconventional exploration plan in Argentina

1. Discounting the impact of the strikes 2. Reserve Replacement Ratio 3. Considering Securities Exchange Commission (SEC) criteria 4. Compound Annual Growth Rate 5. IHS

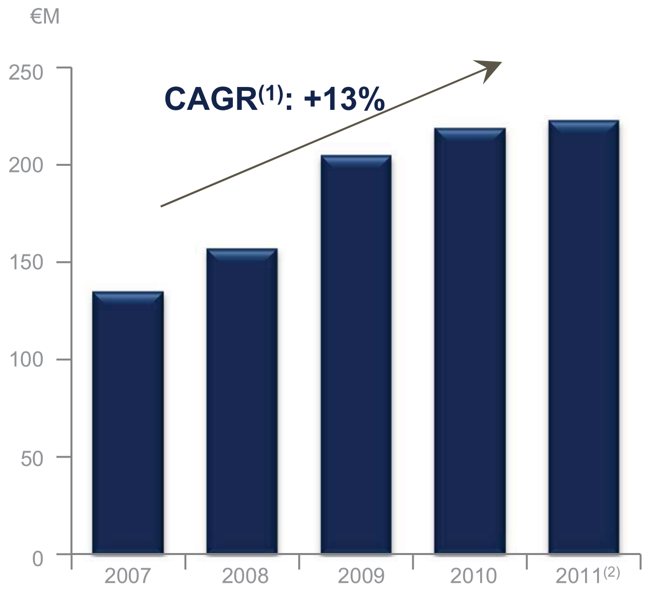
Repsol: A transformation story

# 2008-2011: Gas Natural Fenosa vertically integrated market leader in Gas & Power

## Gas Natural Fenosa accomplishments

- Gas Natural's standalone strategic goals achieved 4 years in advance via the acquisition of Union Fenosa (July 2008)
- Execution of the acquisition process completed as planned
- Significant debt reduction and full refinancing of the acquisition credit facility
- Successful execution of the divestment program
- Better than expected integration synergies achieved
- Solid business performance despite a challenging environment

## Dividends received by Repsol




**Gas Natural Fenosa has successfully completed its integration with higher than expected synergies, providing a strong dividend stream to Repsol**

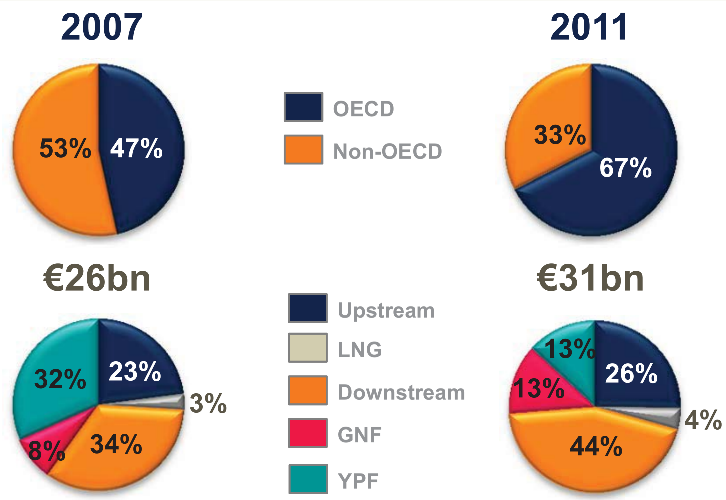
1. Compound annual growth rate 2. 2011 complementary dividend in scrip shares

Repsol: A transformation story

# 2008-2011:
# An evolving portfolio

- Implemented a value creation growth strategy
- Increased share of capital employed in OECD[1]
- Successfully executed portfolio management strategy
  – €8.1bn in divestments

**Capital[2] Employed**




**Portfolio Management**

- JV with Sinopec in Brazil: Sinopec's 40% capital contribution (USD 7.1bn)
- Divestments of YPF (41.6%)
  – Between 2008 and 2011
- Sale of non-core or non-integrated assets (€2.6bn)
  – Non-integrated downstream positions (e.g. Refap, Marketing Chile)
  – Full-value regulated and non-core assets: 15% CLH, 82% Gaviota, 25% BBG
  – Others

**Investment cycle completed in Downstream and LNG**

1. Organization for Economic Cooperation and Development 2. Excludes Corporate; Capital employed calculations using equity method for both GNF and YPF


## 2008-2011:
## Enhanced human and organizational capabilities

- Evolution of the organizational structure and processes
- Renewal of the management team
- Evolution of people management and career development, guaranteeing the required profiles and skills in the short and long term
- International talent management strategy
- Multidisciplinary approach in strategic projects
- Learning capacity, innovation and readiness for change
- Higher efficiency, and market oriented organization
- Stronger technical capabilities in areas of high degree of specialization and/or growth, such as Upstream


# 2010 - 2014 Strategy Update: Delivering on our commitments

**Status at 2nd year of Plan**

## Corporate

### Portfolio Management

- **Divestment of additional YPF equity share and non-performing / non-core assets to rebalance portfolio** ✓
- **Options to materialize value from our balance sheet through selective divestments** ✓

## Upstream and LNG

### Accomplishing the transformation of Repsol Upstream into the Group's growth engine

**Deliver key growth development projects** ✓
- Production growth of 3-4% p.a. to 2014 and higher to 2019
- Around 90% of production increase to 2014 based on projects already in development

**Leveraging very successful exploration activity** ✓
- Presence in some of the most attractive upstream areas worldwide: Brazil & GoM

**Reserve Replacement Ratio for the period above 110%** ✓

## Downstream

### Optimize return on capital and improve competitiveness through targeted conversion expansion

**Leading competitive position as an integrated player in Spain** ✓

**Completion of two key growth projects (Cartagena and Bilbao) by end of 2011** ✓
- Repsol will be among the European companies with highest conversion (63% FCC eq)
- Increase middle distillates production by 25% to serve the Spanish market, with structural gasoil deficit

**From 2012 on, leveraged to capitalize the upside and solid cash generation from premier integrated position in the European downstream** ✓

YPF

### Capturing the hidden value of YPF with less risk and higher profit

Expropriation

gasNatural fenosa

### Creating a vertically integrated leader in gas and power

✓

# YPF expropriation

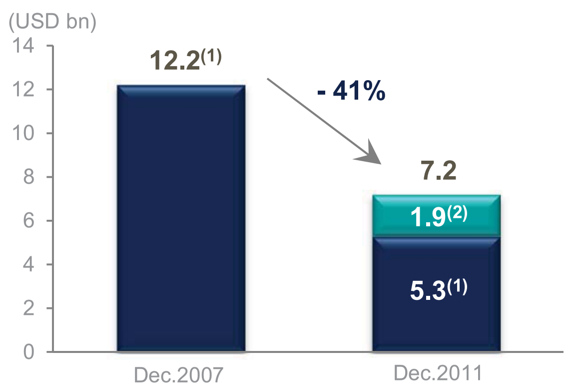
# Financial impact

## 2008-11 risk mitigation

**Reduction of the exposure of the Group to YPF**

- Divestment of 41.6% of YPF

**Exposure to YPF**

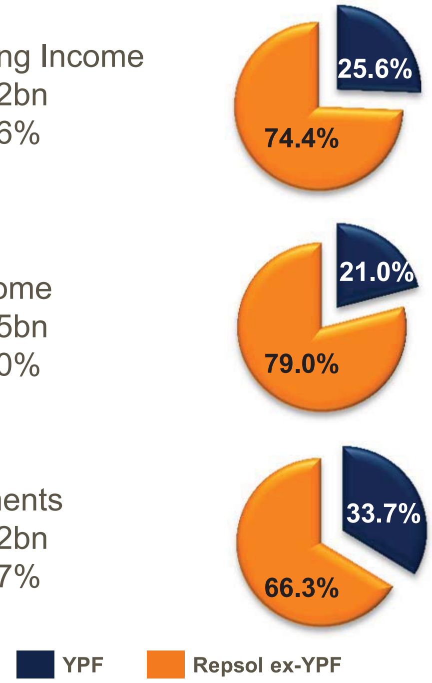



## Financial impact (2011)

Operating Income
- €1.2bn
- 25.6%

Net income
- €0.5bn
- 21.0%

Investments
- €2.2bn
- 33.7%



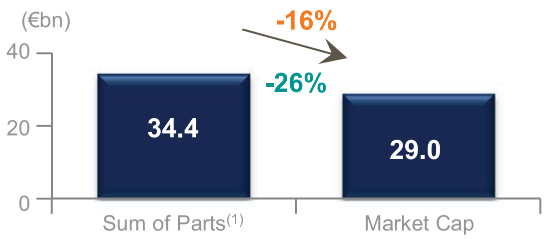

**The unlawful expropriation of YPF does not affect the growth capacity of any of Repsol's businesses outside Argentina**

1. Book value of YPF as of December 2007 and December 2011 2. Corresponding to shareholders loan in Dec. 2011, 6% of YPF shares as collateral

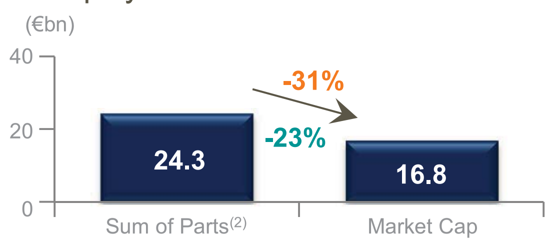
# Share price over-penalized by YPF expropriation, despite strong fundamentals

## Sum of the parts

Dec 2011: before YPF expropriation
Equity value




May 2012: after YPF expropriation
Equity Value

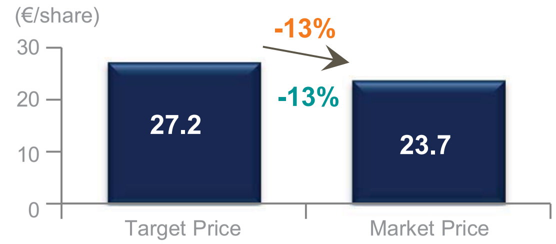



x% Repsol's discount

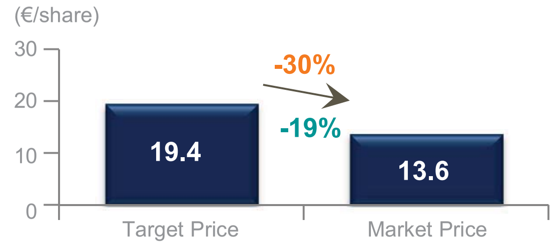
x% Average peers' discount

## Target price

Dec 2011: before YPF expropriation




May 2012: after YPF expropriation




**High potential for additional value recognition**

1. Including YPF. Treasury shares: 5% valued at 21.1€/share, remaining 5% at 15.0€/share 2. Excluding YPF. Treasury shares: 5% valued at 15.0€/share
Note: sum of parts analysis excludes Petersen loan (€1.5bn) in "after YPF expropriation" scenario, Gas Natural Fenosa stake valued at market price. Source: analyst reports, Bloomberg


2012-2016 Group Strategy
Growing from our strengths
REPSOL
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2012-2016 Group strategy: Growing from our strengths

## 2012 - 2016 Group strategy
## Growing from our strengths

**High growth in Upstream**

- Upstream as growth engine
  - Production and reserves growth
  - Higher exposure to OECD countries
- Increase capex
- Exploration capex per boe of production among industry leaders

**Maximize return on capital Downstream & LNG**

- Maximize profitability and cash from premium asset base
- Fully invested assets
- Operational excellence

**Financial strength**

- Self-financed strategic plan, resilient to stress scenarios
- Commitment to maintain investment grade

**Competitive shareholder compensation**

- Competitive pay-out ratio within industry


# 2012 - 2016 Key strategic targets
## Growing from our strengths

### High growth in Upstream

- Production growth 2011-16[1] : **> 7% CAGR[2]**
- Production 2016: **~500 kbpd**
- RRR[3] 2011-2016: **> 120%**
- Upstream average capex: **€2.9bn/year**[4] (+120% vs. average 2008-11)

### Maximize return on capital Downstream & LNG

- Downstream average Free Cash Flow: **€1.2bn/year**
- Downstream average capex: **€0.7bn/year** (-50% vs. avg. 2008-11)

### Financial strength

- **Self-financed plan generating € 8.1-8.6 bn** cash for dividends & debt reduction in base case, resilient to stress scenario
- **Maintain investment grade** rating
- Divestments & treasury stock: **up to € 4-4.5 bn** in 2012-2016[5]

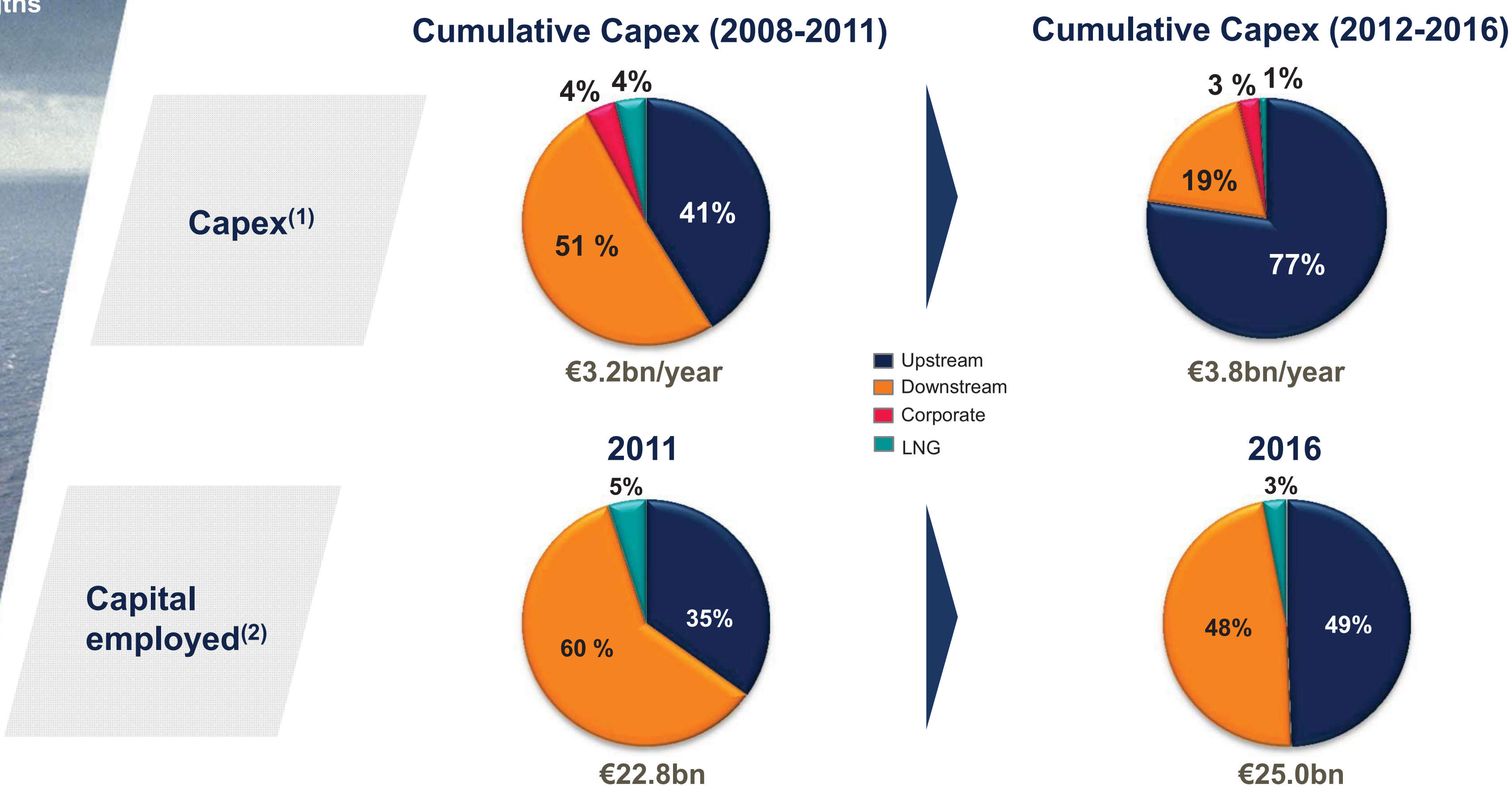
### Competitive shareholder compensation

- Dividend 2011: **1.16 €/share** (scrip option)
- 2012 onwards**: 40-55% pay-out ratio**

1. 2011 production adjusted for Libyan revolution. It considers 2010 Libya production (14.7Mboe) instead of Libya 2011 production (3.4Mboe)
2. Compound annual growth rate 3. Reserve Replacement Ratio. 4. Net Capex. excluding G&G and G&A 5. €1.36bn of treasury stocks already divested in 1Q 2012

2012-2016 Group strategy: Growing from our strengths

## Value growth and increasing exposure to Upstream




1. Net Capex figures excluding G&G and G&A 2. Considering Upstream, LNG and Downstream only (without Corporate) Note: All calculations ex-Gas Natural Fenosa and ex-YPF

## Strategic Plan 2012 – 2016 base case scenario

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|
| Brent oil (USD/bbl) | 107 | 95 | 97 | 100 | 102 |
| Henry Hub (USD/MMBtu) | 2.5 | 3.5 | 4.0 | 4.5 | 4.5 |
| NWE Brent Cracking (USD/bbl) | 2.3 | 2.4 | 2.5 | 2.6 | 2.8 |
| Exchange rate (USD/€) | 1.3 | 1.3 | 1.3 | 1.3 | 1.3 |

Our businesses strategy: 2012-2016
Upstream
REPSOL
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## Upstream: Strategy 2012-2016

**Focus on Exploration**

- Average investment above USD 1.0bn/year[1]
  - 6.5 USD/boe produced, among industry leaders

**Delivering growth**

- Producing assets
  - Production decline below 1.7% p.a.
- 10 key growth projects on course
  - >200 kboed of incremental net production by 2016
- Key strategic targets
  - >7% CAGR[2] net production growth
  - Upstream net production 2016: ~500 kboed
  - Reserve Replacement Ratio >120%

**Reshaping portfolio**

- Growing exposure to attractive areas, crude oil prices and increasing share of OECD

1. Including G&G and G&A 2. Compound annual growth rate


## Upstream: Asset portfolio

| | |
|---|---|
| **Producing Assets (39)** | • In production before end of 2011 |
| **Growth Projects (10)** | • Development assets with pre-2015 FID and delineated<br>– Margarita, Mid-Continent, Lubina-Montanazo, Kinteroni, Cardon IV, Carabobo, Sapinhoa (Guara), Reggane, Carioca, and Russia (SK, YK, Saneco, TNO) |
| **Contingent resources (9)** | • Already drilled resources, in delineation phase<br>– Alaska, C-33 (Pão de Açucar, Gavea y Seat), Albacora Pre-salt (Arapuça), Sierra Leone, Buckskin, Malombe, Iguaçu, Piracuca-Panoramix-Vampira, NC200 |
| **Prospective resources** | • Current mining acreage with risk assessment and access to new areas acreage, estimated to be drilled in the strategic plan period. |

# Focus on Exploration:
# Setting the basis for the new waves of growth

REPSOL

**Strong exploration investment plan of more than USD 1.0 bn/year[(1)]**
- Intensity of exploration investment above industry average (USD 6.5 per barrel produced)

**Focus on our technical themes**

- Atlantic break-up analogies
- Off-shore carbonates
- Underexplored folded belts

**Preference for exploration in our core areas and those where Repsol can be among first movers**

- 50% of total exploration investment in core areas (GoM, Brazil, North of LatAm, North of Africa)
- Avoid expensive late-entrant strategies

**Active risk management through diversification and target limits**

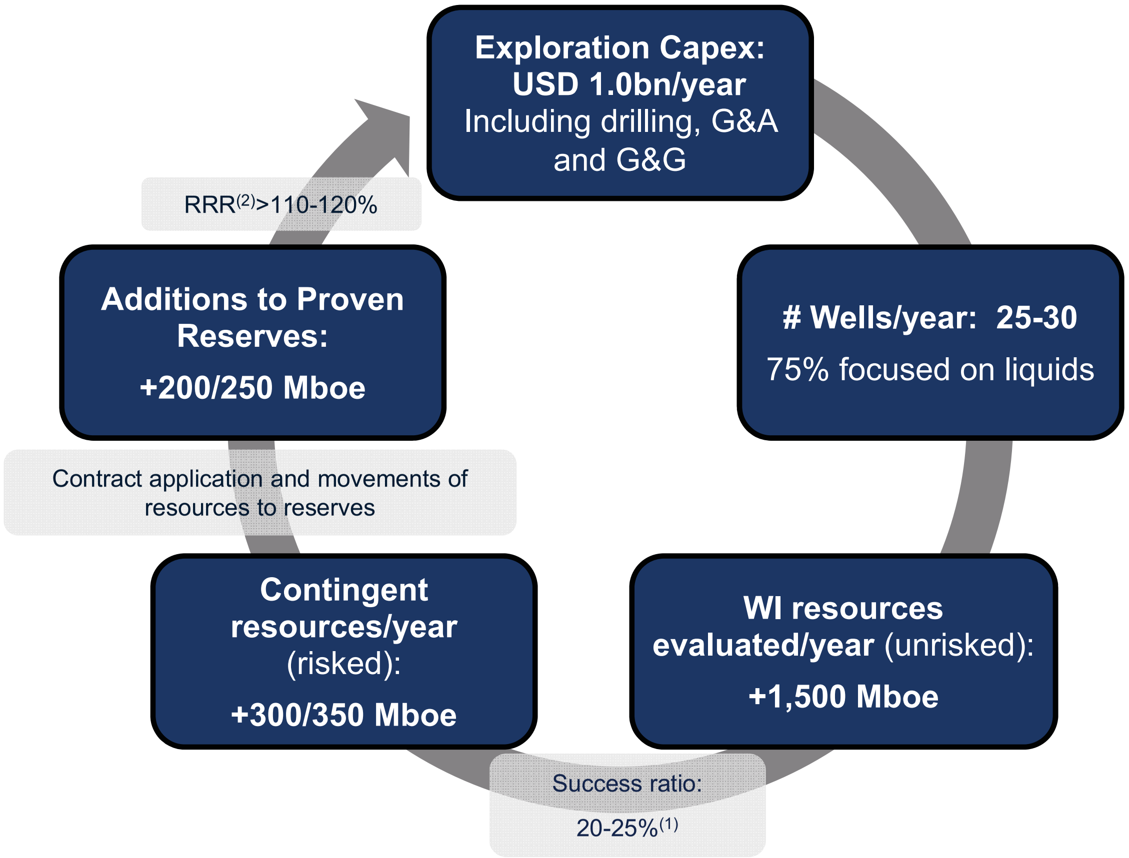
- Average target exposure under 30% WI, up to 40% as operator

**Active portfolio management**
- Focused value-creating asset acquisition strategy to access high potential plays and significant upside

1. Exploration Capex including G&G and G&A

Our businesses strategy: 2012-2016 Upstream

## Focus on Exploration: Setting the basis for the new waves of growth




1. Historical success ratio above 30% 2. RRR (Reserve Replacement Ratio) beyond 2016

# Focus on Exploration: Strong pipeline

## Exploration pipeline

Appraisal ← New themes

- **Med Spain**
- **Carioca**
- **Piracuca**

- **Brazil**
  - Panoramix
  - Vampira
  - Presalt Albacora
  - C33 (Seat, Gavea, Pao de Açucar)
- **GoM**
  - Buckskin
- **West Africa**
  - Sierra Leone (Jupiter & Mercury)
  - Liberia

- **GoM & Onshore Louisiana**
- **West Africa:**
  - Angola
  - Namibia
- **Libya & Algeria**
- **North Latam** (Peru 57, Colombia, Bolivia & Guyana)
- **Alaska**
- **North Atlantic Margins** (NE Canada, Norway, Ireland & Portugal)
- **North Africa** (Morocco & Mauritania)
- **Russia**
  - West Siberia
  - Carbonates Timan Pechora

- **Atlantic break-up analogies**
- **Carbonates in offshore**
  - E.g.: Indonesia
- **Under-explored folded belts**
  - Peru
  - Tunisia
  - Iraq

\+ Maturity -

Our businesses strategy: 2012-2016 Upstream

# Delivering Growth
## 10 key growth projects in 2012-2016

**2012-2016**

**Brazil**

1. **Sapinhoa (Guara)**
300 Kboed
WI: 15%
FID: 2010
FO: 2013
Capex 12-16: €1.2bn

2. **Carioca**
150 Kboed
WI: 15%
FID: 2012
FO: 2016
Capex 12-16: €0.8bn

**USA**

3. **Mid-continent (USA)**
40 Kboed[1] net production[1]
-
FO: 2012
Capex 12-16: €2.3bn

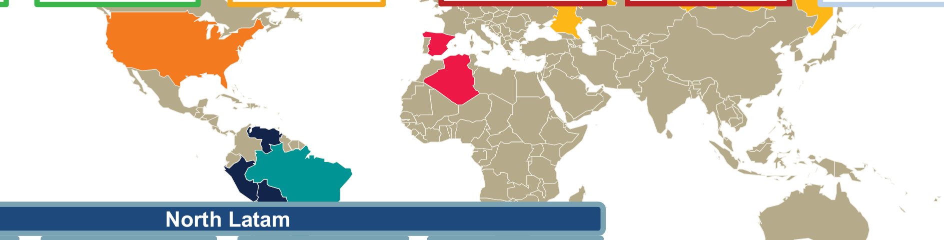
**Africa & Europe**

4. **Reggane (Algeria)**
48 Kboed
WI: 29.25%
FID: 2009
FG: 2016
Capex 12-16: €0.4bn

5. **Lubina-Montanazo (Spain)**
5 Kboed
WI: 100-75%
FID: 2009
FO: 2012
Capex 12-16: €0.02bn

**Russia**

6. **AROG (Russia)**
50 Kboed
WI: 49%
-
FO: 2012
Capex 12-16: €0.4bn



**North Latam**

7. **Margarita-Huacaya (Bolivia)**
102 Kboed
WI: 37.5%
FID: 2010
FG: 2012
Capex 12-16: €0.3bn

8. **Kinteroni (Peru)**
40 Kboed
WI: 53.8%
FID: 2009
FG: 2012
Capex 12-16: €0.07bn

9. **Carabobo (Venezuela)**
370 Kboed
WI: 11%
-
FO: 2013
Capex 12-16: €0.7bn

10. **Cardon IV (Venezuela)**
53 Kboed[2]
WI: 32.5%
FID: 2011
FG: 2014
Capex 12-16: €0.5bn

**Post 2016**
**Next wave of growth**

## Exploration

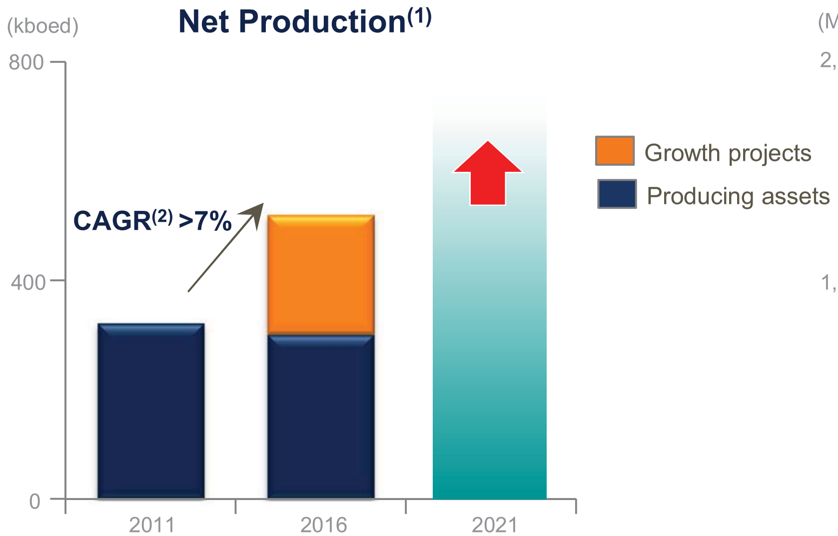
- **Contingent resources**
  - Alaska
  - C-33 (Seat, Gavea, Pao de Açucar)
  - Presalt Albacora
  - Sierra Leone
  - Buckskin
  - Malombe
  - Iguaçu
  - Piracuca-Panoramix-Vampira
  - NC200
- **Prospective resources**
  - GoM
  - Beaufort Sea
  - Louisiana
  - East Canada
  - Campos, Santos & Espiritu Santo
  - Colombia RC11, RC12 & Tayrona
  - Guyana Jaguar I
  - Angola and Namibia
  - Spain and Portugal
  - Norway offshore
  - Ireland Dunquin
  - Peru: Mapi, Mashira & Sagari
  - ...

**Key growth projects increasing Repsol net production: more than 200 Kboed in 2016**

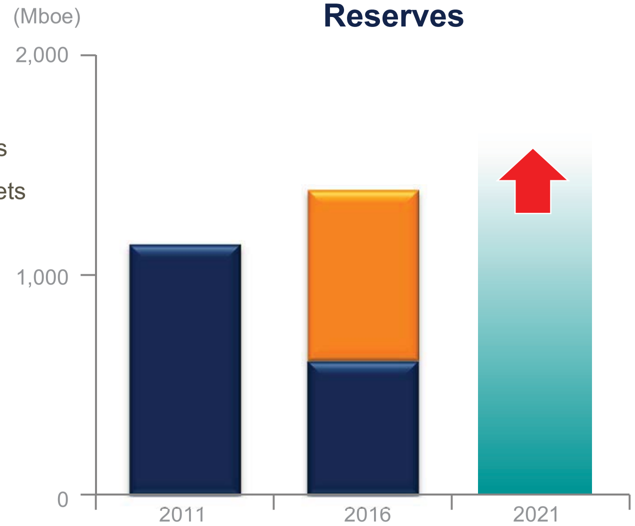
Note: all production figures indicate gross plateau production; WI = Repsol Working Interest; FID = Final Investment Decision; FO: First Oil; FG: First Gas; Net capex 2012-2016, excluding G&G and G&A.
1. Average Repsol net production post royalties 2. Phase I gross production

# Delivering Growth: Targets

## ~500 kboed in 2016




## 2012-2016 Reserve Replacement Ratio (RRR) > 120%




**Production 2012-2016 entirely based on current assets + growth projects**
2016 production target not built neither on contingent nor prospective resources from exploration

**Annual addition of contingent resources through exploration: +300/350 Mboe[3]**

1. 2011 production adjusted for Libyan revolution: it considers 2010 Libya production (14.7Mboe) instead of Libya 2011 production (3.4Mboe)
2. Compound annual growth rate 3. Risked resources

# Reshaping portfolio: Active portfolio management

Two different ways to grow

- Organic growth based on exploration
- Selective inorganic growth with upside

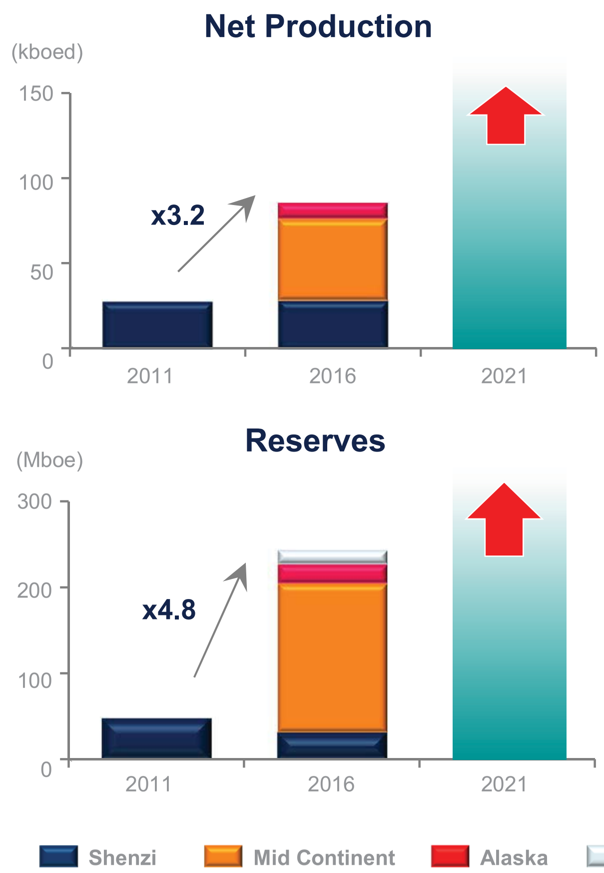
**Potential to monetize value from exploration success in different project stages**

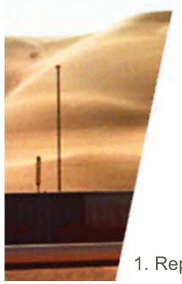
**Three main criteria**

- ✓ Market value of our assets
- ✓ Internal value of our assets
- ✓ Financial restrictions

# Portfolio: North America (USA + Canada)

- Shenzi: Plateau > 100 kboed gross[1] throughout 2012-2016
- Strong growth in production and reserves through Mid Continent development
- Exploration investment effort in Alaska and GoM
  - Already working on Buckskin

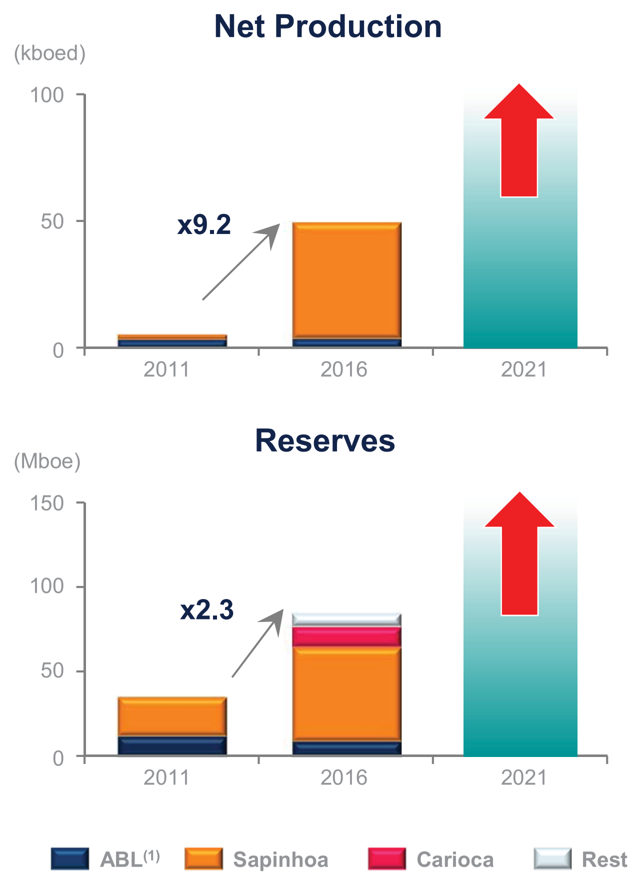


1. Repsol WI 28%

## Portfolio: Brazil

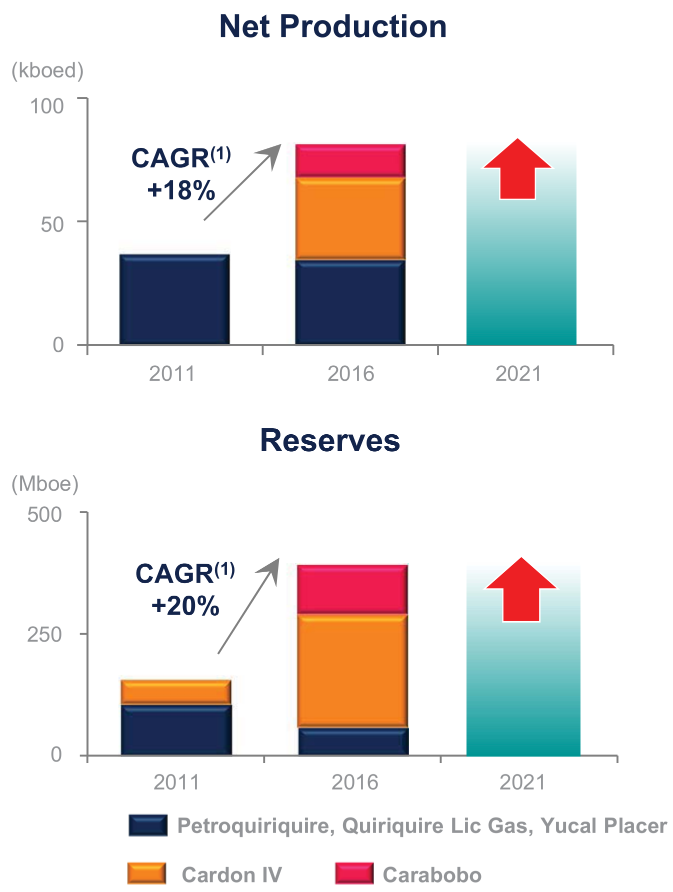
- Brazil is one of Repsol's main growth areas
- Value realization from a unique position in a top tier play
- Development of Sapinhoa (Guara) and Carioca
- Fully financed development of reserves and contingent resources
- Strong pipeline of contingent and prospective resources




1. Albacora Leste

## Portfolio: Venezuela

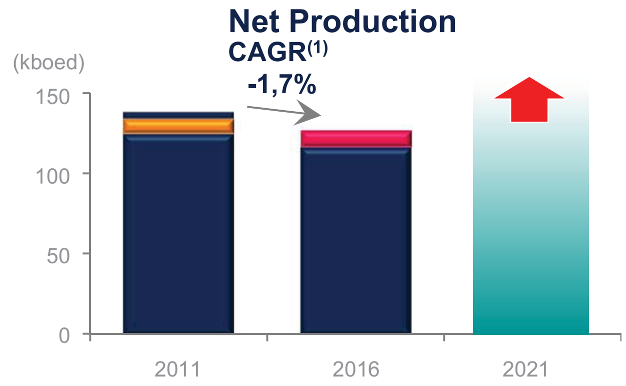
- Strong growth in production and reserves based on key growth projects
- Presence in a very prolific region
- Investment efforts in Cardon IV and Carabobo

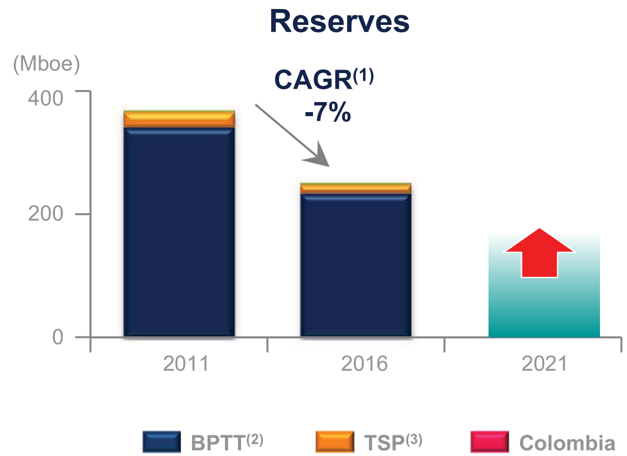



1.Compound annual growth rate

# Portfolio: Trinidad, Colombia and Others Caribbean

- Maintenance of production plateau in Trinidad
- Exploration potential in gas and oil resources (Trinidad, Colombia, Guyana)

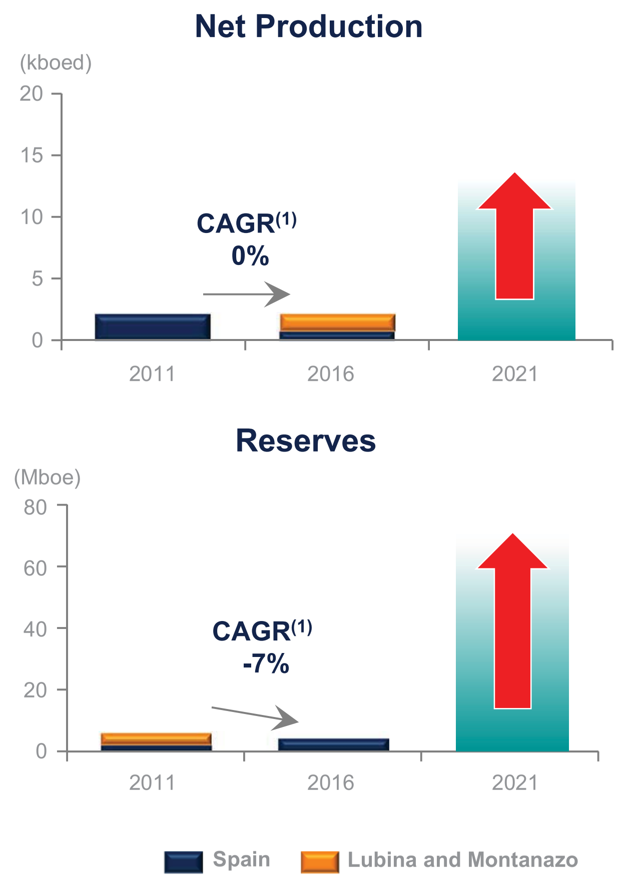



1.Compound annual growth rate 2. BPTT (BP Trinidad & Tobago) 3. TSP (Teak, Samaan and Poui) Note: graphs exclude Venezuela

## Portfolio: Europe

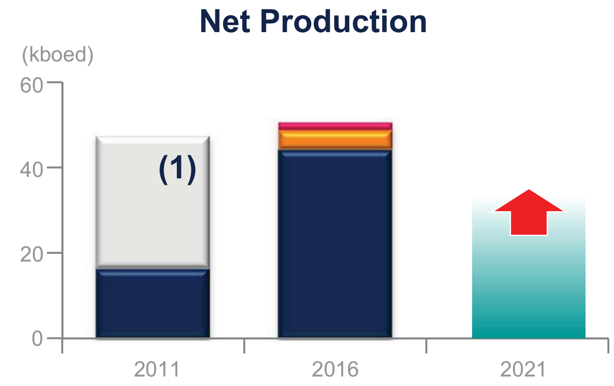
- Start-up of Lubina and Montanazo allows to expand Mediterranean assets´ life
- Future growth opportunities in Europe through a diversified drilling portfolio (Norway, Portugal, Ireland, Spain)
- Growth potential delivered after 2016

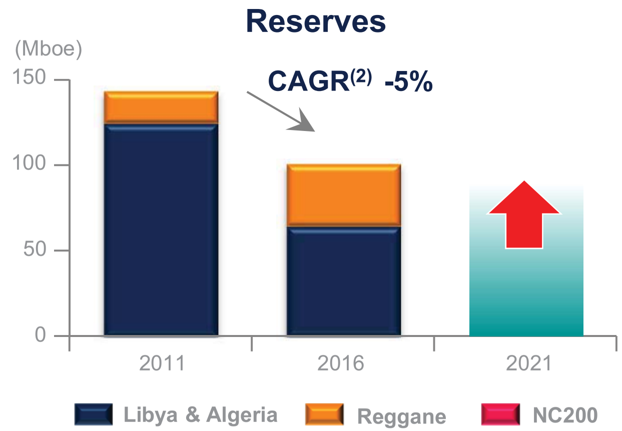



1. Compound annual growth rate

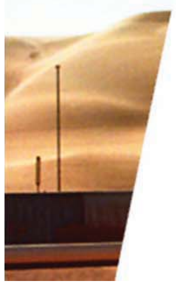
## Portfolio: North Africa

- Recovery of production in Libya after the conflict
- Exploration efforts in other North Africa areas beyond Libya and Algeria (Morocco, Mauritania, Tunisia)
- Reggane: Starting production in 2016 and adding reserves during 2012-2016
- Substantial exploratory activity



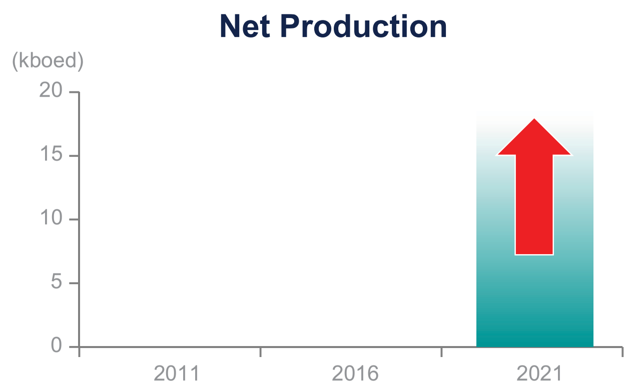



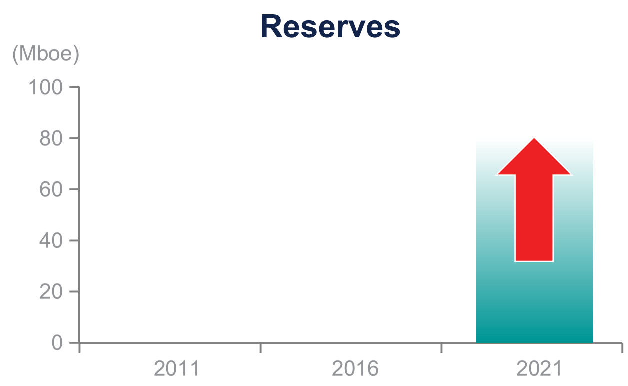

1. Homogenized production in 2011: considers Libya's actual production in 2010 (14.7 Mboe) instead of 2011 actual production (3.4 Mboe). 2. Compound annual growth rate



## Portfolio: West Africa

- Area with high potential for future growth from prospective positions
  - Angola, Namibia, Sierra Leone and Liberia
- Potential production and reserve additions beyond 2016

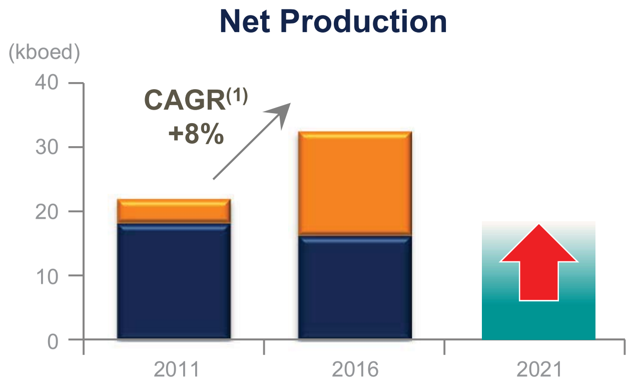


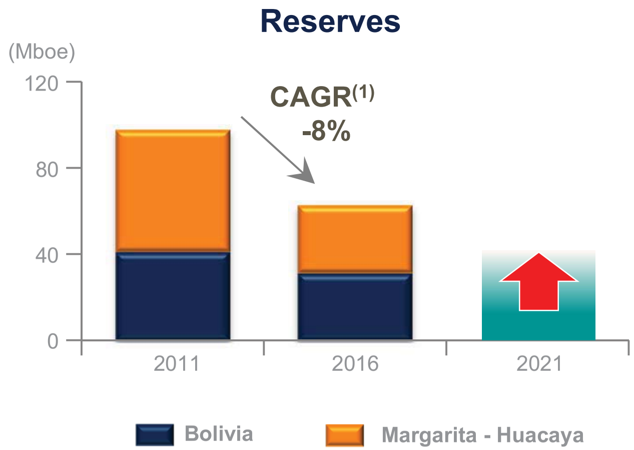



## Portfolio: Bolivia

- Production growth through Margarita-Huacaya until 2014: phase I already started

- Investment focused on Margarita, San Alberto and San Antonio

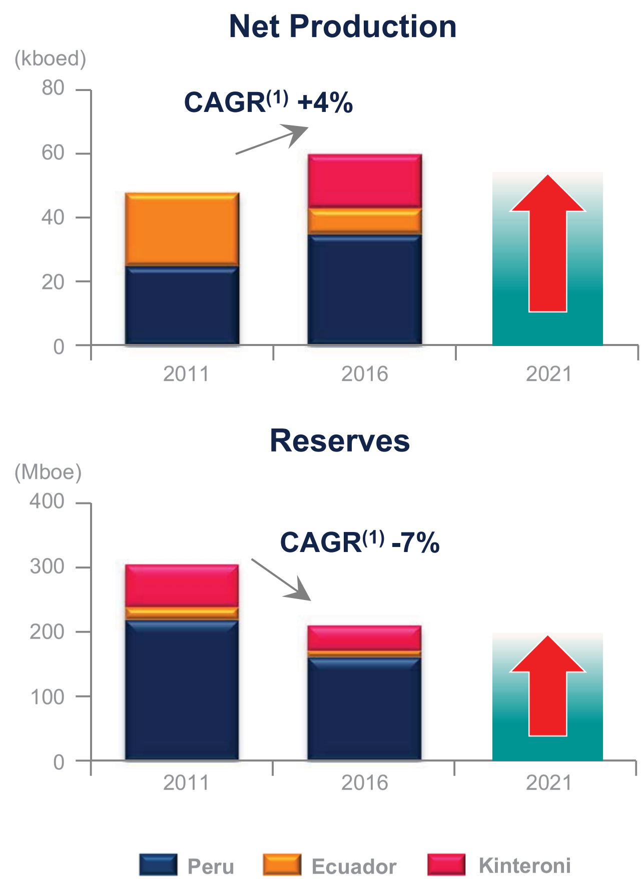



1. Compound annual growth rate

## Portfolio: Peru and Ecuador

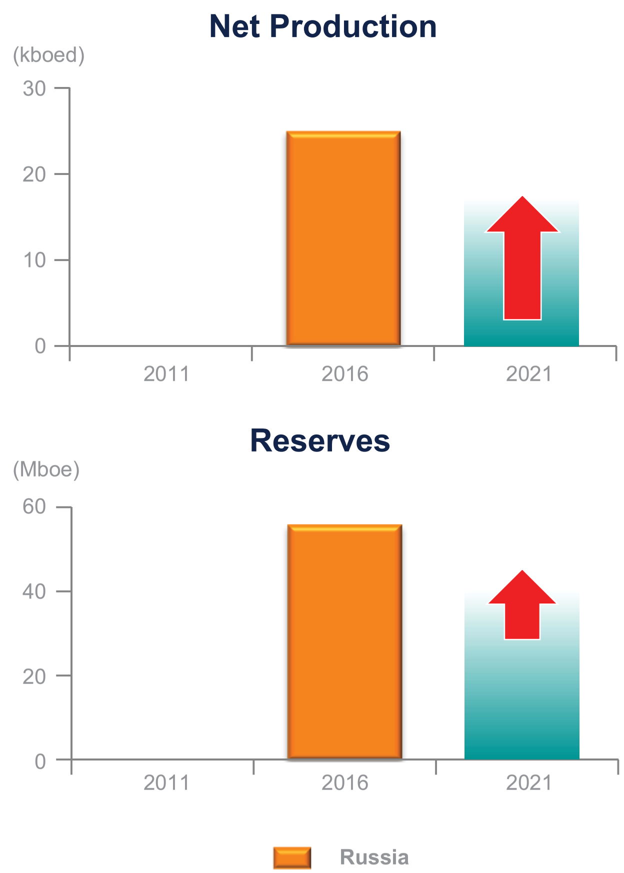
- Kinteroni development and production start-up in Q4-2012
- Production  growth in 2012-2016, linked to Kinteroni
- Exploratory potential surrounding Kinteroni and Camisea




1. Compound annual growth rate

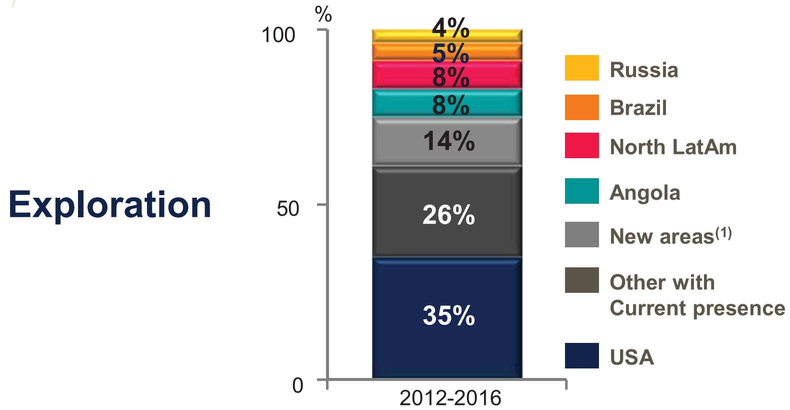
## Portfolio: Russia, Iraq and Indonesia

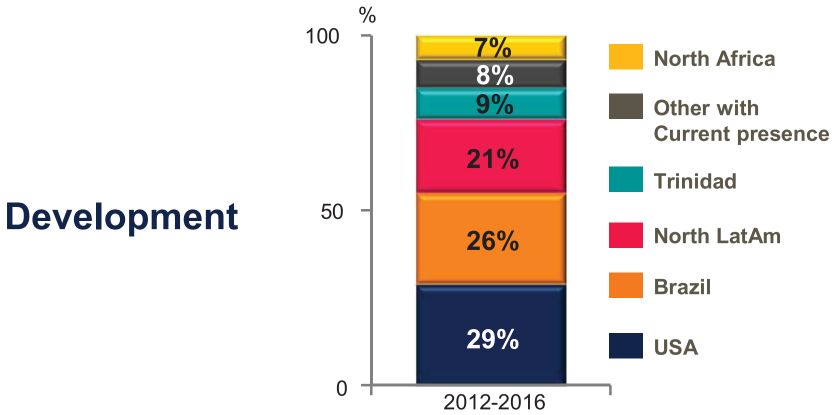
- Quick growth of production and reserves in Russia based on JV with Alliance
- Development phase of key growth projects in Russia (Saneco, TNO, SK and YK)
- High exploration potential in Russia, Iraq and Indonesia



# Exploration and Development investment figures

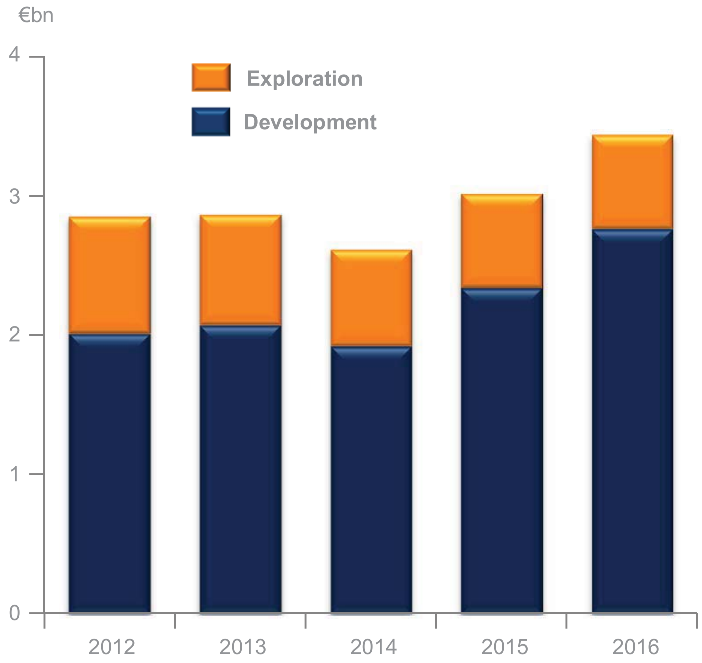
## 2012-16 Capex breakdown




## Capex evolution

**Total Upstream Capex: €2.9bn/year average**
> 50% in USA & Brazil




1. Areas where Repsol is not currently present Note: exploration Capex excluding G&G and G&A

# More balanced Upstream geographical portfolio

## Production: Higher weight of USA & Brazil

| Production[1] (%) | 2011 | 2016 |
|---|---|---|
| Trinidad | 41% | 24% |
| USA | 8% | 17% |
| Venezuela | 11% | 16% |
| Peru | 8% | 10% |
| Brazil | 2% | 10% |
| Libya | 12% | 8% |
| Bolivia | 7% | 6% |
| Russia | - | 5% |
| Others | 11% | 4% |

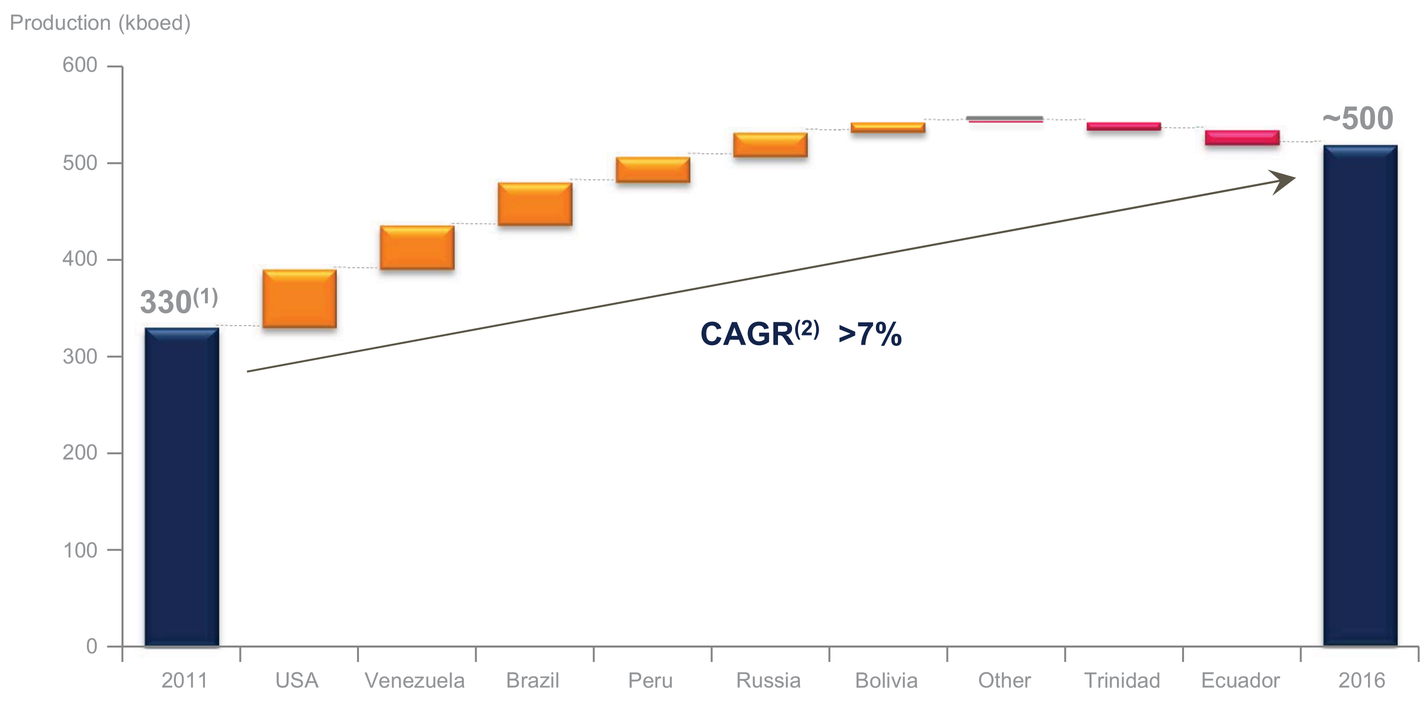
## Capital employed: > 50% in USA & Brazil

| Capital employed (%) | 2011 | 2016 |
|---|---|---|
| USA | 32% | 29% |
| Brazil | 12% | 22% |
| Venezuela | 14% | 15% |
| Peru | 9% | 5% |
| Libya | 8% | 5% |
| Algeria | 5% | 5% |
| Trinidad | 7% | 4% |
| Bolivia | 7% | 4% |
| Russia | 3% | 4% |
| Others | 4% | 7% |
| **Total** | **€7.9bn** | **€12.3bn** |

1. Homogenized production in 2011: considers Libya's actual production in 2010 (14.7 Mboe) instead of 2011 actual production (3.4 Mboe)

Our businesses strategy: 2012-2016 Upstream

## 2012-2016: Aggregated production figures



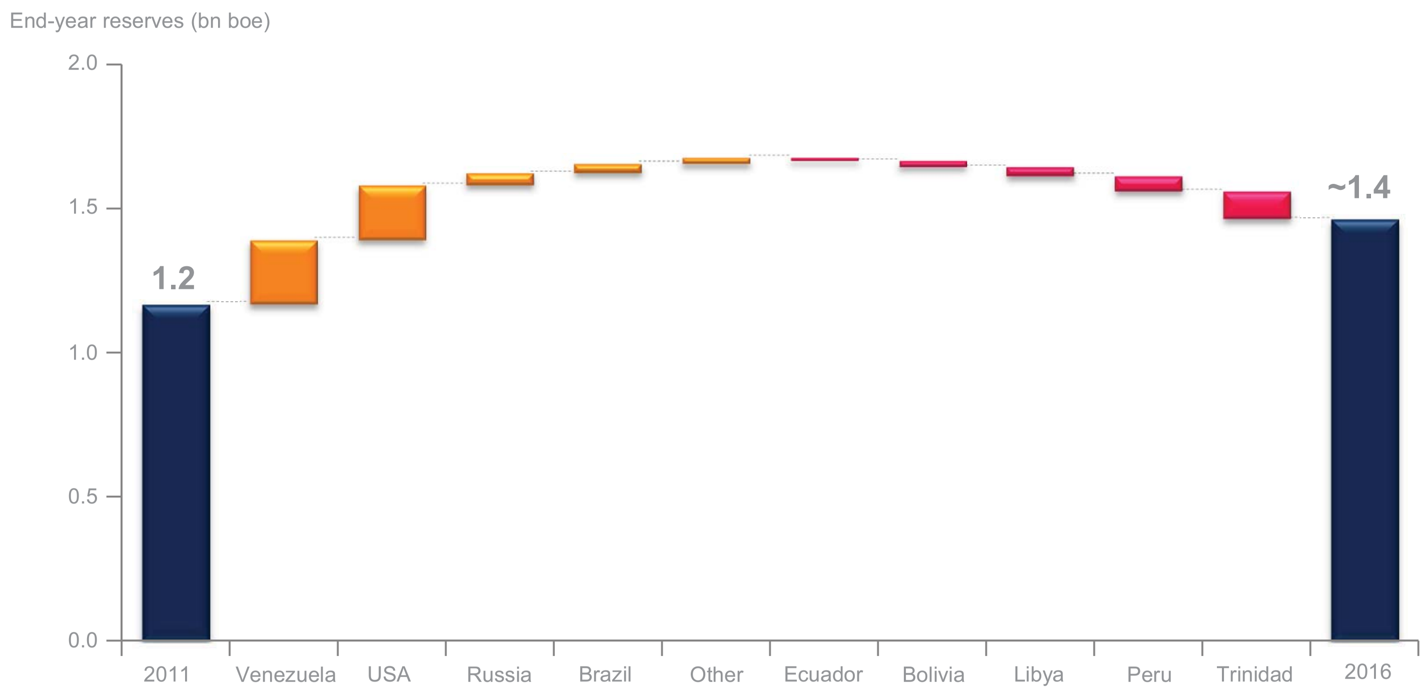

**~500 kboed in 2016**

**Average decline in current fields: 1.7% p.a.**

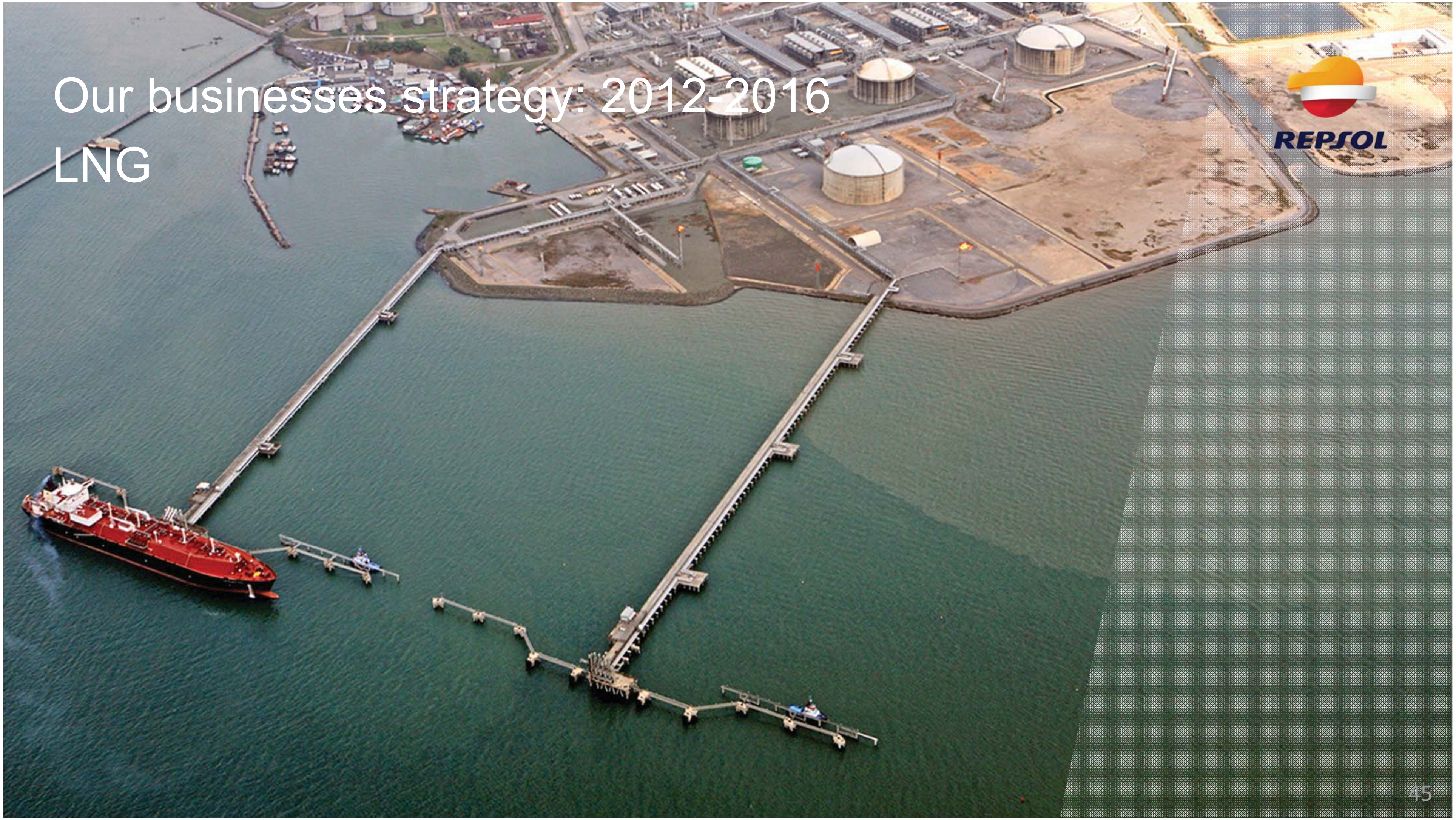
1. Homogenized production in 2011: considers Libya's actual production in 2010 (14.7 Mboe) instead of 2011 actual production (3.4 Mboe) 2. Compound Annual Growth Rate

# 2012-2016: Aggregated reserve figures

## Replacement of reserves through growth projects




**2012-16 Reserve Replacement Ratio >120%**


Our businesses strategy: 2012-2016
LNG
REPSOL
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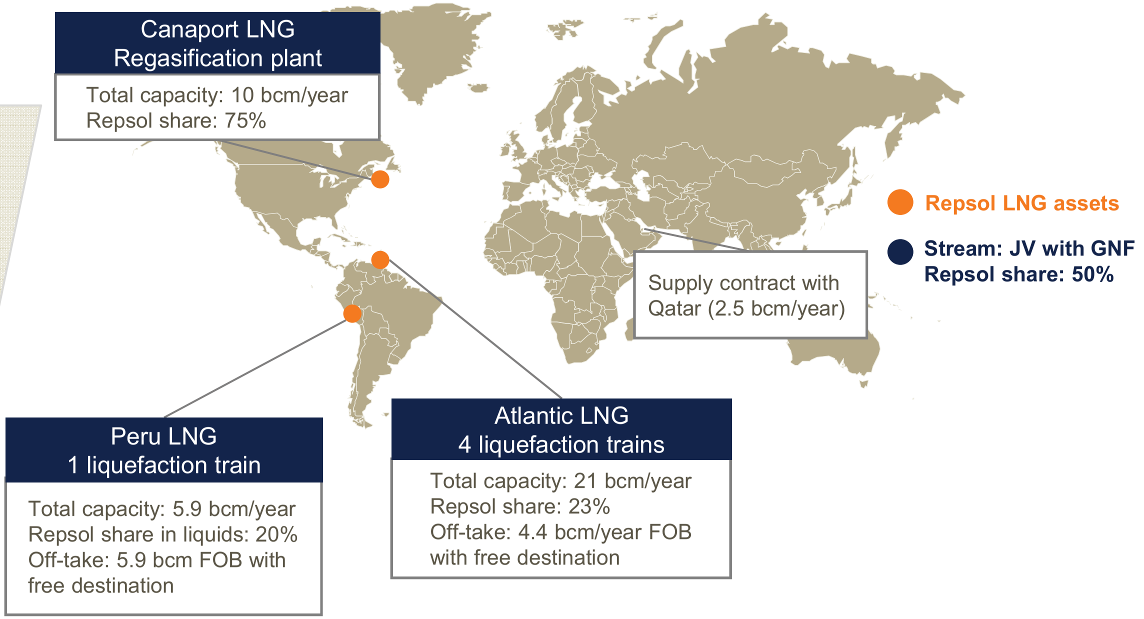
# LNG strategy 2012-2016: Leverage integration and flexibility of LNG business to maximize returns

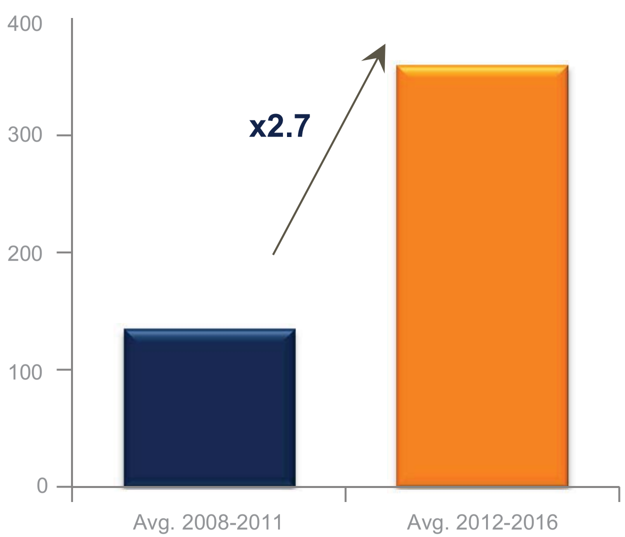
- **Leverage integration across the whole value chain**
  - Fully invested asset portfolio
  - Off-take of more than 12 bcm/year of LNG, mainly from integrated projects




**Fully invested asset portfolio both in the Atlantic and Pacific basins**

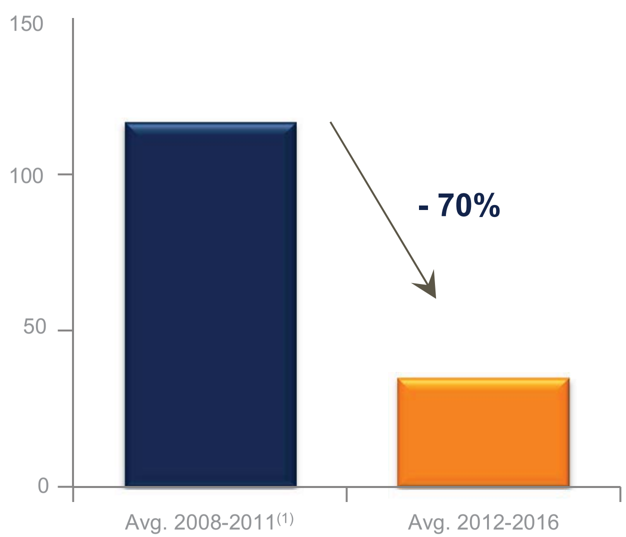

# Maximizing returns from the business
## Investment cycle already completed

### LNG Free Cash Flow




**Strong increase of LNG Free Cash Flow**

### LNG CAPEX




**Reduction of CAPEX after completion of key projects**

1. Includes € 0.3 bn of cumulative capex in Canaport LNG for the period 2008-2011 (€ 0,4 bn of total cumulative capex before 2008)


Our businesses strategy: 2012-2016
Downstream
REPSOL
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Our businesses strategy: 2012-2016 Downstream

# Downstream strategy: Maximize return on investment and cash generation





## Fully invested asset portfolio and portfolio management

- Refining margin to increase approx. 3 USD/bbl in 2016 due to new projects
- Leading middle-distillate yield in a short market
- Continue selective divestments of non-core assets during 2012-2016 period

## Maximize margins and return on investment

- Investment in Downstream of €0.7bn/year in 2012-16 (vs. €1.6bn/year in 2008-11)
- Downstream to generate +€1.2bn/year on average of free cash flow 2012-2016

## Profit improvement through operational excellence and efficiency

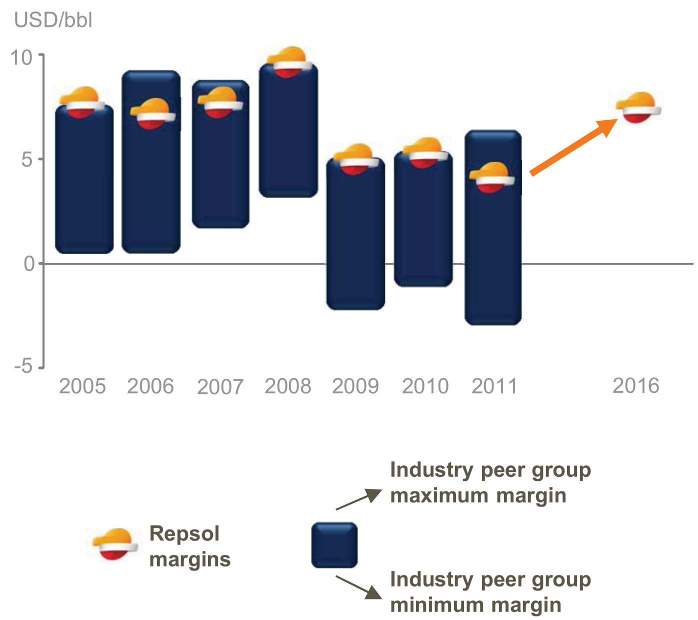
- Operational excellence and debottlenecking initiatives
- Integrated margin enhancement
- Working capital reduction program

## Exploit focused high-value growth options with low capital requirements

- Leverage our premium portfolio to exploit in high return niche opportunities

# Downstream: Premium asset base

## Integrated R&M margin (Repsol vs. Sector)




- Presence in a premium market for refining
- Completion of expansion and conversion projects
- Integrated refining portfolio, working as a unique system
- Efficient integration between the refining and marketing businesses

**Competitive Downstream business, linked to quality assets and geographical situation**

Note: Integrated R&M margin calculated as CCS/LIFO-Adjusted operating profit of the R&M Segment divided by the total volume of crude processed (excludes petrochemical business) of a 14-peer-group. Based on annual reports and Repsol's estimates. Source: Company filings

Our businesses strategy: 2012-2016 Downstream

# Improve Downstream profitability through operational excellence and efficiency

## Refining

- Reduce energy costs
  - Fuel consumption & losses down by 6% at 2016
- Reduce $CO_2$ emissions by 15% at 2016
- Operational excellence program in refineries

## Petrochemicals

- Maximize value of integration with refining
- Continue cost reduction program
- Efficiency program
- Higher-value applications

## Marketing

- Maximize value of marketing assets and competitive position
- Optimize retail asset portfolio
- Increase non-oil margins
- Increase international margin from lubricants and specialties

## LPG

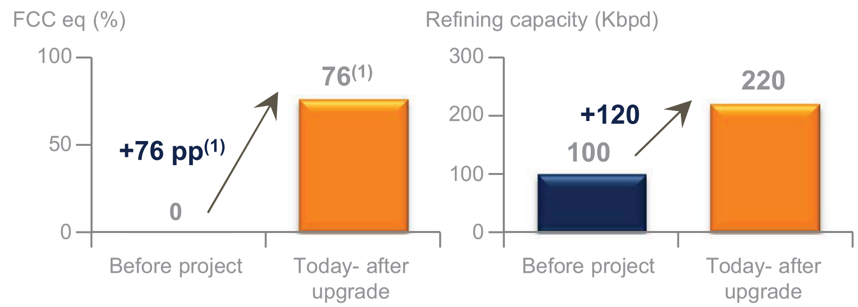
- Adequate production and commercial capacity to market conditions in Spain
- Profit growth in Latam with best-in-class operations
- Optimize portfolio

**Maximization of Integrated Margin in Downstream**

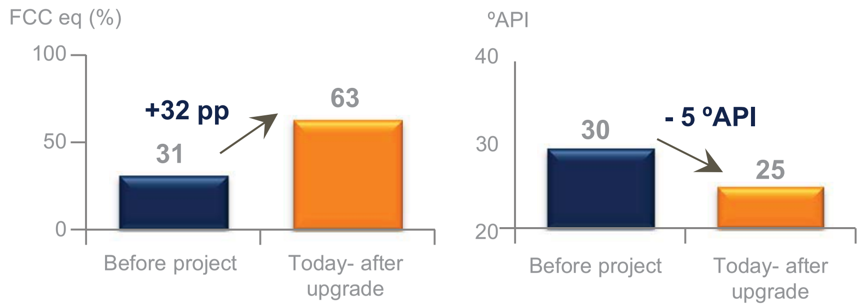
Our businesses strategy: 2012-2016 Downstream

# Refining: New projects heavily contributing to improve refining business EBIT

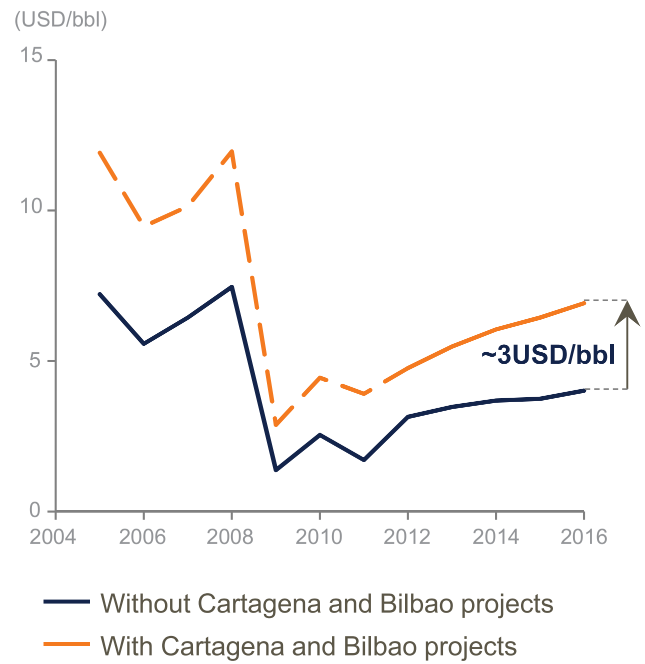
## Cartagena




## Bilbao




## Margin Index



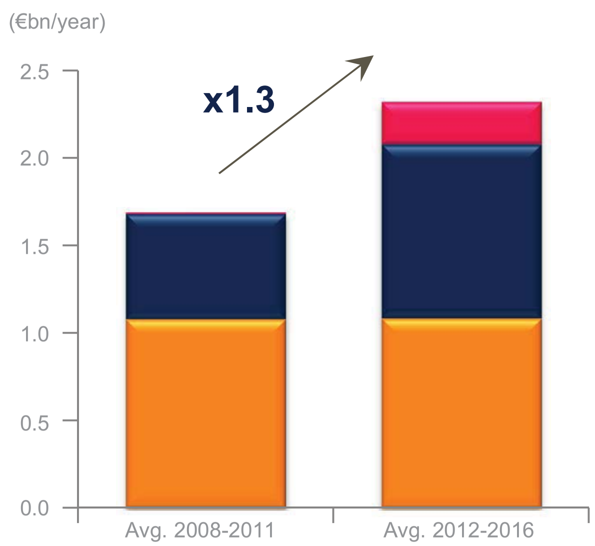

**Cartagena and Bilbao refinery upgrades implemented adding ~3USD/bbl of margin in 2016 to Repsol's refining system in Spain**

1. 92% without taking lubricants & specialties into consideration



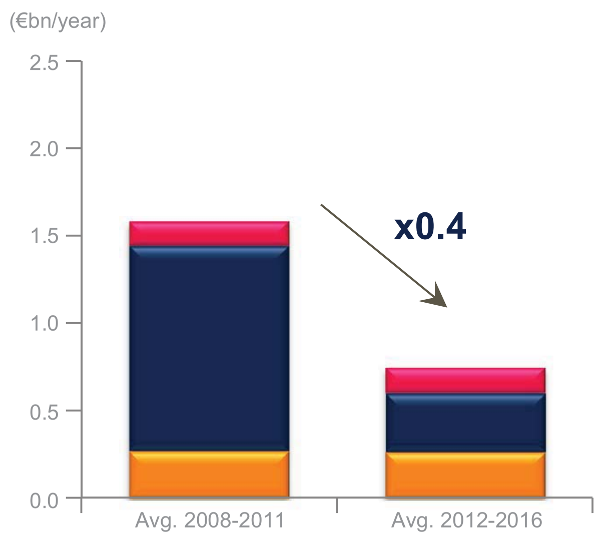
# Maximizing returns from the business and capital discipline

## Downstream EBITDA





## Downstream CAPEX





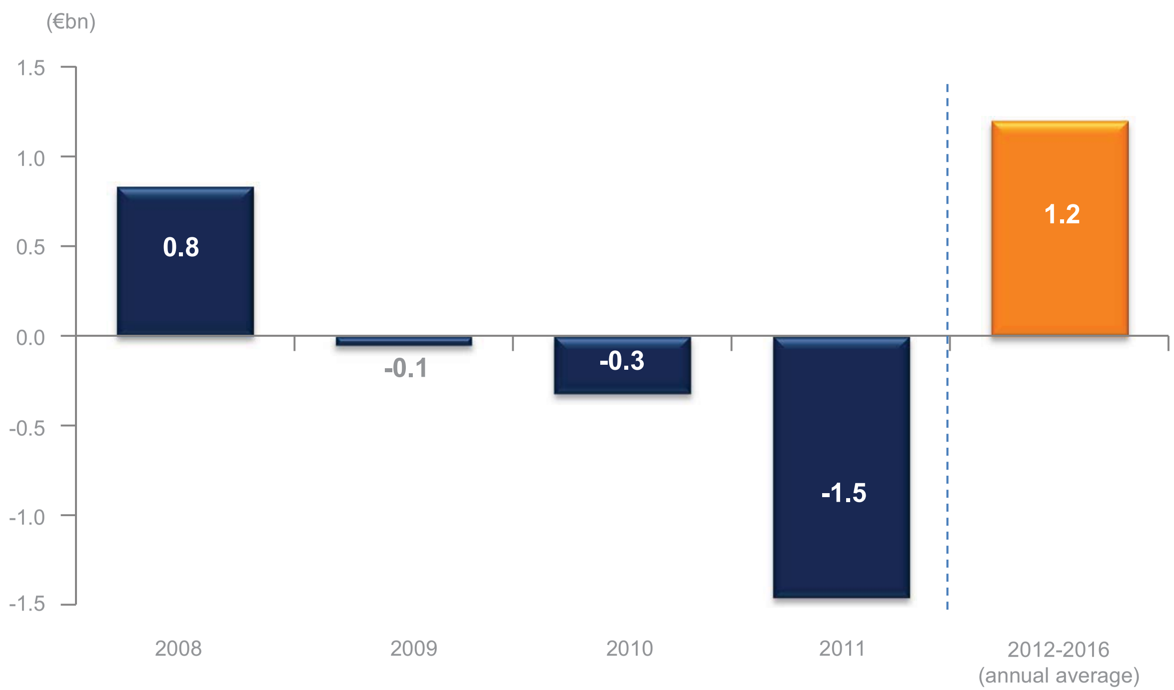
Marketing, LPG, Trading and Other | Refining | Petrochemicals

**Higher margins largely derived from expansion and conversion projects**

**Downstream investment cycle already finalized**

Our businesses strategy: 2012-2016 Downstream

## Higher Free Cash Flow generation




**Transformation from cash consumer into cash generator business with fully invested assets**

# Our businesses strategy: 2012-2016

## Gas Natural Fenosa


## Gas Natural Fenosa

### A liquid asset, with long-term value and strategic benefits

| | |
|---|---|
| **Strategically** | A good opportunity as an industrial package with a strategic value of its own |
| **Operationally** | GNF portfolio of activities highly complementary to Repsol's portfolio |
| **Risk-management** | Regulated markets offer risk diversification and stability for credit rating purposes |
| **Financially** | Strong cash stream for Repsol via dividend that is expected to increase in the short term<br>• GNF has forecasted to reach €5bn EBITDA by 2012 |

**Diversification, stability and strong cash generation**

Source: Repsol and Gas Natural Fenosa data

# Financial outlook

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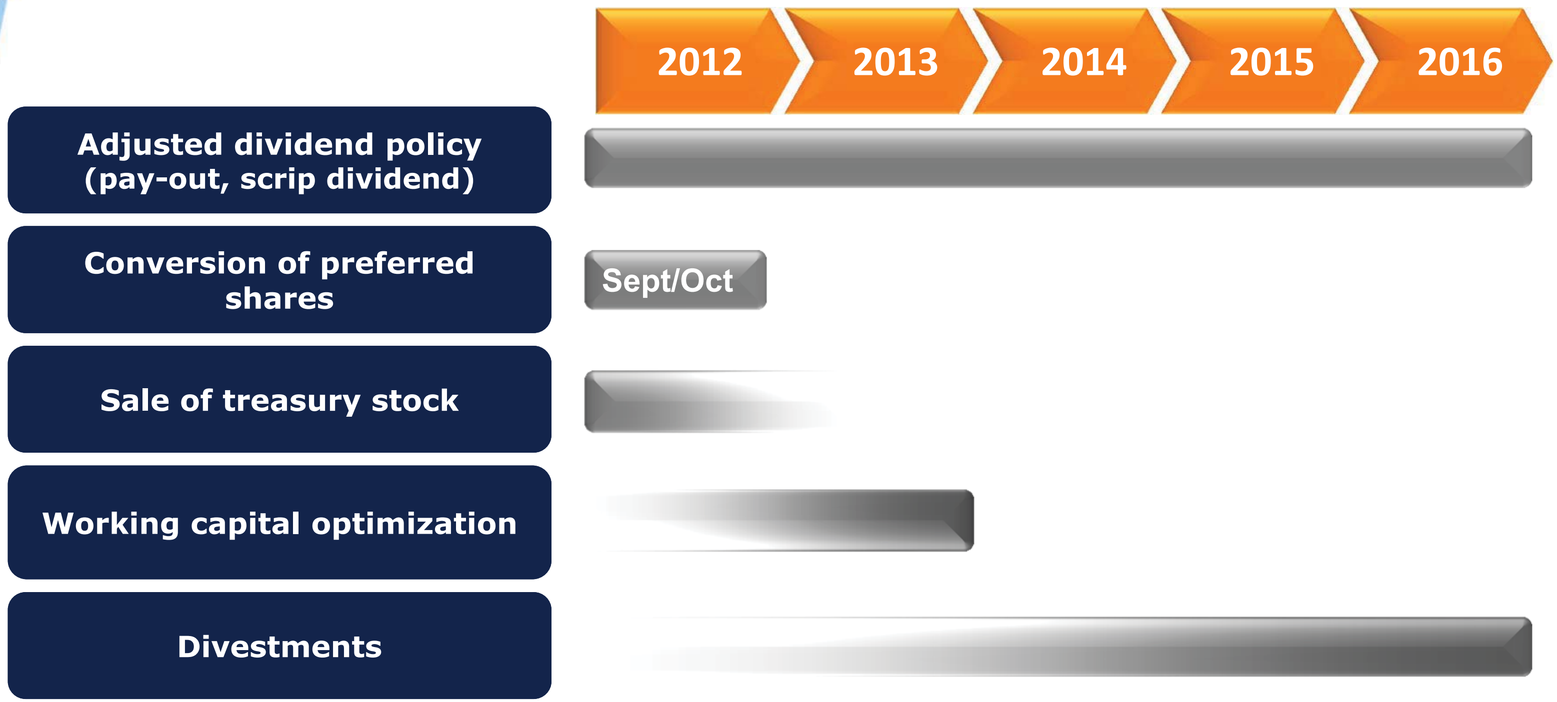
## Financial strategy

- ✓ **Strong commitment to maintain investment grade**
  - Alternatives to ensure solid financial targets in 2012 and beyond
- ✓ **Maintain high liquidity**
  - Liquidity position is 3.8 times short term debt(1)
  - 76% of gross debt is currently covered by liquidity(1)
- ✓ **Self-financed Strategic Plan**
  - Self-financed even under stress test scenario
- ✓ **Competitive compensation to shareholders**

1. As of April 2012

# Commitment to maintain investment grade

## Multiple optional levers available for Repsol




**These measures would allow a debt reduction of up to € 7-9 bn**

Note: debt reduction potential not considering adjusted dividend policy impact

# Divestments reinforcing value creation and portfolio enhancement

## Divestments up to €4-4.5bn in 2012-2016[1]

- **€1.36bn of treasury stocks already divested in 1Q 2012**
  - Representing 5% of total capital
- **Remaining 5% under evaluation**
- **Other divestments under assessment**

## Selection criteria for asset rotation

- Non-strategic, non-core assets
- High risk exposure
- Low ROCE assets
- Market value perception
- Financial impact

1.Including treasury stock divestment

## Repsol strategic plan 2012-16: €19bn focused capex program

REPSOL

### Cumulative Capex[1] (2012-2016) – €bn

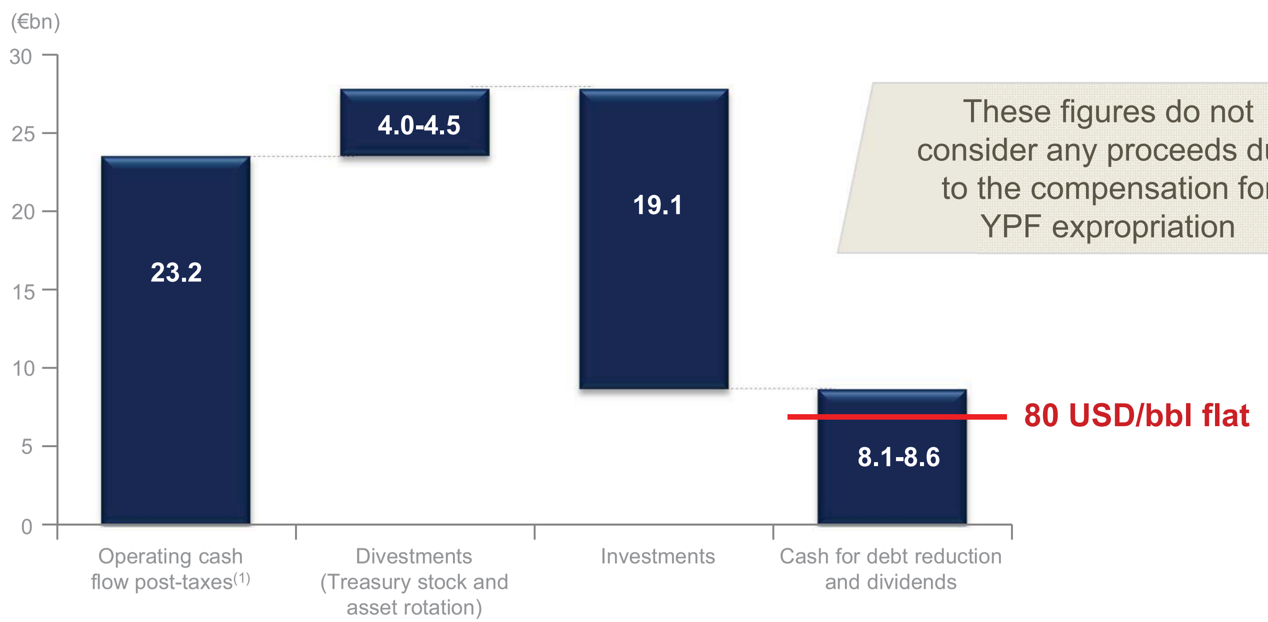
| | Upstream | LNG | Down-stream | Corpora-tion | Total |
|---|---|---|---|---|---|
| *Producing assets* | 2.7 | 0.2 | 3.1 | 0.5 | 6.5 |
| *Growth projects & Future developments [2] & Exploration* | 12.0 | | 0.6 | | 12.6 |
| | 14.7 | 0.2 | 3.7 | 0.5 | 19.1 |

**77% CAPEX in Upstream**

1. Net Capex, excluding G&G and G&A 2. Future developments include projects with start-up of production beyond 2016
Note: All calculations ex-Gas Natural Fenosa and ex-YPF

# Strategic plan 2012-2016 self-financed

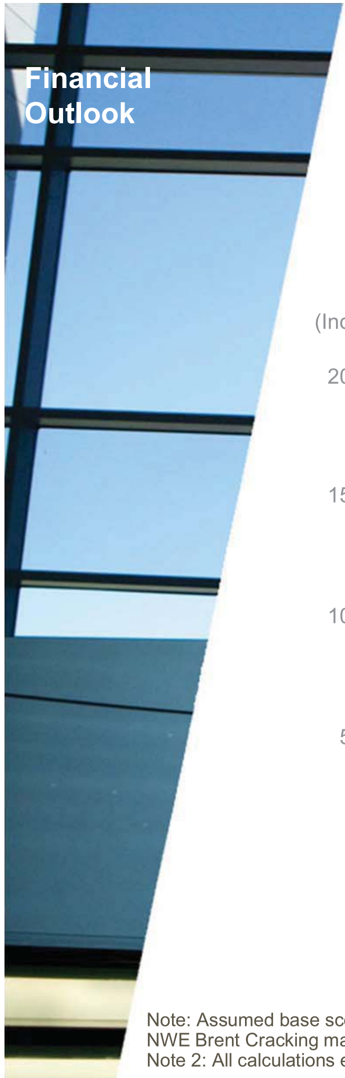
## Cash movements in 2012-2016



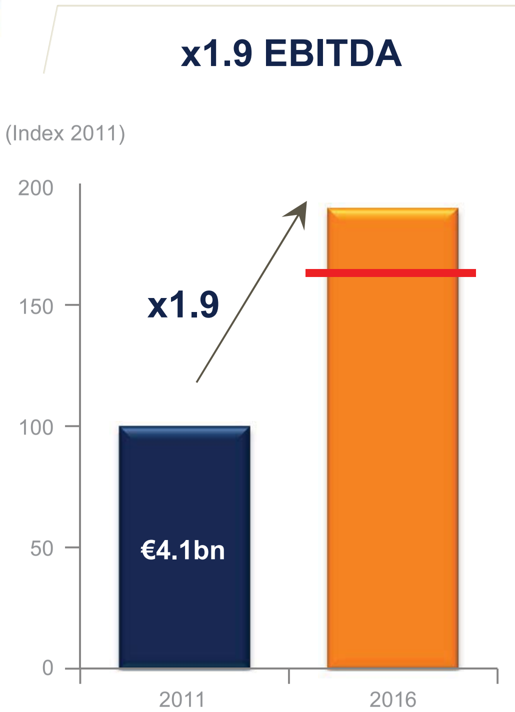

These figures do not consider any proceeds due to the compensation for YPF expropriation

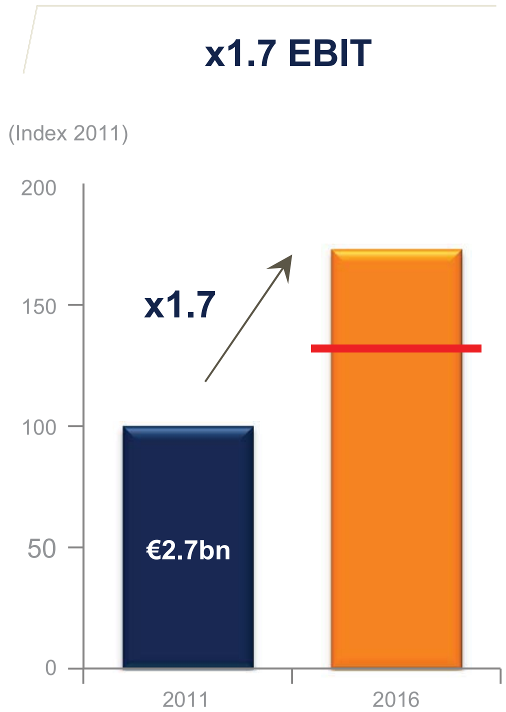
**Self financing maintained in a stress test scenario of 80 USD/bbl flat**

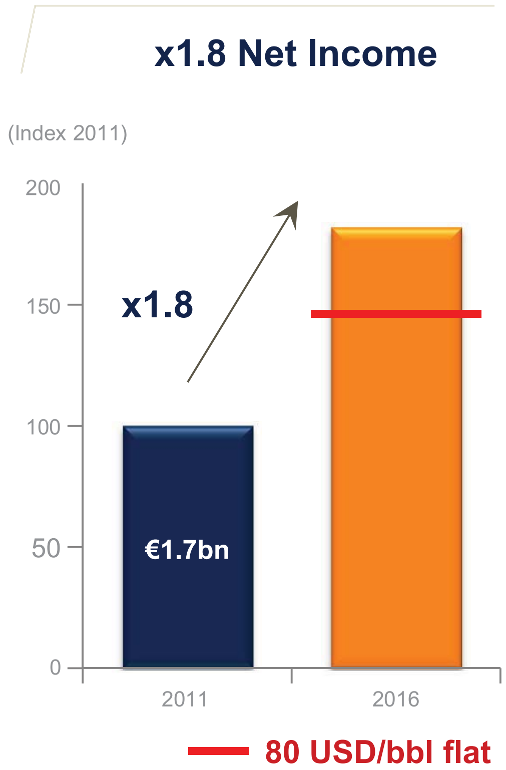
1. Includes dividends from associates and dividends to minorities
Note 1: Assumed base scenario. Brent crude (USD/bbl): 107 (2012), 95 (2013), 97 (2014), 100 (2015), 102 (2016); Henry Hub (USD/MMBtu): 2.5 (2012), 3.5 (2013), 4.0 (2014), 4.5 (2015), 4.5 (2016); NWE Brent Cracking margin (USD/Bbl): 2.3 (2012), 2.4 (2013), 2.5 (2014), 2.6 (2015), 2.8 (2016); Exchange rate: 1.30 USD/€ (2012-2016) Note 2: All calculations ex-YPF and with GNF under equity method.




# Repsol 2012-2016: Growing from our strengths




Note: Assumed base scenario. Brent crude (USD/bbl): 107 (2012), 95 (2013), 97 (2014), 100 (2015), 102 (2016); Henry Hub (USD/MMBtu): 2.5 (2012), 3.5 (2013), 4.0 (2014), 4.5 (2015), 4.5 (2016); NWE Brent Cracking margin (USD/Bbl): 2.3 (2012), 2.4 (2013), 2.5 (2014), 2.6 (2015), 2.8 (2016); Exchange rate: 1.30 USD/€ (2012-2016)
Note 2: All calculations ex-YPF and with GNF under equity method (2011 and 2016)


# Summary

# 2012 - 2016 Key strategic targets
## Growing from our strengths

**High growth in Upstream**

- Production growth 2011-16[1] : **> 7% CAGR[2]**
- Production 2016: **~500 kbpd**
- RRR[3] 2011-2016: **> 120%**
- Upstream average capex: **€2.9bn/year**[4] (+120% vs. average 2008-11)

**Maximize return on capital Downstream & LNG**

- Downstream average Free Cash Flow: **€1.2bn/year**
- Downstream average capex: **€0.7bn/year** (-50% vs. avg. 2008-11)

**Financial strength**

- **Self-financed plan generating € 8.1-8.6 bn** cash for dividends & debt reduction in base case, resilient to stress scenario
- **Maintain investment grade** rating
- Divestments & treasury stock: **up to € 4-4.5 bn** in 2012-2016[5]

**Competitive shareholder compensation**

- Dividend 2011: **1.16 €/share** (scrip option)
- 2012 onwards**: 40-55% pay-out ratio**

1. 2011 production adjusted for Libyan revolution. It considers 2010 Libya production (14.7Mboe) instead of Libya 2011 production (3.4Mboe)
2. Compound annual growth rate 3. Reserve Replacement Ratio. 4. Net Capex. excluding G&G and G&A 5. €1.36bn of treasury stocks already divested in 1Q 2012

## 2012-2016: Growing from our strengths

REPSOL

**Positioned for growth**

- Upstream as growth engine
- Focus on exploration
- Delivery based on projects in development phase

**Profitability**

- Maximize return on investment
- Operational excellence
- Fully invested assets in Downstream and LNG

**Sound financial position**

- Self-financed strategic plan, resilient to stress scenarios
- Commitment to maintain investment grade
- Competitive dividend pay-out

**Clear path to value-creation for shareholders**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Growing from our strengths
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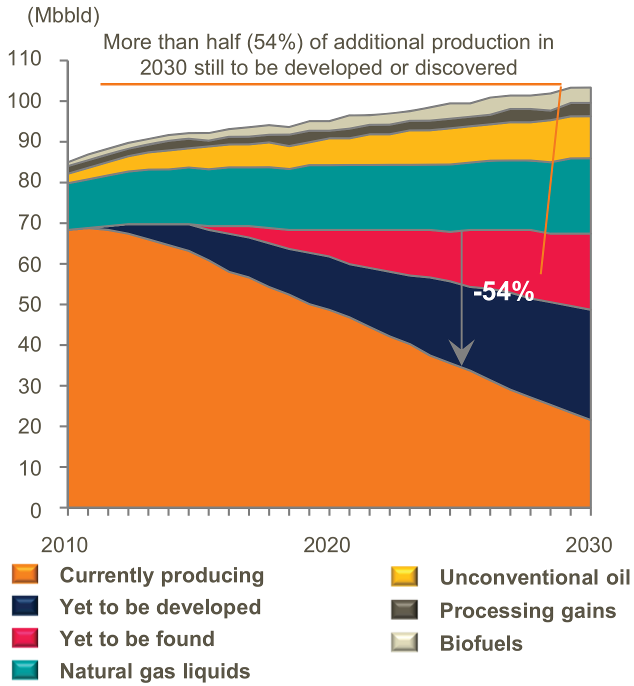
# Strong fundamentals for oil production

## Production decline requiring strong investment in oil exploration to ensure production matches growing demand

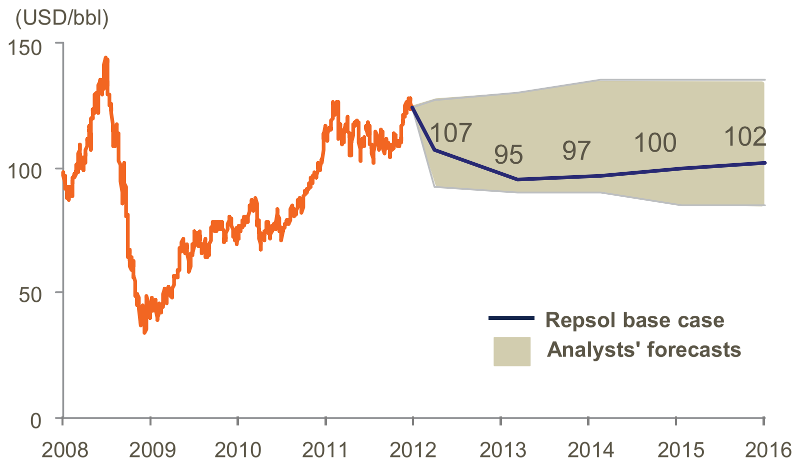
### World oil supply-demand balance



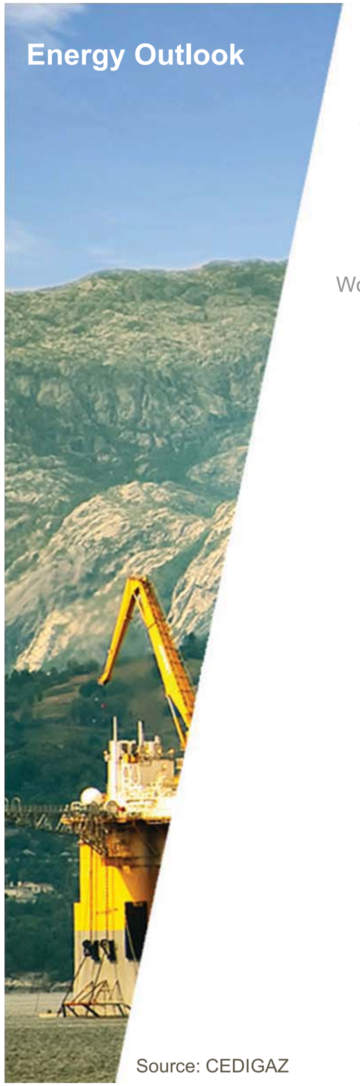

Source: IEA – World Energy Outlook 2011, Analysts' reports

## Oil prices expected to remain high in the short-mid term

### Brent barrel spot price

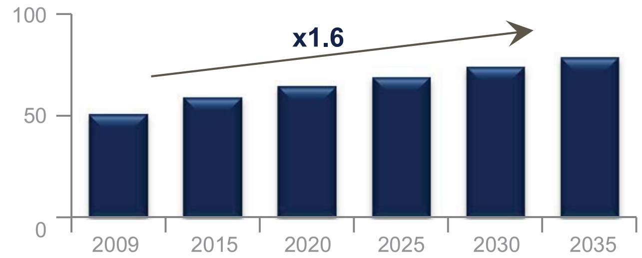



- Several dynamics keeping pressure on the oil price
  - Increasing demand
  - OPEC market power and available spare capacity
  - Geopolitical instability
- Reserve replacement costs driving oil prices in the long term

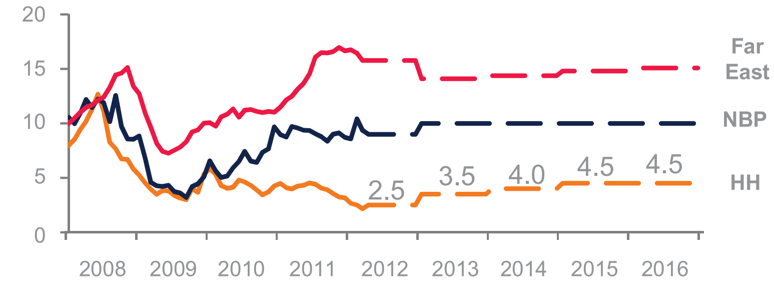


# Growing role of gas in energy landscape and more complex pricing dynamics

## Growing gas demand




## Decoupling of gas prices




- Strong worldwide gas demand growth
  - Clean power generation
  - Nuclear freeze in several key markets
- Shale & tight gas revolution
- Strong decoupling of gas prices in different markets fostering the value of arbitrage & trading
- High growth LNG market with tight demand-supply situation and premium spot prices

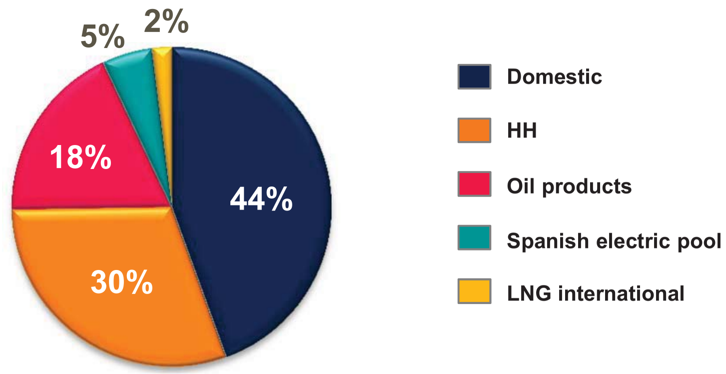
Source: CEDIGAZ

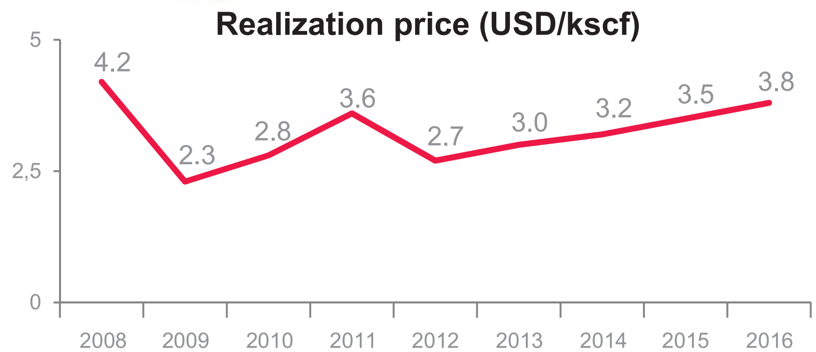
# Repsol upstream gas price references

## Natural gas price references

- **Venezuela:** Regulated domestic price
- **Russia:** Regulated domestic price
- **Trinidad:** Price indexed to Henry Hub, Brent, Spanish electric pool, and regulated domestic price
- **Peru:** Price indexed to Henry Hub, international LNG price and regulated domestic price
- **Bolivia:** Price indexed to Brent and regulated domestic price
- **USA:** Price indexed to Henry Hub
- **Brazil:** Price indexed to Brent (Citygate Brazil)
- **Algeria:** Price indexed to Brent

## Breakdown of natural gas production by price reference




Note: Q1-2012 data

# Refining to continue under a challenging context

Further refining industry rationalization of capacity in Europe

- 9 shutdowns[1] between 2010 and 2012 and one announced closure (~1.1 Mbpd)
- 14 additional refineries accounting for ~1.3 Mbpd at risk of closure

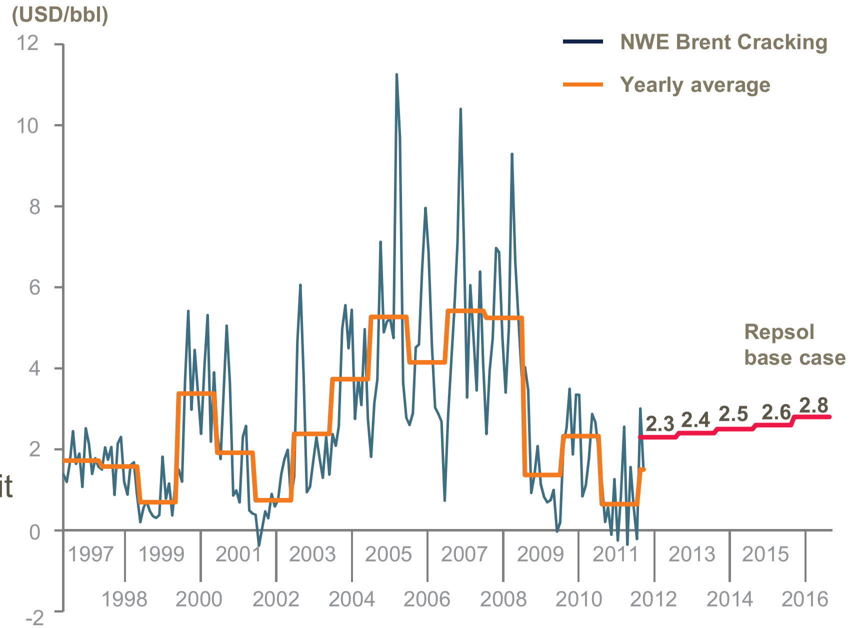
Global refined products demand remains positive

- ~1% CAGR[2] refined products world demand growth[3] expected in 2012-2020
- OECD economic recovery providing additional upside

Growing trend in Light-Heavy differentials to benefit high conversion

Middle-distillate supply-demand balance to remain tighter than gasoline

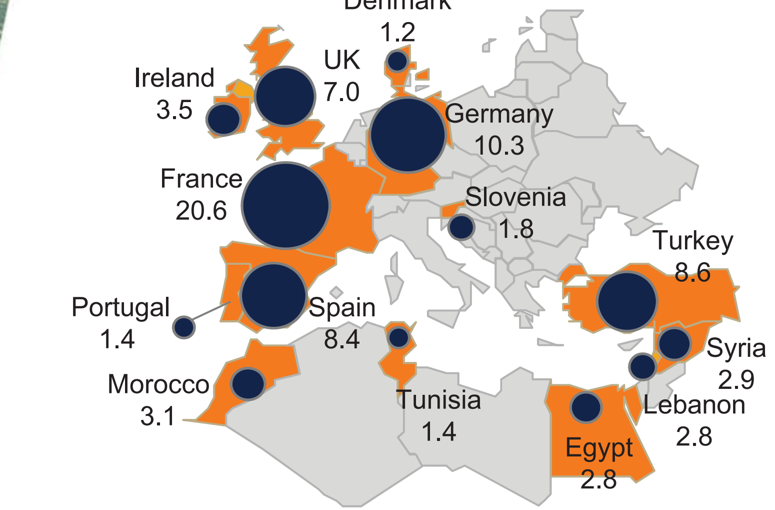
## NWE Brent Cracking




1. Including capacity reduction in Gonfreville (France) refinery from 339 kbpd to 260 kbpd 2. Compound annual growth rate 3. 2011 EIA forecasts
Source: IEA, analysts' reports, WoodMckenzie

# Regional differences in refining markets

## High demand of middle distillates across Europe

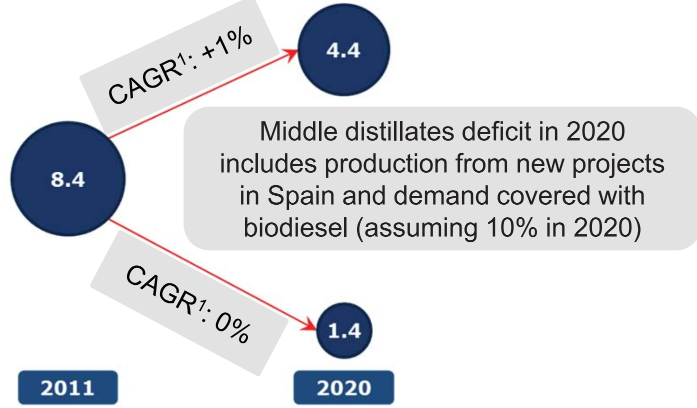



Net imports represent ~17% of middle distillates demand in Europe

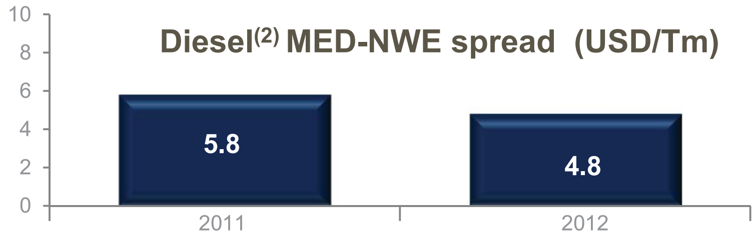
- Those for Iberia are ~21% out of total

## Premium MED and Spanish markets to continue to show deficit

### Middle distillates deficit in Spain (Mtm)




### Diesel[2] MED-NWE spread (USD/Tm)

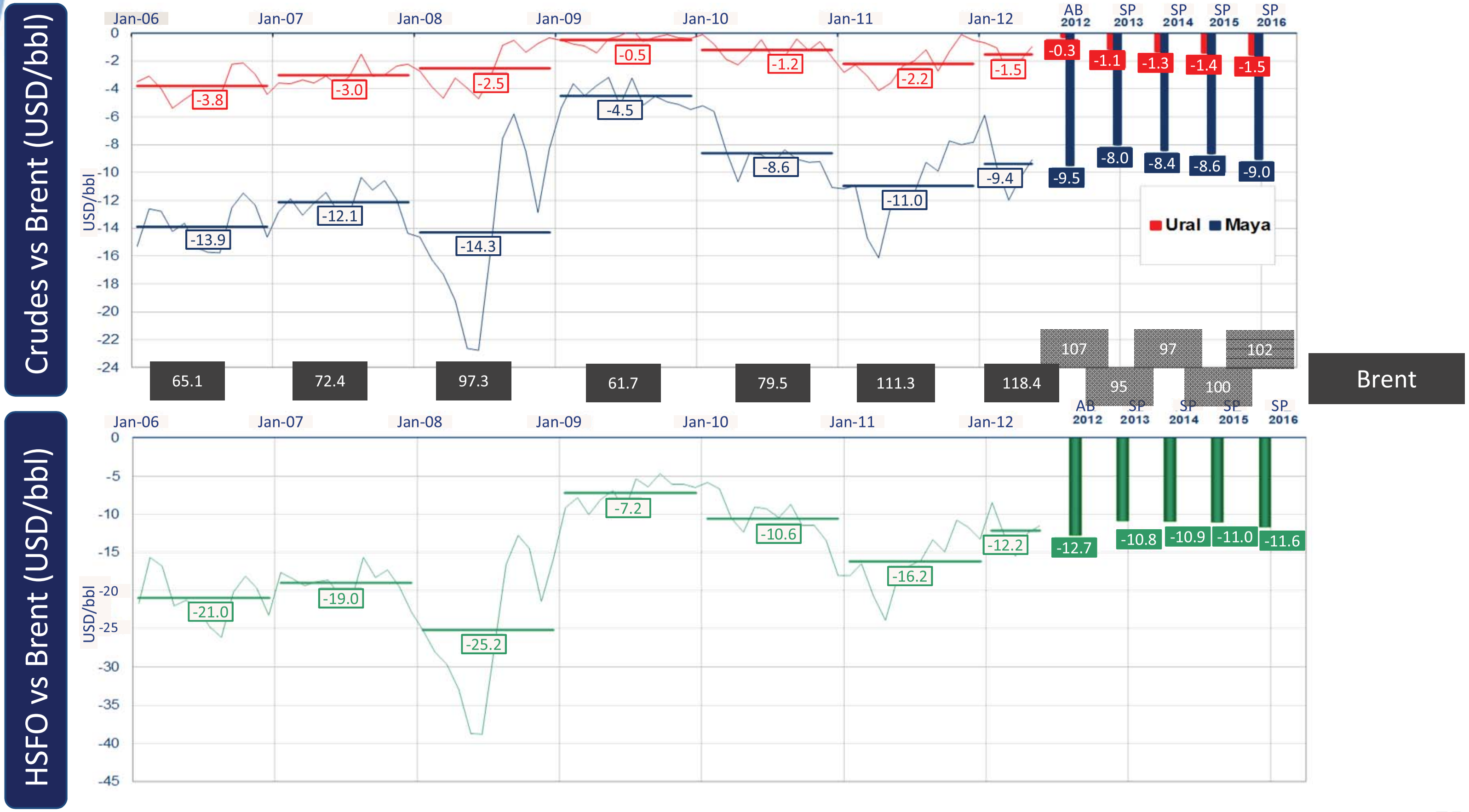



Spanish market is 40% NWE & 60% MED; Cartagena is located in MED region

1. Compound annual growth rate 2. Based on ULSD (Ultra Low Sulfur Diesel) prices Source: CORES, IEA, Eurostat

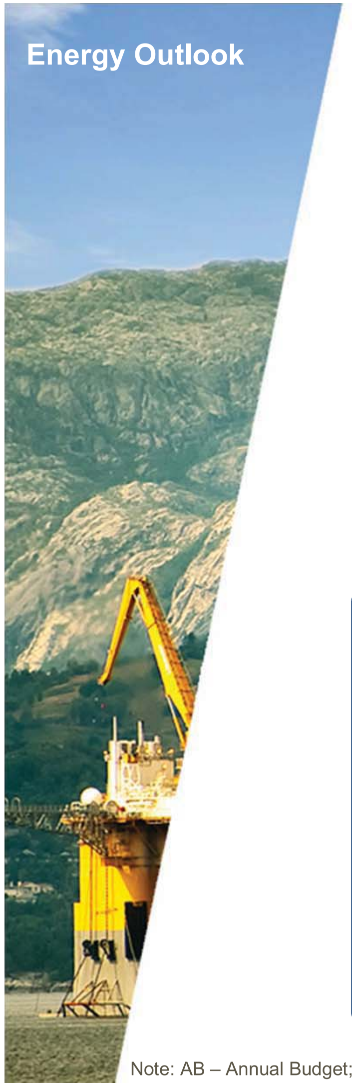
# Refining: Crude and Fueloil spread

## Forecasts 2012 - 2016



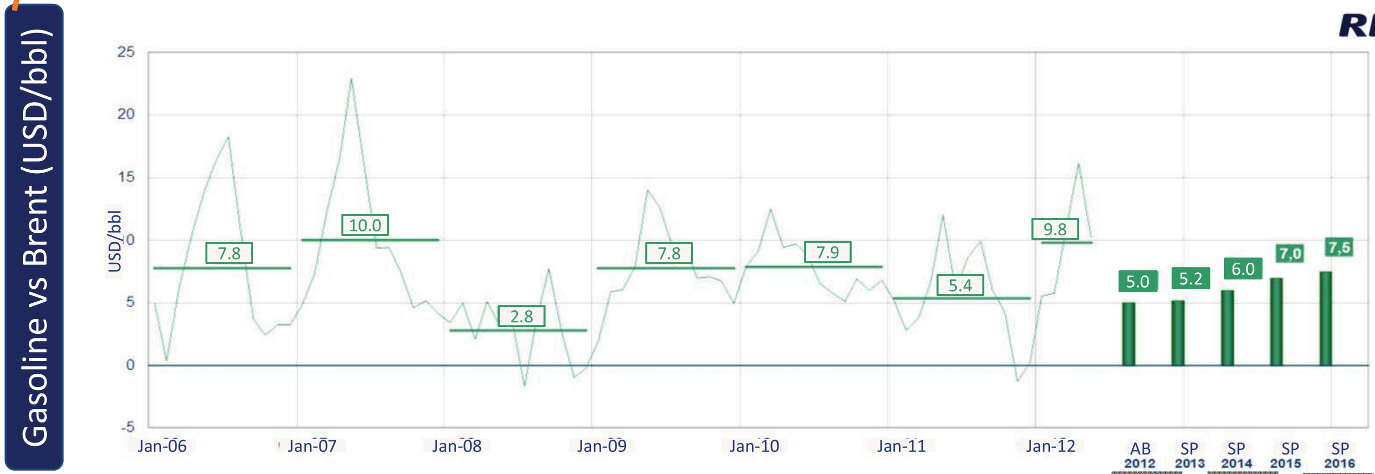

Note: AB – Annual Budget; SP – Strategic Plan

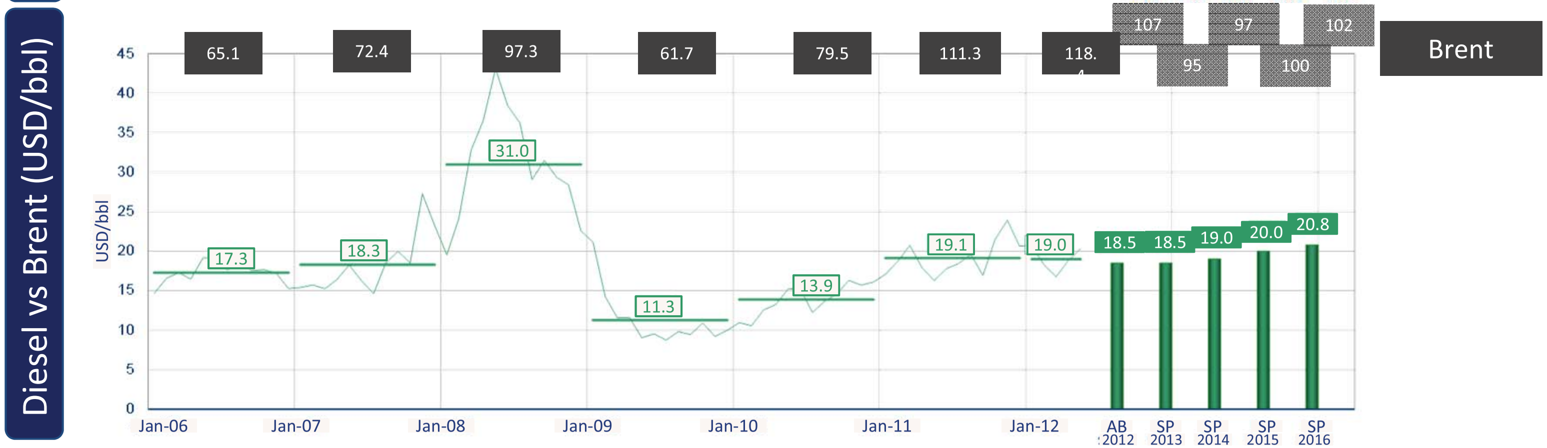
Energy Outlook



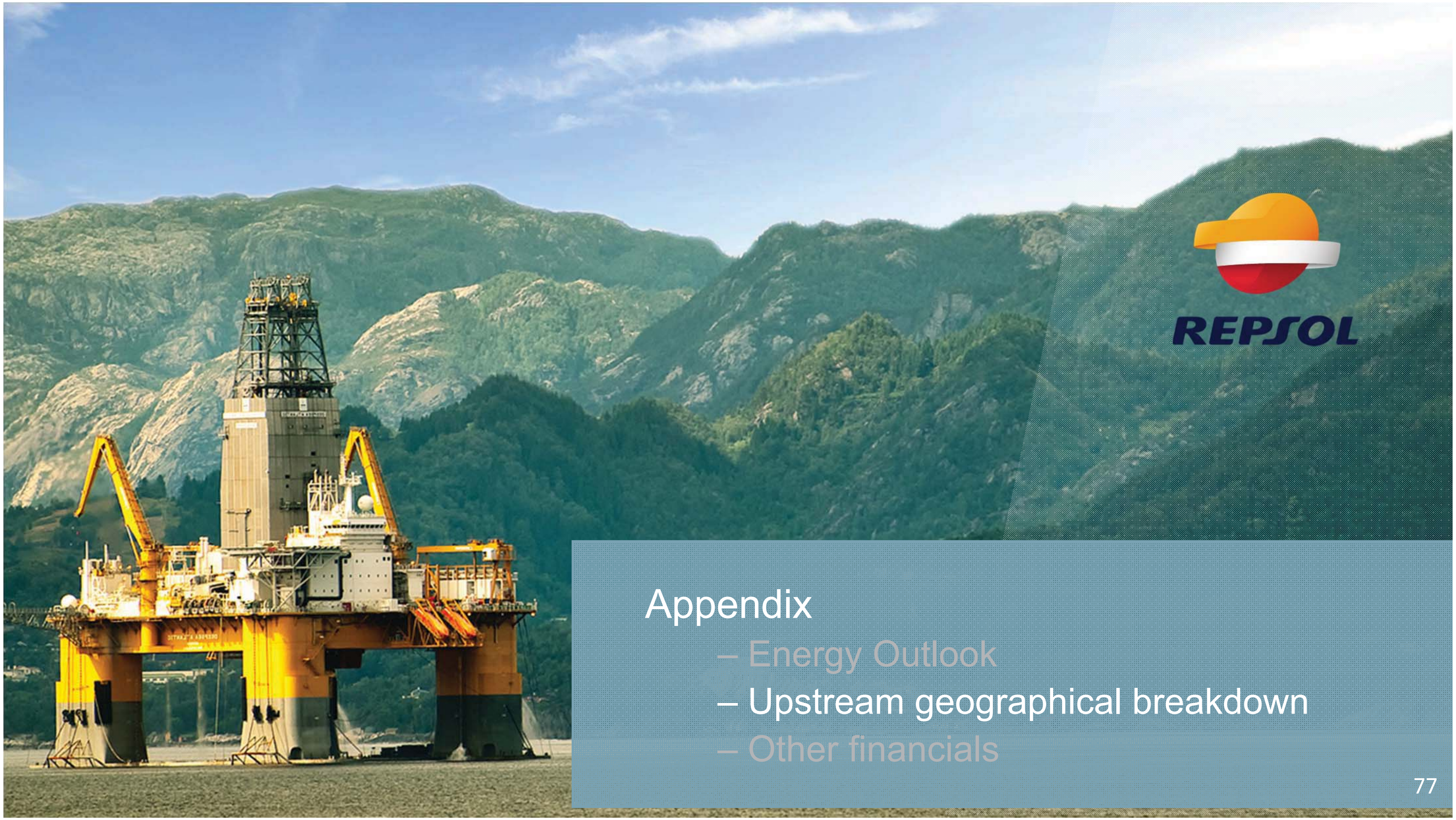
# Refining: Light products spread

## Forecasts 2012 - 2016




Note: AB – Annual Budget; SP – Strategic Plan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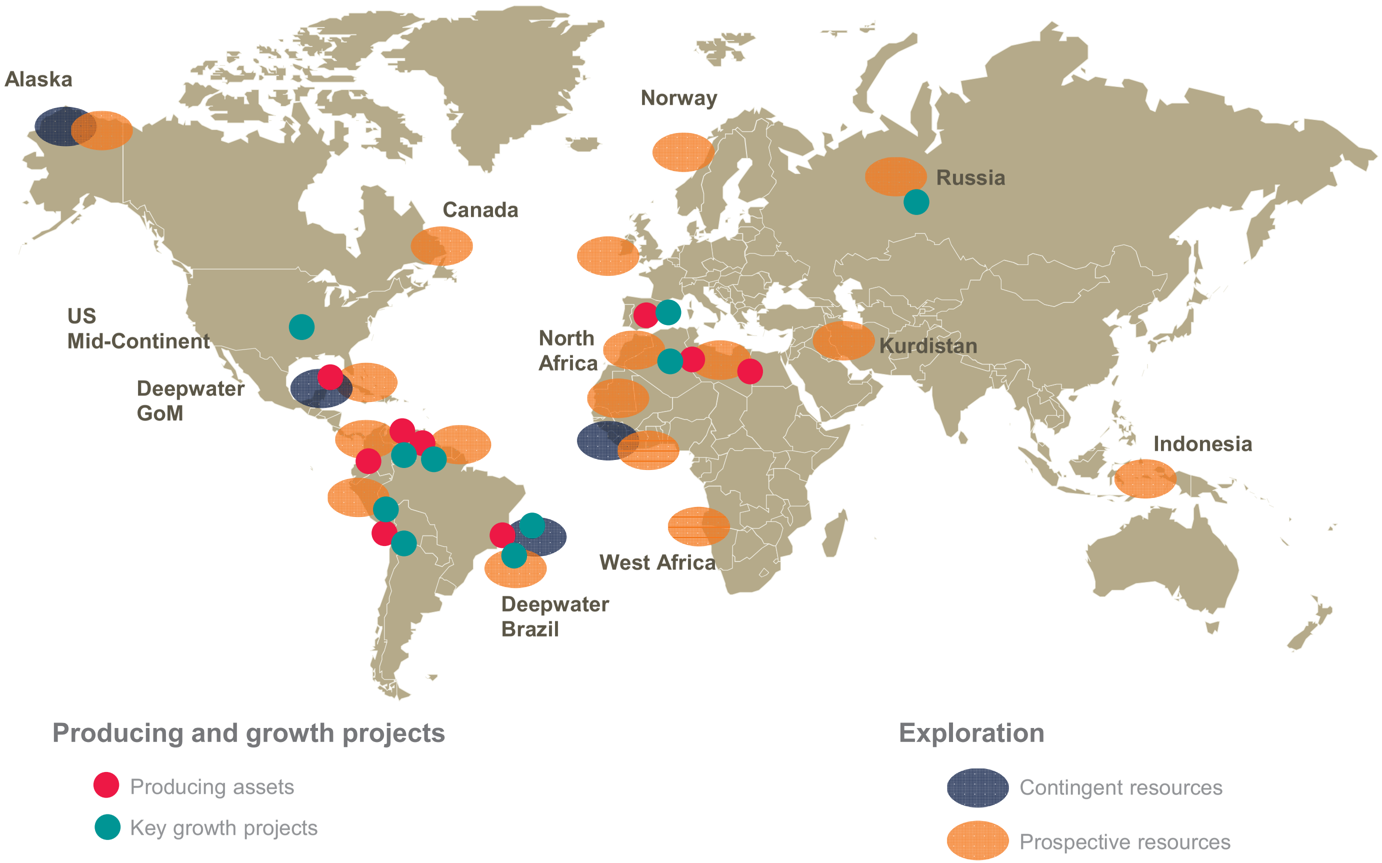
# Upstream: Global footprint

## Privileged position with exposure to some of the most attractive plays in the world

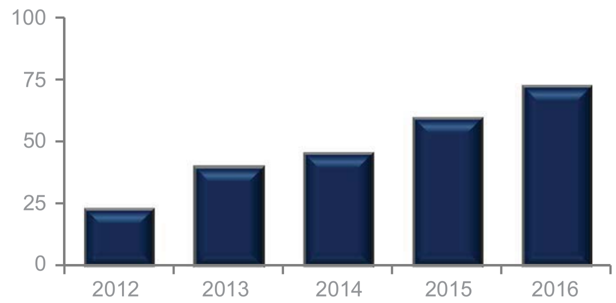


# Portfolio: North America (USA + Canada) (I)

## Growth projects

- **Mid Continent** (average WI 19.8%)
  - Since January 2012, 363,000 Repsol net acres (1,500 km2) in the Mississippian Lime
  - Start of production: 2Q 2012
  - Production: >40 kboed net (royalty discounted) in 2016
  - 200 wells drilled in 2012, 2,850 producing wells by the end of 2016
  - Cost per completed well of USD 3.5m, below that of other basins


Drilling rigs end of year



# Portfolio: North America (USA + Canada) (II)

## Contingent Resources

- **Alaska North Slope** (WI 70%)
  - High potential producing area (surface >2,000 km2 gross)
  - 2 winter wells (2011/12) and two horizons with oil found
  - 3/4 wells expected in winter 2012/13
  - First Oil: 2016/17

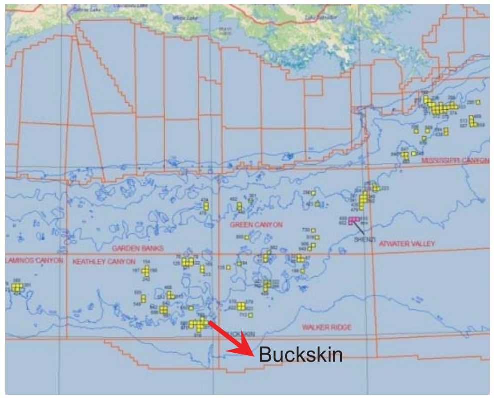
- **Buckskin** (WI 12.5%)
  - High volume (≈500Mbbl) of resources in delineation 2012/13
  - First Oil: 2018/19

## Prospective resources

- Exploration areas: Mainly GOM, but also Beaufort Sea (Alaska), Louisiana and East Canada

- Mature portfolio: 2/3 average annual drillings and investments of USD 190M/year

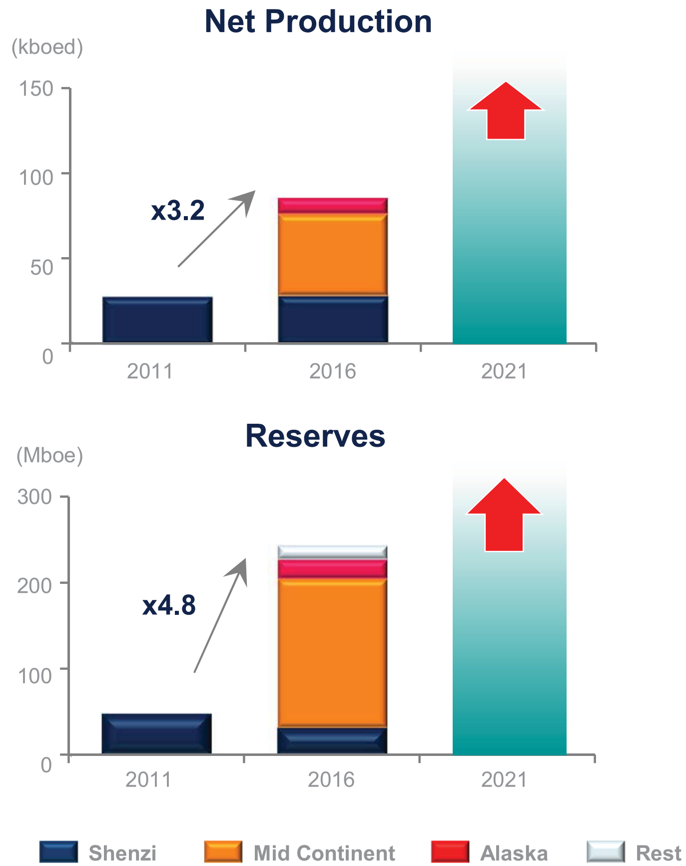
- No production within the strategic plan period


Areas in the Gulf of Mexico

## Portfolio: North America (USA + Canada) (III)

- Shenzi: Plateau > 100 kboed gross(1) throughout 2012-2016
- Strong growth in production and reserves through Mid Continent development
- Exploration investment effort in Alaska and GoM
  - Already working on Buckskin



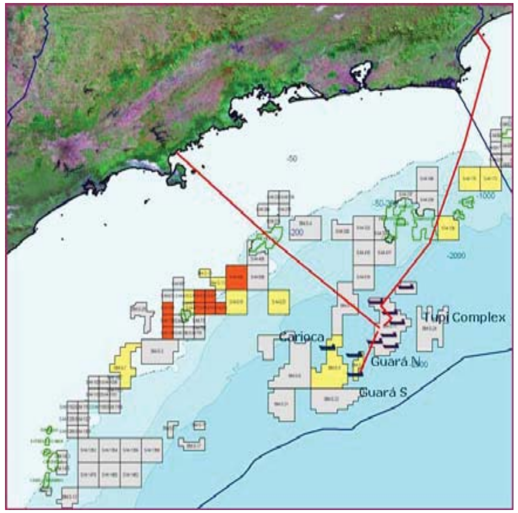

1. Repsol WI 28%


# Portfolio: Brazil (I)

## Growth Projects

- **Sapinhoa (Guara)** (WI 15%)
  - Commercial viability declaration: Dec-2011
  - Start of production in 2013 (1st FPSO in Sapinhoá Sur)
  - Production peak 300 kboed gross (270 kbod) in 2016 with the 2nd FPSO
  - F&D: 10 USD/boe
  - FPSO leasing 8 USD/boe, other Opex 7 USD/Boe
  - Capex&Opex 25 USD/boe

- **Carioca** (WI 15%)
  - Production: Plateau 150 kboed gross, with one FPSO
  - Start of production 2016



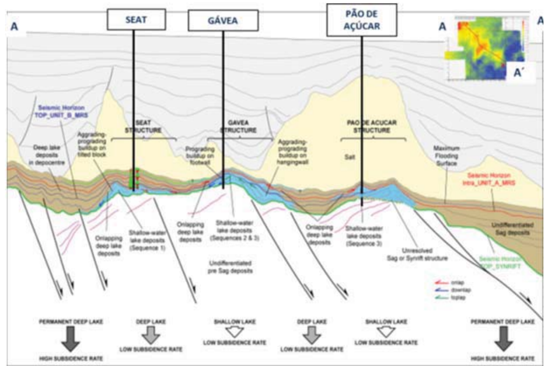

# Portfolio: Brazil (II)

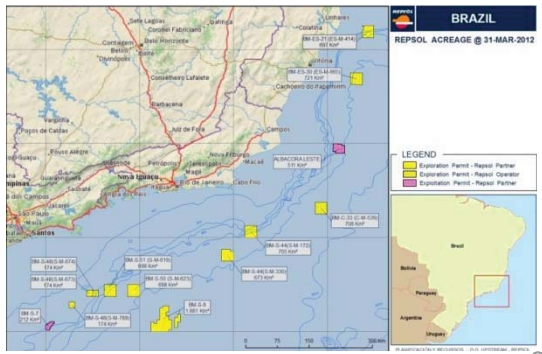
## Contingent Resources (First Oil post 2016)

- **Campos 33** (WI 21%)
  - Seat + Gavea + Pao de Açúcar >1,000 Mboe
  - Pao de Açucar: 3rd largest discovery in 2012 (IHS)
- **Piracucá-Panoramix-Vampira** (WI 22/24%)
  - Being evaluated with appraisal drillings in 2012-14
- **Albacora Presalt (Arapuça)** (WI 6%), Iguaçu (WI 15%), Malombe (WI 7%)
  - Discoveries in delineation and development definition phase

## Prospective Resources

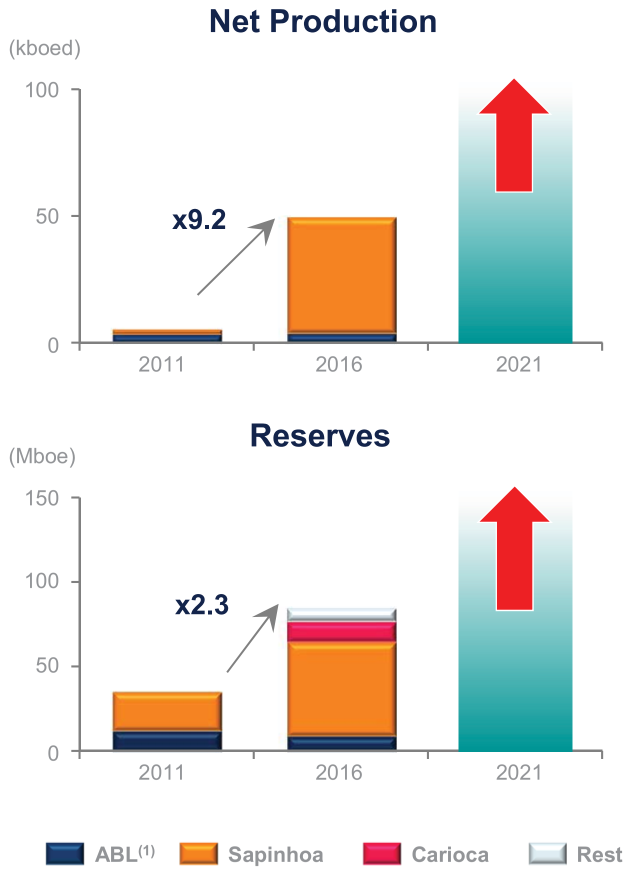
- Average 2 wells per year in 2012-16
- Significant portfolio of exploration blocks in the Santos, Campos and Espiritu Santo basins



# Portfolio: Brazil (III)

- Brazil is one of Repsol's main growth areas
- Value realization from a unique position in a top tier play
- Development of Sapinhoa (Guara) and Carioca
- Fully financed development of reserves and contingent resources
- Strong pipeline of contingent and prospective resources

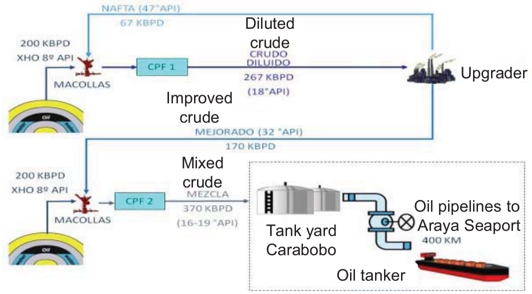



1. Albacora Leste

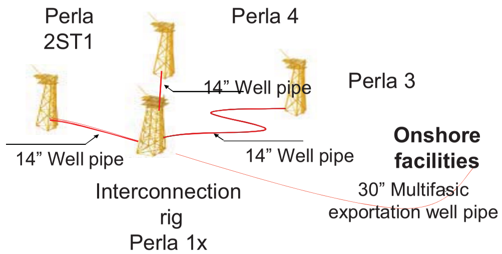

# Portfolio: Venezuela (I)

## Growth Projects

- **Carabobo** (WI 11%)
  - Production period of 37 years (22+15 years extension)
  - 3D seismic analysis started and 3 wells already drilled in 2012
  - Early production: 2013 (mixed with light crude)
  - Upgrader 32° API: FID in 2013/14
    - Start-up in 2019
    - Plateau of 370 kboed of blended 16-19° API crude
  - 165 kboed exported to Repsol's refining system

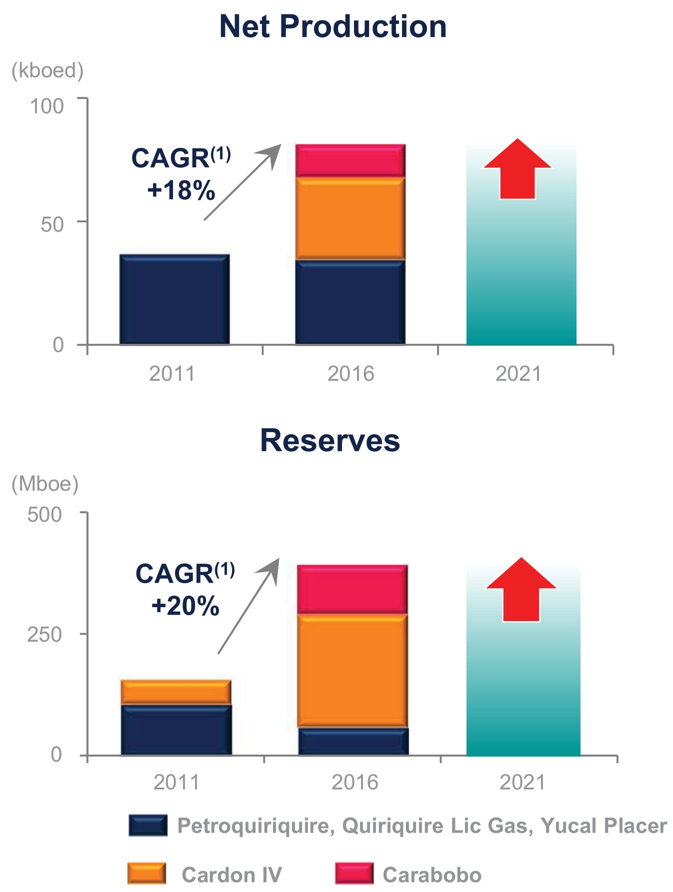



- **Cardon IV** (WI 32.5%)
  - Discovery in 2009 in shallow water
  - 8.7 tcf already contracted in December 2011. Take or Pay for 100% of production
  - High volume of additional contingent resources
  - Export options under study together with PDVSA
  - 5 wells drilled and EPC contracts awarded in 2012, LLI ordered
  - Development in phases: 8.5 Mm3/d in 2014, up to 22.7 Mm3/d in 2016 and a plateau of 34.0 Mm3/d from 2019 onwards (23 years production)




## Portfolio: Venezuela (II)

- Strong growth in production and reserves based on key growth projects
- Presence in a very prolific region
- Investment efforts in Cardon IV and Carabobo

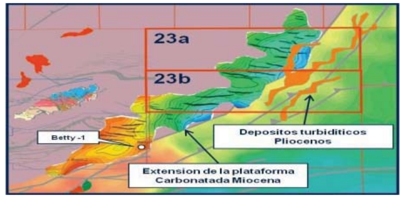



1.Compound annual growth rate

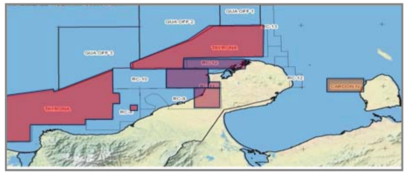

# Portfolio: Trinidad, Colombia and Others Caribbean (I)

## Prospective resources

- **Trinidad**
  - New 23b block in deep water (Angostura area) with first drilling planned for 2016 depending on the seismic analysis




- **Colombia**
  - Offshore exploration blocks RC11, RC12 and Tayrona represent the most direct analogy in the Caribbean of the Perla discovery (Cardon IV)



- **Guyana**
  - Jaguar-1: being drilled in shallow water, targeting deep Cretaceous
  - Complex well, with high temperatures. Would open a new “exploration play” in case hydrocarbons are confirmed


## Portfolio: Trinidad, Colombia and Others Caribbean (II)

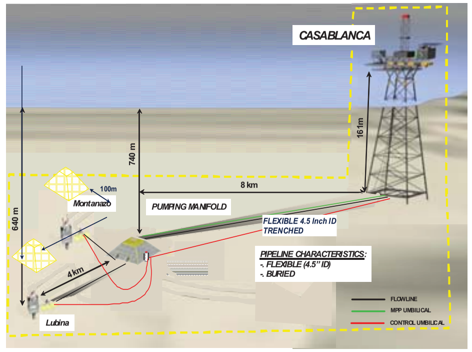
- Maintenance of production plateau in Trinidad
- Exploration potential in gas resources (Trinidad, Colombia, Guyana)


1.Compound annual growth rate 2. BPTT (BP Trinidad & Tobago) 3. TSP (Teak, Samaan and Poui) Note: graphs exclude Venezuela

# Portfolio: Europe (I)

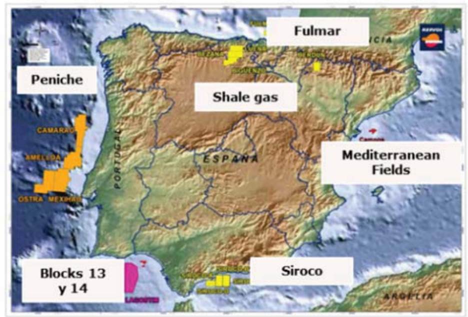
## Growth projects

- **Spain: Lubina and Montanazo**
  - Discovered in 2009, connected (3 km) to Casablanca platform
  - Will allow extension of Mediterranean fields production and delay their abandonment
  - First Oil: 4Q 2012
  - Initial production: 5 kboed (32ºAPI)




## Prospective resources

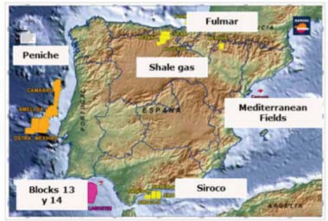
- **Spain**
  - Siroco (South Mediterranean) and Fulmar (North of Spain, Atlantic) gas resources to be drilled in 2013/14
  - Canary Islands: exploration potential with a large volume of resources under evaluation
  - Shale gas concessions in the North of Spain: under study and to be drilled between 2013 and 2015




## Portfolio: Europe (II)

### Prospective resources

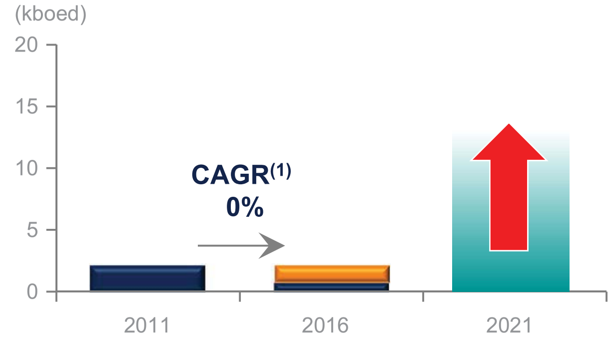
- **Portugal**
  - Blocks 13 and 14: Offshore blocks, in front of Algarve, with drilling gas resources with medium risk. Seismic analysis ongoing and drilling planned from 2014 on.
  - Peniche: 4 crude and gas cross-border blocks in deep water; a well drilling planned for 2013
- **Norway**
  - Participation in 14 offshore licenses (3 operated)
  - It is estimated that it would be possible to participate in at least two wells per year in 2012-2016
- **Ireland**
  - Dunquin (WI 25%): Offshore blocks with two prospects under evaluation



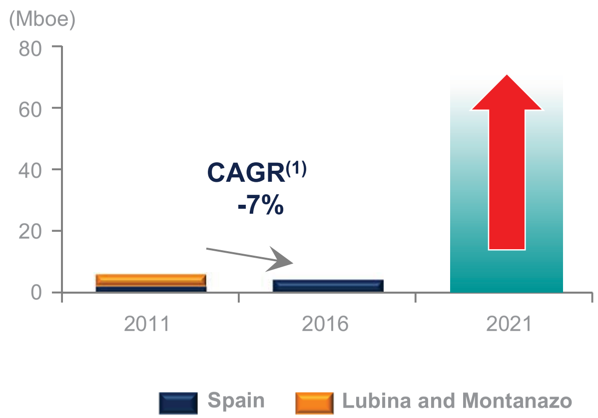

# Portfolio: Europe (III)

- Start-up of Lubina and Montanazo allows to expand Mediterranean assets´ life
- Future growth opportunities in Europe through a diversified drilling portfolio (Norway, Portugal, Ireland, Spain)
- Growth potential delivered after 2016

**Net Production**




**Reserves**




1. Compound annual growth rate


# Portfolio: North Africa (I)

## Growth projects

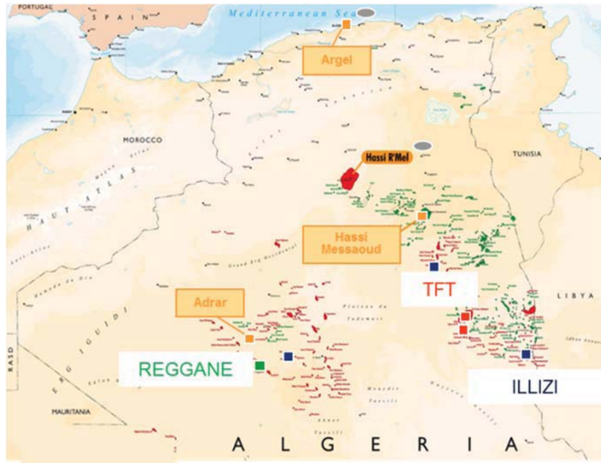
- **Algeria: Reggane (WI 29.3%)**
  - Ongoing development of 6 dry gas fields discovered between 2005 and 2009
  - 1.7 Tcf
  - Plateau of 7.7 $Mm^3$ /day with production in 2016

## Contingent resources

- **Libya: NC200** (WI 60%)
  - Plans to develop E, G & H fields
  - Production: 15 kboed gross

## Prospective resources

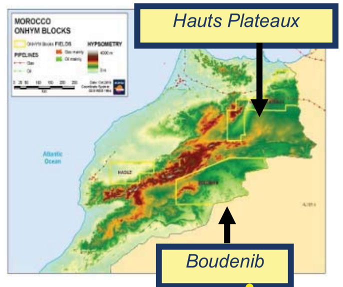
- **Libya: Remaining potential in NC115, NC186 & NC200**. More than 16 wells to be drilled in the next years
- **Algeria: Sud Est Illizi Block** (WI 25.7%)
  - Seismic analysis made and gas resources estimated
  - In 2012 a 5- well drilling campaign starts

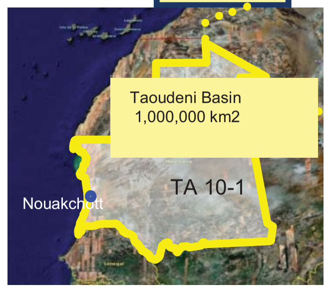


# Portfolio: North Africa (II)

## Prospective resources

- **Morocco: Boudenib and Hauts Plateaux Blocks** (WI 100%)
  - High potential of non conventional resources - Shale Gas - in a large area under study (more than 57,000 $km^2$)
- **Mauritania: Ta10 Block** (WI 70%, operator)
  - 21,665 $km^2$ area with oil resources
  - Drilling in 2013 (agreement with other operators taking advantage of synergies)
- **Tunisia: Offshore blocks Ras Korane, Ras Rihane & Nadhour** (WI 100%)
  - 15,000 $km^2$, seismic study in 2012/13

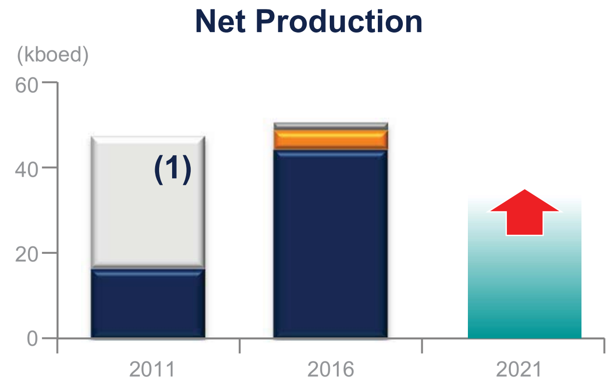


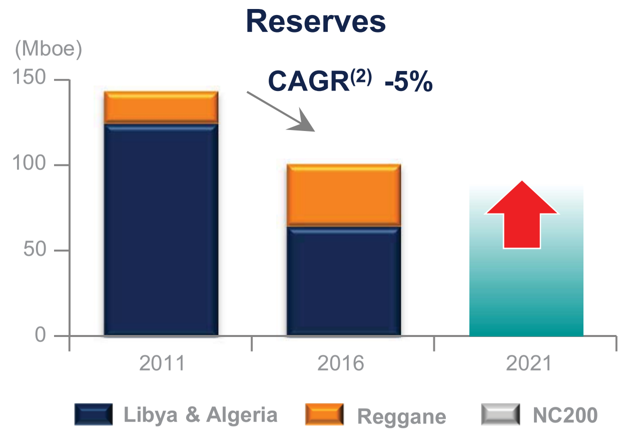





## Portfolio: North Africa (III)

- Recovery of production in Libya after the conflict
- Exploration efforts in other North Africa areas beyond Libya and Algeria (Morocco, Mauritania, Tunisia)
- Reggane: Starting production in 2016 and adding reserves during 2012-2016
- Substantial exploratory activity



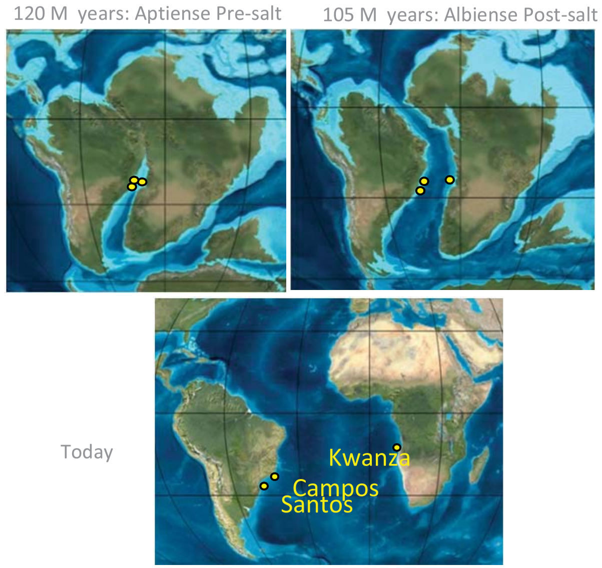




1. Homogenized production in 2011: considers Libya's actual production in 2010 (14.7 Mboe) instead of 2011 actual production (3.4 Mboe). 2. Compound annual growth rate


# Portfolio: West Africa (I)

## Prospective resources

- **Angola** (WI 20-30%)
  - Prospective position: B22 (WI 30%), B35 (WI 25%) and B37 (WI 20%)
    - The geological context is analogous to Santos Basin pre-salt
    - Recent Maersk discovery at the South and Cobalt discovery at the North part of B22
  - 3D seismic in 2012 (2,500 km$^2$ in B22 and B35 and 3,000 km$^2$ in B37) and 2 wells at pre-salt in each block
- **Namibia** (WI 44%, operator)
  - Repsol enters as operator in 2012 with license # 0010
  - First exploratory well planned for 2012/14

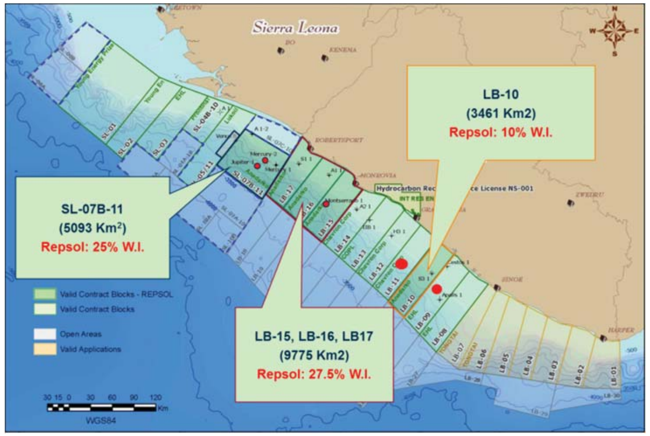


# Portfolio: West Africa (II)

## Prospective resources

- **Sierra Leone SL-07B** (WI 25%)
  - Resources in evaluation phase
  - 4 discoveries (Venus, Mercury 1, Jupiter 1 and Mercury 2). Jupiter possible commercial quantities
  - Additional exploration potential

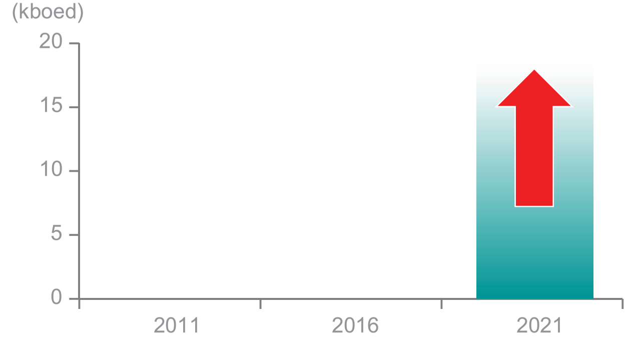
- **Liberia Blocks 15, 16 and 17** (WI 27.5%) **and 10** (WI 10%):
  - The Montserrado well found hydrocarbons but not in commercial quantities
  - Crude prospective resources in evaluation



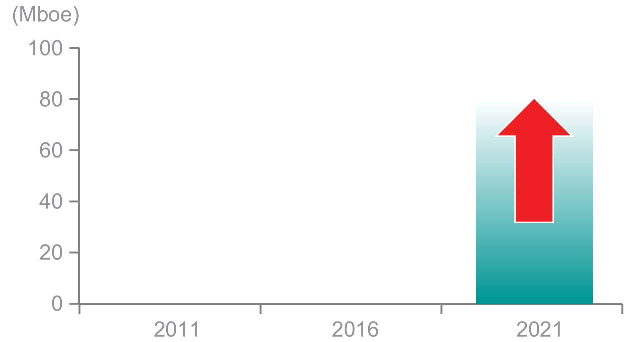

# Portfolio: West Africa (III)

- Area with high potential for future growth from prospective positions
  - Angola, Namibia, Sierra Leone and Liberia
- Potential production and reserve additions beyond 2016

**Net Production**



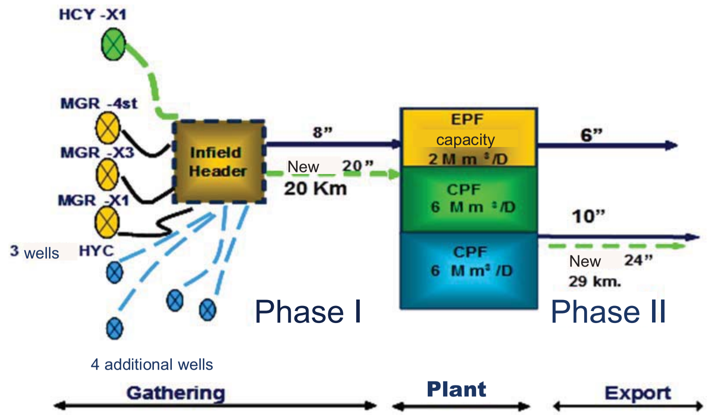

**Reserves**



# Portfolio: Bolivia (I)

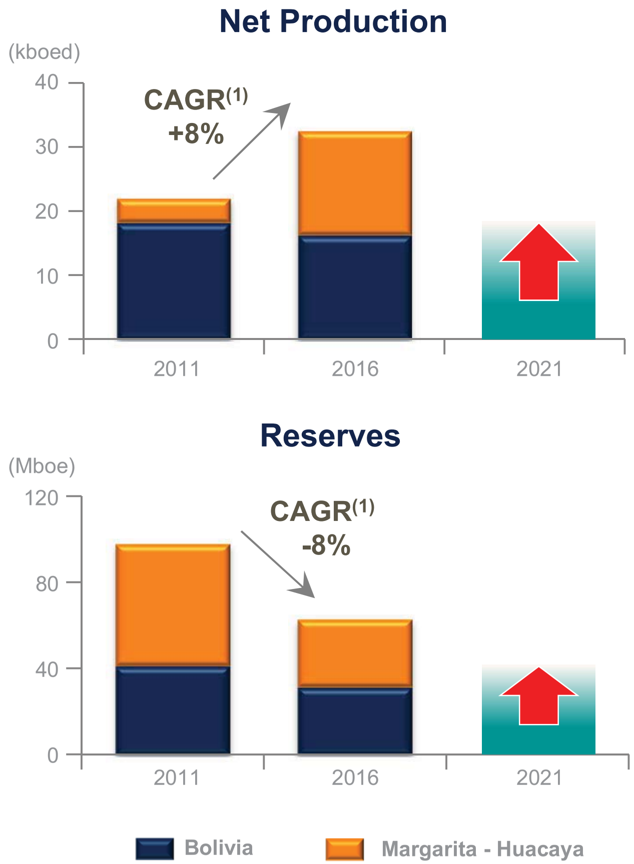
## Growth projects

- **Margarita-Huacaya** (WI 37.5%, operator)
  - Gas field with 16% liquids
  - Existing facilities module with 3 $Mm^3/d$ capacity
  - ✓ Phase I (completed April 2012): new 6 $Mm^3/d$ plant. Reserves associated with 4 existing wells
  - Phase II (2014): plateau increased up to 15 $Mm^3/d$. New 6$Mm^3/d$ module associated with 4 new wells
  - Gas destination through YPFB: Argentina, Brazil and Bolivia

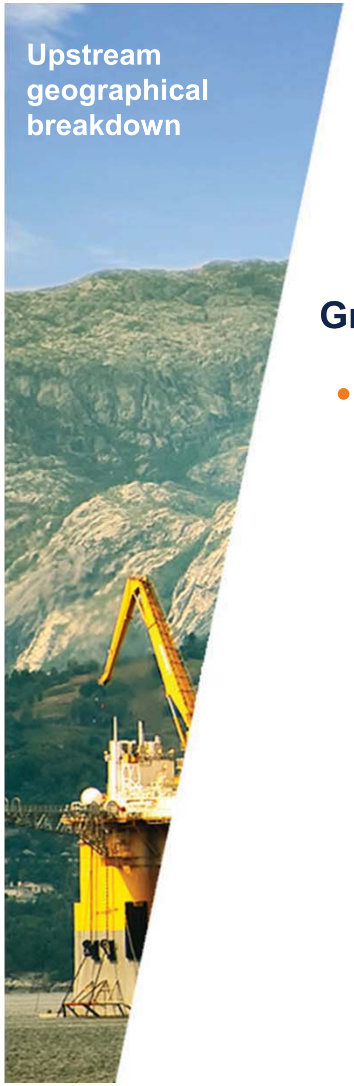


## Portfolio: Bolivia (II)

- Production growth through Margarita-Huacaya until 2014: phase I already started
- Investment focused on Margarita, San Alberto and San Antonio



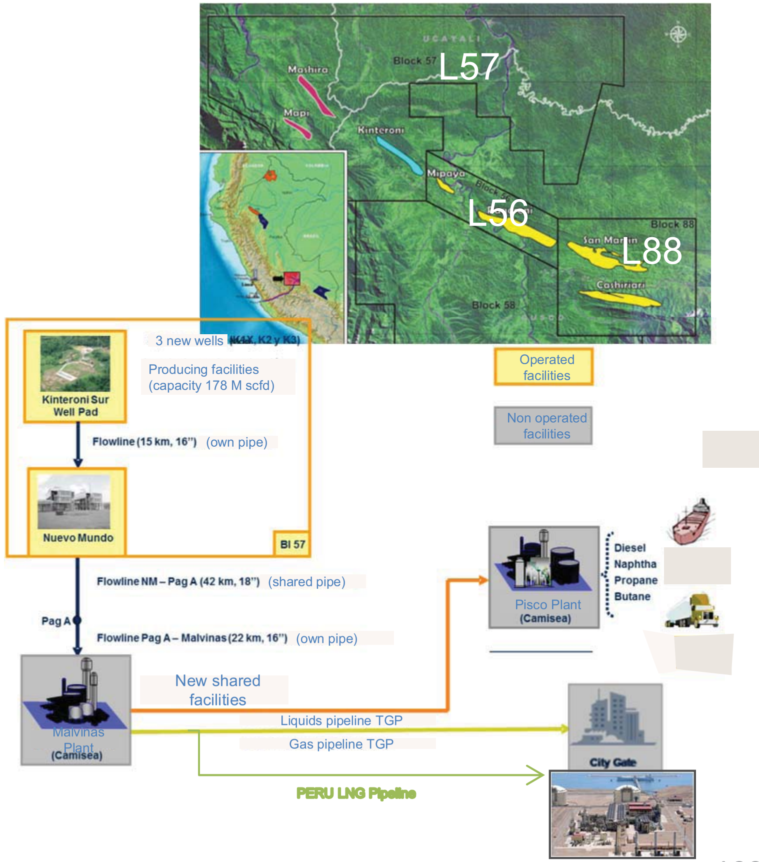

1. Compound annual growth rate




# Portfolio: Peru and Ecuador (I)

## Growth projects

- **B57: Kinteroni** (WI 53.8%)
  - Discovered in January 2008
  - First gas: 4Q 2012
  - Gross plateau of 4.53 $Mm^3/d$ and 10 Kboed of liquids
  - 3 producing wells and facilities
  - Gas delivered to CityGate (Lima) and Peru LNG, and Liquids delivered to Pisco



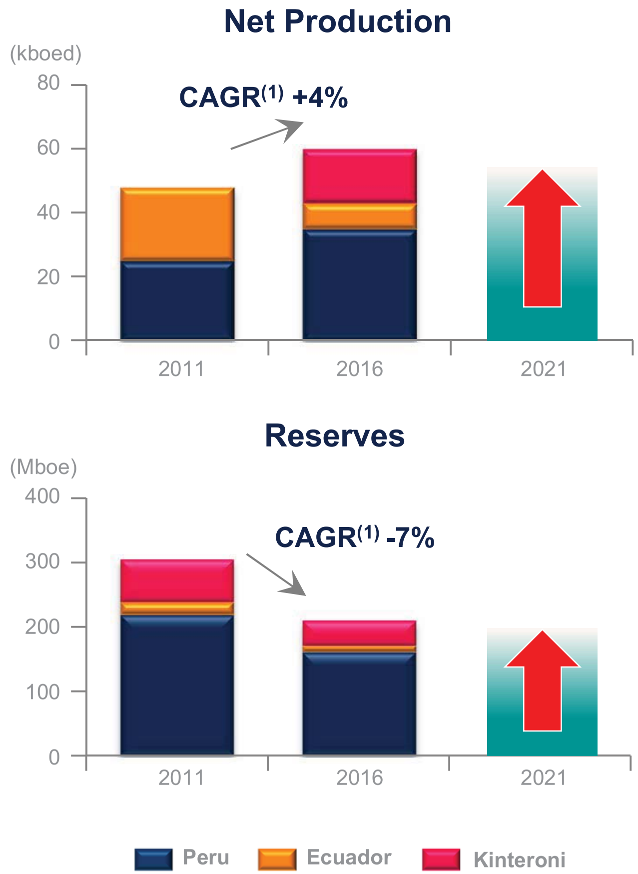

## Portfolio: Peru and Ecuador (II)

### Prospective resources

- **B57: Mapi, Mashira and Sagari** (WI 53.8%, operator)
  - Prospective block in the Northern part of the Kinteroni structure: Mapi, Mashira, Sagari
  - Resources to be drilled in 2012-13
- **B76** (WI 50%)
  - Block located in Southeast of Camisea
  - 460 km of 2D seismic to date
  - Several gas prospects > 1 Tcf
  - 3 wells planned (Dahuene, Pinquiri and Cupodnoe)
- **B39** (55%), **B103** (WI 30%) **and B109** (WI 100%): seismic and further studies


## Portfolio: Peru and Ecuador (III)

- Kinteroni development and production start-up in Q4-2012
- Production growth in 2012-2016, linked to Kinteroni
- Exploratory potential surrounding Kinteroni and Camisea




1. Compound annual growth rate

# Portfolio: Russia, Iraq and Indonesia (I)

## Growth Projects

- **Repsol and Alliance Oil Company signed an agreement to jointly explore and produce hydrocarbons in Russia (June 2011)**

- **Saneco and TNO** (WI 49%)
  - Volga-Ural fields: immediate access to gross production (22 kboed)
  - 14 new wells in Saneco and 106 in TNO
  - Good access to crude commercialization


- **SK and YK** (WI 49%)
  - Gas fields located in West Siberia, acquired from Eurotek in December 2011
  - SK plateau: 1.42 $Mm^3/d$ in 2013
  - YK: first gas 2015, 3.28 $Mm^3/d$
  - Investments in production wells (8 in SK and 20 in YK), completion of a CPF[1] of 2.69 $Mm^3/d$ in SK and construction of facilities of 3.54 $Mm^3/d$ in YK; connection lines with Gazprom's system

1. Central Processing Facility

# Portfolio: Russia, Iraq and Indonesia (II)

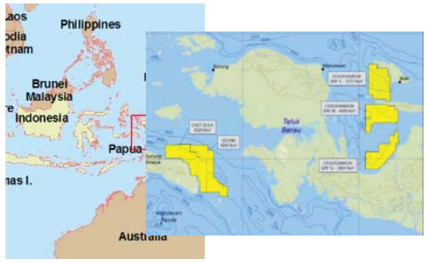
## Prospective Resources

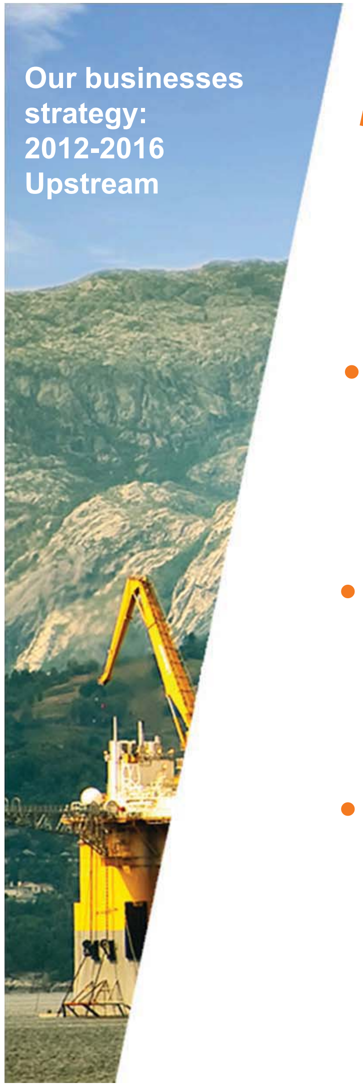
- **Russia - West Siberia** (WI 74.9%, operator)
  - Karabashsky 1&2 blocks:  two exploration wells in 2013
  - 8 additional study licenses

- **Iraq - Kurdistan** (WI 100%)
  - Piramagrun and Qala Dze blocks
  - Proven basin with large recent discoveries
  - Ongoing seismic analysis

- **Indonesia - West Papua** (WI 45%-50%)
  - 1 operated block (Cendrawasih II) and 4 non-operated (Seram, East Bula, Cendrawasih III and IV)
  - Frontier basins
  - Seismic under analysis and potential drilling during the Plan Period





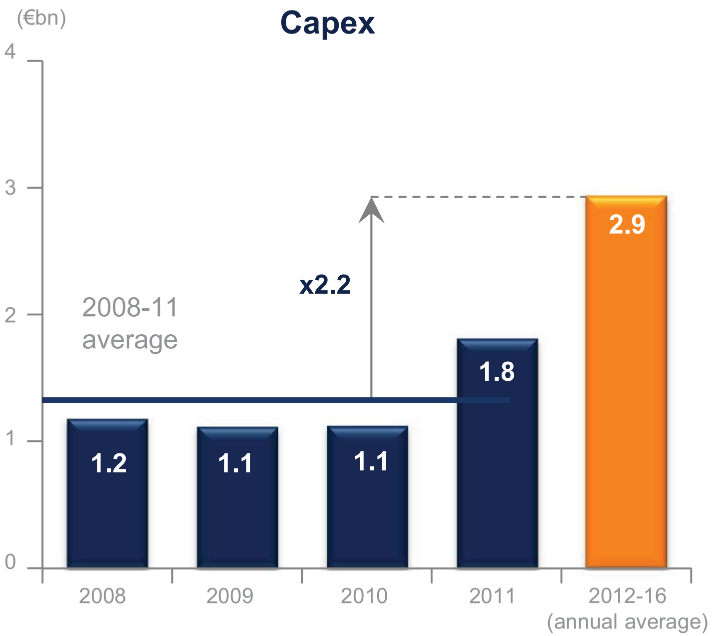


## Portfolio: Russia, Iraq and Indonesia (III)

- Quick growth of production and reserves in Russia based on JV with Alliance
- Development phase of key growth projects in Russia (Saneco, TNO, SK and YK)
- High exploration potential in Russia, Iraq and Indonesia


# Upstream Capex close to €3bn/year in 2012-16, more than doubling 2008-2011

## Capex[1] intensity in Upstream will increase x2.2 in 2012-16 vs. 2008-11




**€14.7bn 2012-2016**

## Capex[1] of each key growth project in the 2012 – 2016 period

| Project | Expected Capex (€bn) |
|---|---|
| Mid Continent | 2.3 |
| Sapinhoa (Guara) | 1.2 |
| Carioca | 0.8 |
| Carabobo | 0.7 |
| Cardon IV | 0.5 |
| Russia | 0.4 |
| Reggane | 0.4 |
| Margarita | 0.3 |
| Kinteroni | 0.1 |
| Lubina-Montanazo | 0.02[2] |
| **Key Growth Projects** | **6.6[3]** |

1. Net Capex, excluding G&G and G&A 2. Net investments by Dec 31th 2011: USD 94M 3. Total Upstream Capex 2012-2016: €14.7bn (remaining €8.1bn Capex includes producing assets and other exploration and development not linked to key growth projects)

# Focus on Exploration: Our technical themes

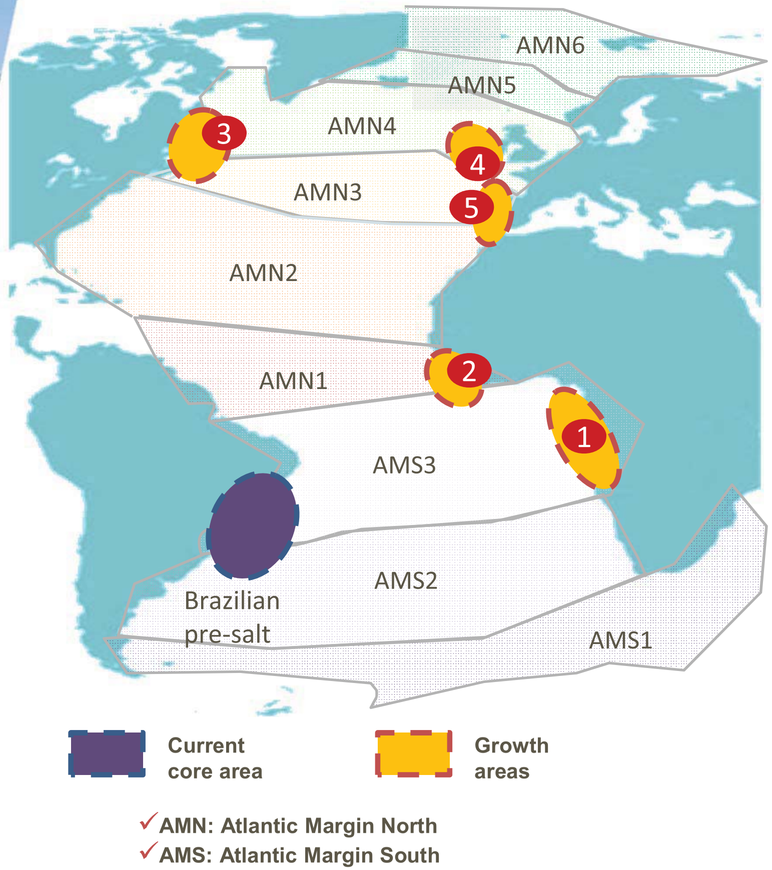
## New grounds based on knowledge

- Analogies in both sides of the Atlantic basin
  - New blocks in Norway, Canada, Ireland, Portugal, Angola, Namibia
- Offshore carbonates
  - New blocks in Ireland, Colombia, Angola, Namibia
- Underexplored folded belts
  - New blocks in Peru, Iraq, Indonesia

## Upstream Net acreage evolution

Upstream geographical breakdown

## Atlantic break-up analogies




- Our studies highlight the differences (post-rift) and similarities (pre-rift) in the development of conjugate belts
  - Additional overlap with some of our traditional exploration themes

- Recent moves to
  1. Angola
  2. Sierra Leone / Liberia
  3. Canada
  4. Ireland
  5. Portugal



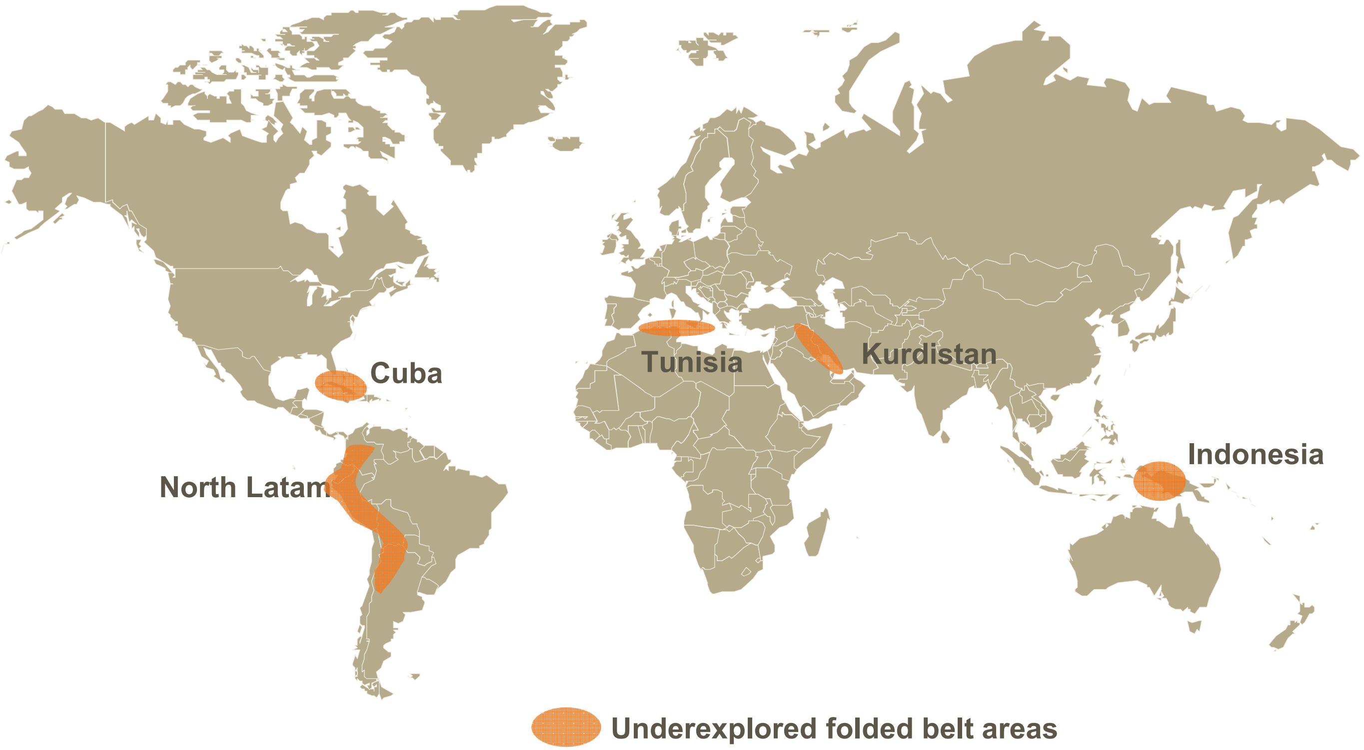
## Off-shore carbonates

- We are among the first companies to have focused on offshore underestimated carbonate reservoir targets, and we continue screening similar plays worldwide

Upstream geographical breakdown

## Underexplored folded belts

- We have entered into several underexplored folded belt plays, with the view of advancing in issues related to difficult logistics and poor subsurface image




REPSOL
Appendix
– Energy Outlook
– Upstream geographical breakdown
– Other financials
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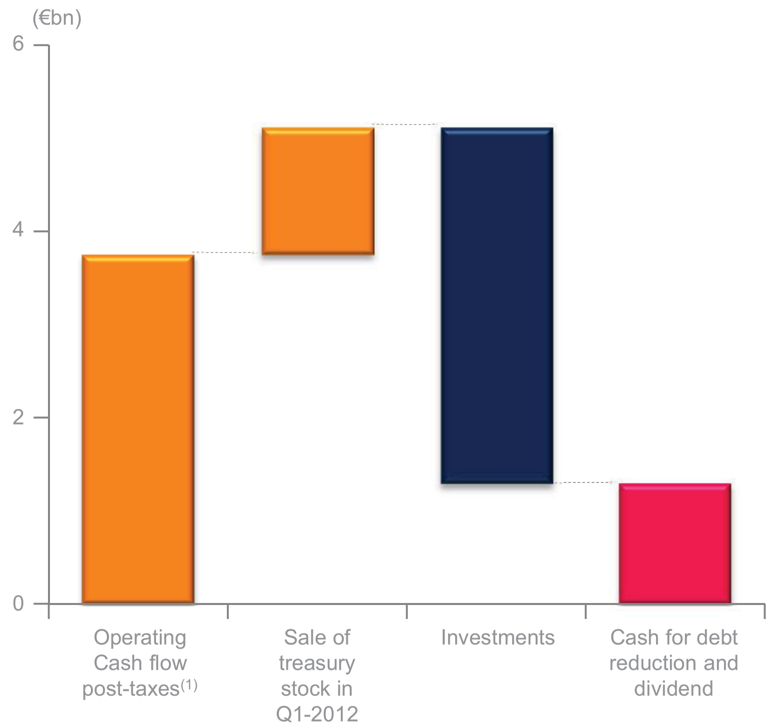
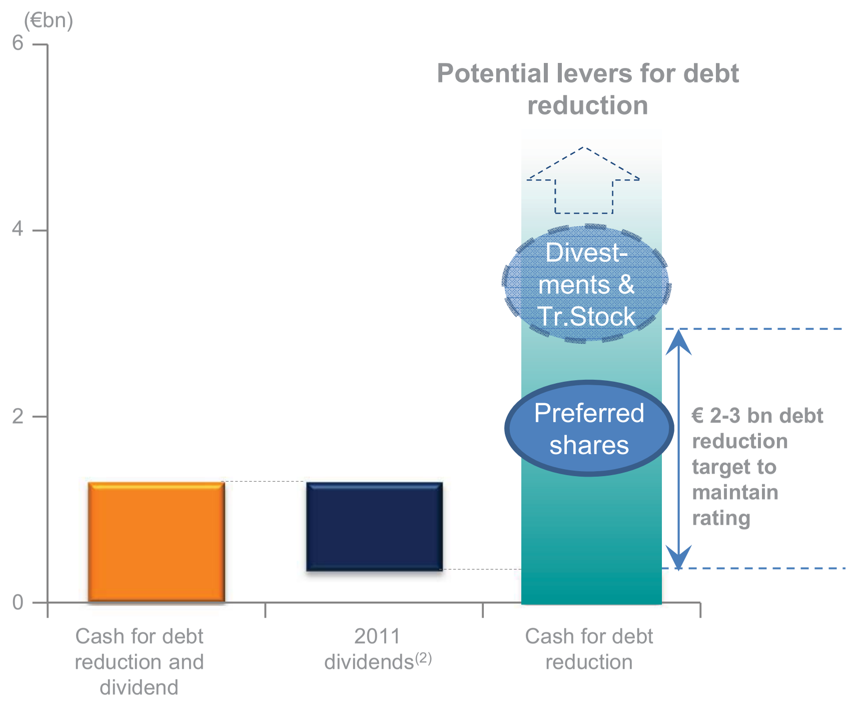
Other financials

# Short-term financial levers exceed requirements for investment grade

## 2012 Cash Movements




## Impact on debt

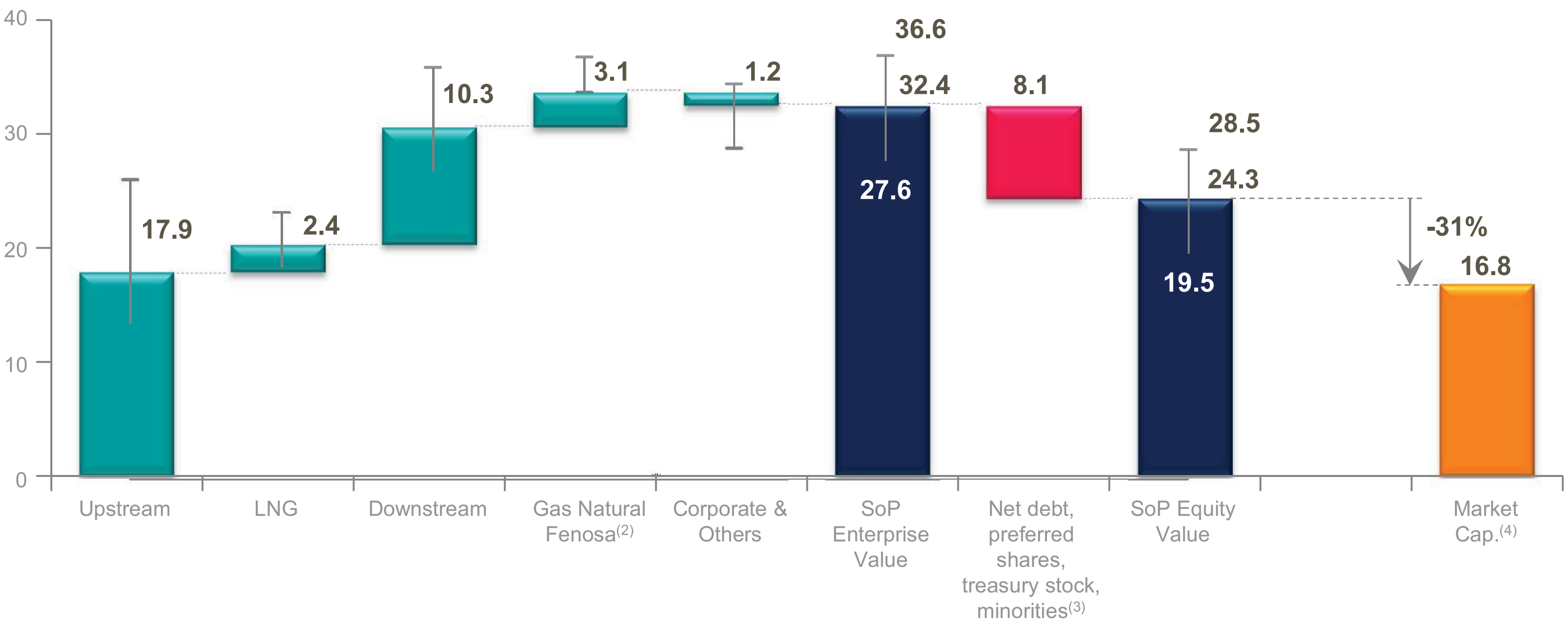



1. Includes GNF dividend. Includes also dividends to minorities 2. Assuming scrip dividend; subject to Annual General Meeting (AGM) approval and scrip acceptance

# Repsol's sum of the parts valuation

## May 2012: after YPF expropriation

### Sum of the Parts[1] vs. Market Cap (€bn)

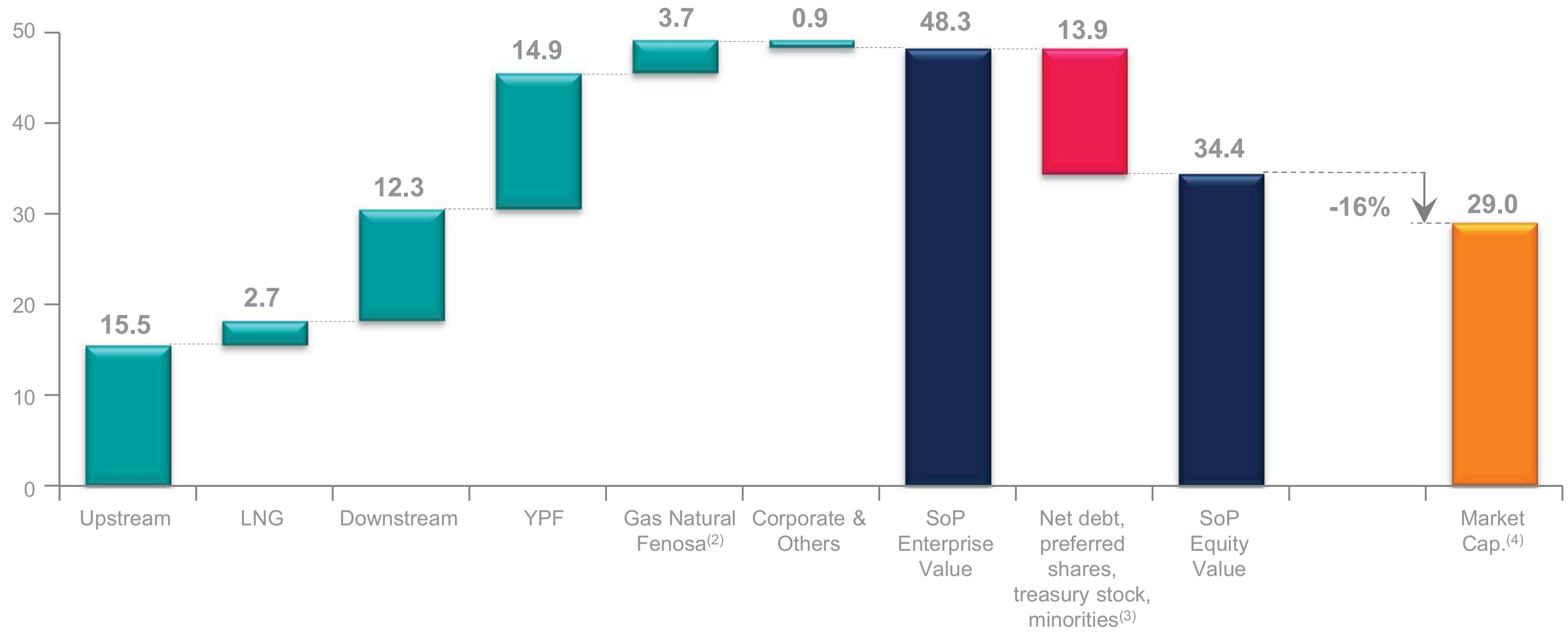



1. Average of 1Q2012 sum of parts analysis, excluding YPF given by analysts 2. Considering GNF 10.33€/share, range estimated with analysts' target prices 3. Net debt + preferred shares exGNF: €7.2bn; minorities: €0.3bn; treasury stock (15€/share): €0.9bn; Petersen loan €1.5bn 4. Market cap as of May 14th 2012. Source: Analysts' reports, Bloomberg

# Repsol's sum of the parts valuation

## End of 2011: before YPF expropriation

### Sum of the Parts(1) vs. Market Cap (€bn)




1. Average of 4Q2011 sum of parts analysis, including YPF given by analysts 2. Considering GNF 12.4€/share 3. Net debt + preferred shares exGNF: €9.8bn; minorities: €6.3bn; treasury stock (5% at 15€/share, 5% at 21.1€/share): €2.2bn; 4. Market cap at 2011 year end. Source: Analysts' reports, Bloomberg


# Growing from our strengths

## Strategic Plan 2012-2016

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Madrid, May 31, 2012

The Ordinary General Shareholders' Meeting of **Repsol, S.A**., held today, on second call, has approved all the proposals of resolutions submitted by the Board of Directors concerning the points of the Agenda. Among these resolutions is included the change of corporate name which turns to be again Repsol, S.A.

Likewise, the Ordinary General Shareholders' Meeting approved the re-election as Directors of Mr. Isidro Fainé Casas and Mr. Juan María Nin Génova both of them for the statutory term of 4 years. With these agreements and with the ones adopted in the meeting of the Board of Directors held after the Ordinary General Shareholders' Meeting, the composition of the Board of Directors of Repsol and of its Committees is as follows:

**Board of Directors:**

| | | |
|---|---|---|
| *Chairman*: | Mr. Antonio Brufau Niubó | (Executive Director) |
| *Vice-Chairman:* | Mr. Isidro Fainé Casas | (External Proprietary Director) |
| *Vice-Chairman:* | Mr. Juan Abelló Gallo | (External Proprietary Director) |
| *Directors*: | Mrs. Paulina Beato Blanco | (Independent External Director) |
| | Mr. Artur Carulla Font | (Independent External Director) |
| | Mr. Luis Carlos Croissier Batista | (Independent External Director) |
| | Mr. Ángel Durández Adeva | (Independent External Director) |
| | Mr. Javier Echenique Landiríbar | (Independent External Director) |
| | Mr. Mario Fernández Pelaz | (Independent External Director) |
| | Mrs. María Isabel Gabarró Miquel | (Independent External Director) |
| | Mr. José Manuel Loureda Mantiñán | (External Proprietary Director) |
| | Mr. Juan María Nin Génova | (External Proprietary Director) |
| | Pemex Internacional España, S.A. | (External Proprietary Director) |
| | Mr. Henri Philippe Reichstul | (Independent External Director) |
| | Mr. Luis Suárez de Lezo Mantilla (*) | (Executive Director) |

(*) Director and Secretary

**Delegated Committee:**

Mr. Antonio Brufau Niubó (Chairman)
Mr. Isidro Fainé Casas
Mr. Juan Abelló Gallo
Mr. Artur Carulla Font
Mr. Javier Echenique Landiríbar
Pemex Internacional España, S.A.
Mr. Henri Philippe Reichstul
Mr. Luis Suárez de Lezo Mantilla

**Audit and Control Committee:**

Mr. Ángel Durández Adeva (Chairman)
Mrs. Paulina Beato Blanco
Mr. Javier Echenique Landiríbar

**Nomination and Compensation Committee:**

Mr. Artur Carulla Font (Chairman)
Mr. Mario Fernández Pelaz
Mrs. María Isabel Gabarró Miquel
Mr. José Manuel Loureda Mantiñán
Mr. Juan María Nin Génova

**Strategy, Investment and Corporate Social Responsibility Committee:**

Mr. Juan María Nin Génova (Chairman)
Mr. Juan Abelló Gallo
Mr. Luis Carlos Croissier Batista
Mrs. María Isabel Gabarró Miquel
Mr. José Manuel Loureda Mantiñán
Pemex Internacional España, S.A.

Likewise, due to the approval, by the General Shareholders' Meeting, of the proposals regarding the amendment of the Bylaws and the General Shareholders' Meeting Regulations contained under points fourth, fifth and sixth of the Agenda, we communicate the entry into force of the amendments to the Board of Directors' Regulations approved unanimously by said body, with the prior favourable report of the Nomination and Compensation Committee on January 25, 2012 for the second phase of the global reform on corporate governance and on last April 17, 2012. The entry into force of said amendments had been conditioned upon the approval by the General Shareholders' Meeting, of the referred proposals regarding the amendment of the Bylaws and the General Shareholders' Meeting Regulations.

The amendments to the Board of Directors' Regulations aim to: (i) reinforce the independence and improve the functioning of the Board; (ii) adapt the internal regulations of the Company to the new legislation; and (iii) strengthen 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 the articles of the Board of Directors' Regulation that have been amended are attached hereto as an Annex.

Finally, we notify that the Board of Directors of Repsol has resolved in its meeting held today, May 31, 2012 to change its registered office to Méndez Álvaro, 44, Madrid and to amend subsequently article 3 of the Bylaws.

* * *

*(Translation of the original in Spanish. In case of any discrepancy the Spanish version prevails)*

## ANNEX

## NEW WORDING OF THE REGULATIONS OF THE BOARD OF DIRECTORS

***"Article 3. Quantitative and qualitative composition of the Board***

1. *Within the maximum and minimum limits established in Article 31 of the current Bylaws and without prejudice to the shareholders' right to propose, the Board shall indicate to the shareholders' meeting the number of Directors it considers convenient from time to time, according to the interests of the Company, and which it considers necessary to guarantee adequate representativeness and an effective and participative functioning. The shareholders' meeting shall be responsible for determining the number of Directors.*

2. *Both in the proposal submitted to the shareholders' meeting and in the resolutions adopted by the Board in cases of cooptation in order to fill vacancies, the Board shall endeavour to maintain a composition in which: (i) Proprietary and Independent External Directors represent a clear majority over Executive Directors and the number of the latter is commensurate with the complex structure of the corporate group; (ii) the number of Independent External Directors represents at least one-third of the total number of Directors; and (iii) professional, international and gender diversity policies are applied and are adequate to the activity the Company carries out.*

3. ***Executive Directors** are those who perform executive or top management duties in the Company or group, Directors who have permanently been delegated general powers of the Board and/or are bound by top management or service contracts to provide full-time executive services, or who are employees of the Company or the group.*

   *For the purpose of these Regulations, when a Director performs top management duties within the Company or the group and is or has been proposed by a significant shareholder or a shareholder represented on the Board, he shall be considered an Executive Director.*

4. ***Proprietary External Directors** are External or Non-Executive Directors holding a shareholding interest equal to or greater than that considered in law as relevant, or those nominated by virtue of their status as shareholders, even though their interest in the Company does not reach that amount. Any Directors representing or nominated by such shareholders shall also be considered Proprietary External Directors.*

5. ***Independent External Directors** are Directors who do not fit into the previous two categories, appointed on the strength of their recognised personal and professional standing and their experience and expertise in the corresponding duties, having no connection with the management or major shareholders of the Company and who are not in any of the situations described in Article 13.2 of these Regulations.*

6. *When social interests so recommend, the Board may also appoint by cooptation or submit to the shareholders' meeting a proposal for the appointment or ratification of External Directors who cannot be considered as Proprietary or Independent.*

7. *The Board shall explain the nature of each Director at the general meeting of shareholders that is to make or ratify the appointment. That nature shall also be reviewed each year, after verification by the nomination and compensation Committee, in the Annual Corporate Governance Report."*

***"Article 4. Duties and powers of the Board***

1. *The Board shall do whatsoever may be necessary to pursue the objects stated in the Bylaws. In particular, it shall define the strategic guidelines, the economic objectives of the Company and, upon recommendation by the top management, resolve to take such measures as may be required to achieve them; guarantee the future viability and competitiveness of the Company and the existence of adequate management and leadership, all business activity being expressly subject to control by the Board; approve the codes of ethics and conduct of the Company; and develop the powers contemplated in Article 5 of these Regulations.*

2. *The Board shall perform its duties with unity of purpose and independent judgement, treating all shareholders equally and guided by the interests of the Company, deeming this to be maximising the economic value of the Company on a sustained basis.*

   *The Board shall ensure that the Company complies with all applicable laws and regulations in its relations with stakeholders; fulfils its obligations and contracts in good faith; respects the customs and good practice of the sectors and territories in which it operates; and observes any additional principles of social responsibility that it may have accepted voluntarily.*

   *The Board shall be answerable to the shareholders' meeting for the fulfilment of these obligations.*

   *The delegation of powers in favour of one or several Board members shall not release the Board from the organic competence recognised in the Companies Act and in the Bylaws.*

3. *The Board shall approve the Company's 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 belonging to the Company or its subsidiaries which are, for whatsoever reason, considered especially important; establish its own organisation and operation and those of the top management and, in particular, amend these Regulations; exercise any powers that the shareholders' meeting has granted to the Board -which the Board may delegate solely if expressly so indicated in the resolution adopted by the shareholders' meeting- and any other powers granted to it in these Regulations.*

4. *The Board also exercises the Company's organic representation on the terms established in law and the bylaws. Should the Board delegate or assign this power of representation to one or several Directors, the latter shall notify the Board of any actions they take in exercise of that power over and beyond ordinary administration."*

***"Article 5. Powers reserved to the Board***

*Without prejudice to the powers of representation and execution granted in the Bylaws to the Chairman and Vice-Chairmen and any powers of attorney or delegations granted directly by the Company, the following matters shall be approved by the full Board:*

1. *The submission of the Annual Account and Management Report of Repsol, 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 policies and general strategies of the Company, such as:*

   a) *The strategic plan, management objectives and annual budgets of the Group;*

   b) *The investment and financing policy;*

   c) *The corporate governance policy;*

   d) *The corporate social responsibility policy;*

   e) *The top management remuneration policy;*

   f) *The risk management and control policy; and*

   g) *The 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-chairman, secretary and vice-secretary of the Board and the Directors who are to sit on the different Committees contemplated in these Regulations, and the delegation of powers to any of the Board members, on the terms stipulated in the law and bylaws, and revocation of such powers;*

   c) *Directors' remuneration and, in the case of executive Directors, additional remuneration for their executive duties and other terms and conditions of their contracts.*

4. *The annual and half-year financial reports, which the Company, being a listed Company, must periodically disclose.*

5. *The following investments and transactions, save when approval corresponds to the general shareholders' meeting:*

   a) *Incorporation of companies and entities or initial acquisition of stakes in existing companies or entities of more than six million Euros.*

      *By exception, decisions on investments provided for in sufficient detail in the Group's annual budgets and/or strategic plan shall be left up to the Chairman.*

   b) *Creation or acquisition of shareholdings in special purpose entities whenever they go beyond the ordinary administration of the Company.*

   c) *Mergers, takeovers, demergers or concentrations of strategic importance in which any relevant Company, in which any of the Repsol group's companies holds a direct stake, is interested.*

   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 first meeting of all investments approved.*

      *By exception, the chairman shall decide, after discussion by the Delegate 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/or 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)* *Issue in series of promissory notes, debentures or similar securities by Repsol, S.A. or its majority-owned or controlled subsidiaries.*

*g)* *Granting of bonds to secure the obligations of entities not controlled by the group except in the following cases:*

- *the guarantor, directly or by means of counter guarantees, is finally liable for the debt or obligation in a proportion not higher to the economic participation of the Group in the entity which obligations are secured; and*

- *the granting of the security is part of the ordinary and usual process of tender, negotiation, management and exploitation of the Group's businesses.*

*h)* *Assignment to third entities or persons not controlled by the Group, 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, 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 Group.*

*Unless a different regime is approved when passing the correspondent resolution, an investment or a transactions shall not need an additional approval if in its execution a deviation not higher than 10% or 30 million Euros, over the initial amount authorized by the Board of Directors or its Delegate Committee is produced.*

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."*

***"Article 11. Evaluation of the Board and its Committees***

1. *At least once a year the Board shall assess its operations and the quality and efficiency of its work. It shall also evaluate annually the functioning of its Committees, on the basis of the reports they shall issue.*

*The Chairman will organise and coordinate this regular review of the Board with the Chairmen of the different Committees.*

2. *With the frequency it shall determine and at least once every three years, the Board shall commission an external assessment of its performance to an independent specialised firm. This assessment shall include an analysis of the composition, organization and functioning of the Board as a body corporate and an evaluation of the competence and efficiency of each of its Committees and members, particularly including the Chairman."*

***"Article 12. Appointment of Directors***

*The shareholders' meeting or the Board, as the case may be, shall be competent to appoint the Board members in accordance with the relevant provisions of the Companies Act and the Bylaws.*

*Appointments shall be made in favour of people who, apart from meeting the legal and statutory requirements corresponding to the office, have a distinguished reputation and sufficient experience and expertise to perform their duties.*

*The nominations submitted to the general meeting and appointments by cooptation shall be approved by the Board (i) upon proposal by the Nomination and Compensation Committee, in the case of Independent External Directors, or (ii) subject to a prior report by the Nomination and Compensation Committee, in the case of other Directors."*

***"Article 13. Incompatibilities***

1. *When exercising its power of proposal to the shareholders' meeting or appointment by cooptation, the Board may not nominate any candidates or appoint as Directors any persons in any of the cases of incompatibility or disqualification, by law, the bylaws or regulations, or any companies, entities or persons with a permanent conflict of interests with the Company, including rival companies and their Directors, executives and employees and any persons related to or proposed by them.*

2. *Persons may not be nominated or appointed Independent External Directors if they:*

    a) *Have been employees or executive Directors of group companies, until 3 or 5 years, respectively, after the end of any such relationship.*

    b) *Receive from the Company or its group any sum or perquisite for any reason other than Directors' remunerations, unless such sum or perquisite is insignificant.*

       *Neither dividends nor pension supplements received by a Director by virtue of his former professional or employment relationship shall be taken into account for the purposes of this paragraph, provided such supplements are unconditional. Consequently, the Company paying* *them may not suspend, modify or revoke their accrual at its own discretion, without default of obligations.*

c) *Are, or have been in the last 3 years, partners of the external auditor or person responsible for the auditors' report for the Company of any other Company in its group.*

d) *Are executive Directors or top executives of another Company in which any of this Company's executive Directors or top executives is an External Director.*

e) *Have, or have had within the past year, a major business relationship with the Company or any other Company in its group, acting in his own name or as significant shareholder, Director or top executive of a Company that has or has had such relationship.*

*Business relationships shall be those of suppliers of goods or services, including financial, advisory or consultancy services.*

f) *Are significant shareholders, executive Directors or top executives of a Company that receives, or has received in the past 3 years, significant donations from the Company or its group.*

*Anyone who is merely a trustee of a foundation that receives donations shall not be considered included in this group of persons.*

g) *Are the spouse, persons having equivalent emotional ties or relatives up to the second degree of an executive Director or top executive of the Company.*

h) *Have not been proposed for appointment or re-election by the Nomination and Remuneration Committee.*

i) *Are in any of the circumstances contemplated in paragraphs a), e), f) or g) of this sub-section 2 in respect of any significant shareholder or other shareholder represented on the Board. In the case of relationships contemplated in g), the constraint shall be applicable not only in respect of the shareholder, but also its Proprietary External Directors in the Company.*

j) *Have remained in office as Director for a period of more than twelve years.*

3. *Any Proprietary External Directors who lose such condition when the shareholder they represent sells its shares may only be re-elected as Independent External Directors when the shareholder they represented up to that time has sold all its shares in the Company.*

   *A Director who has a shareholding interest in the Company may be Independent External Director, provided he meets all the conditions established in this article and does not hold a significant interest."*

*"Article 17. General rules*

1. *Directors have a duty to promote and control management of the Company with a view to maximising and correctly distributing its value for the benefit of its shareholders. Directors shall perform their duties with the diligence of a competent entrepreneur and a loyal representative. Their actions shall be guided exclusively by the interests of the Company, interpreted independently and within a reasonable time, endeavouring to best defend and protect the interests of all the shareholders, on whom their commission depends and to whom they are answerable, and to limit as far as possible the adverse effects of the Company's industrial and business activities, adequately assessing the social reality and other related interests as part of the decision-making process.*

2. *Directors are particularly obliged by virtue of their office to:*

   a) *Constantly devote such time and efforts as may be necessary to regularly oversee the issues concerning administration of the Company.*

   b) *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.*

   c) *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.*

   d) *Carry out any specific task commissioned by the Board that is reasonably within his dedication commitment.*

   e) *Request persons authorised to call meetings to call an extraordinary Board meeting or include such points as they may deem necessary on the agenda of the next meeting to be held.*

   f) *Challenge any resolutions that go against the law, bylaws or corporate interests.*

3. *Complying with their duty to loyalty, Directors shall avoid any situation of direct or indirect conflict with the interests of the Company, notifying the Board of any such conflict whenever it may be inevitable. In the case of conflict, the affected Director shall abstain from participating in the discussion and decision of the issue giving rise to the conflict.*

   *In particular, any Director affected by nominations for appointment, re-election or removal shall abstain in the discussions and votes on those issues. Voting on nominations for appointment, re-election and removal shall be by secret ballot.*

4. *As loyal representative of the Company, Directors shall inform the Company within 48 hours of all shares, share options or derivatives linked to the value of the share, and any modifications to that*

*interest or rights, that they may hold directly or through direct relatives or companies in which they hold a significant stake, in pursuance of the Repsol Group Internal Conduct Regulations regarding the Securities Market.*

5. *Directors may not hold more than four (4) other mandates in other listed companies different from Repsol, S.A. To these effects:*

    a) *It will be considered as one single mandate all those mandates held in companies belonging to the same group as well as those Board memberships held as proprietary director proposed by a company of said group although the stock held in the company or the level of control may not qualify to consider said company as par of the group; and*

    b) *Board memberships in holding companies or companies ancillary to the development of the professional services of the own Director, the spouse, persons having equivalent emotional ties or closest family.*

    *Exceptionally and due to reasons properly justified, the Board may waive the Director from this prohibition. In addition, the Director shall 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.*

6. *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 Article 16.2(c) of these Regulations."*

***"Article 19. No competition 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 renown 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 the seventy five per cent (75%) share capital present and represented on the General Shareholders Meeting.*

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. During the shareholders meeting, the relevant shareholder or director may present the reasons supporting the waiver request. 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 engaged in activities on their own that constitute competition with the Company when developing these activities directly or indirectly through subsidiaries within the meaning of 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, SA has established a strategic alliance, even if they have the same, similar or complementary purpose and while the alliance is in force. Proprietary External 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, if this is the only reason.*

5. *Directors may not provide advice or representation services to competing companies, unless the Board of Directors, , with the affirmative vote of two thirds of the Board members not affected by the conflict of interests and provided a favourable report from the Nomination and Compensation Committee is obtained. The authorization of the General Shareholders Meeting will be binding in the case of not comply with these requirements. 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) that exceed the 5 % of the Group's assets according to the latest 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 do not consist on simply agreements of performance or execution the alliances already 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 external consultant 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 the seventy five per cent (75%) share capital present and represented on the General Shareholders Meeting. However, 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 under certain conditions: (i) the report issued by the Nomination and Compensation Committee referred in point (b) is favourable to the transaction, and (ii) the agreement is adopted with the affirmative vote of two thirds of the Board members not affected by the conflict of interest. In this case the Board shall report to the General Shareholders Meeting the terms and conditions of the transaction.*

   *At the time of convening the General Shareholder Meeting called to decide or be informed about the approval of the related-party transaction, the Board shall make available to the shareholders the reports of the Nomination and Compensation Committee and of the independent expert under the paragraph (b) above and, if appropriate, their 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.*

6. *The amendment of this section shall require the affirmative vote of three fourths of the members of the Board of Directors."*

***"Article 24. Directors' remunerations***

1. *The Directors of Repsol, S.A. shall be remunerated as stipulated in the bylaws.*

   *The Nomination and Compensation Committee shall propose such criteria to the Board as it may deem fit for the purposes of this article. Such criteria and the ultimate distribution of the global sum, within the constraints of the bylaws, shall be subject to approval by the Board. Within each year, the Board may, as regularly as it may deem fit, resolve to make advances against the sums corresponding to each Director for his work during the period.*

2. *Directors' remunerations shall be transparent. The itemised individual remuneration received during the year by each of the Directors for performance of his duties as such and any executive responsibilities shall be stated in the annual report. In addition, the Board will approve each year a Report on the Remuneration Policy for Directors, which will contain full, clear, comprehensible information including (i) a brief, overall account of the application of that policy in the previous year, incorporating details of the individual remunerations accrued by each of the Directors during that year, and references to (ii) the policy approved by the Board for the present year, and (iii) the policy foreseeable for future years, if any.*

   *This report shall be made available to shareholders as from the date of call to the Ordinary General Shareholders' Meeting and shall be put to an advisory vote under a separate item on the agenda.*

3. *External Directors shall be excluded from the welfare systems financed by the Company covering retirement, death or any other circumstances, and from the long-term incentive schemes, such as stock options."*

***"Article 32. Audit and Control Committee***

1. *The Audit and Control Committee shall consist exclusively of Independent External Directors, no fewer than three in number, appointed by the Board on the strength of their expertise and experience in accounting, auditing or in both.*

   *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 or risk management and a working knowledge of accounting procedures. 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.*

2. *The Committee shall appoint one of its members to be Chairman. The secretary shall be the secretary of the Board.*

3. *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, in case they cease to be considered as Independent Directors 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.*

4. *The essential purpose of the audit and control Committee is to support the Board in its duties of oversight, through regular checking of the economic and 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. The audit and control Committee shall be competent to submit recommendations to the Board, to be subsequently laid before the shareholders' meeting, for resolutions concerning the appointment of external auditors, extension or discontinuance of their appointment and their terms of engagement. In particular, without prejudice to the duties established for this Committee in the bylaws and these Regulations, it shall:*

   a) *Report to the shareholders' meeting on any issues raised by shareholders on matters within its competence.*

   b) *In connection with the external auditors:*

(i) *Submit to the Board proposals for the selection, appointment, re-appointment and replacement of the external auditors of the Company and its consolidated group and the terms of their engagement, encouraging the group auditors to audit the group companies.*

*External audit contracts shall, save as may be otherwise stipulated in the applicable laws and regulations, be made for terms of one year. Contracts may be renewed from year to year if the quality of the service is satisfactory and an agreement is reached on remuneration.*

(ii) *Guarantee the independence of the external auditors and, for this purpose: (a) avoid any conditions on the alerts, opinions or recommendations of the auditors; (b) watch over any incompatibility between the auditing and consultancy services and any other services provided, the constraints on concentration of the auditors' business and, in general, ensure compliance of any other rules established to guarantee the independence of the auditors.*

*To this purpose, the Committee shall establish the appropriate liaisons with external auditors to receive information on any issues that may jeopardise their independence that shall be studied by the Committee. In any case, they must receive annually from the external auditors written confirmation of their 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.*

*Additionally, the Committee shall issue annually, before the Auditing report, a report which expresses an opinion on the independence of the auditors. In any case, this report must make a declaration on the additional services provided referred to in the previous section.*

(iii) *Establish the appropriate liaisons to receive regularly the information from the external auditors on the audit plan and results of their work, as well as any other questions or communications related with the auditing of accounts, and/or any other contemplated in account auditing legislation and technical auditing regulations, and check that the executives heed their recommendations.*

*For this purpose, the auditors shall make all the relevant information they may have available to the Committee, including "working material" where appropriate.*

(iv) *Regularly require the auditors, at least one a year, to assess the quality of the group's internal control procedures and discuss the significant weaknesses detected during the audit.*

(v) *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.*

c) *In connection with the reporting and internal control systems:*

(i) *Supervise the process of preparing and presenting as well as the integrity of the regulated 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.*

(ii) *Regularly check the effectiveness of the internal control and risk management systems, ensuring that the principal risks are identified, handled and reported on adequately.*

(iii) *Guarantee the independence and efficiency of the internal audit department, ensuring it has adequate resources and qualifications to perform its duties within the group, in respect of both personnel and material elements, systems, procedures and manuals; and be informed of any obstacles that may have hampered the performance of its duties.*

(iv) *Be informed and issue an opinion on the appointment or substitution of the chief audit officer or equivalent. The Committee shall be informed on the department's budget.*

(v) *Analyse and approve, if appropriate, the Annual Internal Audit Plan and any additional occasional or specific plans to be implemented for reasons of a change in legislation or organisation of the group's business.*

*The Committee shall monitor such plans as regularly as may be required by prevailing circumstances. It may delegate to its chairman any preparatory tasks to facilitate the Committee's work.*

*In the event of any substantial deviation from deadlines for completing actions contemplated in the plans or in the scope of the audits, the Committee shall be informed on the causes and requested to approve any amendments that may be considered convenient in the internal audit plans.*

*The internal audit department shall submit an activity report to the Committee at the end of each year.*

(vi) *Oversee the degree of fulfilment by the audited units of the corrective measures recommended by the internal audit department in previous audits. The Board shall be informed of any cases that may entail a major risk for the group.*

*The Committee shall be informed of any significant irregularities, anomalies or defaults detected by the internal audit department in the course of its work. These irregularities shall* *be considered significant if they could cause a material impact or damage to the net worth, results or reputation of the group. This shall be so considered at the discretion of the internal audit department, which shall in case of doubt, opt for notification. The chairman of the Committee shall be notified accordingly as soon as the audit department becomes aware of the situation in question.*

*(vii) Receive confidential, anonymous communications from employees of the group expressing their concern over possible dubious practices in accounting or auditing.*

*d) Before they are submitted 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.*

*The Committee may delegate its chairman to check the financial statements on a monthly basis in order to secure greater efficiency in this duty. The chairman, assisted by the secretary, shall endeavour to send the members of the Committee sufficiently in advance whatever information they may need to prepare the meetings as best as possible.*

*e) 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.*

*f) Oversee compliance with applicable domestic or international laws and regulations in matters relating to conduct on securities markets and data protection. Requests for information or actions made by the authorities competent in these matters shall be met in due time and form.*

*g) Examine the draft codes of conduct and market conduct and amendments thereto prepared by the corresponding area of the group and issue an opinion before proposals are submitted to the corporate bodies.*

*h) Ensure that the codes of conduct and market conduct applicable to the group's employees comply with legal requisites and are adequate for the Company.*

*i) Especially oversee compliance with the laws and regulations on market conduct.*

*j) Receive information and, where necessary, issue reports on disciplinary measures for members of the Company's top management. Likewise the Committee is responsible for admonishing those Directors who have breached their obligations as such.*

*k) Inform the Board before it adopts the decisions contemplated in Article 5 on the creation or acquisition of shares in special purpose vehicles or domiciled in countries or territories considered tax havens as well as any other transactions with a similar nature that, due to their complexity, may reduce the Group's transparency.*

*In particular, the Committee shall see that these transactions correspond to appropriate purposes and that the top management takes the necessary measures to identify and adequately handle them.*

*l) Supervise the actions of the Internal Transparency Committee of the Company, ensuring that it performs its duties, and receive and consider any information received from that Committee.*

*m) Supervise the sufficiency, adequacy and efficient functioning of the recording and internal control systems and procedures in the measuring, valuation, classification and accounting of the hydrocarbon reserves of the Repsol Group, ensuring that they are included in the group's regular financial reporting in accordance with the sector standards and applicable laws and regulations.*

*n) Be familiar with and steer the environmental and safety policies, objectives and guidelines of the Repsol Group.*

*o) The audit and control Committee shall study any other business submitted by the Board, delegate Committee or chairman.*

*5. The Committee shall meet as often as may be necessary, in the opinion of its chairman, to perform its duties and whenever called by the chairman or requested by two of its members.*

*6. Any member of the management or employees of the Company so requested shall be obliged to attend Committee meetings, collaborate and provide access to whatever information they may have.*

*The Committee may also request the assistance at its meetings of the Company's auditors.*

*The Committee may seek counselling by lawyers or other external professionals to ensure optimum performance of its duties, in which case the secretary of the Board, at the request of the Committee chairman, shall do whatsoever may be necessary to engage the services of the required lawyers and professionals, who shall report directly to the Committee.*

*7. The chairman of the Committee shall regularly report to the Board on the progress of its actions. The Committee shall draw up an annual calendar for meetings and an action plan for each year, as well as an annual report on its activities, reporting thereon to the Board.*

*At least once a year, the Committee shall assess its procedures and the quality and efficiency of its work, reporting to the Board.*

8. *The secretary shall issue minutes of the resolutions adopted at each meeting, which shall be made available to the Board members.*

9. *The provisions of these Regulations concerning the functioning and actions of the Board shall be applicable to the audit and control Committee insofar as this is possible according to its nature and duties."*

***"Article 33. Nomination and Compensation Committee***

1. *The nomination and compensation Committee shall consist exclusively of non-executive Directors, no fewer than three in number, 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 Independent External Directors.*

2. *The Committee shall appoint one of its members to be chairman, who shall necessarily be an Independent External Director. The secretary of the Board shall be secretary of the Committee.*

3. *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, following a report by the audit and control Committee.*

4. *The nomination and compensation Committee shall have duties of proposal or reporting to the Board on appointments and remuneration. Notwithstanding any other duties contemplated in the bylaws and these Regulations, this Committee shall have the following duties:*

    a) *Duties concerning the selection, appointment, re-election, retirement and remuneration of Directors:*

        (i) *Evaluate the balance of skills, expertise and experience in the Board; define, consequently, the duties and aptitudes required of candidates for filling any vacancy and assess the time and dedication required to perform their duties adequately;*

        (ii) *Propose the appointment, re-election or ratification of Independent External Directors and inform on the appointment, re-election or ratification of other Directors and the appointment and retirement of the managing Director or Directors.*

        (iii) *Inform on nominations 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 these Regulations.*

*(iv) 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.*

*(v) Study or organise, howsoever shall be deemed fit, the succession of the chairman, where appropriate submitting proposals to the Board to ensure that such succession is made in a planned and orderly manner.*

*(vi) Propose to the Board its pay policy, assessing the responsibility, dedication and incompatibilities required of Directors and, in the case of executive Directors, propose an additional remuneration for their executive duties and other terms and conditions of their contracts.*

*b) Duties concerning the top management:*

*(i) Inform on appointments of top executives of the group.*

*(ii) Propose a top executive pay policy to the Board. This Committee shall also analyse proposed multi-year incentive schemes for the top executives of the group, particularly those linked to the share value, and be informed on the essential aspects of the Company's general pay policy.*

*(iii) The Committee shall have information on the establishment of guarantee or golden handshake clauses for the top executives of the Company in cases of dismissal or takeovers. These clauses shall be approved by the Board when their conditions exceed normal market conditions.*

*c) Other duties:*

*(i) Inform in the cases contemplated in the Bylaws and in Articles 19-22 of these Regulations, both inclusive, concerning obligations of no competition, use of information and corporate assets, business opportunities and related-party transactions as well as in any other cases in which the Board or its Chairman request its report.*

*(ii) Inform the Board on the compliance by Directors of the principles of corporate governance or the obligations established in the bylaws or these Regulations. Likewise the Committee is responsible for admonishing those Directors who have breached their obligations as such.*

*(iii) Review the Annual Corporate Governance Report prior to its approval by the Board, to check the nature attributed to each Director (executive, Proprietary, Independent or External).*

*(iv) Any others related with the matters within its competence and requested by the Board or its chairman.*

5. *The Committee shall meet whenever the Board or the chairman of the Board requests the issuance of reports or adoption of proposals within the scope of its duties, and in any case whenever called by the Committee chairman, requested by two of its members or when compulsory reports are to be issued for the adoption of the corresponding resolutions.*

6. *Any member of the management or employees of the Company so required shall be obliged to attend Committee meetings, collaborate and provide access to whatever information they may have.*

   *The Committee may seek counselling by lawyers or other external professionals to ensure optimum performance of its duties, in which case the secretary of the Board, at the request of the Committee chairman, shall do whatsoever may be necessary to engage the services of the required lawyers and professionals, who shall report directly to the Committee.*

7. *In the performance of its duties, the nomination and remuneration Committee shall consult the chairman of the Board, especially concerning issues regarding executive Directors and top executives.*

   *Any Director may request the Committee to consider potential candidates whom he considers suitable to fill vacancies on the Board.*

8. *The chairman of the Committee shall regularly report to the Board on the progress of its actions.*

   *At least once a year, the Committee shall evaluate its procedures and the quality and efficiency of its work, reporting to the Board.*

9. *The secretary shall issue minutes of the resolutions adopted at each meeting, which shall be made available to the Board members.*

10. *The provisions of these Regulations concerning the functioning and actions of the Board shall be applicable to this Committee insofar as this is possible according to its nature and duties."*

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Madrid, May 31, 2012

Repsol communicates that, pursuant to the terms and conditions provided under the loan agreements entered into with Petersen Energía Inversora, S.A. and Petersen Energía, S.A. on February 21, 2008 and on May 19, 2011 (Seller Credit Agreement I y II, respectively), it has notified on May 30, 2012 to said entities, the early termination of the loan agreements. Said agreements foresee, as collateral, a pledge over 21,174,920 class D ordinary shares D of YPF, S.A. represented by American Depositary Shares that the Petersen Group have registered within the The Bank of New York Mellon.

According to the terms of the collateral pledge, upon the notification of the early termination of the loan agreements, Repsol, in its condition of pledgee and through the collateral agent, may exercise the voting rights corresponding to those American Depositary Shares.

* * *

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Madrid, June 19, 2012

Repsol discloses information in connection with the remuneration program "*Repsol Dividendo Flexible*" (scrip dividend scheme) to be applied in substitution of the final dividend 2011. The informative document, required by Articles 26.1.e) and 41.1.d) of Royal Decree 1310/2005, of 4 November (implementing Directive 2003/71/EC on the prospectus to be published when securities are offered to the public or admitted to trading) is enclosed.

**Estimated Timetable for holders of American Depositary Receipts (ADRs)**

| **Date** | **Action / Event** |
|---|---|
| 20 June 2012 | ADRs Record Date |
| 21 June 2012 | Distribution by the Depositary of the Dividend Election Form to registered ADRs holders |
| 27 June 2012 | ADRs Election Deadline |
| 20 July 2012 | ADRs Payment Date of cash dividend, cash proceeds from sales and delivery of new ADRs |

# Informative Document
# Capital increase charged to reserves from retained earnings

# Repsol, S.A.

June 19, 2012

**This document has been prepared in accordance with articles 26.1.e) and 41.1.d) of Royal Decree 1310/2005.**

*Translation of the original in Spanish.*
*In case of any discrepancy, the Spanish version prevails*

## 1. Background and purpose

The Annual Shareholders' Meeting of Repsol S.A. ("**Repsol**" or the "**Company**") held on May 31, 2012 approved, under item tenth of its agenda, to increase the share capital of Repsol, with full charge to reserves from retained earnings, in an amount to be determined in accordance with the terms and conditions set out in the resolution (the **"Capital Increase"**), delegating the execution of the Increase to the Board of Directors of Repsol, with authority to delegate in turn to the Delegate Committee, pursuant to article 297.1.a) of Companies Act. The maximum market value of the Capital Increase is 705,048,650 euro, as provided in the resolution of the Annual Shareholders' Meeting.

Likewise, the Company's Board of Directors at its meeting held on May 31st, 2012, following the Annual Shareholders' Meeting, approved, among other agreements, substitute to the Delegate Committee the powers granted to it by the Annual Shareholders' Meeting in relation to the Capital Increase, and in particular the power to execute the Capital Increase, fixing the date of its execution and its condition in all aspects not contemplated in resolution of the Annual Shareholder's Meeting. Additionally, in order to inform to the market properly and in time, the Company communicated, as an official notice sent to the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores* - CNMV) on May 31, 2012 (registration number 165830), an estimated timetable.

According to this, the Delegate Committee of Repsol, at its meeting held on June 18, 2012, has agreed to execute the Capital Increase under the terms approved by the Annual Shareholders' Meeting and the Board of Directors.

This report is issued in accordance with articles 26.1.e) and 41.1.d) of Royal Decree 1310/2005, of 4 November, by virtue of which the preparation and publication of a prospectus related to the issuance and admission to listing of the shares issued as a consequence of the execution of the Increase will not be necessary "*provided that a document is made available containing information on the number and nature of the shares and the reasons for and details of the offer*", role of this Informative Document. This document is available on the Company's website (www.repsol.com) and in the website of the Spanish Securities Market Commission (www.cnmv.es).

The purpose of this document is, therefore, to provide all the information related with the Capital Increase available at this date.

## 2. Purpose of the Increase: Repsol Flexible Dividend Program

The Capital Increase serves as an instrument for the shareholder-remuneration program named "Repsol Flexible Dividend" which shall be applied, for the first time in Repsol, in substitution of the traditional payment of the 2011 final dividend. The purpose of the program is to offer all the Company's shareholders the option, at their free choice, of receiving new free-of-charge shares of the Company, without altering the Company's policy of remunerating its shareholders in cash, since they may opt, as an alternative, to receive an amount in cash by selling their free-of-charge allocation rights to the Company (if they do not sell on the market), as explained herein below.

The "Repsol Flexible Dividend" program is similar to those programs implemented by other companies in IBEX-35. With it, the Company wants to offer its shareholders an alternative which, without affecting their right to receive the entire remuneration in cash if they so wish, gives them the possibility of receiving shares of the Company, with the tax applicable to free-of-charge shares.

"Repsol Flexible Dividend" program works as follows. Each shareholder will receive a free-of-charge allocation right for every Repsol's share held. These rights will be listed and may be traded on the Spanish Stock Exchanges during a 15 calendar day period. Following the end of this period, the rights will be automatically converted into new Repsol's shares. Each shareholder may opt for one of the following alternatives:

(a) Not to sell their free-of-charge allocation rights. In this case, at the end of the trading period the shareholder will receive the corresponding number of new free-of-charge shares.

(b) To sell all or part of their free-of-charge allocation rights to the Company under the Purchase Commitment at a guaranteed fixed price, mentioned below in this document. Shareholders choosing this option wold monetize their rights and would receive a remuneration in cash, as in previous years. The Purchase Commitment will only be applicable with respect to those rights freely received by the shareholders, not to those purchased on the market, and will be in force and may be accepted during such time, within the trading period of the rights, mentioned in paragraph 3.4 below.

(c) To sell all or part of their free-of-charge allocation rights on the market, during the trading period mentioned in paragraph 3.4 below. Shareholders choosing this option would also monetize their rights, although in this case they would not receive a guaranteed fixed price, as in option (b) above, but instead the consideration payable for the rights would depend on market conditions in general and the quotation price of those rights in particular.

The Company's shareholders may combine any or all of the alternatives mentioned in paragraphs (a) to (c) above.

It should be noted in this regard that the alternatives receive different tax treatment. A summary of the transaction tax applicable regime in Spain can be found in paragraph 2.6 of the report by the Board of Directors on the proposal of resolution submitted to the Annual Shareholders' Meeting that were approved under the tenth and eleventh points of the Agenda, which is available on the Company's website (www.repsol.com).

### 3. Details of the offer

### 3.1. Number of free-of-charge allocation rights needed to receive a new share, maximum number of new shares to be issued and face value of the Capital Increase.

In application of the formulas approved by the Annual Shareholders' Meeting, the Delegate Committee has established the following points of the Capital Increase:

(i) The number of free-of-charge allocation rights needed to receive one new share ("**No. Rights per share**") is 22. Free-of-charge allocation rights will be allocated to the Company's shareholders who are recognized as such in the accounting registers of *Sociedad de Gestión de los Sistemas de Registro, Compensación and Liquidación de Valores, S.A. Unipersonal* (Iberclear) at 23:59 the day of publication of the Capital Increase in the Official Gazette of the Commercial Registry (expected on June 20). The Company's shareholders will receive a free-of-charge allocation right for each share in the Company that they hold at that time. Accordingly, the said shareholders shall be entitled to receive one new share for every 22 old shares that they hold on the mentioned date.

The mentioned "**No. Rights per share**" has been calculated as described below, taking into account that the number of Company shares at the date of this report is 1,220,863,463 ("**NES**").

No. Rights per share = NES / Provisional no. shares = 1,220,863,463 / 56,206,046 = 21.72 = 22 rights (rounded up);

where

"Provisional no. shares" = Amount of the Alternative Option / Share Price = 705,048,650 / 12.544 = 56,206,046; and

"Share Price" = 12.544 euro, is the arithmetic mean of the weighted average prices of the Company's share on the Madrid, Barcelona, Bilbao and Valencia stock exchanges over the five (5) trading sessions prior to the date of the resolution adopted by the Delegate Committee to implement the Capital Increase (days 12, 13, 14, 15 and 18 of June), rounded up or down to the nearest thousandth of a euro and, in the event of half a thousandth of a euro, rounded up to the nearest thousandth of a euro.

(ii) The maximum number of new shares to be issued in the Capital Increase ("**MNNS**") is 55,493,793, resulting from the formula approved by the Annual Shareholder's Meeting of Repsol, which is reproduced below, rounded down to the nearest whole number:

MNNS = NES / No. Rights per share = 1,220,863,463 / 22 = 55,493,793 new shares (rounded down to the nearest whole number) where, "NES", "No. Rights per share" and "Share Price" have the meaning specified in paragraph (i) above.

Notwithstanding this, the number of shares actually issued will depend on the number of shareholders who request to receive their remuneration in cash at the fixed price of the Company's undertaking to acquire rights.

Repsol will waive the rights acquired by virtue of the undertaking to acquire rights, so the capital would be increased only by the amount corresponding to the free-of-charge allocation rights not acquired by Repsol pursuant to this undertaking[1]. In any case, the final number of shares to be issued in the Capital Increase shall be promptly publish in the official notice of the closure execution of the Capital Increase, which is scheduled for the next July 6, 2012.

(iii) Consequently, the face value amount of the Capital Increase is 55,493,793 euro. However, as mentioned below, the final amount of the share capital increase will be calculated by multiplying the number of final shares for 1 euro.

Due to the number of free-of-charge allocation rights required for the allocation of one new share (22, according to the previous calculations), multiplied by the maximum number of new shares to be issued (55,493,793, according to the previous calculations), is 1,220,863,446 (lower than the number of shares in circulation (1,220,863,463)), Repsol has waived a number of free-of-charge allocation rights equal to the difference between the two figures (17 rights) for the sole purpose of ensuring that the maximum number of new shares to be issue is a whole number and not a fraction.

**3.2. Price of the purchase commitment of free-of-charge allocation rights**

The guaranteed price of Repsol's purchase commitment of rights (the "**Purchase Commitment**") is 0.545 euro gross per right, which results from the following formula of the Capital Increase:

Purchase Price = Share Price / (No. Rights per share + 1) = 12.544 / (22 + 1) = 0.5453 = 0.545 (rounded up or down to the nearest thousandth of a euro and, in the event of half a thousandth of a euro, rounded up to the nearest thousandth of a euro).

Accordingly, shareholders who wish to receive their remuneration in cash, may sell their rights to Repsol at a guaranteed fixed price of 0.545 euro gross.

[1] Also, if the final number of shares to be issued (i.e, the number of outstanding rights at the end of the trading period divided into the number of rights needed to receive one new share) is not a whole number, the Company will waive the number of rights required to that end.

### 3.3. Timetable

The Capital Increase is expected to be executed in accordance with the following timetable:

- June 20th 2012: Publication of the announcement of the Capital Increase in the Official Bulletin of the Commercial Registry. Record date for the allocation of rights (23:59 CET)

- June 21st, 2012: Rights trading period begins. Also the period to request payment in cash (sale of rights to Repsol) begins. Repsol's shares begin trading discounting the theoretical value of the right.

- June 29th, 2012: Deadline for requesting payment in cash (sale of rights to Repsol).

- July 5th, 2012: Rights trading period ends. Repsol acquires rights of those shareholders who had requested payment in cash (sale of rights to Repsol).

- July 6th, 2012: Repsol waives the rights so acquired. Closing of the Capital Increase. Official notice announcing the final results of the transaction.

- July 6th-12th, 2012: Formalities for the registration of the Capital Increase and admission to listing of the new shares on Spanish Stock Exchanges.

- July 10th, 2012: Payment date to shareholders who have requested payment in cash (sale of rights to Repsol).

- July 12th, 2012: Allocation of the registration references corresponding to the new shares and confirmation by the official authorities of compliance with the requirements for the admission to trading of the new shares.

- July 13th, 2012: Initiation of ordinary trading of the new shares on the Spanish stock exchanges.[2]

### 3.4. Allocation of rights and procedure to opt for cash or new shares

As noted above, the free-of charge allocation rights will be allocated to the Company´s shareholders who are recognized as such in the accounting registries of Iberclear at 23:59 on the day of publication of the announcement of the Capital Increase in the Official Bulletin of the Commercial Registry ("Boletín Oficial del Registro Mercantil") (expected on June 20, 2012). The trading period of the rights will begin on the next business day and will have a term of fifteen calendar days (from June 21 to July 5, 2012). During this period, the rights will be tradable in the

[2] Subject to obtaining all necessary authorisations. The Company will also apply for the listing of the new shares on the Buenos Aires Stock Exchanges.

Stock Exchanges of Madrid, Barcelona, Bilbao and Valencia, under the same conditions as the shares of those arising.

During the trading period of the rights, shareholders may opt for cash or new shares as explained above, as well as may opt for acquiring on market free-of-charge allocation rights to subscribe new shares. However, those shareholders who wish to accept the undertaking to purchase rights offered by Repsol and receive cash at the guaranteed price shall need to communicate their decision no later than June 29, 2012. The undertaking to purchase rights is addressed only at the rights allocated free-of-charge to shareholders, and not to those acquired on market. To choose among the alternatives offered by the "Repsol Flexible Dividend" program, shareholders will have to contact the entities where their Repsol's shares and corresponding free-of-charge allocation rights are deposited.

Those shareholders who wish to receive cash at the guaranteed price shall need to communicate their decision no later than June 29, 2012. In the absence of an express communication, shareholders will receive new shares of Repsol[3].

The Capital Increases will be made free of charges and commissions for the allocation of new shares issued. The Company will bear the costs of issue, subscription, putting into circulation, listing and any others related with the Capital Increase.

Nevertheless, the Company's shareholders should bear in mind that the members of Sociedad de Gestión de los Sistemas de Registro, Compensación and Liquidación de Valores, S.A. Unipersonal (Iberclear) at which they have deposited their shares may, under prevailing laws, establish such administration charges and commissions as they may freely determine for maintaining the securities in the accounting registers.

Moreover, these entities may, under prevailing laws, establish such charges and commissions as they may freely determine for handling purchase and sale orders in respect of free-of-charge allocation rights.

## 4. Nature of the shares to be issued

### 4.1. Face value, issue price and representation of shares

The new shares to be issued in the Capital Increase will be ordinary shares with a face value of one Euro (1) each, of the same class and series as those currently outstanding. The new shares will be issued at an issue price of one Euro (1), that is, without issuance premium, and will be represented in book-entry form, the records of which will be kept by Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (Iberclear) and its participant entities.

[3] The holders of (i) American Depositary Shares/American Depositary Receipts; and (ii) ordinary shares listed on the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*) may have certain specialties with respect to those described herein.

### 4.2. Reserves to which the shares will be charged and balance sheet used for the Increase

The balance sheet used for purposes of the Capital Increase is that corresponding to December 31, 2011, duly audited by Deloitte, S.L. on February 28, 2012 and approved by the Annual Shareholders' Meeting on May 31, 2012 under item one of its agenda.

The Capital Increase will be charged entirely to the freely distributable reserve named voluntary reserves, from retained earnings, which amounts to 8,273,883,842 euro as of December 31, 2011.

### 4.3. Shares on deposit

At the end of the trading period for the free-of-charge allocation rights, any New Shares that have not been allocated for reasons beyond the Company's control will be held on deposit for any investors who can prove that they are the legitimate owners of the corresponding free-of-charge allocation rights. If any New Shares are still pending allocation three (3) years after the end of the trading period of the free-of-charge allocation rights, they may be sold, pursuant to Article 117 of the Companies Act, for the account and risk of the interested parties. The net proceeds from the sale will be deposited at the Bank of Spain or Government Depository (*Caja General de Depósitos*) at the disposal of the interested parties.

### 4.4. Rights of the New Shares

As from the date on which the Capital Increase is declared subscribed and paid up, expected on July 6, 2012, the New Shares will confer upon their holders the same voting and economic rights as the Company's outstanding ordinary shares.

### 4.5. Admission to listing

The Company will apply for the listing of the new shares on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges through the Spanish Automated Quotation System (Mercado Continuo), and shall take the steps and actions that may be necessary with the competent bodies of the Buenos Aires Stock Exchanges. Subject to the granting of the relevant authorizations, it is expected that the ordinary trading of the new shares in the Spanish Stock Exchanges will begin on July 13, 2012.

## 5. Foreign Jurisdictions where Repsol is listed

In consideration of the terms and conditions of their respective programs and the rules of the securities market where the following securities are admitted to trading, the options, tax regime and terms available for holders of (i) American Depositary Shares/American Depositary Receipts; and (ii) ordinary shares listed on the Buenos Aires Stock Exchange (Bolsa de Comercio de Buenos Aires) may have certain specialties respect those described herein.

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Madrid, July 6, 2012

Following the official notices sent to the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores* - CNMV) on May 31, 2012 (registration number 165,830) and on June 19, 2012 (registration number 167,400), Repsol, S.A. ("Repsol") reports the end, on July 5, 2012, of the trading period of the free-of-charge allocation rights corresponding to the paid up capital increase implementing the "Repsol Flexible Dividend" program.

Holders of 63.64% of free-of-charge allocation rights (a total of 776,935,821 rights) opted to receive new shares of Repsol. Therefore, the final number of shares of one (1) euro par value issued in the capital increase is 35,315,264, where the nominal amount of the increase is 35,315,264 euro, representing an increase of approximately 2.89% of the share capital of Repsol before the capital increase.

Moreover, during the period established for that purpose, the holders of 36.36% of free-of-charge allocation rights accepted the irrevocable commitment to purchase rights taken by Repsol. Consequently, Repsol acquired 443,927,625 rights for a total amount of 241,940,555.63 euro. Repsol waived the shares corresponding to the free-of-charge allocation rights acquired by virtue of the mentioned commitment.

The capital increase was closed on July 5, 2012.

It is expected, subject to compliance with all legal requirements (and, in particular, the verification by the Spanish Securities Market Commission), that the new shares will be listed on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges through the Spanish Automated Quotation System (Mercado Continuo), on July 12, 2012, being the next day the initiation of their ordinary trading. The Company will also apply for the listing of the new shares on the Buenos Aires Stock Exchange.

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Madrid, July 19, 2012

In line with the company's strategic planning goals

# REPSOL SELLS NON-STRATEGIC ASSETS IN CHILE FOR $540 MILLION

- **Repsol has reached an agreement to sell Repsol Butano Chile to a consortium of Chilean investors led by LarrainVial for $540 million.**
- **The deal will generate a net capital gain of $170 million.**
- **This transaction is the first sale of non-strategic assets carried out by Repsol since the presentation of the company's current strategic plan.**
- **Repsol's 2012-2016 strategic plan foresees asset sales of up to 4.5 billion euros in the period, of which 1.85 billion euros has already been completed, including the sale of Repsol Butano Chile.**
- **The company has obtained nearly $1.75 billion from the divestment of non-integrated downstream assets in Latin America since 2007, including this transaction.**

Repsol has reached an agreement with a consortium of Chilean investors, led by LarrainVial, for the sale of 100% of its subsidiary Repsol Butano Chile for approximately $540 million. Repsol Butano Chile holds a 45% stake of Lipigas, a company present in the Chilean LPG commercialization market, in addition to other financial assets.

The deal will generate a net capital gain of 170 million dollars and reduce the Repsol Goup's debt by approximately 317 million dollars.

This transaction is part of the divestment of non-strategic assets included in Repsol's 2012-2016 Strategic Plan, which aims for up 4.5 billion euros of divestment for the period. These divestments, which already amount to 1.85 billion euros, together with other measures, aim to improve the financial structure of the group and to fund planned investments in exploration and production, the company's growth engine.

The sale agreement for Repsol Butano Chile is the first divestment Repsol has carried out since the presentation of its new strategic plan. It is a new step in the divestment process of non-integrated downstream assets in Latin America, through which the company has raised nearly 1.75 billion dollars since 2007, including this operation which is expected to be completed on July 27 2012, subject to conditions common to this type of transactions.

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Madrid, July 19th 2012

Repsol identified in its 2012-2016 Strategic Plan different options to reinforce its financial structure and liquidity position. Some of these alternatives have already been materialized, such as the start of the Flexible Dividend program and the sale of 100% of Repsol Butano Chile for approximately $540 million.

As part of the asset divestment program, Repsol is analyzing alternatives as part of a dynamic management of its business portfolio amongst which are included the Liquefied Natural Gas business. This analysis is in a preliminary phase, with no decision having been taken at this time.

At the same time, and to improve the company's liquidity and reinforce its cash position from potentially adverse market conditions, the company has closed three separate financial transactions for a total amount of 1 billion euros and 12 months term, by entering into three financial derivatives (share forward transaction) with 104,762,387 shares of Gas Natural SDG, S.A., representing 10.47% of its share capital, as underlying assets.

At maturity, the financial derivatives will be cash settled and Repsol will be obliged to reimburse to each financial entity the market value of the underlying shares on the settlement date. Simultaneously to the closing of the derivatives and hedging any variation of the price of the underlying shares, Repsol entered into other derivative with each final entity (share swap transaction) for the same notional amount and also with cash settlement at maturity.

Repsol has pledged the underlying shares of each transaction to guarantee its payment obligations. This agreement does not imply the transmission of the shares of Gas Natural SDG SA, over which Repsol maintains the voting and financial rights.

Repsol has total liquidity of 7.8 billion euros, with 3.1 billion euros available in cash and 4.7 billion euros in undrawn credit lines, guaranteeing its investment capacity without having to resort to the markets.

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PRESS RELEASE
Madrid, 6 September 2012
3 pages

## Continuing its exploratory success

# REPSOL MAKES A SIGNIFICANT GAS FIND IN PERU

- **The find is preliminarily estimated to hold between 1 and 2 TCF (trillion cubic feet) of gas resources.**
- **The well is in Peru's subandean block 57.**
- **Repsol will drill more wells to evaluate the additional potential of the block.**

Repsol has made a new gas discovery in block 57 in Peru. The well, known as Sagari, was successful in two different formations, known as Nia Superior and Nia Inferior.

Preliminary estimations indicate the field may hold between 1 and 2 trillion cubic feet of gas resources. Repsol is the operator of the block with a 53.84% stake. Petrobras holds the remaining 46.16%.

The Sagari find reinforces the potential of this area in Peru, home to the Repsol's Kinteroni find, one of the five biggest discoveries made worldwide in 2008 and currently under accelerated development with first gas planned for the end of 2012.

Production tests carried out at depths of between 2,691 and 2,813 metres produced gas flows of 26 million cubic feet of gas with 1,200 barrels of condensate per day in one formation, and 24 million cubic feet of gas with 800 barrels of condensate per day in the other. The sum of both tests indicates about 11,000 boepd.

Repsol plans to carry out further exploration in the block once the production tests are complete.

Repsol in May presented its 2012-2016 strategic plan with ambitious growth targets based on the strengths of its exploration and production units, the company's growth engine. The plan envisages investment of over 19 billion euros in the next five years

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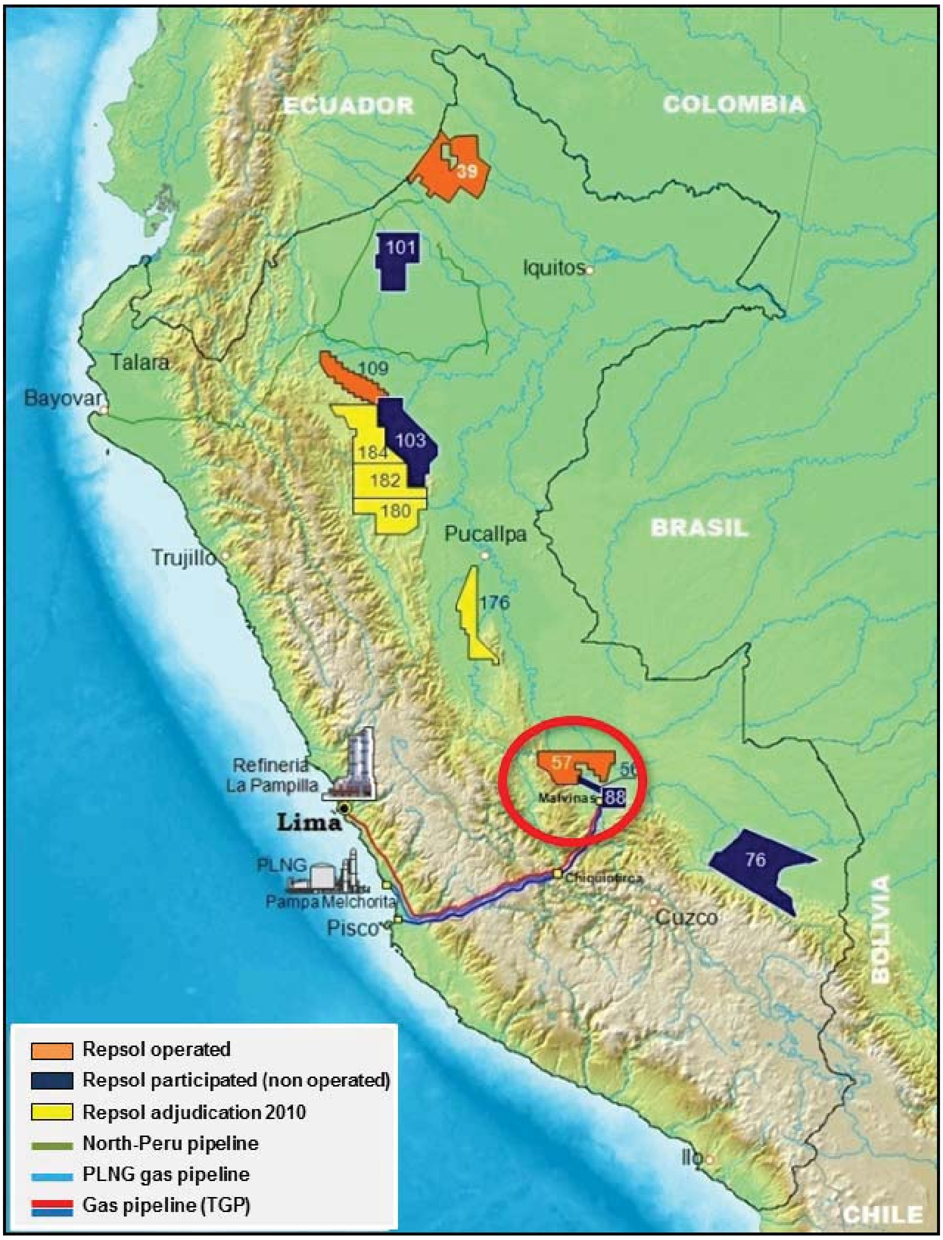
and annual production growth of 7% to reach 500,000 barrels of oil equivalent a day in 2016. This is higher than the industry average. Repsol also plans to add six barrels of oil equivalent to reserves for every five barrels pumped during the period.

Repsol has made more than 30 oil and gas discoveries in the last five years, including five which are amongst the largest made worldwide, significantly bolstering future reserve and production growth prospects.

## LOCATION MAP



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*Some of the above mentioned resources do not constitute proved reserves and will be recognized as such when they comply with the formal conditions required by the U. S. Securities and Exchange Commission.*

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