# UNITED STATES SECURITIES AND EXCHANGE COMMISSION
**Washington, D.C. 20549**

# Form 20-F

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)**
**OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended: **December 31, 2000**
Commission file number: **1-10220**

# Repsol YPF, S.A.
(Exact name of registrant as specified in its charter)

**Kingdom of Spain**
(Jurisdiction of incorporation of organization)

**Paseo de la Castellana, 278—28046 Madrid, Spain**
(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

| Title of each class | Name of each exchange on which registered |
|---|---|
| Ordinary shares of Repsol YPF, S.A., par value €1.00 per share | New York Stock Exchange* |
| American Depositary Shares, each representing the right to receive one ordinary share of Repsol YPF, S.A., par value €1.00 per share | New York Stock Exchange |
| Series A 7.45% non-cumulative guaranteed preference shares of Repsol International Capital Limited | New York Stock Exchange |

* Shares are not listed for trading, but only in connection with the registration of American Depositary Shares pursuant to the requirements of the New York Stock Exchange.

The number of outstanding shares of each class of stock of Repsol International Capital Limited benefitting from a guarantee of Repsol YPF, S.A. at December 31, 2000 was:

Series A 7.45% non-cumulative guaranteed preference shares . . . . . **29,000,000**

The number of outstanding shares of each class of stock of Repsol YPF, S.A. as of December 31, 2000 was:

Ordinary shares, par value €1.00 per share . . . . . **1,220,863,463**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐.

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 ☐ Item 18 ☒.

Please send copies of notices and communications from the Securities and Exchange Commission to:
NICHOLAS A. KRONFELD
Davis Polk & Wardwell
450 Lexington Avenue
New York, NY 10017

## CROSS REFERENCE SHEET

The following table provides cross reference between the contents of this annual report and the requirements of Form 20-F.



*Not applicable.

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## Oil and Gas Terms

The following terms have the meanings shown below unless the context indicates otherwise:

| | |
|---|---|
| "acreage" . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | The total area, expressed in acres, over which Repsol YPF has interests in exploration or production. Net acreage is Repsol YPF's interest, expressed in acres, in the relevant exploration or production area. |
| "calendar day" . . . . . . . . . . . . . . . . . . . . . . . . . . | When used with respect to production or capacity, means total annual production or capacity (after taking into account scheduled plant shutdowns) divided by 365. |
| "condensate" . . . . . . . . . . . . . . . . . . . . . . . . . . . | Light hydrocarbon substances produced with natural gas which condense into liquid at normal temperatures and pressures associated with surface production equipment. |
| "crude oil" . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | Crude oil with respect to Repsol YPF's production and reserves includes condensate and natural gas liquids. |
| "distillation" . . . . . . . . . . . . . . . . . . . . . . . . . . . . | A process by which liquids are separated or refined by vaporization followed by condensation. |
| "LNG" . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | Liquefied natural gas. |
| "LPG" . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | Liquefied petroleum gas. |
| "mmcf" . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | Million cubic feet. |
| "proved reserves" . . . . . . . . . . . . . . . . . . . . . . . . | Proved oil and gas reserves are the estimated volumes of crude oil, natural gas and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, i.e., prices and costs as of the date the estimate is made. Prices include consideration of changes in existing prices only by contractual arrangements, but not of escalations based upon future conditions. |
| "proved developed reserves" . . . . . . . . . . . . . . . | Proved developed reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. Additional oil and gas expected to be obtained through the application of fluid injection or other improved recovery techniques for supplementing natural forces and mechanisms of primary recovery are included as "proved developed reserves" only after testing by a pilot project or after the operation of an installed program has confirmed through production response that increased recovery will be achieved. |
| "proved undeveloped reserves" . . . . . . . . . . . . . | Proved undeveloped reserves are reserves that are expected to be recovered from new wells on undrilled |

acreage, or from existing wells where a relatively major expenditure is required for recompletion, but does not include reserves attributable to any acreage for which an application of fluid injection or other improved recovery techniques is contemplated, unless such techniques have been proved effective by actual tests in the area and in the same reservoir. Reserves on undrilled acreage are limited to those drilling units offsetting productive units that are reasonably certain of production when drilled. Proved reserves for other undrilled units can be claimed only where it can be demonstrated with certainty that there is continuity of production from the existing productive formation.

## Conversion Table

1 tonne = 1,000 kilograms = 2,204 pounds

1 barrel = 42 U.S. gallons

1 tonne of oil = approximately 7.3 barrels (assuming a specific gravity of 34 degree API (American Petroleum Institute))

1 barrel of oil equivalent = 6 thousand cubic feet of gas = 1 barrel of oil, condensate or natural gas liquids

1 kilometer = 0.63 miles

1 million Btu = 252 termies

1 cubic meter of gas = 35.3 cubic feet of gas

1 cubic meter of gas = 10 termies

## References to Repsol YPF

In this annual report, “Repsol YPF” refers to Repsol YPF, S.A. and its consolidated subsidiaries, unless otherwise specified.

# PART I

## 1. Key Information about Repsol YPF

### 1.1 Selected consolidated financial data

You should read the selected consolidated financial information below together with the consolidated financial statements and the related notes included in this annual report.

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2000 | 1999 | 1998 | 1997 | 1996 |
| | (millions, except per share and ADS amounts) | | | | |
| **Consolidated income statement data** | | | | | |
| *Amounts in accordance with Spanish GAAP:* | | | | | |
| Revenues | €45,742 | €26,295 | €18,989 | €19,288 | €16,659 |
| Operating income | 6,242 | 2,629 | 1,658 | 1,406 | 1,194 |
| Income before income taxes and minority interest | 4,325 | 1,743 | 1,411 | 1,266 | 1,131 |
| Net income | 2,429 | 1,011 | 875 | 758 | 717 |
| Net income excluding goodwill amortization | 2,996 | 1,289 | 943 | 816 | 752 |
| Operating Income per ADS or share | 5.21 | 2.53 | 1.84 | 1.56 | 1.33 |
| Net income per ADS or share | 2.03 | 0.97 | 0.97 | 0.84 | 0.80 |
| Weighted average shares outstanding (millions) | 1,198 | 1,039 | 900 | 900 | 900 |
| *Amounts in accordance with U.S. GAAP:* | | | | | |
| Revenues | €43,173 | €23,909 | €17,682 | €18,028 | €15,446 |
| Net income | 1,911 | 1,124 | 868 | 851 | 891 |
| Net income per ADS or Share | 1.60 | 1.08 | 0.97 | 0.95 | 0.99 |
| **Consolidated balance sheet data** | | | | | |
| *Amounts in accordance with Spanish GAAP:* | | | | | |
| Property, plant and equipment, net | €31,189 | €25,925 | €10,305 | €9,543 | €7,779 |
| Total current assets | 11,617 | 8,588 | 5,081 | 4,716 | 3,954 |
| Total assets | 52,419 | 42,050 | 17,351 | 16,193 | 12,973 |
| Net assets | 15,143 | 12,526 | 6,043 | 5,557 | 5,096 |
| Long-term debt | 14,886 | 10,223 | 2,275 | 2,826 | 1,918 |
| Short-term debt | 7,187 | 8,769 | 2,389 | 1,509 | 980 |
| Shareholders' equity | 15,143 | 12,526 | 6,043 | 5,557 | 5,096 |
| Capital stock | 1,221 | 1,188 | 902 | 902 | 902 |
| Shareholder equity per ADS or share | 12.64 | 12.05 | 6.71 | 6.17 | 5.66 |
| *Amounts in accordance with U.S. GAAP:* | | | | | |
| Total assets | €52,060 | €40,823 | €14,184 | €13,535 | €12,155 |
| Long-term debt | 14,902 | 8,616 | 1,350 | 2,029 | 1,217 |
| Shareholders' equity | 14,505 | 12,140 | 5,653 | 5,166 | 4,604 |
| Shareholders' equity per ADS or share | 12.11 | 11.68 | 6.28 | 5.74 | 5.12 |

In reading Repsol YPF's financial information provided above, you should be aware of all of the following information:

(1) Since January 1, 1999, Repsol YPF has presented its financial statements in euros. Information for years prior to 1999 has been translated from amounts in Spanish pesetas to euros at the irrevocable exchange rate of €1.00 = Ptas. 166.386.

(2) Information for all years is calculated based in the average number of shares outstanding during such year. For the fiscal years 1996 to 1998, information reflects the number of shares after the stock split in April 1999. Information for 1999 has been calculated based on outstanding capital stock of 900 million shares until July 7, 1999; 1,140 million shares from July 8, 1999 to July 19, 1999; and 1,188 million shares from July 20, 1999. Information for 2000 has been calculated based on outstanding capital stock of 1,188 million shares until September 5, 2000; 1,212,342,464 shares from September

6, 2000 to September 7, 2000; 1,220,508,578 shares from September 7, 2000 to December 14, 2000; and 1,220,863,463 shares from December 15, 2000.

(3) "Net income excluding goodwill amortization" has been included to provide additional information relating to the ability of Repsol YPF to generate cash from operations. Net income excluding goodwill amortization is not a measure of financial performance under Spanish or U.S. GAAP and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles. Net income excluding goodwill amortization is used by Repsol YPF and certain investors as a measure of Repsol YPF's operating performance excluding amortization of goodwill. Net income excluding goodwill amortization is not calculated identically by all companies and as presented by Repsol YPF may not be comparable to similarly titled measures of other companies. Repsol YPF's discretionary use of funds depicted by net income excluding goodwill amortization may be limited by working capital, debt service and capital expenditure requirements and by restrictions related to legal requirements, commitments and uncertainties.

(4) Each Repsol YPF ADS represents one share.

(5) The principal differences between Spanish GAAP and U.S. GAAP are explained below under Section 3.9 "Operating and Financial Review and Prospects – U.S. GAAP Reconciliation" and in Note 29 to the Consolidated Financial Statements.

(6) Spanish GAAP operating income excludes certain items that would be included under U.S. GAAP, principally labor force restructuring, provision for write-down of fixed assets, provision for estimated losses and gains on disposal of shares of majority-owned investments and fixed assets.

(7) Net Income and Net Income per share in accordance with U.S. GAAP, for the years 1996 to 1999, have been restated to reflect revenue recognition criteria in accordance with the provisions of SAB No. 101 (see Item 5 in Note 29 to the Consolidated Financial Statements).

### 1.2 Exchange rates

In this annual report, references to "dollars" or "$" or "US$" are to United States dollars. A "billion" is a thousand million and a "trillion" is a thousand billion.

The following table sets forth, for the periods and dates indicated, information concerning the noon buying rate in New York City as certified for customs purposes by the Federal Reserve Bank of New York buying rate for cable transfers in euros and the peseta equivalent thereof, as the case may be, per $1.00.

| Year ended December 31, | Period End | Average | High | Low |
|---|---|---|---|---|
| | (pesetas per U.S. dollar, except as noted) | | | |
| 1995 | 121.40 | 124.11 | 133.85 | 118.38 |
| 1996 | 129.86 | 126.97 | 156.35 | 120.95 |
| 1997 | 152.40 | 147.14 | 158.80 | 129.80 |
| 1998 | 142.15 | 149.42 | 157.41 | 136.80 |
| 1999 (through January 15, 1999) | 143.55 | 142.84 | 144.26 | 140.86 |
| 1999 (January 16, 1999 through December 31, 1999, euros per US$1.00) | €0.99 | €0.94 | €0.99 | €0.86 |
| 2000 (euros per US$1.00) | €1.07 | €1.09 | €1.21 | €0.97 |

| Month | Period End | High | Low |
|---|---|---|---|
| | (euros per U.S. dollar) | | |
| September 2000 | 1.1316 | 1.1818 | 1.1120 |
| October 2000 | 1.1784 | 1.2092 | 1.1383 |
| November 2000 | 1.1502 | 1.1930 | 1.1502 |
| December 2000 | 1.0652 | 1.1502 | 1.0652 |

| Month | Period End | High | Low |
|---|---|---|---|
| | | (euros per U.S. dollar) | |
| January 2001 | 1.0743 | 1.0892 | 1.0488 |
| February 2001 | 1.0855 | 1.1041 | 1.0644 |

The “average” column in the first table above represents the average of the noon buying rates on the last day of each month during the relevant period.

On January 1, 1999, the euro (€) was introduced as a new currency in the following 11 European Union member states: Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, The Netherlands, Portugal and Spain. Repsol YPF refers to these countries as the participating member states. The respective currencies of the participating member states, including the Spanish peseta, will be nondecimal subdivisions of the euro until January 1, 2002 and up to six months after that time. The Spanish peseta has been irrevocably fixed against the euro at an exchange rate of Ptas. 166.386 =    1.00. Beginning January 1, 2002, the participating member states will issue new euro-denominated bills and coins for use in cash transactions. By July 1, 2002, the participating member states will withdraw the bills and coins denominated in each of their currencies from circulation, and they will no longer be legal tender for any transactions. For a discussion of the anticipated effects of the introduction of the euro on Repsol YPF, see Section 3.10 “Operating and Financial Review and Prospects—Conversion to the Euro.”

Since January 15, 1999 the Federal Reserve Bank of New York no longer quotes a noon buying rate for the currencies of any of the participating member states, including Spain. The Noon Buying Rate for the euro on March 5, 2001 was €1.0765 = US$1.00. The equivalent amount in pesetas, translated at the irrevocably fixed exchange rate of Ptas. 166.386 =    1.00, would be approximately Ptas. 179.115.

For a discussion of Repsol YPF’s foreign currency exposure, see Section 9.2 “Quantitative and Qualitative Disclosure About Market Risk—Foreign Currency Exposure.”

On January 4, 1999, the Madrid Stock Exchange began quoting share prices, including those of Repsol YPF, in euros. Subsequently, dividends paid on shares of Repsol YPF were stated in euros. Currency fluctuations will affect the dollar equivalent of the euro price of Repsol YPF’s shares on the Spanish stock exchanges and, as a result, are likely to affect the market price of the Repsol YPF American Depositary Shares on the New York Stock Exchange. Currency fluctuations will also affect the dollar amounts received by holders of Repsol YPF ADSs on conversion by the depositary of cash dividends paid in euros on the underlying ordinary shares.

## 1.3 Risk Factors

### 1.3.1 The oil and gas industry is highly competitive

There is strong competition, both within the oil industry and with other industries, in supplying the fuel needs of industrial and domestic clients. The oil industry is also particularly subject to regulation and intervention by governments throughout the world in such matters as the award of exploration and production interests, the imposition of specific drilling obligations, environmental protection controls, control over the development and nationalization, expropriation or cancellation of contract rights. The oil industry is also subject to the payment of royalties and taxation, which tend to be high compared with those payable in respect of other commercial activities, but as they are proportional to the revenues or profits obtained, they do not usually increase the overall risk for the company.

Oil and gas exploration and production require high levels of investment and have particular economic risks and opportunities. They are subject to natural hazards and other uncertainties including those relating to the physical characteristics of an oil or natural gas field.

### 1.3.2 Oil prices may fluctuate due to factors beyond Repsol YPF's control

Oil prices are subject to international supply and demand. Political developments (especially in the Middle East) and the outcome of meetings of OPEC can particularly affect world oil supply and oil prices. Fluctuations in oil prices could affect Repsol YPF's profitability, the valuation of its assets and its plans for capital investment. A significant reduction of capital investments may negatively affect Repsol YPF's ability to replace oil reserves. The YPF acquisition during 1999 increased Repsol YPF's exposure to the volatility of oil prices as exploration and production activities are now a more significant portion of Repsol YPF's overall business.

### 1.3.3 Exchange rates may fluctuate due to factors beyond Repsol YPF's control

Crude oil prices are generally set in dollars and the majority of Repsol YPF's long-term debt is denominated in dollars, while sales of refined products may be in a variety of currencies, including the euro and Argentine pesos. Fluctuation in exchange rates can therefore give rise to foreign exchange exposures. See Section 9.2 "Quantitative and Qualitative Disclosure about Market Risk—Foreign Currency Exposure."

### 1.3.4 Repsol YPF has extensive operations in Argentina

With the acquisition of YPF, approximately 57% of Repsol YPF's assets are now located in Latin America, principally in Argentina. As of December 31, 2000, approximately 22% of Repsol YPF's operating revenues were from activities in Argentina. In the past, Argentina has experienced periods of low or negative growth, high inflation and significant currency devaluation. Historically, economic crises in other developing countries, such as Mexico, Russia and Brazil, have had significant effects on developments in the Argentine economy. Argentina currently has in place an economic reform and stabilization policy, with the purpose of reducing inflation and public expenditure. This includes a plan called the "Convertibility Plan" which fixed the peso-dollar exchange rate at Ps. 1.00 = US$ 1.00. The financial performance of Repsol YPF, including its subsidiary YPF S.A., could be affected by a devaluation of the Argentine peso. YPF's crude oil and natural gas prices are generally set in dollars or denominated in dollars, while expenses are generally incurred in dollars and Argentine pesos, in many cases linked to international prices. Since the cash inflows and outflows are denominated in more than one currency, any change in the exchange rate between the U.S. dollar and the Argentine peso could have a material effect on YPF's operating results.

The Argentine Central Bank's ability to continue backing up the Argentine peso in the future depends, on the perceived performance of its economy and among other, on the following factors:

- successful completion of structural reforms in Argentina,
- fiscal reform and the continuity of low levels of inflation,
- sustained economic growth.

### 1.3.5 Many of Repsol YPF's reserves are located outside of the European Union

Substantial portions of Repsol YPF's hydrocarbons reserves are located in countries outside the EU, certain of which may be politically or economically less stable than EU countries. At December 31, 2000, 85.8% of Repsol YPF's proved hydrocarbons reserves were located in Latin America and 5.7% in North Africa. Reserves in these countries and others outside of the EU as well as related production operations may be subject to risks, including increases in taxes and royalties, the establishment of limits on production and export volumes, the compulsory renegotiation of contracts, the nationalization or denationalization of assets, changes in local government regimes and policies, changes in business customs and practices, payment delays, currency exchange restrictions and losses and impairment of operations by actions of insurgent groups. See Section 2.2.1 "Information about Repsol YPF—Operations—Exploration and

Production." In addition, political changes may lead to changes in the business environment in which Repsol YPF operates. Economic downturns, political instability or civil disturbances may disrupt distribution logistics or limit sales in the markets affected. Repsol YPF, like other major international oil companies, attempts to protect itself against such risks in the commercial and financial negotiation of its contracts.

### 1.3.6 Repsol YPF's operations are subject to extensive regulation

The majority of Repsol YPF's activities operate under a broad range of legislation and governmental regulations which may change. Such legislation and regulations cover virtually all aspects of Repsol YPF's activities in each of its four business units—exploration and production, refining and marketing, chemicals and natural gas and electricity. In Spain, for example, the government regulates maximum price levels for LPG and natural gas. Environmental laws and regulations also have a substantial impact on Repsol YPF's operations in almost all the countries in which it operates.

In addition, the terms and conditions of the agreements under which Repsol YPF's oil and gas interests are held generally reflect negotiations with governmental authorities and vary significantly by country and even by field within a country. These agreements generally take the form of licenses or production sharing agreements. Under license agreements, the license holder provides financing and bears the risk of the exploration and production activities in exchange for resulting production, if any. Part of the production may have to be sold to the state or the state-owned oil company. License holders are generally required to pay royalties and income tax. Production sharing agreements generally require the contractor to finance exploration and production activities in exchange for the recovery of its costs from part of production (cost oil), the remainder of production (profit oil) being shared with the state-owned oil company on an agreed upon basis.

U.S. legislation, such as the Sanctions Act, may impact Repsol YPF's operation in certain countries. In particular, the Sanctions Act requires the President of the United States to impose two or more of certain enumerated sanctions under certain circumstances on companies which engage in trade with or investment activities in Libya and Cuba. These sanctions include, among others:

- prohibitions on loans from U.S. financial institutions, contracts with the U.S. government, and exports of certain U.S. technology
- additional sanctions, as appropriate, to restrict imports from sanctioned persons.

Repsol YPF cannot predict interpretations of, or the implementation policy of the U.S. Government with respect to, the Sanctions Act. However, Repsol YPF does not believe that the Sanctions Act will have a material adverse effect on its financial condition or results of operations.

### 1.3.7 Repsol YPF has incurred significant borrowings

Repsol YPF incurred significant amounts of debt in transactions on the international capital markets and with credit institutions to finance the acquisition of YPF during 1999. As a result, Repsol YPF's ability to incur additional financing may be reduced. Repsol YPF expects, however, that cash flows from its operations subsequent to the acquisition will be sufficient to cover debt service and repayment. Repsol YPF intends to continue its disinvestment plan in order to partially finance the acquisition of YPF. The disinvestment target has been increased to €4,500 million, and encompasses assets located in non-strategic areas and assets Repsol YPF must dispose of to comply with recently enacted measures for the liberalization of the energy industry in Spain. These measures call for the sale of a significant portion of Repsol YPF's participation in CLH and Enagas. See Section 2.3.1 "Information about Repsol YPF—Regulation of the Petroleum Industry—Spain." Repsol YPF cannot, however, be sure that it will be able to sell these assets at the desired time or at adequate prices in order to generate the anticipated amounts. See Section 3.7.1 “Operating and Financial Review and Prospects—Liquidity and Capital Resources—Financial Condition.”

#### 1.3.8 Conditions in the petrochemicals industry may change due to factors beyond Repsol YPF’s control

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

### 1.4 Forward-looking Statements

This annual report, including any documents incorporated by reference, contains statements that Repsol YPF believes constitute forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The statements appear throughout this annual report and include statements regarding the intent, belief or current expectations of Repsol YPF and its management, including with respect to trends affecting Repsol YPF’s financial condition or results of operations and Repsol YPF’s plans with respect to capital expenditures and investments. These forward looking statements are not guarantees of future performance and involve risks and uncertainties. Actual results may differ materially from those described in these forward looking statements as a result of various factors. See Section 1.3 “Key Information about Repsol YPF—Risk Factors” and Section 3 “Operating and Financial Review and Prospects” for further discussion of factors that could cause such material differences.

# 2. Information about Repsol YPF

## 2.1 Repsol YPF

### 2.1.1 Overview

Repsol YPF is an integrated oil and gas company engaged in all aspects of the petroleum business, including exploration, development and production of crude oil and natural gas, transportation of petroleum products, liquified petroleum gas and natural gas, petroleum refining, production of a wide range of petrochemicals and marketing of petroleum products, petroleum derivatives, petrochemicals, liquified petroleum gas and natural gas.

Repsol YPF began operations in October 1987 as part of a reorganization of the oil and gas businesses then owned by Instituto Nacional de Hidrocarburos, a Spanish government agency which acted as a holding company of government-owned oil and gas businesses. In April 1997, the Spanish State sold in a global public offering its entire remaining participation in Repsol YPF. Two years later and as part of its international growth strategy, Repsol YPF acquired, through a series of acquisitions, a total of 97.81% of the outstanding capital stock of YPF, S.A., a leading Argentine petroleum company and the former state oil and gas monopolist in Argentina. Repsol YPF initially acquired a 14.99% equity stake in YPF from the Argentine government on January 20, 1999. On June 23, 1999, Repsol YPF acquired an additional 82.47% of the outstanding capital stock of YPF pursuant to a tender offer. During the course of the remaining of 1999 and 2000 Repsol YPF acquired additional shares of YPF and, as of December 31, 2000, Repsol YPF owned 99.0% of YPF.

As a result of the acquisition of YPF, Repsol YPF is Spain's largest company in terms of revenues, the largest private sector energy company in Latin America in terms of total assets and one of the world's ten largest oil companies on the basis of market capitalization and proved reserves.

Through the acquisition of YPF, Repsol YPF sought to achieve a balance between upstream and downstream operations, position itself as a market leader in Latin America, achieve operating and capital expenditure synergies and consolidate its business scale and financial strength. As part of its integration strategy, Repsol YPF has begun to dispose of select assets which do not correspond to its core businesses outlined above or to its core geographic areas which include Spain, Latin America and North Africa.

### 2.1.2 Organization of Repsol YPF

Repsol YPF engages in all aspects of the petroleum business, including the exploration, development and production of crude oil and natural gas, the transportation of petroleum products, liquefied petroleum gas and natural gas, petroleum refining, petrochemical production and the marketing of petroleum products, petroleum derivatives, petrochemicals, LPG and natural gas. Repsol YPF organizes its business into four segments:

- Exploration and Production (E&P).
- Refining and Marketing.
- Chemicals.
- Gas and Electricity.

Repsol YPF today has operations in 30 countries, most significantly in Spain and Argentina. Repsol YPF has a unified global corporate structure with headquarters in Madrid, Spain and Buenos Aires, Argentina. Repsol YPF manages its business as a single organization at both the operational and organizational levels. Key functions such as strategic planning, control, finance and human resources are centrally coordinated. In contrast, the operations of Repsol YPF are managed individually on a decentralized geographic basis and globally by division in order to maximize efficiencies and operating synergies arising from the integration of Repsol and YPF. Four executive vice-presidents, representing each of the business segments of Repsol YPF, one corporate vice-president that coordinates the directors' offices and the managers of each country, one Chief Financial Officer, as well as the Director Assistant to the Chairman report directly to the office of the president.

#### 2.1.3 Strategy

Repsol YPF is one of the major integrated oil and gas companies and aims to be one of the fastest growing in the sector. Our capacity for growth arises from our focus on business areas with faster expansion rates, such as natural gas production, trading and distribution, as well as our holding a major presence in some of the fastest growing regions in terms of energy demand, such as Latin America and Spain.

Repsol YPF will focus its strategy for the coming years on the following areas:

- Growing on the upstream side of the business on the basis of:

  a. Our current portfolio of exploration and production assets, including Argentina, Bolivia, Venezuela, Trinidad, Algeria and Libya

  b. The application of techniques for improvement of recovery factors in more mature fields, such as Argentina and Venezuela which we believe will improve recovery factors in these fields

  c. The development of new markets for its gas reserves, mainly in the Southern Cone, Venezuela and Trinidad

  d. Opportunities in new geographic areas

- Continuing to be one of the top performing companies in upstream, as measured by our relative position in terms of finding, reserve replacement and lifting costs, as well as reserve replacement ratios.

- Maintaining our leadership in refining, marketing and LPG in Spain and Argentina, enjoying the benefits of economies of scale, proximity of refining capacity to markets, and fast demand growth in both countries.

- Growing our market share in downstream in South America on the basis of the integration and balance in each market of refining and marketing capacities.

- Maintaining top performance in our European refining and petrochemical plants in terms of operating costs. Applying best practices to Latin America and achieving the same level of performance in the medium term.

- Expanding our gas customer base in Spain and in the major Latin American cities, while developing a "multiutility" approach that we believe will allow us to leverage our client relationships by widening the product array on offer and increasing our revenue per client. In particular, where regulation allows, we will seek to market electricity to our gas client base.

- Developing electricity generation capacity when needed in order to achieve a faster monetization of our gas reserves or to more profitably support our multiutility gas-electricity offer.

- Becoming one of the world leaders in the LNG markets on the basis of our privileged position in terms of access to gas production and demand from growing markets.

- Lowering rapidly our current debt levels through the combination of strong cash flows, tight investment controls and a divestment program of non core assets, aiming to get back to the financial ratios the company enjoyed prior to the acquisition of YPF.

- Focusing on cost reductions, productivity enhancements and capital saving at all levels of the company. Upon the acquisition of YPF, the company launched a program to capture synergies and cost reductions derived from the integration of the two organizations. Once those objectives are achieved, Repsol YPF is planning to launch a new initiative with ambitious objectives in terms of further improving its cost base and, hence, its mid-cycle profitability.

### 2.1.4 Economic and Operating Information

Below are summaries of operating revenues of Repsol YPF by line of business and geographic area:

| | 2000 | 1999 | 1998 | 00 vs. 99 | 99 vs. 98 |
|---|---|---|---|---|---|
| | | | | (millions of euros) | |
| **Operating revenue by business segment** | | | | | |
| Exploration & Production | 9,084 | 3,774 | 964 | 140.70% | 291.49% |
| Refining & Marketing | 34,874 | 21,444 | 15,850 | 62.63 | 35.29 |
| Chemicals | 2,445 | 1,433 | 1,114 | 70.62 | 28.64 |
| Natural Gas & Electricity | 5,430 | 1,849 | 1,444 | 193.67 | 28.05 |
| Adjustments & other | (6,091) | (2,205) | (383) | — | — |
| | 45,742 | 26,295 | 18,989 | 73.96 | 38.47 |

| | 2000 | 1999 | 1998 | 00 vs. 99 | 99 vs. 98 |
|---|---|---|---|---|---|
| | | | | (millions of euros) | |
| **Operating revenue by geographic segment** | | | | | |
| Spain | 28,664 | 17,159 | 15,308 | 67.05% | 12.09% |
| Rest of Europe | 950 | 934 | 816 | 1.71 | 14.46 |
| Argentina | 10,082 | 4,448 | 1,322 | 126.66 | 236.46 |
| Rest of Latin America | 2,727 | 2,194 | 1,045 | 24.29 | 109.95 |
| North Africa and Middle East | 1,387 | 730 | 410 | 90.00 | 78.05 |
| Far East | 604 | 282 | 82 | 114.18 | 243.90 |
| Rest of the World | 1,328 | 548 | 6 | 142.34 | 9,033.33 |
| | 45,742 | 26,295 | 18,989 | 73.96 | 38.47 |

Below is a summary of selected operating data of Repsol YPF:

| | 2000 | 1999 | 1998 |
|---|---|---|---|
| **Crude oil reserves(1)** | | | |
| Spain | 7,174 | 6,137 | 3,121 |
| Argentina | 1,571,535 | 1,341,165 | 169,318 |
| Rest of the world | 799,762 | 802,350 | 471,219 |
| **Gas reserves(2)** | | | |
| Spain | 2,755 | 20,268 | 36,767 |
| Argentina | 10,653,460 | 10,973,936 | 1,283,437 |
| Rest of the world | 3,738,525 | 3,315,574 | 685,724 |
| **Hydrocarbon production(3)** | | | |
| Spain | 3,747 | 4,437 | 5,390 |
| Argentina | 267,886 | 155,743 | 29,832 |
| Rest of the world | 96,092 | 83,285 | 55,331 |
| **Refining capacity(4)** | | | |
| Spain | 740 | 740 | 740 |
| Argentina | 364 | 364 | 30 |
| Rest of the world | 102 | 102 | 102 |
| **Crude oil processed(5)** | | | |

| | 2000 | 1999 | 1998 |
|---|---|---|---|
| Spain | 32.9 | 34.3 | 35.7 |
| Argentina | 16.0 | 9.4 | 1.5 |
| Rest of the world | 3.7 | 3.7 | 4.6 |
| **Number of service stations** | | | |
| Spain | 3,705 | 3,444 | 3,495 |
| Argentina | 2,770 | 2,986 | 795 |
| Rest of the world | 749 | 761 | 399 |
| **Sales of petroleum products(6)** | | | |
| Spain | 25,178 | 27,022 | 25,867 |
| Argentina | 11,092 | 6,706 | 1,675 |
| Rest of the world | 15,080 | 12,073 | 12,038 |
| **Sales of petrochemical products(6)** | | | |
| By region: | | | |
| Spain | 1,111 | 1,134 | 1,057 |
| Argentina | 393 | 204 | — |
| Rest of the world | 1,308 | 1,148 | 930 |
| By product: | | | |
| Basic | 818 | 785 | 584 |
| Derivative | 1,994 | 1,701 | 1,403 |
| **LPG Sales(6)** | | | |
| Spain | 2,247 | 2,357 | 2,357 |
| Argentina | 391 | 247 | 107 |
| Rest of the world | 592 | 541 | 323 |
| **Natural Gas Sales(7)** | | | |
| Spain | 172,589 | 68,933 | 59,283 |
| Argentina | 52,730 | 36,032 | 22,400 |
| Rest of the world | 13,281 | 7,108 | 6,863 |

(1) Thousands of barrels of crude oil.

(2) Millions of cubic feet of gas.

(3) Thousands of barrels of oil equivalent.

(4) Thousands of barrels per day.

(5) Millions of tonnes of oil equivalent.

(6) Thousands of tonnes.

(7) Millions of termies.

### 2.1.5 Business Environment

*Exploration and Development.* In 2000, Brent crude reached an average price of US$28.5 per barrel, a 59% increase with respect to the average price in 1999, which was 124% over the average 1998 price which, in turn, was 33% under the average 1997 price. Actual worldwide demand measured in barrels per day increased 0.1 million in 1998, 1.2 million in 1999 and 1.0 million in 2000. The fact that the average price of Brent crude lost between US$6 and US$7 in 1998 with respect to 1997 average prices, without this drop having resulted in a significant increase in worldwide demand, indicates that the volatility of the market is principally a function of supply fluctuation rather than demand.

This instability is harmful for the oil industry. First, uncertainty about the market's future inhibits investments by energy firms. Second, as consuming countries step up efforts to curb inflation caused by high oil prices, greater preference will be given in the future to an energy "mix" in which crude oil's role will be gradually reduced.

*Refining.* The distinctive characteristics of the refining sector in 2000 were, first, the enactment of new product specifications in both the EU and the United States and, second, an increase in profit margins caused in part by the change in the quality of the products.

*Petrochemicals.* Results in the Petrochemical sector derive from various causes . While the basic petrochemical sector enjoyed high profit margins throughout 2000, the derivative petrochemicals sector registered good profit margins during the first half of the year, but suffered a general deterioration during its second half, particularly with regard to polyolefins.

*Natural Gas and Electricity*. Natural gas begins to consolidate its position as the best alternative to oil, not only because of the increasing demand for natural gas but also due to increased international commercialization efforts. For example, during 2000 liquefied natural gas was marketed as an alternative to alleviate the shortage of natural gas and increasing prices in the United States market.

Finally, the oil industry has increased its presence in both the natural gas and power generation sectors, which not long ago were considered marginal activities. The technology of combined cycle generation plants has been instrumental in the increasing significance of both these sectors.

### 2.1.6 Development of the Business

In 2000, Repsol YPF's overall profile changed significantly as a result of the consolidation of YPF during the full year, as compared to only a half year during 1999. Net income for 2000 increased 140.3% compared to 1999. Net income per share increased 109.3%.

As of December 31, 2000, the effect of the change in the consolidation method of Gas Natural represented 9.87% of total assets, 5.79% of operating revenue and 7.82% of operating income.

As of December 31, 2000 YPF accounted for 45.07% of total assets, 25.93% of operating revenue and 46.59% of operating income.

In 2000, cash flow reached €6,302 million, a 98% increase in comparison to €3,182 in 1999.

### 2.1.7 Presentation of Information

Repsol YPF is a limited liability company (*sociedad anónima*) duly organized on November 12, 1986 and existing under the laws of the Kingdom of Spain. The address of Repsol YPF is Paseo de la Castellana 278, 28046 Madrid, Spain and its telephone number is 011-34-91-348-8000.

Repsol YPF has historically published its financial statements in Spanish pesetas. For periods commencing after January 1, 1999, Repsol YPF has published its financial statements in euros. Repsol YPF prepares its financial statements in conformity with generally accepted accounting principles in Spain, referred to as Spanish GAAP. Spanish GAAP differs in important respects from U.S. generally accepted accounting principles, referred to as U.S. GAAP. See Note 29 to the audited consolidated financial statements for the years ended December 31, 2000, 1999 and 1998 included elsewhere in this annual report for a description of the principal differences between Spanish GAAP and U.S. GAAP as they relate to Repsol YPF and for a reconciliation of net income and total shareholders' equity for the periods and as of the dates indicated. See also Section 3.9 "Operating and Financial Review and Prospects—U.S. GAAP Reconciliation."

Unless otherwise indicated, the information contained in this annual report reflects:

- for the subsidiaries that were consolidated using the global integration method at the date or for the periods indicated, 100% of the assets, liabilities and results of operations of such subsidiaries without excluding minority interests, and

- for those subsidiaries whose results were consolidated using the proportional integration method, a pro rata amount of the assets, liabilities and results of operations for such subsidiaries at the date or for the periods indicated. For information regarding consolidation, see Note 1(b) to the Consolidated Financial Statements.

## 2.2 Operations

### 2.2.1 Exploration and Production

E&P includes the exploration and production of crude oil and natural gas in different parts of the world. Repsol YPF's oil and gas reserves are located in Latin America (principally in Argentina), Indonesia, North Africa, Middle East, Spain and the United States.

Repsol YPF conducts its E&P activities through YPF and Repsol Exploración. On December 27, 2000, the extraordinary shareholders' meeting of YPF S.A., approved the merger of both Astra C.A.P.S.A. and Repsol Argentina, with YPF as the surviving company. The merger will be effective as of January 1, 2001.

Repsol YPF estimates that at December 31, 2000, it had proved oil and gas reserves of approximately 4,778 million barrels of oil equivalent, a 5.3% increase in comparison to 4,535 million barrels of oil equivalent at December 31, 1999. The reserves replacement ratio was a 166% of the annual production. During 2000, Repsol YPF's average net production was approximately 1.005 million barrels of oil equivalent per day compared to 0.667 million barrels of oil equivalent per day in 1999. E&P accounted for approximately 62%, 45% and 6% of Repsol YPF's operating income in 2000, 1999 and 1998, respectively.

At December 31, 2000, Repsol YPF had oil and gas exploration and production interests in 21 countries, through concessions and contractual agreements, either directly or through its subsidiaries. Repsol YPF acted as operator in 16 countries.

#### *2.2.1.1 Oil and Gas Reserves*

Repsol YPF estimated its proved oil and gas reserves as of December 31, 2000, 1999 and 1998 in accordance with guidelines established by the Securities and Exchange Commission and the Financial Accounting Standards Board. These standards require that reserve estimates be prepared under existing economic and operating conditions with no provision for price and cost escalations except by contractual arrangements.

| | Total | Spain | North Africa and Middle East | Argentina | Rest of Latin America | Far East | North Sea | Rest of the World |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | (thousands of barrels) | |
| **Proved developed and undeveloped crude oil reserves (including condensate and natural gas liquids)** | | | | | | | | |
| Reserves at Dec. 31, 1998 . . . | 643,658 | 3,121 | 287,069 | 169,318 | 98,495 | 31,597 | 52,477 | 1,581 |
| Reserves at Dec. 31, 1999 . . . | 2,149,652 | 6,137 | 279,398 | 1,341,165 | 300,829 | 158,302 | 60,838 | 2,983 |
| Reserves at Dec. 31, 2000 . . . | 2,378,471 | 7,174 | 262,928 | 1,571,535 | 330,014 | 206,768 | 0 | 52 |

| | Total | Spain | North Africa and Middle East | Argentina | Rest of Latin America | Far East | North Sea | Rest of the World |
|---|---|---|---|---|---|---|---|---|
| | (millions of cubic feet) | | | | | | | |
| **Proved developed and undeveloped natural gas reserves** | | | | | | | | |
| Reserves at Dec. 31, 1998 . | 2,005,928 | 36,767 | 518,857 | 1,283,437 | 2,408 | 96,659 | 67,800 | — |
| Reserves at Dec. 31, 1999 . | 14,309,778 | 20,268 | 596,035 | 10,973,936 | 1,724,695 | 583,052 | 174,044 | 237,748 |
| Reserves at Dec. 31, 2000 . | 14,394,740 | 2,755 | 670,999 | 10,653,460 | 2,529,808 | 531,412 | 0 | 6,306 |

| | Total | Spain | North Africa and Middle East | Argentina | Rest of Latin America | Far East | North Sea | Rest of the World |
|---|---|---|---|---|---|---|---|---|
| | (thousands of barrels of oil equivalent) | | | | | | | |
| **Total proved developed and undeveloped reserves** | | | | | | | | |
| Reserves at Dec. 31, 1998 . . | 977,979 | 9,249 | 373,545 | 383,224 | 98,896 | 47,707 | 63,777 | 1,581 |
| Reserves at Dec. 31, 1999 . . | 4,534,615 | 9,515 | 378,737 | 3,170,155 | 588,277 | 255,477 | 89,846 | 42,608 |
| Reserves at Dec. 31, 2000 . . | 4,777,595 | 7,633 | 374,761 | 3,347,112 | 751,649 | 295,337 | 0 | 1,103 |

Latin American reserves include 100% of Astra's reserves at December 31, 2000, 1999 and 1998. At these dates, Repsol YPF owned 99.36%, 67.87% and 66.01% of Astra, respectively. Reserves related to minority interests in Astra at December 31, 1999, were approximately 120 million barrels of oil equivalent and at December 31, 1998 were approximately 128 million barrels of oil equivalent.

Net reserves at December 31, 2000 were 4,778 million barrels of oil equivalent (49.8% petroleum and liquids, 50.2% natural gas), a 5.3% increase compared to net reserves of 4,535 million barrels of oil equivalent at December 31, 1999. This increase in net reserves is a result of :

- an increase of 285 million barrels of oil equivalent from fields extensions and discoveries principally in Argentina and Bolivia, and to a lesser extent in Egypt, Indonesia, Libya, Spain and Venezuela
- an increase of 239 million barrels of oil equivalent from revisions to previous estimates and the use of technologies to improve production
- an increase of 87 million barrels of oil equivalent from new acquisitions (positive balance between acquisitions of new assets and divestments)
- and a decrease of 368 million barrels of oil equivalent from oil and natural gas production

#### *2.2.1.2 Production*

The following table shows Repsol YPF's net average production of crude oil and natural gas, for 2000, 1999 and 1998.

| | 2000 | 1999 | 1998 |
|---|---|---|---|
| | (thousands of barrels per day) | | |
| **Crude oil net production (including condensate and natural gas liquids)** | | | |
| Spain | 2 | 3 | 5 |
| North Africa and Middle East | 97 | 100 | 91 |
| Argentina | 432 | 259 | 52 |
| Rest of Latin America | 54 | 31 | 15 |
| Rest of the World | 51 | 58 | 41 |
| Total crude oil net production | 636 | 451 | 204 |

| | 2000 | 1999 | 1998 |
|---|---|---|---|
| | (millions of cubic feet per day) | | |
| **Natural gas net production** | | | |
| Spain | 48 | 55 | 58 |
| North Africa and Middle East | 148 | 81 | 8 |
| Argentina | 1,805 | 1,006 | 176 |
| Rest of Latin America | 134 | 16 | 3 |
| Rest of the World | 80 | 140 | 22 |
| Total natural gas net production | 2,215 | 1,298 | 267 |

| | 2000 | 1999 | 1998 |
|---|---|---|---|
| | (thousands of barrels of oil equivalent per day) | | |
| Total crude oil and natural gas production | 1,005 | 667 | 248 |

Repsol YPF net petroleum production in 2000 rose to 368 million barrels of oil equivalent, 50.9% higher than in 1999. This increase is mainly due to the incorporation of YPF's production for a full year in 2000, as compared to only six months in 1999. Average daily crude oil production in 2000 reached an average of 636 thousand barrels and average natural daily gas production was 2,215 million cubic feet.

Crude oil and natural gas production accounted for approximately 63% and 37%, respectively, of Repsol YPF's total production in barrels of oil equivalent during 2000. Repsol YPF expects current oil reserves will be in production for more than 10.2 years, based on total reserves and annual production for 2000. The expected life of Repsol YPF's gas fields has been estimated at 17.8 years, based on total reserves and annual production for 2000.

#### *2.2.1.3 Exploration, Development, Acquisitions and Production*

Repsol YPF's expansion strategy is based on exploration and acquisition of assets, focusing on regions with great potential and conditions favorable to improving Repsol YPF's competitive position, primarily Latin America and North Africa.

| | 2000 | 1999 | 1998 |
|---|---|---|---|
| | (millions of euros) | | |
| **Exploration, development and acquisitions (incurred costs)** | | | |
| Exploration | 281 | 223 | 110 |
| Development | 1,098 | 635 | 486 |
| Acquisitions | 961 | 10,653 | 82 |
| Total | 2,340 | 11,511 | 678 |

| | 2000 | 1999 | 1998 |
|---|---|---|---|
| Exploratory concession area(1) | 231,000 | 246,166 | 151,870 |
| Exploratory drilling tests | 93 | 71 | 57 |

| | 2000 | 1999 | 1998 |
|---|---|---|---|
| Positive(2) | 37 | 27 | 26 |
| Discoveries and extensions(3) | 285 | 147.3 | 45.1 |
| Acquisitions/sales(3) | 87 | 3,258.0 (4) | (0.4) |

(1) Square kilometers.
(2) In 1998, includes 16 wells under evaluation.
(3) Millions of barrels of oil equivalent.
(4) Includes acquisition of YPF.

At December 31, 2000, Repsol YPF had mineral rights with respect to a total of 132 exploratory blocks with a net surface area of 231,000 km$^2$. Forty two of these blocks were located in Argentina, with a net surface area of 82,000 km$^2$.

During 2000, Repsol YPF carried out a total of 93 exploratory wells, 37 of which were successful; in Argentina 38 exploratory wells were carried out, 13 of which where successful; in the rest of the world, 55 were carried out, 24 of which were successful, and one was under evaluation at December 31, 2000.

At the end of 2000, Repsol YPF had 22 exploratory wells in progress, 9 of which were located in Argentina and 13 in the rest of the world.

Compared to 1999, Repsol YPF reduced finding costs in 2000 by 37.3% to US$0.79 per barrel of oil equivalent.

The following are the most significant activities conducted by Repsol YPF in the various countries in which Repsol YPF has exploration and production interests in 2000.

*Argelia*

At December 31, 2000, Repsol YPF had mineral rights in 4 production blocks, with a net surface area of 550 km$^2$. During 2000, one unsuccessful exploratory well was carried out.

Net petroleum production in Argelia was 8.9 million barrels of oil equivalent (an average of 24,300 barrels of oil equivalent per day), mainly from the TFT block (operated in conjunction with Sonatrach, Total Fina, Elf and Repsol YPF) and, to a lower extent, from the Tifernine oilfield, operated by Repsol YPF. Oil production was 3.2 million barrels, including condensates and liquids, and 34 billion cubic feet of natural gas. Net reserves in Argelia at December 31, 2000 were 127 million barrels of oil equivalent.

*Argentina*

At December 31, 2000, Repsol YPF had mineral rights in forty two exploratory blocks, with a net surface area of 82,000 km$^2$, and one hundred and four production blocks located in the Neuquén, San Jorge, Austral, Cuyana and Northwest basins, with a net surface area of 28,100 km$^2$.

Net petroleum production in Argentina was 268 million barrels of oil equivalent (an average of 732,000 barrels of oil equivalent per day). Crude oil production was 158 million barrels, including condensates and liquids, and 661 billion cubic feet of natural gas. Net petroleum production in Argentina broken down by area was, on average: Neuquén, 407,300 barrels of oil equivalent per day; San Jorge and Austral, 176,800 barrels of oil equivalent per day; Cuyana, 96,800 barrels of oil equivalent per day and Northwest, 51,100 barrels of oil equivalent per day. Net reserves in Argentina at December 31, 2000 were 3,347 million barrels of oil equivalent.

During 2000, a total of thirty eight exploratory wells were carried out, thirteen of which were successful. During 2000 Repsol YPF made discoveries in Argentina in the Neuquén basin (Aguada, Toledo-Sierra Barrosa and Volcán Auca Mahuida), and in the Cuyana basin (northern Vizcacheras). Discoveries were also made in Lindero Atravesado and Río Negro Norte, where Repsol YPF has participating interests.

In December 2000, Repsol YPF signed an agreement with the Argentinean authorities extending for 10 years YPF's exploitation rights in Loma La Lata, located in the Neuquén Province, which Repsol YPF considers of the most importance to its medium and long-term strategy in gas in Argentina. These exploitation rights cover a significantly large natural gas field, which is the largest in Argentina and one of the largest worldwide. It is strategically located at the center of an extensive gas network, with access to large centers of domestic gas consumption and with ready access for gas exportation to Chile. Repsol YPF believes that this agreement reaffirms Repsol YPF's position as the leader of natural gas production in Argentina. Total investment made in connection with the extension was US$300 million.

In November 2000, in an asset swap, Repsol YPF transferred to Sipetrol ENAP 50% of its interests in three blocks located in the San Jorge basin (Campamento Central, Cañadon Perdido and Zona Central-Bellavista Este), receiving in exchange a 25% participating interest in the Quiamare-La Ceiba field in Venezuela. The asset swap, valued at US$51 million, involved no disbursement of cash.

Other events in 2000 include the sale of Repsol YPF's interest in Kilometro 20 and other associated blocks to CAPSA for US$13.5 million, and the acquisition of 51% of the Llancanelo block (Neuquén basin) from Alianza for US$7 million.

In December 2000, Construction of Project Mega was completed. The main objective of this project is to separate liquid petroleum products from natural gas produced at Loma La Lata, for its transport to the petrochemical complex of Bahía Blanca, located in the Argentina's Atlantic coast. With Project Mega, Repsol YPF expects to increase gas sales in Loma La Lata in 180 million cubic feet of natural gas per day. Adjustment of the facilities at Loma La Lata continue, as well as drilling activities necessary to respond to seasonal peaks in gas consumption during winter.

In the Northwestern basin, Repsol YPF started the development of San Pedrito, located in the Acambuco region, as well as additional drilling at the Ramos field which is expected to help sustain production at this basin.

In the vicinity of El Portón-Buta Ranquil, in the Neuquén basin, feasibility studies are under way in connection with gas production and the construction of an LPG plant in the short to medium term.

At the Rincón de los Sauces field, works are being undertaken to mitigate the oilfield's decline observed half way through 1999, including an increase of exploration and additional infill drilling, as well as an increase in capacity for water treatment and injection.

In the San Jorge Gulf basin numerous projects of secondary recovery have been undertaken, through water injection and more development perforation. Development of the Santa Cruz II and Magallanes discoveries in the Austral basin have continued.

*Azerbaidjan and Kazakhstan*

At December 31, 2000, Repsol YPF had mineral rights in one exploratory block in Azerbaidjan, operated by Agip, and another one in Kazakhstan, operated by Repsol YPF, with a net surface area of 28 $km^2$ and 6,050 $km^2$, respectively

During 2000, one unsuccessful exploratory well was carried out in Azerbaidjan. In Kazakhstan, interpretation of seismic data continues in order to evaluate exploration prospects.

*Bolivia*

At December 31, 2000, Repsol YPF had mineral rights in sixteen exploratory blocks, with a net surface area of 18,200 $km^2$, and eighteen production blocks, with a net surface area of 480 $km^2$.

Net petroleum production in Bolivia was 5.3 million barrels of oil equivalent (an average of 14,400 barrels of oil equivalent per day), mainly from the Mamore block and the oilfields operated by Andina. Crude oil production was 2.6 million barrels, including condensates and liquids, and 16 billion cubic feet of natural gas. Net reserves in Bolivia at December 31, 2000, were 273 million barrels of oil equivalent.

During 2000, a total of 6 exploratory wells were carried out, 3 of which were successful. Repsol YPF's most important discovery in the area was a large gas field in Margarita, located in the Caipipendi block, which net potential to Repsol YPF is estimated in 450 million barrels of oil equivalent.

Repsol YPF believes that both the Margarita discovery and the increase of its participation in Andina, will consolidate its position as the main producer of natural gas in Bolivia.

By the end of 2000, Repsol YPF was about to complete negotiations with Pérez Companc and Pluspetrol, regarding the acquisition of their stakes in Andina. See Section 3.11.4 "Operating and Financial Review and Prospects–Recent Developments–Repsol YPF Acquires Andina."

*Brasil*

At December 31, 2000, Repsol YPF had mineral rights in eight exploratory blocks located offshore, with a net surface area of 4.500 $km^2$ as well as one production block (Carauna), with a net surface area of 34 $km^2$.

By the end of 2000, one exploratory well was being carried out in block BES-3.

Repsol YPF started oil production for the first time in Brazil in 2000 at the Carauna field, operated by Santa Fe, currently in testing stage with 29,000 barrels of oil per day.

As part of the asset swap agreement with Petrobras, Repsol YPF will receive a 10% participating interest in the Albacora East block, a deep-water oilfield located offshore with a potential estimated at 1,000 million barrels of crude oil, currently in development. See Section 2.2.2. "—Refining and Marketing."

*Colombia*

At December 31, 2000, Repsol YPF had mineral rights in five exploratory blocks, with a net surface area of 5,400 $km^2$, and one production block (Cravo Norte) with a net surface area of 17 $km^2$.

Net petroleum production in Colombia was 1.7 million barrels of oil equivalent (an average of 4,600 barrels of crude oil per day), which was mainly affected by attacks by the Colombian guerrilla to the pipeline from Cravo Norte. Net reserves in Colombia at December 31, 2000, were 8,4 million barrels of oil equivalent. During 2000, one unsuccessful exploratory well was carried out.

*Cuba*

In December 2000, Repsol YPF reached an agreement with Cupet covering, among others, deep-water exploration activities off the coast of Cuba.

*Dubai*

At December 31, 2000, Repsol YPF had mineral rights in one production block, with a net surface area of 660 km$^2$. Crude oil production was 17 million barrels (an average of 47,000 barrels of crude oil per day). Net reserves in Dubai at December 31, 2000, were 101 million barrels of oil equivalent. No exploratory wells were carried out in 2000.

*Ecuador*

At December 31, 2000, Repsol YPF had mineral rights in three exploratory blocks, with a net surface area of 1,200 km$^2$. Net petroleum production in Ecuador was 4.7 million barrels of oil equivalent (an average of 12,700 barrels of oil equivalent per day) most of it from Bloque 16, restricted in part by the unavailability of the solvent liquid supplied by Petroecuador necessary for the transportation of the oil produced at this block. Net reserves in Ecuador at December 31, 2000, were 99 million barrels of oil equivalent. No exploratory wells were carried out in 2000.

During 2000 Repsol YPF was involved in negotiations for the construction of the *Oleoducto de Crudos Pesados* (Heavy Oil Pipeline), which is essential for the elimination of a bottleneck affecting the transportation of heavy oil in the area. Repsol YPF expects to reach an agreement to initiate construction of the pipeline during the first months of 2001. Repsol YPF believes that, once the pipeline begins operations in approximately two years, it will be able to double its current production in Ecuador.

*Egypt*

At December 31, 2000, Repsol YPF had mineral rights in nine exploratory blocks, with a net surface area of 55,200 km$^2$, and twelve production blocks, with a net surface area of 1,450 km$^2$.

Net petroleum production in Egypt was 12.5 million barrels of oil equivalent (an average of 34,200 barrels of oil equivalent per day), from the crude oil and gas fields of Western Area, Suez Gulf and Nile Delta, operated by Repsol YPF, Deminex and Agip, respectively. Crude oil production was 9.1 million barrels, including condensates and liquids, and 20 billion cubic feet of natural gas. Net reserves in Egypt at December 31, 2000, were 60 million barrels of oil equivalent.

During 2000, a total of seventeen exploratory wells were carried out, nine of which were successful. Repsol YPF made a significant gas discovery in the North Alexandria block, located in deep waters offshore the Nile delta, which was under evaluation at the end of 2000. Repsol YPF expects to intensify exploration activities in this block during the first half of 2001.

In 2000, the Western Desert gas project started operations, with production of gas and condensates in the areas of Khalda, South Umbarka and Tarek. Repsol YPF sold some non-strategic assets in Egypt. The largest divestment involved the sale of Repsol YPF's interests in the Suez Gulf East and Suez Gulf West to Deminex (Germany), operator of both of the blocks. The sale of this interests is waiting for approval from the Egyptian authorities. At the end of 2000, Repsol YPF was negotiating with Apache Corp. the sale of Repsol YPF's assets in the Western Desert, as part of its strategy of disinvestment in areas of low potential. Repsol YPF expects to reach an agreement by early 2001. See Section 3.11.1 "Operating and Financial Review and Prospects–Recent Developments—Divestment of Assets in Egypt."

*Guyana*

At December 31, 2000, Repsol YPF had mineral rights in one exploratory block located offshore, with a net surface area of 9.800 km$^2$. No exploratory wells were carried out in 2000.

*Indonesia and Malaysia*

At December 31, 2000, Repsol YPF had mineral rights in four exploratory blocks in Indonesia and Malaysia, with a net surface area of 11,700 $km^2$, and six production blocks, with a net surface area of 12,300 $km^2$.

Total net petroleum production in Indonesia was 23 million barrels of oil equivalent (an average of 63,000 barrels of oil equivalent per day). Crude oil production was 19 million barrels, including condensates and liquids, and 28 billion cubic feet of natural gas. Net reserves at December 31, 2000 were 295 million barrels of oil equivalent. During 2000, a total of sixteen exploratory wells were carried out, three of which were successful.

*Libya*

At December 31, 2000, Repsol YPF had mineral rights in four exploratory blocks, with a net surface area of 5,000 $km^2$, and one production block, with a net surface area of 440 $km^2$, all of them located in the Murzuq basin and operated by Repsol YPF.

Crude oil production in Libya, which was affected by the quotas assigned by OPEC to Libya, was 5.8 million barrels (an average of 15,950 barrels or crude oil per day), all of it from block NC-115 (El-Sharara field). Net reserves in Lybia at December 31, 2000 were 86 million barrels of oil equivalent.

During 2000, a total of three successful exploratory wells were carried out. Repsol YPF made an important discovery in the first exploratory well carried out in Block NC-186 (El-Sharara field), which in Repsol YPF's view confirms the good perspectives for this block. Toward the end of 2000, the second exploratory well was under way, with good oil shows during drilling.

*Peru*

At December 31, 2000, Repsol YPF had mineral rights in six exploratory blocks, one of them located offshore, with a net surface area of 26,900 $km^2$. No exploratory wells were carried out during 2000.

*Spain*

At December 31, 2000, Repsol YPF had mineral rights in five exploratory blocks all of them located offshore, with a net surface area of 1,300 $km^2$, and eleven production blocks, with a net surface area of 1,220 $km^2$.

Net petroleum production in Spain was 3.7 million barrels of oil equivalent (an average of 10,000 barrels of oil equivalent per day). Crude oil production from Repsol YPF facilities in Casablanca (Mediterranean Sea), Poseidón (Atlantic Sea), Gaviota Mar (Cantabrian Sea) and La Lora (on land) was 0.8 million barrels of crude oil, and 18 billion cubic feet of natural gas. Net reserves in Spain at December 31, 2000 were 7.6 million barrels of oil equivalent.

During 2000, Repsol YPF carried out one successful exploratory well (Barracuda) at the Casablanca offshore facilities. Production from this field started immediately through the Casablanca platform. Repsol YPF acquired at no cost the participating interests of CNWL (Canada) and LOCS (Spain) in the Chipirón field, near the Casablanca platform in Tarragona, bringing Repsol YPF's total participating interest in this field up to 98%. This field, which is in the development stage, is expected to begin production during Summer of 2001 by means of subsea facilities connected to the Casablanca platform. Finally, activities relating to the underwater storage of natural gas continued at the Gaviota offshore oilfield.

*Trinidad & Tobago*

At December 31, 2000, Repsol YPF had mineral rights in one exploratory block located offshore, with a net surface area of 220 km$^2$, as well as a 10% of the gas and liquid reserves of BP located in Trinidad & Tobago.

Net petroleum production in Trinidad & Tobago was 7.3 million barrels of oil equivalent (an average of 20,100 barrels of oil equivalent per day), all of it from fields operated by BP. Crude oil production was 1.9 million barrels of liquids, and 33 billion cubic feet of natural gas. Net reserves in Trinidad & Tobago at December 31, 2000 were 217 million barrels of oil equivalent.

Repsol YPF acquired, effective January 1, 2000, 10% of the gas and liquid reserves of BP located in Trinidad & Tobago. This investment is related to the decision to build two new trains at the Atlantic LNG plant where the gas from these reserves will be processed. Repsol YPF has a purchase option on an additional 20% of these reserves to be exercised within three years. Repsol YPF also has a 20% participating interest in the first and only train in operation at the Atlantic LNG plant. With this acquisition, Repsol YPF initiates production activities in Trinidad & Tobago and strengths it position in a strategic area for the development of natural gas. As of the date of the acquisition, these reserves were estimated to be around 205 million barrels of oil equivalent. During 2000, a total of 3 exploratory wells were carried out, resulting in 2 important gas discoveries, one in the 5B (Manakin) block and the other in the Eastern Offshore vicinity (Red Mango). Both blocks belong to BP's production interests where Repsol YPF participates.

*United Kingdom*

In 2000, as part of its strategy to dispose of non-core assets, Repsol YPF sold of its exploration and production assets in the North Sea for US$ 555 million to Kerr McGee, a U.S. based petroleum company with extensive operations in the U.S. North Sea. The transaction represented all of Repsol YPF's holdings in the U.K. North Sea, including two producing fields, two fields identified for development and other exploratory blocks. This sale encompassed 89.8 million barrels of oil equivalent of proved remaining reserves.

*United States*

At December 31, 2000, Repsol YPF had mineral rights in twenty four exploratory blocks, with a net surface area of 335 km$^2$, and in one production block, with a net surface area of 10 km$^2$, all of them located in the Gulf of Mexico.

Net petroleum production in the United States was 0.2 million barrels of oil equivalent of gas and condensates. Net reserves at December 31, 2000 were 1.1 million barrels of oil equivalent. During 2000, one unsuccessful exploratory well was carried out.

Effective January 1, 2000, Repsol YPF completed the sale of its interest in Crescendo, a portion of which had already been sold in 1999 to BP. The remaining interests were sold to Apache Corporation, a U.S. company, for US$218 million. This sale encompassed 40 million barrels of oil equivalent of proved remaining reserves.

*Venezuela*

At December 31, 2000, Repsol YPF had mineral rights in one exploratory block, with a net surface area of 1,970 km2, and four production blocks, with a net surface area of 3,500 km$^2$.

Net petroleum production in Venezuela was 8.9 million barrels of oil equivalent (an average of 24,300 barrels of oil equivalent per day), mainly from Mene Grande, Quiriquire and Quiamare-La Ceiba, all of which are operated by Repsol YPF. Crude oil production was 8.8 million barrels, including condensates and liquids, and 0.2 billion cubic feet of natural gas. Net proved reserves of natural gas and liquids in Venezuela at December 31, 2000 were 154 million barrels of oil equivalent. During 2000, a total of five exploratory wells were carried out, three of which were successful, all of them located in the Mene Grande Area.

In 2000, Repsol YPF acquired the participating rights of BP (45%) in the Quiriquire block, increasing its participation in this block up to 100%. The amount involved in the acquisition was US$53 million and net proved reserves were estimated at the acquisition date in 15 million barrels of oil equivalent. Repsol YPF and PDVSA, the Venezuelan state-owned company, signed an gas production agreement related to the Quiriquire block. See Section 3.11.2 "Operating and Financial Review and Prospects—Recent Developments—Gas Production Agreement With PDVSA." Repsol YPF also acquired the BP and Union Pacific's participating interests in the Guarapiche and Guárico West blocks, increasing its participation in both blocks up to 100%. In November of 2000, Repsol YPF acquired a 25% participating interest in Quiamare-La Ceiba from Sipetrol ENAP, as part of an assets swap agreement involving assets in Argentina.

*Rest of the world*

During 2000, Repsol YPF sold other non-strategic assets located in Vietnam and Gabon. In Vietnam a 30% participating interests in blocks B and 48/95 were sold to Unocal-PVSC-Moeco for US$14.2 million. In Gabon a 25% participating interest in Hylia-Vanneu and a 19.7% participating interest in Pelican East were sold to Perenco for US$10.2 million.

### 2.2.2 Refining and Marketing

Repsol YPF's Refining and Marketing business unit comprises the refining and transportation, as well as the marketing, both at the retail and wholesale level, of petroleum products and, beginning 2000, the distribution and retail sale of liquefied petroleum gas or LPG, including butane and propane, which in previous years was part of the Gas and Electricity business unit. Repsol YPF conducts refining activities in three countries as operator and is the leading refiner in the Spanish and Argentine markets. Repsol YPF operates five refineries in Spain with a total installed capacity of 740,000 barrels per day, and five refineries in Latin America (Argentina and Peru) with a total installed capacity of 466,000 barrels per day. Repsol YPF conducts distribution and marketing activities in eleven countries, and is the leader in the Spanish and Argentine markets and one of the principal operators in Peru and Ecuador. Repsol YPF's network of points of sale is made up of 3,705 service stations and gas pumps in Spain and 3,519 service stations and gas pumps outside Spain, mainly in Latin America. Refining and Marketing operations contributed 21.2% of the total operating income of Repsol YPF for the fiscal year 2000, 38.4% for the fiscal year 1999, and 67.4% for the fiscal year 1998.

Repsol YPF's refining activities are conducted in Spain through Repsol Petróleo and Petronor, in Argentina through Eg3 (until its handover to Petrobras is effected) and YPF, and in Peru through Refinería La Pampilla S.A. Repsol YPF is technical operator of Refinería la Pampilla, S.A.

Repsol YPF's distribution and marketing activities in the different countries where it has operations, have significantly evolved in the recent years. These activities are conducted through the following entities:

- Spain: CLH, Repsol Comercial de Productos Petrolíferos and Campsared.
- Argentina: YPF, Eg3 and Refinor.
- Peru: Repsol YPF Comercial del Perú.

- Ecuador: Repsol YPF Comercial del Ecuador.
- Chile: YPF Chile.
- Brazil: YPF Brasil.
- United States: Global.
- Italy: Repsol Italia.
- France: Repsol France.
- Morocco: Repsol Maroc.
- Portugal: Repsol Portugal.

On July 31, 2000, Repsol YPF and Petrobras signed an Asset Swap Memorandum of Understanding, which contains the agreement reached by the two companies in connection with a swap of select Repsol YPF assets in Argentina for Petrobras assets in Brazil. Pursuant to the agreement, Repsol YPF will receive a 30% stake in the REFAP refinery in South Brazil, with a refining capacity of 188,000 barrels of oil equivalent per day and a service station network concentrated in central, southeast and south Brazil, with sales of 480 million liters per annum. Additionally, Repsol YPF will receive a 10% stake in the offshore Albacora Leste field, with estimated reserves of more than 1,000 million barrels of oil equivalent. Repsol YPF will become Brazil's second largest refining company, with a refining capacity of nearly 60,000 barrels per day, and one of the main marketing companies of petroleum products in Brazil. Petrobras will obtain control of Eg3, the fourth largest refining and marketing company in Argentina, with 700 service stations and a refinery in Bahía Blanca, with a refining capacity of 30,500 barrels per day.

Once the agreement has been cleared, it will be presented to the Brazilian and Argentine anti-trust authorities and the National Petroleum Agency of Brazil. The transfer of assets will take effect once the relevant authorizations have been received. As of the date of this annual report, Petrobras and Repsol YPF were still negotiating the closing of the agreement, in particular with regard to the change of certain conditions requested by Petrobras.

Repsol YPF and Abengoa have been awarded the European Commission prize for the Best European Industrial Venture in renewable energy. This award was officially presented on October 24, 2000, in Toulouse. The prize-winning venture involves the production of 226 million liters per annum of bio-ethanol from fermented grain, for its further transformation at oil refineries into components for high octane gasoline with excellent environmental qualities. Half of this production is already operative through a plant belonging to Abengoa in Cartagena. The bio-ethanol produced at this plant is being processed at Repsol YPF's refineries at Puertollano and La Coruña. Momentarily, other refineries will be incorporated and Repsol YPF expects to build a new plant in La Coruña.

#### *2.2.2.1 Refining*

Repsol YPF's refineries produce a wide range of petroleum products, including automotive and industrial fuels, lubricants, basic petrochemicals, asphalt and coke. Repsol YPF conducts its refining business through Repsol Petróleo and Petronor, in which it has 99.97% and 87.82% ownership interests, respectively. Repsol Petróleo and Petronor are, in the aggregate, the largest domestic refining operation in Spain, with 59% of estimated domestic refining capacity in terms of effective installed capacity in primary distillation as of December 31, 2000. Repsol YPF began refining operations in Latin America in August 1996 with the acquisition, through the consortium Refinadores del Perú (Refipesa) (in which Repsol YPF Peru, B.V. currently has, after the acquisition of YPF, a 78.76% controlling interest) of a 60.04% holding of Refinería La Pampilla, S.A. (Relapasa), whose main asset is the Pampilla refinery. Repsol YPF's refining activities in South America also include its 98.96% ownership of Eg3, S.A. (Eg3), an Argentine petroleum refinery and distribution company, the principal refining operation of which is the Bahía Blanca refinery, with and installed capacity of 30,500 barrels per day. Repsol YPF has operated the Bahía Blanca refinery since September 1, 1997.

Repsol YPF owns and operates three refineries in Argentina: La Plata, Luján de Cuyo and Plaza de Huincul, with a total installed capacity of 334,000 barrels per day. Additionally, Repsol YPF has interests in one refinery in Argentina and in another one in Brazil.

#### 2.2.2.1.1 *Installed capacity, supply and production*

The following table sets forth the capacities of Repsol YPF's principal refineries at December 31, 2000.

| | Primary Distillation | High Conversion(1) | Lubricants | Asphalt |
|---|---|---|---|---|
| | (thousands of barrels per day) | | (thousands of tonnes per year) | |
| **Refining capacity** | | | | |
| **Spain** | | | | |
| Cartagena | 100 | — | 135 | 300 |
| La Coruña | 120 | 68 | — | 100 |
| Puertollano | 140 | 76 | 110 | 300 |
| Tarragona | 160 | 33 | — | 425 (2) |
| Bilbao | 220 | 98 | — | 200 |
| Total Repsol YPF (Spain) | 740 | 275 | 245 | 1,325 |
| Total Spain (3) | 1,260 | 391 | 505 | 2.175 |
| Repsol YPF capacity (as a percentage of total Spanish capacity) | 59% | 70% | 49% | 61% |
| **Peru** | | | | |
| La Pampilla | 102 | 10 | — | 215 |
| **Argentina** | | | | |
| Bahía Blanca | 30 | 9 | — | 150 |
| La Plata | 189 | 140 | 287 | 426 |
| Plaza de Huincul | 25 | — | — | — |
| Luján de Cuyo | 120 | 136 | — | — |
| Total Repsol YPF (Argentina) | 364 | 285 | 287 | 576 |
| **Total Repsol YPF** | 1,206 | 570 | 532 | 2,116 |

(1) Stated in fluid catalytic cracking equivalent capacity units.

(2) Corresponds to 50% of the asphalt production of Asfaltos Españoles, S.A. (ASESA), a company owned 50% by Repsol YPF and 50% by Cepsa and 50% of whose products are marketed by Repsol YPF. ASESA began asphalt manufacturing operations in 1990.

(3) Repsol YPF estimates.

During 2000, Repsol YPF purchased 62.7 million tonnes of crude oil, of which 52.3 million tonnes were used in its own operations and the remaining 10.4 million tonnes were resold on international markets. In 2000, Repsol YPF's refinery system purchased 0.6 million tonnes of crude oil from Exploración, 1.5 million tonnes from Astra, and 13.1 million tonnes from YPF. The remaining 37.1 million tonnes of crude oil used in Repsol YPF's refining operations were purchased pursuant to contracts on the "spot" market. In connection with a long-standing relationship with Pemex, Repsol YPF purchases from Pemex an amount of barrels per day which is fixed annually. In 1999 and 2000, that amount was fixed at approximately 90,000 barrels per day. The 2001 amount has not yet been fixed, but it has been estimated at 104,000 barrels per day. All these operations are denominated in US dollars. In addition, Repsol YPF purchased in 2000 a total of 8.2 million tonnes of intermediate and finished petroleum products, of which 4.4 million tonnes were resold on international markets.

The following table sets forth the origin of crude oil processed during 2000 and 1999:

| | 2000 | 1999 |
|---|---|---|
| Middle East | 18% | 26% |
| North Africa | 14% | 13% |
| West Africa | 8% | 8% |
| Latin America | 50% | 37% |
| Europe | 10% | 16% |
| | 100% | 100% |

The following table sets forth Repsol YPF's refining production figures for its principal products for the periods indicated:

| | 2000 | 1999(1) | 1998 |
|---|---|---|---|
| **Feedstock processed (2)** | | | |
| Crude oil | 52.7 | 47.5 | 41.83 |
| Other feedstock | 6.4 | 3.3 | 2.48 |
| Total | 59.1 | 50.8 | 44.31 |
| **Refining production (3)** | | | |
| Intermediate distillates | 24,294 | 20,549 | 16,781 |
| Gasolines | 12,797 | 9,907 | 8,049 |
| Fuel oil | 8,851 | 8,727 | 10,085 |
| LPG | 1,736 | 1,300 | 1,028 |
| Asphalts | 1,363 | 1,342 | 1,151 |
| Lubricants | 430 | 352 | 246 |
| Other (except petrochemical) | 3,540 | 2,992 | 1,113 |
| Total | 53,011 | 45,169 | 38,453 |

(1) Includes, beginning June 23, 1999, 100% of YPF's production, i.e., production of the La Plata, Luján de Cuyo and Plaza de Huincul refineries and 30.71% in 2000 and 30.54% in 1999 of Refinería de Manguinhos (Brazil).

(2) Millions of tonnes.

(3) Thousands of tonnes.

The increase in total production in 2000 is due principally to the consolidation of YPF's refineries, which operated at 87.2% of their capacity during that period. This increase was offset in part by the decrease in production at the rest of Repsol YPF's refineries. Repsol YPF's Spanish refineries operated at 89.1% of their capacity, 4% lower than in 1999. La Pampilla refinery operated at 68.1% of its capacity during 2000, while Eg3's refinery operated at 97.5% of their capacity during the same period.

*Spain.* Repsol YPF's refineries in Spain operated at an average capacity of 89.1% for the year 2000, compared to the 91.9% for all Spanish refineries. In 2000, Repsol YPF's five Spanish refineries refined 33.0 million tonnes of crude oil, representing 58% of all crude oil refined in Spain. The geographic distribution of Repsol YPF's refineries and their proximity to the principal Spanish centers of consumption provide significant competitive advantages. Two refineries (at Cartagena and Tarragona) are located on the Mediterranean coast, one (at La Coruña) is located on the northwest coast, the fourth (at Puertollano) is located inland alongside the major pipeline network and the fifth (at Bilbao) is located on the northern coast. The five refineries owned by Repsol YPF in Spain undertook a capital investment program for the purpose of adapting their production schemes to the strict European Union product quality requirements which took effect on January 1, 2000. These five refineries currently operate in accordance with the new standards. See Section 2.3.1.1 "—Regulation of the Petroleum Industry—Spain—Petroleum and Petroleum Products."

During 1999, several projects were developed in order to increase conversion capacity, specifically to increase coker unit capacity in La Coruña and Puertollano as well as mild hydrocracking in Bilbao, both of which were concluded at the beginning of 2000 and currently are in full operation.

At December 31, 2000, Repsol YPF had storage facilities with 28 million barrels of crude capacity and 37 million barrels of refined product capacity.

The Spanish government requires that entities involved in the production or distribution in Spain of petroleum products maintain minimum levels of reserves of those products. Under legislation enacted in 1994, *Corporación de Reservas Estratégicas* (CORES), a Spanish government corporation, was created by the Spanish government to establish, manage and maintain levels of strategic reserves of crude oil and petroleum products. In 2000, 1,200 tonnes of products and 371,200 tonnes of crude oil were sold to CORES. Repsol YPF complies in all material respects with current regulations.

*Peru.* La Pampilla, located 25 kilometers north of Lima, Peru, has a total refining capacity of approximately 102,000 barrels per day, which Repsol YPF estimates accounts for more than 50% of Peru's refining capacity at December 31, 2000. As of December 31, 2001, the investment made in La Pampilla has exceeded the US$50 million originally agreed upon in the acquisition agreement to modernize and improve the efficiency of La Pampilla, and to adapt it to comply with Peruvian environmental regulations. The costs of such investments were borne proportionally between Refipesa (60%) and the other shareholders of La Pampilla (40%). La Pampilla's capacity, production and assets are reported by Repsol YPF on a fully consolidated basis. La Pampilla benefits from its proximity to Lima, which Repsol YPF estimates represents more than 50% of Peru's demand for oil, as well as from the distance of alternative sources of supply (the Gulf of Mexico). During 2000, the La Pampilla refinery processed 3.5 million tonnes of crude oil.

Repsol YPF is undertaking several projects aimed at increasing the refining capacity of the La Pampilla refinery, as well as expanding the existing vacuum and FCC units and installing a new vacuum and Visbreaking Units. These projects will result in diminished output of fuel oil in favor of light refined products in the future.

*Argentina.* Since June 23, 1999, Repsol YPF has owned and operated the refineries of La Plata, Luján de Cuyo and Plaza de Huincul, which are owned by YPF.

La Plata refinery has the largest refining capacity in Argentina, with an installed capacity of 189,000 barrels per day. It is located 60 kilometers from Buenos Aires and is equipped with three crude units, two vacuum units, two FCC units and two coker units.

Luján de Cuyo refinery has an installed capacity of 120,000 barrels per day. It is located in the Province of Mendoza and supplies central Argentina. This refinery is equipped with three primary distillation units, a vacuum unit, two FCC units, one Isomax unit and two coker units.

Plaza de Huincul refinery is located in the Province of Neuquén and has a capacity of 25,000 barrels per day.

YPF also has a 30% participation in the Refinor refinery, in the Province of Salta, which together with the 21% interest owned by Astra gives Repsol YPF 51% ownership. Additionally, YPF has a 30.71% interest in the refinery of Manguinhos near Rio de Janeiro, Brazil.

Astra is the operator of the Bahía Blanca refinery, which has an installed capacity of 30,500 barrels per day. The refinery in Bahía Blanca is operated by Repsol YPF. The Bahía Blanca refinery currently is equipped with FCC and Visbreaking units which support a conversion capacity of 30%. At December 31, 2000, Astra held a 21% stake in Refinor.

In June 2000, Repsol YPF, through its affiliate Astra, sold to Pérez Companc its 42.5% interest in Refinería de San Lorenzo S.A. (Refisan). Refisan owns a refinery in the province of Santa Fe (Argentina) with daily refining capacity of 38,000 barrels per day, as well as a commercial network of service stations.

With this sale, Repsol YPF continues its process of diminishing its presence in refining and service stations in Argentina, an obligation it undertook to the Government of Argentina in June 1999 and which includes reducing its refining capacity by four percent and its commercial sales of combustible fuels by eleven percent. Repsol expects to realize a loss of €39 million in connection with the sale of its 42.5% stake in Refisan. See Section 3.5 "Extraordinary Income (Expense)" for information about losses connected to the sale of the Refinería de San Lorenzo.

##### 2.2.2.1.2 *Sales and Distribution*

The following table sets forth the sales of petroleum products, broken down by product and markets. (This table does not include GLP sales to Repsol YPF's related distribution companies. See Section 2.2.2.4 "—Refining and Marketing—GLP.")

| | 2000 | 1999 | 1998 | 00 vs. 99 | 99 vs. 98 |
|---|---|---|---|---|---|
| | (thousands of tonnes) | | | | |
| **Spain** | | | | | |
| Gasolines | 4,472 | 4,839 | 5,044 | (7.6)% | (4.06)% |
| Diesel oil/Kerosene | 14,998 | 15,239 | 14,575 | (1.6) | 4.56 |
| Fuel oil | 3,510 | 5,026 | 4,344 | (30.2) | 15.70 |
| Other | 2,199 | 1,917 | 1,904 | 14.7 | 0.68 |
| | 25,179 | 27,021 | 25,867 | (6.8) | 4.46 |
| **Argentina** | | | | | |
| Gasolines | 2,119 | 1,355 | 438 | 56.4% | 209.36% |
| Diesel oil/Kerosene | 7,115 | 4,010 | 979 | 77.4 | 309.60 |
| Fuel oil | 238 | 185 | 97 | 28.6 | 90.72 |
| Other | 1,620 | 1,156 | 161 | 40.1 | 618.01 |
| | 11,092 | 6,706 | 1,675 | 65.4 | 300.36 |
| **Other** | | | | | |
| Gasolines | 4,012 | 2,947 | 2,140 | 36.2% | 37.71% |
| Diesel oil/Kerosene | 4,195 | 3,426 | 2,673 | 22.4 | 28.17 |
| Fuel oil | 4,653 | 3,714 | 6,043 | 25.3 | (38.54) |
| Other | 2,220 | 1,986 | 1,182 | 11.8 | 68.02 |
| | 15,080 | 12,073 | 12,038 | 24.9 | 0.29 |
| **Total** | | | | | |
| Gasolines | 10,604 | 9,141 | 7,184 | 16.0% | 27.24% |
| Diesel oil/Kerosene | 26,308 | 22,675 | 17,248 | 16.0 | 31.46 |
| Fuel oil | 8,401 | 8,925 | 10,387 | (5.9) | (14.08) |
| Other | 6,038 | 5,060 | 3,086 | 19.3 | 63.97 |
| | 51,351 | 45,801 | 37,905 | 12.1 | 20.83 |

In 2000, approximately 18% of sales in Spain were of gasoline and 60% were of medium distillates. In Argentina, 19% of sales were of gasoline and 64% of intermediate distillates. In 2000, international sales were made principally to the following markets: Portugal, France, Italy, Latin America and the United States.

#### *2.2.2.2 Transport of Crude Oil and Distribution of Petroleum Products*

During the first months of 2000, Repsol YPF inaugurated a new 358-kilometer oil pipeline from Cartagena to Puertollano that substitutes the existing one from Málaga to Puertollano, which is expected to be dismantled in the near future. Repsol YPF's investment in connection with the Cartagena-Puertollano pipeline was €161 million, financed in part (€61 million) with European Union regional development funds.

Repsol YPF owns 61.64% (13.11% through Petronor) of CLH, stake which, pursuant to the provisions of Royal Decree Law 6/2000 is expected to be reduced to a 25% stake. See Section 2.3.1 "—Regulation of the Petroleum Industry–Spain." CLH is the principal transporter of petroleum products in Spain. At December 31, 2000, CLH's transportation network consisted of 3,422 kilometers of refined product pipelines, 9 tankers and 182 trucks. There also exist 37 storage sites (all of them connected to the multiple pipeline network with the exception of Gijón, Motril, and the three located in the Baleares islands), 33 distribution facilities in airports and 1 bunker, which in the aggregate represents a capacity of approximately 6.4 million cubic meters. CLH also owns 7 barges with an aggregate capacity of 11,383 deadweight tonnes. CLH has undertaken a major program of capital improvements in its storage and transportation system to help it continue to be the low-cost transporter of petroleum in Spain. CLH has spent €744,4 million on these improvements in the period 1990-2000 and, as a result, the transportation system's operating personnel has been reduced from approximately 4,500 in 1989 to 2,011 in 2000. CLH plans to spend another €360 million for the period 2001-2004 on its transportation network as well as on its storage facilities, in order to increase its capacity and productivity.

Repsol YPF owns two crude oil pipelines in Argentina. One connects Puesto Hernández to the refinery of Luján de Cuyo (528 kilometers) and the other connects Puerto Rosales to the refinery of La Plata (585 kilometers). YPF owns 37% (30% through YPF and 7% through Astra) of Oldelval, operator of a double 513 kilometer pipeline that connects the Neuquén basin and the Puerto Rosales. At December 31, 2000, Repsol YPF had a 54% interest in the 430 kilometer Transandean Pipeline, that transports crude oil from Argentina to Concepción, Chile. In February 2001, Repsol YPF entered into negotiations with Alberta Energy Corp Pipelines for the sale of 36% of its interest in the Transandean Pipeline. Repsol YPF also owns 33.15% (30% through YPF and 3.15% through Astra) of Termap, operator of two storage and port facilities: Caleta Córdova (province of Chubut) with a capacity of 194,000 cubic meters, and Caleta Olivia (province of Santa Cruz) with a capacity of 217,000 cubic meters. Finally, Repsol YPF has a 30% interest in Oiltanking Ebytem, operator of the maritime terminal of Puerto Rosales with a capacity of 480,000 cubic meters.

In Argentina, Repsol YPF also operates a network of multiple pipelines for the transportation of refined products with a total length of 1,801 kilometers. Repsol YPF also owns 15 plants for the storage and distribution of refined products with an approximate capacity of 900 thousand cubic meters. Three of these plants are annexed to the refineries of Luján de Cuyo, La Plata and Plaza Huincul. Nine of these plants have maritime or fluvial connections. Repsol YPF also owns more than 54 airport facilities with a capacity of 13,600 cubic meters, and 27 trucks.

In Chile, Repsol YPF leased two tanks of 10 thousand cubic meters each for storage of naphtha and gas oil. These tanks are located at the facilities of Oxiquin, close to the ENAP refinery. The plant is connected through a pipeline to a maritime loading/unloading facility were vessels dock to unload naphtha and gas oil. Additionally, Repsol YPF leases storage capacity from ENAP, one of 2,500 cubic meters at Maipu, and another one of 1,500 cubic meters at Linares.

In addition, Repsol YPF owned or leased tankers with a total capacity of 7,734 and 172,769 deadweight tonnes, respectively, for shipping LPG and other products. These figures include CLH's nine vessels. At December 31, 2000, Repsol YPF leased three time charter tankers for the shipping of crude oil with a total capacity of 390,755 dead weight tonnes. In Peru, Relapasa has a 40,439 deadweight tonnes leased time charter vessel for purposes of transportation of products. In Argentina, Repsol YPF has a two-year lease on a timer charter vessel for cabotage of products, with a capacity of 12,784 deadweight tonnes.

#### *2.2.2.3 Marketing*

Repsol YPF's points of sale (service stations and gas pumps) as of December 31, 2000 were as follows:

| Marketing operations | Owned by Repsol | Flagged | Total |
|---|---|---|---|
| Spain | 2,892 | 813 | 3,705(1) |
| Argentina | 236 | 2,534 | 2,770(2) |
| Peru | 71 | 87 | 158 |
| Ecuador | 57 | 57 | 114 |
| Chile | 51 | 72 | 123 |
| Brazil | 23 | 144 | 167(3) |
| United States | – | 91 | 91 |
| Portugal | 71 | 25 | 96 |
| Total | 3,401 | 3,823 | 7,224(4) |

(1) Twenty six additional points of sale are under construction

(2) Does not include 54 service stations owned by Refinor

(3) Includes 30.71% of Red Wal

(4) Starting 2000, all service stations located at both sides of a road are considered two points of sale.

*Spain.* Repsol YPF currently sells gasoline to the public under the Campsa, Petronor and Repsol brand names with the following distribution:

| Points of sale by brand | Points of sale |
|---|---|
| Campsa | 1,781 |
| Repsol | 1,442 |
| Petronor | 447 |
| No brand | 35 |
| Total | 3,705(1) |

(1) An additional 26 points of sale were under construction.

In Spain, at December 31, 2000, Repsol YPF operated 21.2% of the points of sale, while 21.9% were flagged, which reflects the high degree of connection that Repsol YPF has within the point of sales' network.

Repsol YPF's marketing strategy in Spain is to increase its connection inside the points of sales' network by increasing the number of point of sales under long-term contracts or other type of permanent relationship that secures a more permanent linkage, as well as increasing the number of point of sales directly operated. Repsol YPF's strategy also includes increasing its margin through the sales of products different from gas, increasing the loyalty of its customers, and retaining all three brand names, differentiating its products in Spain by positioning each brand individually.

Repsol YPF supplies oil products not only through its own sales network, but also through other operators, thus substituting for exports, which have a lower margin. Repsol YPF believes that its network of refineries in Spain positions it to be a competitive supplier of oil products to other operators.

The Spanish market for petroleum products is a mature market. In order to maintain its market share and profitability, Repsol YPF has continued offering higher value-added products and services. Two principal such products and services are the Supercor Service Stations, which Repsol YPF operates jointly with El Corte Inglés, Spain's largest department store, and the Repsol YPF VISA card.

- The Supercor Service Stations are specially designed and feature the sale of a wide variety of consumer goods in addition to gasoline. Repsol YPF owned twenty three of these stations, principally in Madrid, Barcelona and Malaga, at the end of 2000.

- The Repsol YPF VISA card, launched in November of 1998, is the first of its type to be issued by an oil company in Spain and provides special advantages to its holders, including discounts on all purchases, discounts on fuel, services and other purchases at Repsol, Campsa and Petronor service stations belonging to the Solred Network. The card also provides discounts on all services and purchases made at other commercial establishments. BBVA and La Caixa provided support for the launching of Repsol YPF VISA. In 2000, the Solred R.A.C.E Card was launched, which provides special advantages to the members of the Royal Automobile Club of Spain *(Real Automóvil Club de España*).

Repsol YPF believes that, as of December 31, 2000, its competitors in Spain with local refining capacity owned approximately 26.2% of the points of sale of the Spanish market. Repsol YPF estimates that, as of December 31, 2000, approximately 1,990 service stations are owned or are flagged by companies that do not own refineries in Spain, compared to 1,711 at December 31, 1999 and 1,481 at December 31, 1998.

Among the measures adopted by the Royal Decree Law 6/2000 are the requirement to inform the Ministry of Economy of the current sale prices at the service station's network and the prohibition to open new points of sale for a period of five years for those wholesale distributors with a market share larger than 30% (three years in the case of wholesale distributors with a market share between 15% and 30%). The measures also facilitate the installation of new service stations in large commercial establishments. See Section 2.3.1 "—Regulation of the Petroleum Industry—Spain."

*Other Countries.* The acquisition of YPF represents the continuation of Repsol YPF's plans to extend its distribution and retail activities of petroleum products outside of Spain. In accordance with these plans Repsol YPF also sells its petroleum products through service stations located in European Union Countries, Latin America and the United States.

*Argentina*. Repsol YPF's presence in Argentina includes service stations under the brands YPF and Eg3. YPF has 2,080 points of sale, of which 109 are directly owned by YPF, 23 are leased to ACA (Argentinean Automobile Club) (*Automóvil Club Argentino)* and the remainder are affiliated service stations. OPESSA (a 100% subsidiary of YPF) operates 107 of these, 84 of those directly owned and 23 leased to ACA. 23 of the directly owned stations are operated by third parties.

Additionally, Repsol YPF has stakes in Eg3 (99.61% through Astra), and Refinor (30% through YPF, 21% through Astra). These two companies had a network of 690 (104 directly owned) and 54 (7 directly owned) points of sale, respectively, at December 31, 2000. Eg3 directly operates 63 service stations through Eg3 Red, La Pampa, Carlota Combustibles and Alvisa, all of them 100% owned by Astra and Eg3. Repsol YPF estimates that December 31, 2000 YPF's points of sale together accounted for 33.1% of the Argentine market and that Eg3's points of sale accounted for 11.0% of the Argentine market. In Argentina, Shell and Esso are Repsol YPF's main competitors, with approximately 17.6% and 12.4%, respectively, of the points of sale in Argentina. According to the Asset Swap Agreement, Petrobras is to receive all of Eg3 assets in Argentina. See Section 2.2.2 "Refining and Marketing" above.

In July of 2000, Repsol YPF and Petrobras, signed an agreement in connection with a swap of select Repsol YPF assets in Argentina for Petrobras assets in Brazil. According to the agreement, Repsol YPF will receive a 30% of Petrobas's interest in the REFAP refinery, in South Brazil, a service station network selling 480 million litres per annum in central, southeast and southern Brazil, and a 10% stake in Albacora Leste.

In line with Repsol YPF's strategy to offer high added-value products, a new line of high-quality gasolines was introduced in Argentina, under the brand "Fangio XXI." YPF introduced a new credit card, ("YPF on the road"), targeted to commercial drivers and vans, large trucks and buses.

*Peru*. Through Repsol YPF Comercial del Perú, Repsol YPF's network at December 31, 2000 consisted of 158 points of sale, 71 of which were directly owned and 50 directly operated.

*Ecuador*. Through Repsol YPF Comercial del Ecuador, Repsol YPF's network at December 31, 2000 consisted of 114 points of sale, 57 of which were directly owned and 10 were directly operated.

*Chile*. YPF Chile at December 31, 2000 operated a network of 123 points of sale, 32 of which were directly owned, 19 were leased and 72 were affiliated. OPESE (100% wholly owned by YPF Chile) directly operated 15 of them, 11 of which were directly owned and 4 were leased.

*Brazil*. YPF Brasil's network consisted at December 31, 2000 of 144 points of sale, 15 of which were directly owned and directly operated. Refinería de Manguinhos, in which YPF Brasil has a 30.71% stake, and through Wal Postos a network of 76 service stations, 26 of them directly owned and 53 flagged, all of them operated by this company.

*United States.* YPF has a 51% stake in Global, with a network of 91 service stations, 44 of which are branded under that name, and the remaining under other brands.

*Europe*. As of December 31, 2000, Repsol YPF has 96 points of sale in Portugal (71 owned, 25 flagged) 19 of which were directly operated through GESPOST, a 100% wholly owned subsidiary of Repsol Portugal.

In November of 2000, Repsol YPF sold to Sutton Oil, all the service stations it owned in the U.K.

Repsol YPF's total refining and marketing investment outlay for 2000 was €460 million. Repsol YPF also invested significant amounts to increase the number of strong-linked service stations in its network and to construct new service stations. Repsol YPF intends to continue investing to improve its connection within the service stations network and to increase the number of stations it directly operates.

*Other Petroleum Markets.* Repsol YPF also sells petroleum products to the industrial, marine and aviation markets. Products sold in these markets include diesel, kerosene, fuel oil, lubricants, asphalt, petroleum coke and other derivative products. Repsol YPF, through Repsol Petróleo, holds a 50% interest in Asfaltos Españoles, S.A. (ASESA), a company that produces asphalt. Repsol YPF also has a 99.99% interest in each of Repsol Productos Asfálticos (the remaining 0.1% is owned by Repsol Comercial) and 100% of Asfalnor (through Petronor), both of which distribute and market asphalt products. In Portugal, sale and marketing of asphalt is made through Repsol Portugal. In Argentina, Eg3 and Astra own 100% of Eg3 Asfaltos, which produces asphalt membranes at its Bahía Blanca plant.

#### *2.2.2.4 LPG*

Sales of LPG during the last three years by region and type of product are as follows:

| | **2000** | **1999** | **1998** |
|---|---|---|---|
| | **(thousands of tonnes)** | | |
| **Sales volume of LPG(1)** | | | |
| Spain | 2,247 | 2,358 | 2,357 |
| Argentina | 391 | 247 | 107 |
| Other | 592 | 541 | 323 |
| Total | 3,230 | 3,146 | 2,787 |

| | **2000** | **1999** | **1998** |
|---|---|---|---|
| | **(thousands of tonnes)** | | |
| **Sales volume of LPG(1)** | | | |
| Bottled | 2,289 | 2,293 | 2,035 |
| Bulk, pipeline and others(2) | 941 | 853 | 752 |
| Total | 3,230 | 3,146 | 2,787 |

(1) Includes sales to related distribution companies.

(2) Includes sales to the automobile market, petrochemical, operators and others.

*Spain.* Repsol YPF's LPG distribution activities are conducted by Repsol Butano, which has been distributing LPG to Spanish household and industrial users for over 40 years and is currently the largest wholesaler and retailer of LPG in Spain. Repsol Butano supplies bottled LPG to approximately 12 million customers in Spain, accounting for virtually all of the total domestic market. While the vast majority of its sales of bottled LPG are to the household market, it also sells LPG in bulk form (by truck and pipeline) to industrial, commercial and household customers for use as a fuel.

LPG bottling takes place at Repsol Butano's 20 plants located throughout Spain. After LPG is bottled at a plant, it is delivered to Repsol Butano's network of approximately 827 bottled gas distribution agents. The distribution agents deliver LPG to retail customers at home. Repsol Butano has approximately 39 million bottles for the storage and delivery of LPG in circulation.

Bottled LPG is used almost exclusively as a household fuel for cooking, water heaters and, in some cases, heating. The growth of the Spanish economy, with significant increases in residential housing and family income, combined with limited availability of natural gas in some parts of Spain, has allowed Repsol Butano to become the largest bottled LPG distributor in Europe in terms of revenues and volume. Bottled LPG accounted for 70% of Repsol Butano's total sales by volume in 2000.

Approximately 30% of Repsol Butano's sales in 2000 consisted of bulk LPG. Bulk LPG is used as fuel in the agricultural, industrial and household markets and for transportation. Repsol Butano sells most bulk LPG directly to end users. Bulk LPG is used as an industrial fuel principally by ceramic and glass manufacturers and the farming industry. Bulk LPG is used in the household market, particularly in multiple unit dwellings, for the same uses as bottled LPG. Most bulk LPG is delivered by tanker trucks. Repsol Butano has begun, however, to distribute LPG via pipelines connected to industrial and household users and believes that such distribution may be an important intermediate step between the bottled LPG market and the natural gas market of the future.

Repsol Butano sold 2.31 million tonnes of LPG in 2000, compared to 2.41 million tonnes in 1999 and 2.41 million tonnes in 1998. In 2000, approximately 46% of Repsol Butano's supply of raw material was obtained from Spanish refineries, with the remainder purchased from sources located in the North Sea, Algeria and the Middle East regions.

Repsol YPF expects that, as a direct result of the introduction of natural gas in key urban markets in Spain as an alternative to LPG, a portion of the LPG customer base growth over time will be diverted to natural gas, although Repsol YPF believes that total volume of LPG sales will grow primarily in bulk sales.

On October 6, 2000, the ministry of Economy introduced a new system to determine the maximum retail prices of bottled LPG. The new system establishes price adjustments every six months in April and October instead of every month. Although the factors used to determine prices remain essentially the same, the new formula incorporates average international prices of LPG during the year prior to each adjustment. The cost factor to be recovered by Repsol YPF has been raised, increasing sales margin by 4.46%. See Section 2.3.1.2 "—Regulation of the Petroleum Industry—Spain—LPG."

*Argentina*. In June 1999, Repsol YPF acquired control of YPF. YPF is the largest producer of LPG in Argentina, with total production of 1.2 million tonnes in 2000, which represents 48% of total LPG production in Argentina. YPF distributed 284,000 tonnes of LPG to the retail market in 2000 through its affiliate YPF Gas. Of these 284,000 tonnes, 144,000 consisted of bottled LPG for residential, commercial and industrial use and 140 were bulk LPG for industrial (mainly agriculture and food industries) and household and commercial use. Additionally, Repsol YPF, through Astra, has a 51.06% stake in Repsol Gas and a 50.49% stake in Poligas Luján. LPG sales of these companies during 2000 were 107,000 tonnes, 90,000 of which was bottled and 17,000 was bulk.

In February 2000, the Board of Directors of YPF approved the merger, of Repsol YPF and Repsol Gas, effective as of January 1, 2001. The new entity's name is Repsol YPF Gas. Repsol YPF has a 85% interest (69.4% through YPF, 15.6% through Astra), and Pluspetrol the remaining 15%. The integration of both companies during 1999 and 2000 has generated savings estimated at US$24 million each year, well above the US$10 originally projected.

*Chile*. In July 2000, Repsol YPF entered into an agreement to acquire 45% of the capital stock of Lipigas Group, leader in the Chilean market with sales of approximately 400,000 tonnes of LPG per year, for US$170 million, with a non-expiring option to acquire an additional 10% in 2004. If Repsol YPF exercises its option to acquire a further 10% interest, the sellers will have three-year put option to sell the remaining 45%. The shareholders agreement signed with the other partners in the acquisition, provides for a shared operating control of the company.

*Peru*. In accordance with its plans to increase distribution of LPG outside Spain and as a result of several acquisitions, at the end of 1996 Repsol YPF owned 100% of Solgas, a company that had a 30% share of the Peruvian LPG market and had total sales of 190,000 tonnes in 2000.

*Ecuador.* In July 1998, Repsol YPF acquired a 75% stake in Duragas, a company which markets LPG in Ecuador, for a total of US$26.2 million. Duragas had sales of 320,000 tonnes of LPG in 2000 and is a leading participant in Ecuador's LPG distribution market.

*Other Markets.* Repsol YPF has extended its distribution of LPG to Portugal and France through the same marketing strategies, including home service, that are used by Repsol Butano in Spain. Repsol YPF is also active in Morocco, where in July 1998 it acquired 100% of National Gaz of Morocco, a company engaged in the distribution of LPG. Total annual sales in these countries were 83,000 tonnes of LPG in 2000.

### 2.2.3 Chemicals

Repsol YPF leads the Spanish market in basic and derivative petrochemical products, polymers, intermediate products and rubber. Repsol YPF's most significant production facilities are located in Spain (the Puertollano and Tarragona complexes) and Argentina (the La Plata complex). The Chemicals division of Repsol YPF is responsible for management, feedstock, distribution and marketing, principally in Europe and the Mercosur region. The production units of these centers are in the same industrial complexes as two of Repsol YPF's refineries, allowing for a high degree of integration between both businesses. Chemicals accounted for approximately 2%, 5% and 11% of the Repsol YPF Group's operating income in 2000, 1999 and 1998, respectively.

The following table shows the production capacity for the main products of basic and derived petrochemicals at December 31, 2000.

| | Europe | Latin America |
|---|---|---|
| | (thousands of tonnes) | |
| **Production capacity** | | |
| **Basic petrochemicals** | | |
| Ethylene | 810 | — |
| Propylene | 545 | 175 |
| Butadiene | 152 | — |
| Benzene | 90 | 244 |
| **Derivative petrochemicals** | | |
| Polyolefins | | |
| Polyethylene | 577(1) | — |
| Polypropylene | 383 | 80 |
| Industrial Products | | |
| Acrylonitrile/MMA | 166 | — |
| Ortho/Paraxilene | — | 63 |
| Ammonia/Urea | — | 850 |
| Others(2) | — | 242 |
| Performance Products | | |
| Propylene oxide, Polyols, Glycols and Styrene Monomer | 979 | — |
| Rubber | 54 | 45 |
| Others(3) | 65 | 28 |

(1) Includes EVA (ethylene vinyl acetate) copolymers.

(2) Includes oxo-alcohols, maleic anhydride, solvents, LAB (lineal alkyl benzene), cyclohexane and others.

(3) Includes styrene derivatives, PMMA (polymethyl methacrylate), fine chemicals and PIB (polyisobutylene).

The table below presents Repsol's YPF's sales in 2000, 1999 and 1998 of petrochemical products:

| | 2000 | 1999 | 1998 |
|---|---|---|---|
| | (thousands of tonnes per year) | | |
| **Petrochemical sales by type of product** | | | |
| Basic petrochemicals | 818 | 785 | 584 |
| Derivative petrochemicals | 1,994 | 1,701 | 1,403 |
| Total | 2,812 | 2,486 | 1,987 |
| **Petrochemical sales by region** | | | |
| Spain | 1,111 | 1,134 | 1,057 |
| Argentina | 393 | 204 | — |
| Other | 1,308 | 1,148 | 930 |
| Total | 2,812 | 2,486 | 1,987 |

Repsol YPF produces, distributes and directly markets petrochemical products. At the same time, with respect to a portion of its portfolio of petrochemical products, Repsol YPF also acts through the following affiliated companies:

- *Polidux*, a wholly owned subsidiary of Repsol YPF, is located in Monzón, Huesca, Spain. Polidux produces and markets specialized styrene derivatives and polyolefin compounds.

- *Polivar*, operating in Italy, and Bronderslev, operating in Denmark, are also wholly owned subsidiaries of Repsol YPF. These two companies produce special PMMA (polymethyl methacrylate) products.

- *Profértil*, a 50% subsidiary of Repsol YPF, produces urea and ammonia. Profértil's total annual capacity is approximately 1,024,000 tonnes of urea and 676,000 tonnes of ammonia. Repsol YPF, is Profértil's principal supplier of natural gas, supplying 50% of Profértil's feedstock.

- *General Química*, a wholly owned subsidiary of Repsol YPF, focuses on the production of, among other things, accelerators, agrochemicals and organic dyes. General Química's operations are located in Álava, Spain.

- *Dynasol*, a 50% subsidiary of Repsol YPF, is a joint venture created in 1999 with the Mexican company GIRSA in which Repsol YPF and the INSA Group share rubber production assets. Repsol YPF believes that Dynasol complements the production and marketing capacities of the individual rubber production businesses of Repsol YPF and the INSA Group.

- *Petroken*, a 50% subsidiary of Repsol YPF, produces polypropylene in Argentina. Petroken's total annual capacity is approximately 160,000 tonnes. Repsol YPF has a long-term raw material supply contract with Petroken and is currently Petroken's principal supplier of propylene.

- *Petroquímica Bahía Blanca* (PBB), a 26.9% subsidiary of Repsol YPF, is the leader in Argentina in the production of ethylene. PBB has an annual production capacity of approximately 240,000 tonnes, produced by ethane dehydrogenation. Repsol YPF is currently one of PBB's principal suppliers of feedstocks.

- *Polisur*, a 30% subsidiary of Repsol YPF, produces various types of polyethylene with an annual production capacity of 270,000 tonnes. PBB provides Polisur with the ethylene necessary for production.

#### *2.2.3.1 Basic Petrochemicals*

Repsol YPF's basic petrochemical production is focused on obtaining olefins and aromatics, with an annual capacity of 810,000 tonnes of ethylene in olefins and 334,000 tonnes of aromatics.

Repsol YPF's basic petrochemical production operations are closely integrated with Repsol YPF's refining activities, as olefin and aromatics production units are physically located within Repsol YPF's refineries. The advantages which result from this structure include flexible supply of feedstocks to the olefin cracker, efficient use of byproducts (such as hydrogen and pyrolysis gasoline) and synergies in power supply.

Additionally, Repsol YPF's basic and derivative petrochemicals operations are well integrated, with the basic petrochemicals operations supplying approximately 90% of the raw materials used by derivative petrochemicals operations.

Repsol YPF's sales of basic petrochemicals products increased from 785,300 tonnes in 1999 to 818,000 tonnes in 2000, of which 218,000 tonnes were sold in Spain, 217,000 tonnes were sold in Argentina and 383,000 tonnes were sold in other markets. By type of process, 2000 petrochemical sales can be broken down as 595,000 tonnes of basic petrochemical products obtained by olefin cracker and fluid catalytic cracking refining units and 223,000 obtained by aromatics extraction.

#### *2.2.3.2 Derivative Petrochemicals*

Repsol YPF classifies its derivative petrochemicals products in three categories: polyolefins, industrial products and technical products.

- Polyolefins include a wide variety of plastics which are produced principally in Spain at the Tarragona and Puertollano complexes. In Argentina, Repsol YPF has a 50% stake in the production of Petroken at the La Plata complex. In 2000 sales of polyolefins represented approximately 55% of total sales of derivative petrochemicals products.

- Industrial products include a varied group of feedstocks for chemical companies and manufacturers. Industrial products are used in the production of, among other things, solvents, textile fibers, lubricant oils and detergents. Several examples of industrial products which Repsol YPF produces are oxo-alcohols, xylenes, linear alkylbenzene and acrylonitrile. Industrial products are produced in Argentina at the La Plata facility and in Spain at the Tarragona facility.

- Technical products include a wide variety of specialized petrochemical products, such as propylene oxide, glycols, polyols, hydrogenated rubber, pigments, organic dyes, flotation agents and polyisobutylene. These products have historically had high per-unit margins.

Repsol YPF markets its derivative petrochemical products in Europe through a commercial network divided into two regions, the Mediterranean and Northern Europe. Repsol YPF markets these products in Latin America through local branch offices. Repsol YPF also markets derivative petrochemical products in other regions through sales offices and agents.

Derivative petrochemical products sales in 2000 were 1,994 thousand tonnes, of which 893 thousand were sold in Spain, 176 thousand in Argentina and 925 thousand in other markets.

Repsol YPF's strategy for petrochemical is to pursue growth in core strategic areas with the objective of creating a balanced portfolio only made up by those projects capable of adding significant value.

The key element of this strategy is to develop those products where it has a significant competitive advantage, thanks to:

- Ownership of competitive technology or know-how
- Possibility of integration with its downstream and upstream activities
- Strong regional leadership

Besides these three factors, Repsol YPF will also consider developing petrochemical businesses that have considerable affinity to its own oil and gas activities.

In this context, during 2000 Repsol YPF commenced operations of the propylene oxide/styrene and derivative complex in Tarragona, Spain, using state-of-the-art technology owned by Repsol YPF, available to only two other companies in the world. The undertaking of this project is in keeping with the strategy of a commensurate growing in those business with more added value, integrating them with other business units and using proprietary technology.

In 2000, the Bahía Blanca plant started operations in Argentina. The plant, which produces urea, is part of Repsol YPF's joint venture with the Canadian company Agrium, a worldwide leader in fertilizers. Each of Repsol YPF and Agrium has a 50% interest in the joint venture. The Bahía Blanca plant, that uses natural gas as feedstock, is an example of integration between the petrochemical and upstream units.

The most important project still under construction is the Metanol project. The Metanol project in Argentina is expected to result in increased integration with Repsol YPF's upstream operations by the monetization of reserves as well as in synergies resulting from the project's proximity to the Plaza de Huincul refinery. Repsol YPF expects that the project will result in savings in fixed costs, logistics and warehousing as well as improvements in, among other things, electric power supply.

Repsol YPF is currently in discussions with Borealis to form a joint venture in the Iberic Peninsula. Repsol YPF would contribute its polyolefins business in Spain, while Borealis would contribute its facilities in Sines, Portugal which include an ethylene cracker. Repsol YPF believes that the expansion of the ethylene cracker located in Sines, will contribute to consolidate its leadership in the polyolefins market of the south of Europe and North of Africa. Currently, the technical and economical viability of this expansion is being analyzed and its results will determine, for the most part, the final decision to conclude the joint venture. Repsol YPF would have control of the joint venture through a majority ownership, appointment of the management and a majority in the Board of Directors.

### 2.2.4 Gas and Electricity

Gas and Electricity activities contributed 16.1% of the operating income of Repsol YPF for the fiscal year 2000, 15.1% for the fiscal year 1999, and 17.1% for the fiscal year 1998.

Repsol YPF is involved, directly or through its affiliates, in the natural gas and electricity sectors. In the natural gas sector, Repsol YPF in engaged in the storage, transportation and distribution of natural gas in Spain, the liquefaction of natural gas in Trinidad and Tobago, as well as the distribution of natural gas in Argentina, Brazil Colombia, and Mexico. Repsol YPF also engages in the supply and retail sale of natural gas liquids in Argentina. In the electricity sector, Repsol YPF is engaged in electric generation in Spain, Brazil and Argentina, as well as in the distribution of electricity in Argentina.

#### 2.2.4.1 *Natural Gas*

Repsol YPF's natural gas sales, by market in the last three fiscal years, were as follows:

| | 2000 | 1999 | 1998 |
|---|---|---|---|
| | | (millions of termies) | |
| **Natural gas sales by market** | | | |
| Household/commercial | 53,247 | 26,672 | 20,434 |
| Industrial | 132,126 | 60,280 | 52,376 |
| Thermal plants | 20,640 | 13,572 | 6,923 |
| Other | 32,587 | 11,549 | 8,813 |
| Total | 238,600 | 112,073 | 88,546 |

The distribution by region of Repsol YPF's natural gas sales was as follows:

| | 2000 | 1999 | 1998 |
|---|---|---|---|
| | | (millions of termies) | |
| **Natural gas sales by region** | | | |
| Spain | 172,589 | 68,933 | 59,283 |
| Latin America | 66,011 | 43,140 | 29,263 |
| Total | 238,600 | 112,073 | 88,546 |

*Argentina.* Repsol YPF sells approximately 55.4% of its natural gas production to distributing companies and the remainder 44.6% to industrial clients and electric companies. The largest part of Repsol YPF's proven natural gas reserves are located in the Neuquén basin close to the Buenos Aires market.

Repsol YPF also participates in the distribution of natural gas in Buenos Aires through Metrogas (a subsidiary of Astra) and Gas Natural BAN (a subsidiary of Gas Natural), two of the largest natural gas distributors in Argentina.

*Natural gas market in Argentina.* In 2000, Repsol YPF's natural gas sales were 1,811 million cubic feet per day, approximately a 3% increase with respect to 1999.

Between 1980 and 2000, natural gas production in Argentina grew significantly, increasing 231% at an annual average rate of 6.3%. This growth is partially due to the increase in the number of customers in Argentina connected to the distribution systems from 2.5 million to 5.8 million, as well as a higher rate of consumption per client.

Approximately 65% of YPF's proved natural gas reserves in Argentina are located in the Neuquén basin, which is strategically located in relation to the principal market of Buenos Aires and is supported by sufficient pipeline capacity during most of the year. Accordingly, Repsol YPF believes that natural gas from this region has a competitive advantage compared to natural gas from other regions. In the past, the capacity of the natural gas pipelines in Argentina has proven to be inadequate at times to meet peak-day winter demand, and there is no meaningful storage capacity in Argentina. During the last seven years, local pipeline companies added approximately 1,144 mmcfpd of new capacity. These additions are expected to improve the ability to satisfy peak-day winter demand, and Repsol YPF believes it will be able to benefit from these increases in capacity.

Repsol YPF is actively involved in projects intended to develop Repsol YPF's presence in the natural gas markets in Argentina and Latin America:

- The sale of natural gas to the Methanex Plant (methanol producer) located in Cabo Negro-Punta Arenas in Chile, with an annual supply of 93 mmcfpd.

- The supply of approximately 48 million cubic feet per day to electric companies in the Santiago (Chile) area through the gas pipeline Gas Andes.

- A 10% interest in the gas pipeline Gasoducto del Pacífico, a project that allows Repsol YPF to supply Chile with gas from the Neuquén basin. In 2000, Repsol YPF supplied an average of 10 million cubic feet of gas per day through this pipeline.

- The supply of gas from the northeast basin to electric companies in the north of Chile, through the gas pipeline of Gas Atacama and Noandino, which during 2000 reached an average of 44 million cubic feet of gas per day.

- A 15% interest in the gas pipeline that connects Aldea Brasilera (Argentina) and Uruguayana (Brazil) supplying in 2000 an average of approximately 13 million cubic feet per day to a thermal power plant.

*Natural gas distribution in Argentina.* Gas Natural has a 72% participation in the Invergas consortium, which holds 70% of Gas Natural BAN. Gas Natural BAN, which distributes natural gas in northern Buenos Aires, is one of the main natural gas distributors in Argentina. In 2000, Gas Natural BAN sold approximately 94 billion cubic feet of natural gas to approximately 1.2 million customers in Buenos Aires, compared to 90 billion cubic feet to approximately 1.2 million customers in 1999 and 88 billion cubic feet to 1.1 million customers in 1998.

Astra holds a 45.3% stake in GASA, which in turn holds a 70% stake in Metrogas, a natural gas distributor in southern Buenos Aires as well as one of the main distributors in the Argentina. During 2000, Metrogas sold approximately 234 billion cubic feet of natural gas to 1.9 million customers. In 1999, Metrogas sold 212 billion cubic feet of gas to approximately 1.9 million customers.

*Brazil*. In Brazil, Gas Natural distributes natural gas in the metropolitan area and throughout the state of Rio de Janeiro. On April 26, 2000, Gas Natural was awarded a gas distribution concession in São Paulo state, which has an area of 53,000 square kilometers and population of 2.5 million people. The concession area covers 93 municipalities, four of which have more than 100,000 inhabitants. It also has more than 6,000 industries which potential consumption of approximately 807,000 cubic meters of natural gas per day. This new concession enhances Gas Natural´s presence in Brazil, where Gas Natural started operations in July 1997 as operator for Companhia Distribuidora de Gas do Rio de Janeiro CEG and CEG RIO (formerly Riogás). In 2000, it sold approximately 58 billion cubic feet of natural gas to 0.6 million customers.

*Colombia*. Through Gas Natural ESP, Gas Natural distributes natural gas in the capital city Santa Fé de Bogotá as well as, after the acquisition of Gasoriente, in the eastern region of Colombia. Additionally, in 1998 a consortium in which Gas Natural participates obtained a concession to distribute natural gas in the Cundi-Boyacensean area, located northeast of Bogotá. In 2000, Gas Natural sold in Colombia approximately 18 billion cubic feet of natural gas to 1 million customers.

*Mexico.* In March 1998, Gas Natural México was awarded a concession to distribute natural gas in Monterrey, one of the largest consumers of natural gas in Latin America with a total population of more than 6 million inhabitants. In addition to natural gas distribution in Monterrey, Gas Natural México currently distributes natural gas in the cities of Toluca, Nuevo Laredo and Saltillo. In 1998, Gas Natural México obtained the concession for distribution of natural gas in the state of Guanajuato, which has a population of more than 2 million people. In December of 1999, Gas Natural México was awarded the concession for the distribution of natural gas in El Bajío Norte, region which includes the states of Aguascalientes, Zacatecas and San Luis de Potosí, which together have a population of about 2 million people. With the acquisition of Metrogas, Gas Natural Mexico now distributes gas in Mexico City. In 2000, Gas Natural México sold approximately 31 billion cubic feet of natural gas to 0.6 million customers, compared to 18 billion cubic feet of natural gas to 0.4 million customers in 1999.

*Spain*. Gas Natural, in which Repsol YPF has a 47.0% holding, is Spain’s largest natural gas distributor in terms of revenues and volume. On January 11, 2000, Repsol YPF and La Caixa d’Estalvis i Pensions de Barcelona, which has a holding of approximately 26.1% in Gas Natural, signed a shareholder agreement with respect to Gas Natural. Repsol YPF and La Caixa agreed to the following:

- Repsol YPF will have the right to nominate six directors and La Caixa will have the right to nominate five directors to the Gas Natural board of directors. Each of Repsol YPF and La Caixa will vote in favor of the other's nominees. Repsol YPF will also have the right to nominate one more director than La Caixa to the board of directors of Enagás, a subsidiary of Gas Natural.

- La Caixa will nominate the Chairman of the board of directors of Gas Natural and Repsol YPF will nominate the Managing Director who will be in charge of the management and administration of Gas Natural.

- With respect to the Executive Committee of Gas Natural and its subsidiary Enagás, Repsol YPF will nominate three members and La Caixa will nominate two.

- Repsol and Gas Natural will allocate between themselves the exploration and production, underground storage, delivery, transport and distribution of natural gas as well as holdings in natural gas companies.

The shareholders' agreement will automatically terminate if La Caixa or Repsol YPF at any time holds less than 25% of the capital stock of Gas Natural. If Repsol YPF at any time holds less than 35% but more than 25% of the capital stock of Gas Natural, the Gas Natural board of directors and Executive Committee will be composed of an equal number of representatives of Repsol YPF and La Caixa.

As a result of the agreement, Repsol YPF commenced consolidating the results of Gas Natural with its own from January 1, 2000. Repsol YPF believes that the agreement will result in increased flexibility for Repsol YPF to integrate its operations with those of Gas Natural, and thus represents an important step in Repsol's strategy of integrating the gas-electricity chain.

Gas Natural's principal activity is the distribution of natural gas to the residential and commercial sector as well as the industrial and electricity sectors. It supplies natural gas to Madrid and Barcelona and, through its holdings in 10 regional distributors, to nearly all of Spain. Repsol YPF estimates that Gas Natural has an approximate 90% market share of the Spanish market, including Enagás.

Gas Natural has a 100% interest in Enagás, which owns most of the transportation and storage infrastructure in Spain. Due to the limitations of ownership in Enagás imposed by Royal Decree Law 6/2000, limiting any participation from any one group to a 35% interest, Repsol YPF has prepared a plan for the sale of 65% of its 100% interest in Enagás. See Section 2.3.1.3 "—Regulation of the Petroleum Industry–Spain–Natural Gas."

The majority of Repsol YPF's natural gas requirements are imported. Enagas' infrastructure system in Spain consists principally of three coastal terminals for the receipt, storage and regasification of liquid natural gas, a network of high-pressure pipelines for bulk transmission of gas and low-pressure mains for local gas distribution, and two underground gas storage facilities. The LACAL/Laq-Calahorra and Maghreb-Europe's pipelines link gas fields in Norway and Algeria with the transmission network of Enagás.

In 2000, Gas Natural sold approximately 609 billion standard cubic feet of natural gas to approximately 3.6 million customers in Spain, compared to 538 billion standard cubic feet to 3.3 million customers in 1999, and 463 billion standard cubic feet to 3.0 million customers in 1998.

Gas Natural purchases its gas supplies principally through take-or-pay purchase contracts for LNG with producers in Algeria, Libya and, since 1999, with Trinidad and Tobago and Nigeria, and also through purchases of natural gas from Algerian, Norwegian and Spanish fields. Approximately 55.8% of Gas Natural's natural gas purchases in 2000 were from Algeria.

Gas Natural is a party to a 25-year contract to purchase natural gas from Sonatrach, the Algerian state oil and gas company, at prices related to market prices in amounts ranging from 3.2 billion cubic meters in 1996 to 6.0 billion cubic meters per annum from 2000 through 2020, principally on a take-or-pay basis. Gas Natural has also entered into a long-term contract with a Norwegian company for the supply of piped gas from the North Sea fields of Troll, in the North Sea, via Belgium and France through the Lacq-Calahorra pipeline. This contract expires in 2030.

Gas Natural has also entered into long-term contracts to acquire LNG from Nigeria and Trinidad and Tobago. The supply of LNG under these contracts started in 1999.

Gas Natural through a 100% interest in SAGANE, owns a 72.6% interest in Europe-Maghreb Pipeline Ltd. (EMPL), which owns the exclusive right to operate the section of the Maghreb-Europe gas pipeline in Morocco and as well as the section under the Straits of Gibraltar connecting the Algerian gas wells in Hassi R'Mel with the Spanish and European transmission systems. Transgas, a Portuguese gas distributor which uses part of the capacity of the Maghreb-Europe Pipeline, holds the remaining 27.4% of EMPL.

Pursuant to Royal Decree Law 6/2000, 25% of the natural gas supplied by Sonatrach will be allocated for a period of three years to natural gas marketers for resale to qualified consumers (non-regulated market). The remaining 75% will be allocated to Enagás for its supply to distributors that will resell this natural gas to consumers at regulated tariffs. After this three-year period, the contract will be assigned preferably to Enagás, who will supply this natural gas first to consumers at regulated tariffs and any remainder will then be sold in the open market. See Section 2.3.1.3 "—Regulation of the Petroleum Industry —Spain —Natural Gas."

In connection with the Sonatrach natural gas purchase contract, EMPL committed to construct, finance and operate the Maghreb-Europe Pipeline, that extends 540 kilometers in Morocco and 45 kilometers under the Straits of Gibraltar to connect with the Spanish natural gas pipeline system. The 48-inch pipeline with an initial capacity of 9 billion cubic meters per annum was completed in 1996. This pipeline constitutes a significant element in Repsol YPF's natural gas supply strategy, since it secures a significant supply of gas at reduced transportation costs. At the European level, the pipeline represents an element of strategic importance, since it will help to strengthen the diversification of energy supplies for the entire continent. The Maghreb-Europe Pipeline has allowed for a substantial increase in deliveries from Algeria. However, the increase in importance of Algeria as a supplier country is expected to be reduced over time as a result of Repsol YPF's international supply diversification policy. During 2000, Argelia's share of gas supplied to Spain declined in comparison to 1999.

*Trinidad and Tobago.* Repsol YPF holds a 20% interest in Atlantic LNG Co., a joint venture with, among others, BP and BG plc. Atlantic LNG is based in Trinidad & Tobago and operates a liquified natural gas plant at Point Fortin, Trinidad. The plant commenced production activities in April 1999. Natural gas for the plant is supplied from offshore fields discovered by BP in Trinidad and Tobago. The plant has annual production capacity of up to three million tonnes of natural gas. Gas Natural has entered into a contract with Atlantic LNG to purchase, over a term of 20 years renewable for an additional five years, at a purchase price to be determined by a formula based on market prices, 40% of Atlantic LNG's liquefied natural gas production for sale by Gas Natural in Spain.

In the first quarter of 2000 Atlantic LNG received approval from the Trinidad & Tobago government to expand operations, including installation of two additional LNG trains. The new facilities are planned to have an installed production capacity of 9 billion cubic meters per year, increasing Atlantic LNG's total annual LNG output to 13 billion cubic meters per year. It is estimated that upon project completion 6.5 billion cubic meters per year of LNG will be available to supply Spanish markets, 3 of which will be directly acquired by Repsol YPF for the development of its electricity generation program, and 2.5 for the conventional natural gas market. Finally, 1 billion cubic meters will be destined for the market of Gas de Euskadi. The estimated cost to build the two trains is US$ 1.1 billion. The first train is scheduled for completion during 2002 and the second in 2003.

Repsol YPF acquired, effective January 1, 2000, 10% of the gas and liquid reserves of BP in Trinidad & Tobago. Repsol YPF has a purchase option on an additional 20% to be exercised within three years. Net reserves in Trinidad & Tobago at December 31, 2000 were 205 million barrels of oil equivalent.

Repsol YPF believes that one of the crucial advantages of the project in Trinidad and Tobago is its geographical location, which permits the supply under advantageous economic conditions of markets like the United States, the Caribbean, northern Brazil and Europe, the latter through swap contracts with suppliers. Repsol YPF believes this positions it to take advantages of price opportunities in the American market and to reduce transport costs, while covering the needs of the Spanish market from other sources.

#### 2.2.4.2 *Natural Gas Liquids*

*Argentina*. Repsol YPF implemented "Project Mega" to increase its ability to separate liquid petroleum products from natural gas and expects to develop transport and distribution networks for these products. It is expected that this project will allow, through the fractioning of gas liquid, Repsol YPF to increase production at the Loma La Lata gas field to 5.0 million cubic meters per day.

YPF owns a 38% interest in the Mega Project, Petrobras holds a 34% and Dow Chemical 28%. Project Mega is in start-up stage.

The project includes:

- The construction of a separation plant, located in Loma La Lata, in the Province of Neuquén.
- The construction of natural gas liquids fractioning plant, that will produce ethane, propane butane and natural gasolines. This plant will be located in Ciudad Bahía Blanca in the Province of Buenos Aires.
- The construction of a pipeline that links both plants and that will transport natural gas liquids.
- Transportation, storage and port facilities in the proximity of the fractioning plant.

Project Mega required an investment of approximately US$715 million. Production is expected to reach 1.35 million annual tonnes of gasoline, LPG and ethane. Repsol YPF will be the main supplier of natural gas. The fractioning plant production will be used in Repsol YPF petrochemical operations and will also be exported by tanker to Brazil.

#### 2.2.4.3 *Electricity*

*Spain*. In January of 1998, pursuant to the terms of an Industrial Agreement signed in 1997, Repsol and Iberdrola committed to form PIESA for the development of three facilities of co-generation in the locations of Tarragona, La Coruña and Gajano (Santander). The total capacity of these projects will be of 175MW, which will be added to the 330MW already in existence at the refineries and petrochemical centers of Repsol YPF in Spain. As of the date of this Annual Report, construction of the Tarragona plant has been completed, the plant at La Coruña was in pre start-up, and the Gajano plan is expected to be concluded during 2001. In 2000, another co-generation facility, with 90MW of capacity, started operations at the petrochemical facilities in Tarragona.

In April 1998, Repsol YPF jointly with Amoco Power Resources Holding II Ltd. (Amoco Power), Iberdrola and Ente Vasco de Energía (EVE) established two new companies, Bahia de Bizkaia Gas, S.L. (BBG) and Bahia de Bizkaia Electricidad, S.L. (BBE), in each of which Repsol YPF has a 25% interest, to build a regasification facility and an 800 MW combined cycle plant (CCGT) in the port of Bilbao. During 1998, the two companies concluded their feasibility studies and began the engineering design for the two facilities. The procurement, engineering and construction has been awarded, and construction began in 2000. It is expected that both facilities will use natural gas shipped from Trinidad and Tobago.

In September 1998, Repsol YPF, through its subsidiary Petronor, and Iberdrola established PIEMSA to promote and develop the construction of a residue gasification unit and an 800 MW combined cycle power plant (IGCC) in the Petronor refinery at Bilbao. The feasibility study is still under way.

In October 1998, Gas Natural and ENDESA, S.A., the Spanish electricity company, reached a commercial agreement whereby Gas Natural will supply the natural gas required by ENDESA for the development of its program for the construction of combined cycle power stations. In December 1999, both companies signed the contracts for the construction of four combined cycles, each one with a capacity of 400 MW. As of the date of this annual report, construction of the plan continued normally. Two of these facilities will be located in San Roque (Cádiz) the other two in Sant Adrià de Besòs (Barcelona). Once concluded, Gas Natural and Endesa will be owners of one combined cycle on each of the two locations, which will have operative and management independence from each other. Each combined cycle will be considered qualified client. A qualified client can purchase gas under conditions more favorable than those available to non-qualified clients. See Section 2.3.1 "—Regulation of the Petroleum Industry—Spain."

In 1999, Repsol YPF and BP reached two agreements under the strategic alliance signed between them in June 1998. The first agreement refers to the sale of up to 5,000 million cubic meters of LNG from Trinidad & Tobago to Spain. The second agreement establishes the basis for the development of new power generation projects in Spain using natural gas. During 2000, developments in the project's engineering were made and steps have been taken to obtain construction permits for the construction of one combined cycle plant with a capacity of 1,200 MW. Studies for the installation of additional plans are also under way. These power generation projects will use a portion of the natural gas supplied under the first agreement mentioned above. Both agreements comply with the arrangements entered into between Repsol YPF and Iberdrola agreed to in 1997.

*Argentina-Generation.* Repsol YPF participates in four power stations with an aggregate installed capacity of 655MW:

- Central Térmica Tucumán (410 MW combined cycle)
- Central Térmica San Miguel de Tucumán (115MW and a planned expansion of capacity to 370 MW combined cycle)
- Filo Morado (63 MW)
- Central Dock Sud (67 MW)

In 2000, the Tucumán and San Miguel de Tucumán plants sold approximately 3,644 GWh and were supplied with gas from the Ramos gas field.

Repsol YPF also participates with Endesa, a Spanish power company, in the construction of the new Central Dock Sud, a 780 MW combined cycle power plant. This plant is expected to commence commercial operations by mid 2001.

Repsol YPF also operates power plants, supplied with natural gas produced by Repsol YPF, which produce power for use by Repsol YPF in other business units:

- Los Perales power plant (74 MW), located in the Los Perales natural gas field,
- Chiuido power plant de la Sierra Negra (40 MW), and
- The power plant located at the Plaza Huincul refinery (40 MW)

*Argentina-Distribution.* Repsol YPF, through Astra, has a 18.9% stake in EASA, which owns 51% of Edenor. Edenor, one of the largest electricity distributors of Argentina, provides electricity to northern Buenos Aires to approximately 2.3 million customers. On February 26, 2001, Repsol YPF announced that it has reached an agreement in principle with EDF International (affiliate of Electricité de France) to sell its interests in Edenor. See Section 3.11.5 "Operating and Financial Review and Prospects–Recent Developments—Sale of Edenor."

During 2000, Astra sold its 21% interest in INVERDER to PSEG Americas Ltd. INVERDER has a 90% stake in Edeersa, a distributor of electricity in the province of Entre Ríos, with approximately 235,000 customers. Under the terms of the agreement, PSEG will acquire approximately 45% of INVERDER before the end of 2000, and will acquire the remaining 55% in May 2001.

*Brazil*. At the beginning of 2000, Repsol YPF, along with BP Amoco, was chosen by the Brazilian government for the development of a power station in the state of Ceará, in northeastern Brazil. This station is part of the Thermoelectric Priority Program (*Programa Prioritario de Termoeléctricas*), and has a projected capacity of 250 MW. BP and Repsol YPF are negotiating certain agreements related to the viability of the project.

#### 2.2.5 Environmental Matters

Repsol YPF's operations are subject to environmental protection laws and regulations of the EU, Spain and its autonomous communities, Argentina and other countries in which the Repsol YPF's operations are located. These laws and regulations address the general impact of industrial operations on the environment, as well as focus specifically on certain activities, including emissions and toxic waste disposal. Environmental violations may result in administrative, criminal and tort liabilities.

Environmental factors are an important consideration in planning, designing and operating all Repsol YPF facilities. To advance such interests, Repsol YPF created in 1996 an Environmental Management System (EMS) according to the guidelines of international standard ISO 14001. The goal of this system is to ensure that Repsol YPF complies with all pertinent environmental principles. An Environmental Committee, formed by top management representatives from the operating areas and the Director for Environmental affairs, orients Repsol YPF's environmental policy and coordinates its implementation among the operating areas.

Each of Repsol YPF's operations conducts significant programs to ensure that operations are carried out in an environmentally acceptable manner. In 2000, 1999 and 1998 Repsol YPF spent €113.87 million, €80.49 million and €42.78 million (including in 1999 YPF's operations for the whole year), respectively, on environmental programs that included improving effluent treatment equipment, increasing the capacity and efficiency of sulphur recovery units at Repsol YPF's refineries, and reducing the release of volatile organic compounds when storing gasoline for motor vehicles and delivering it from terminal to service stations. In addition, Repsol YPF invested €46 million in 2000 in improving and constructing new units in its refineries in order to comply with European Union fuel specifications. Repsol YPF is currently in compliance in all material respects with all Spanish, European Union and Latin American environmental regulations.

#### 2.2.6 Insurance

In line with industry practice, Repsol YPF insures its assets and activities worldwide. Among the risks insured are damage to property, consequential interruptions in its business as well as civil liability to third parties arising out of Repsol YPF's operations. Repsol YPF's insurance policies also include indemnification limits and deductibles. Repsol YPF considers its level of insurance coverage to be, in general, appropriate for the risks inherent in its business.

### 2.3 Regulation of the Petroleum Industry

Repsol YPF is subject to regulations relating to the petroleum industry in Spain, Argentina and all other countries in which it operates.

#### 2.3.1 Spain

Regulation of the petroleum industry in Spain has been broadly liberalized over the last three years. The main regulations governing the petroleum industry in Spain are set forth in the Hydrocarbon Sector Law 34/1998 and in the Royal Decree Laws 6/1999 and 6/2000, which substantially liberalized the petroleum industry in Spain. The impact of these laws on each of our business segments is discussed below.

The prices of all petroleum products in Spain are currently determined by market forces, except for LPG and natural gas, which are subject in most cases to price ceilings. The ownership of the assets of Spain's natural gas transportation and retail marketing systems has been transferred from the State to the private sector. Both EU and non-EU entities are permitted to import petroleum and petroleum products into the Spanish market with no restrictions.

The Spanish government owns all subsurface natural resources in Spain and grants concessions for the exploration and production of these resources to companies, including companies that are 100% owned by foreigners, complying with financial and technical requirements. Repsol Exploración is one such company.

#### *2.3.1.1 Petroleum and Petroleum Products*

Under Law 34/1998, petroleum and petroleum products, including gasoline and diesel, may be sold at market prices. Law 34/1998 requires owners of authorized storage and transport facilities, such as CLH, to provide third-party access for the reception, storage and transportation of petroleum and petroleum products on a nondiscriminatory and transparent basis at publicly announced prices. Law 34/1998 permits the Spanish government in certain cases to set price ceilings for the receipt, storage and transport of petroleum and petroleum products in the event of the absence of material competition. The Spanish government has not, to date, imposed price ceilings. Repsol YPF does not anticipate that they will be imposed in the near term.

On November 12, 1999 Royal Decree 1728/1999 concerning "Technical Specifications for Diesel and Gasoline" came into effect, implementing European Directive 98/70 into Spanish law. New, significantly higher technical requirements for Class A diesel fuel and gasolines came into effect January 1, 2000. This effective date of the requirements has, however, been extended to February 1, 2000 in the case of Class A Diesel and May 1, 2000 for gasolines, in order to allow for substitution of strategic and operating inventories. The new standards are expected to require substantial additional capital expenditures by the European oil industry, including Repsol YPF. Repsol YPF incurred total costs of €208 million in 1999 in connection with complying with the new regulations. The new specifications do not have any further impact on our business in the Year 2000. On May 24, 2000 Royal Decree 403/2000 extended until December 31, 2001 the authorization for the sale of gasoline containing lead.

*CLH ownership interest.* Royal Decree Law 6/2000 provides that no person may own, directly or indirectly, more than 25% of the capital stock of Compañía Logística de Hidrocarburos CLH, S.A. The voting rights of shares which a person holds directly or indirectly in excess of the 25% limitation are suspended. Repsol YPF, therefore, immediately lost voting rights with respect to 35% of CLH and will be required to reduce its current approximately 60% interest in CLH to 25%. Royal Decree Law 6/2000 further provides that no group of persons with refining capabilities in Spain, may own in the aggregate, directly or indirectly, more than 45% of CLH. As required by the Decree, CLH has presented to the Ministry of Economy a plan with respect to its proposal to fulfil the requirements of the Decree. In 2000, CLH had net income of €117.29 million.

*Gasoline stations.* Under the Decree, large commercial establishments, such as shopping complexes, constructed after the date of the Decree which are classified as "large commercial centers" under Spanish law must include at least one installation for the supply of petroleum products. The Decree also provides a mechanism for installation of petroleum-product supply facilities at existing large commercial centers. Petroleum-product supply facilities at large commercial centers will be prohibited from entering into exclusive supply and licensing arrangements with wholesale distributors of petroleum products such as Repsol.

The Royal Decree Law 6/2000 further provides that a wholesale distributor of petroleum products whose service stations exceed 30% of the total number of service stations in Spain may not increase its total number of service stations until June 25, 2005. Repsol YPF's service stations currently represent 47%

of the total number of service stations in Spain. Repsol YPF will, therefore, focus on improving the quality of service stations within its network in Spain and on increasing the proportion of the stations in its network in Spain that it operates directly. Repsol YPF expects that its market share of service stations in Spain will gradually decline until 2005 and that its sales of gasoline in Spain will not increase materially prior to June 2005.

*Antitrust*

European Union Regulation 2790/1999 governing vertical restraints on competition took effect on January 1, 2000 and will be applicable from June 1, 2000 to May 31, 2010. Regulation 2790/1999 increases restrictions imposed on exclusivity agreements between, among others, petroleum product suppliers and petroleum product resellers operating in European Union markets.

Prior to the effectiveness of Regulation 2790/1999, under European Union law, exclusive supply arrangements between suppliers and independently owned service stations which operated as resellers in the market benefitted from a block exemption from Section 81.1 of the European Community Constitutive Treaty which restricts anticompetitive practices. This exemption was applicable so long as the exclusivity arrangements did not contain various “hard core” restrictions, such as resale price maintenance requirements, and did not exceed the time period of ten years, except if the reseller operated from premises leased by the supplier. In this case, an exclusivity arrangement may be for up to the period of the underlying lease.

Repsol YPF’s exclusive supply agreements with independent retailers did not formally fall within the block-exemption regulations because the majority of these independent retailers work with Repsol YPF on an agency basis on behalf of Repsol YPF. They were, therefore, not deemed to be acting as resellers. For its exemption, Repsol YPF relied on specific “comfort letters” issued by Directorate General IV of the European Commission after an individual examination of existing contracts as well as the relevant market and application by analogy of the existing block exemption to Repsol YPF’s contracts.

Regulation 2790/1999 deprives suppliers, such as Repsol YPF, of the protections of the block exemption in the following cases:

- in any market where the supplier’s market share exceeded 30% (i.e. Spain, in Repsol YPF’s case)
- in the case of any exclusivity contract having a period of over five years, except where the distributor operates from premises owned by the supplier or premises owned by the supplier and leased to third parties independent from the supplier.

Regulation 2790/1999 allows exclusivity arrangements in place at May 31, 2000, to continue to be exempt from the new requirements until December 31, 2001. The interpretative guidelines issued by the European Commission in October 2000, contemplate the validity of those contracts that by December 31, 2000, had a remaining period of no more than five years.

Repsol YPF has initiated informal contacts with General Directorate IV of the European Commission to obtain the maximum legal certainty under Regulation 2790/1999 with respect to its exclusivity arrangements. The duration of Repsol YPF’s new contracts will not exceed five years of duration. With respect to those contracts that by December 31, 2000 will exceed the five-year time limit, Repsol YPF is evaluating a proposal to terminate these contracts before the end of such period, through a proportional reimbursement of the investments made by the suppliers.

On September 1, 1999 the *Servicio para la Defensa de la Competencia* (Service for the Defense of Competition) began a preliminary inquiry into whether it should be permissible for suppliers to treat agents and resellers differently with respect to retail pricing arrangements. Under Spanish law, suppliers may set retail prices to be charged to consumers by agents, but may not determine retail prices which resellers charge to consumers. If the *Servicio para la Defensa de la Competencia* determines that differential pricing arrangements for resellers and agents are impermissible, the prohibition on determining retail pricing may be extended to Repsol YPF's arrangements with its agents.

The *Servicio para la Defensa de la Competencia* also began on September 1, 1999 a preliminary inquiry into whether an exclusivity arrangement between a petroleum-products supplier and a distributor should be legally permissible for a period of longer than five years where the distributor operates facilities leased by the supplier to the distributor and the supplier has been granted by the distributor the usufruct or surface rights on the premises. Repsol YPF believes that there are sound economic reasons, such as the investments made by suppliers in distribution facilities, in favor of permitting exclusivity arrangements between suppliers and distributors operating on premises leased by a supplier.

The *Servicio para la Defensa de la Competencia* made an unfavorable decision to Repsol YPF with respect to both issues of the above, bringing an administrative proceeding before the *Tribunal para la Defensa de la Competencia* (Tribunal for the Defense of Competition), where both matters are pending. A decision by this court may be appealed to an administrative court. In addition, Repsol YPF can apply for an individual exemption for specific distributor arrangements or for standard contracts under each of Spanish and European law.

#### *2.3.1.2 LPG*

*Price Regulation*

Pursuant to Law 34/1998, LPG prices will be determined by market forces once competition is determined by the Ministry of Industry and Energy to be sufficient. The liberalization of prices for bottled LPG is not expected to occur so long as Repsol Butano continues to possess a significant share of this market. In July 1998, the Ministry of Industry and Energy liberalized bulk LPG prices and prices for LPG sold in bottles of less than 8 kilograms.

On October 1, 1999, Royal Decree Law 15/1999 concerning Liberalization Measures, Structural Reform and Increased Competition in the Hydrocarbons Sector came into effect. Under the law and for a period of 12 months since October 4, 1999:

- the maximum pre-tax retail price for bottled LPG exceeding 8 kg was fixed below the market price at that date at Ptas. 83.4/kg (€0.50/kg) until the Ministry of Industry and Energy enacts pricing regulations for bottled LPG;
- the special tax on bottled LPG was eliminated;
- minimum discount applicable to the sale of bottled LPG at the retail level or by service stations; and
- the VAT on bottled LPG was reduced from 16% to 7%.

On October 6, 2000, the Ministry of Economy enacted the system for determining the maximum pre-tax retail prices for bottled LPG, leaving without effect the maximum pre-tax retail price previously fixed for bottled LPG exceeding 8 kg. Although the factors used to determine prices remain essentially the same, the new formula takes into account average international prices of LPG during the year prior to each adjustment. The cost factor to be recovered by Repsol YPF has been raised, increasing sales margin by 4.93%.

*Distribution*

Law 34/1998 provides for the liberalization of LPG retail distribution. Whereas previously retail distribution occurred primarily by means of home delivery, under to Law 34/1998 LPG may be sold through a number of outlets such as service stations and supermarkets.

Law 34/1998 also prohibits exclusive distribution agreements between distributors and sellers. This prohibition does not apply to exclusive agreements between distributors and commissioned agents within their distribution network provided that such networks distribute bottled LPG to the home. However, distribution of LPG through service stations and other alternative distribution networks will not be subject to exclusivity agreements.

Under Royal Decree Law 15/1999, service stations and commercial businesses were authorized to sell bottled LPG at a minimum discount of 5% with respect to the maximum pre-tax retail price. This measure in fact creates a new channel for the sale of bottled LPG.

#### *2.3.1.3 Natural Gas*

*Price Regulation*

Under Law 34/1998, the price of natural gas sold by Gas Natural is subject to price ceilings set by the government. For industrial customers, the price formula takes into account the capacity contracted for and regularity of usage, as well as the cost of alternative fuels, the euro/dollar exchange rate, and shipping and other transport costs. For residential and commercial customers and for distribution companies, the price formula takes into account the cost of raw materials (the cost of acquiring gas at the Spanish border), and margins for transmission and distribution. Gas Natural will not be permitted to price natural gas freely until the Ministry of Industry and Energy determines that sufficient levels of competition exist in the relevant markets.

*Distribution*

Law 34/1998 revoked the concessions held by Enagás and Gas Natural to operate Spain's primary transport and distribution networks of natural gas pipelines and conveyed to Enagás and Gas Natural outright ownership of the networks. Under Law 34/1998, the government could not authorize new entrants into any distribution network area served by Enagás or Gas Natural for the shorter of the remaining life of the former concession for that area or 15 years. Royal Decree Law 6/1999 reduced this term to 10 years. Subsequently, Royal Decree Law 6/2000 further reduced this term to the shorter of the remaining life of the former concession or the time period remaining until January 1, 2005. There are, however, no limitations on entrants in areas served by the transport network.

Law 34/1998 also establishes third-party access rights for qualified consumers, sellers and transporters to use Enagás' and Gas Natural's facilities for the receipt, storage and transportation of natural gas on a nondiscriminatory and transparent basis, subject to tariffs that receive regulatory approval. As of the date of the filing of this annual report, the tariffs relating to the use of such facilities are set by the Ministry of Economy's order of July 28, 2000. Royal Decree Laws 6/1999 and 6/2000 have accelerated the entrance of new competitors in the Spanish natural gas distribution and supply markets, by reducing the minimum consumption standard that qualified consumers must meet, that is currently fixed by Royal Decree Law 6/2000 at 3 million cubic meters of natural gas per year (a reduction in the minimum consumption level required by Law 34/1998). These consumption standards will be gradually eliminated. The standard will be reduced to 1 million cubic meters on January 1, 2002. Beginning on January 1, 2003, all consumers will be considered qualified consumers. Law 34/1998 may therefore facilitate the purchase by certain of Repsol YPF's customers of natural gas supplied by competitors. During 2000, some qualified customers made use of access rights to Enagas' and Gas Natural's facilities, acquiring approximately 11,200 millions termies, with Gas Natural having a 70% market share of this non-regulated market.

Repsol YPF expects that the changes introduced by Law 34/1998 and Royal Decree Law 6/2000 will eventually lead to further increases in competition in the natural gas market in Spain.

*Ownership of Enagás*

Pursuant to the Royal Decree law 6/2000, no person or group of persons may own, directly or indirectly, more than 35% of the capital stock of Enagás. The voting rights of shares which a person holds directly or indirectly in excess of the 35% limitation are suspended. Gas Natural will, therefore, be required to reduce its holding in Enagás from its current 100% stake. As Repsol YPF controls Gas Natural pursuant to the terms of its shareholder agreement with La Caixa, the interests in Enagás of Repsol, Gas Natural and La Caixa will be aggregated to determine whether together they exceed the 35% ownership limitation. Under the Decree, Enagás has presented to the Ministry of Economy a plan with respect to its proposal to fulfil the requirements of the Decree.

Additionally, pursuant to Royal Decree Law 6/2000, companies owning facilities that make up part of the main gas distribution network, like Enagás, may only conduct gas transportation activities. Royal Decree Law 6/2000 also appoints Enagás as the Technical Manager of the main and local distribution networks, being responsible for the continuity and safety of gas supply. In order to comply with this legal requirement, Enagás has transferred to Gas Natural all assets connected to gas purchase activities, its gas and other fuels inventories, as well as gas supply and transportation contracts.

*Allocation of Algerian natural gas*

Royal Decree Law 6/2000 also establishes that 75% of the natural gas supplied by Sonatrach, the Algerian state petroleum company, via the Europe-Maghreb pipeline will be allocated to Enagás for sale to distributors that will resell this natural gas to consumers at regulated tariffs. Currently Enagás sells 100% of this natural gas to distributors at regulated tariffs. Pursuant to the Decree, the remaining 25% of this natural gas will be allocated to other natural gas marketers for resale to qualified consumers, i.e., potential competitors of Gas Natural, on a non-discriminatory and transparent basis. No natural gas marketer may purchase more than 25% of this amount reserved for resale to qualified consumers and a natural gas marketer may be excluded based on its market position. Beginning January 1, 2004, natural gas supplied via the Europe-Maghreb pipeline will be supplied by Enagás first to consumers at regulated tariffs and any remainder will then be sold in the open market.

*Share of Spanish natural gas supply*

Finally, Royal Decree Law 6/2000 further establishes that, as of January 1, 2003, no person belonging to the same group of persons acting together in the natural gas business sector may supply more than 70% of the natural gas consumed in Spain, excluding from this calculation the amount of natural gas consumed by such person for its own use. Currently, Repsol YPF, through Enagás and Gas Natural, supplies approximately 97% of the natural gas consumed in Spain. As of the date of this annual report, Repsol YPF believes that the prospects of market growth and the incorporation of new competitors should by itself reduce Repsol YPF's market share to 70%.

### 2.3.2 Argentina

#### *2.3.2.1 Overview*

The Argentine oil and gas industry is regulated by Law No. 17.319, referred to as the Hydrocarbons Law, which was adopted in 1967. The executive branch of the Argentine government applies this law through the national Secretary of Energy. The regulatory framework of the Hydrocarbons Law was established on the assumption that the reservoirs of hydrocarbons would be national properties and Yacimientos Petroliferos Fiscales Sociedad del Estado, YPF's predecessor, would lead the oil and gas industry and operate under a different framework than private companies. In 1992, Law No. 24.145, referred to as the Privatization Law, privatized YPF and was designed to implement the transfer of ownership of reservoirs to the provinces, subject to the existing rights of holders of exploration permits and production concessions. However, the transfer of property to the provinces has not been implemented, since an amendment to the Hydrocarbons Law has not been enacted.

In October 1994 the national constitution was amended and the Privatization Law was superceded. Article 124 establishes that natural resources existing within a province's territory are property of such province. Article 75 of the national constitution allows the Congress to enact laws to develop mineral resources existing within the national territory. The governments of the provinces where the mineral and hydrocarbon reservoirs are located will be responsible for carrying out these laws. Legislators have submitted to congress new drafts of the Hydrocarbons Law. These drafts establish the provinces' ownership of the hydrocarbon reservoirs in accordance to the mentioned Article 12. Enactment of the reforms to the Hydrocarbons Law may take place during the year 2000. If these drafts are accepted, Repsol YPF does not anticipate that adoption of these drafts will have a negative impact on its business.

#### *2.3.2.2 Exploration and Production*

The Hydrocarbons Law establishes the basic legal framework for regulation of oil and gas exploration and production in Argentina. The Hydrocarbons Law empowers the executive branch to establish a national policy for development of Argentina's hydrocarbon reserves, with the principal purpose of satisfying domestic demand.

The Hydrocarbons Law permits surface reconnaissance of territory not covered by exploration permits or production concessions, upon authorization of the Secretary of Energy and with permission of the private property owner. Information gained as a result of surface reconnaissance must be provided to the Secretary of Energy. The Secretary of Energy may not disclose this information for two years without permission of the party who conducted the reconnaissance, except in connection with the grant of exploration permits or production concessions.

Under the Hydrocarbons Law, the national executive may grant exploration permits after submission of competitive bids. Permits granted to third parties in connection with the deregulation and demonopolization process were granted in accordance with procedures specified in the Oil Deregulation Decrees, and permits covering areas in which YPF was operating at the date of the Privatization Law were granted to YPF by such law. In 1991, the national executive established a program under the Hydrocarbons Law (known as the Argentina Plan) pursuant to which exploration permits may be auctioned. The holder of an exploration permit has the exclusive right to perform the operations necessary or appropriate for the exploration of oil and gas within the area specified by the permit. Each exploration permit may cover only unproved areas not to exceed 10,000 square kilometers (15,000 square kilometers offshore), and may have a term of up to 14 years (17 years for offshore exploration). The 14-year term is divided into three basic terms and one extension term. At the expiration of each of the first two basic terms, the acreage covered by the permit is reduced, at a minimum, to fifty percent (50%) of the remaining acreage covered by the permit. At the expiration of the three basic terms, the permit holder is required to revert all of the remaining acreage to the Argentine government, unless the holder requests an extension term, in which case such grant is limited to fifty percent (50%) of the remaining acreage.

If the holder of an exploration permit discovers commercially exploitable quantities of oil or gas, the holder may obtain an exclusive concession for the production and development of this oil and gas. A production concession gives the holder the exclusive right to produce oil and gas from the area covered by the concession for a term of 25 years (plus, in certain cases, a part of the unexpired portion of the underlying exploration permit). The term may be extended for an additional ten years by application to the executive branch. A production concession also confers on the holder the right to conduct all activities necessary or appropriate for the production of oil and gas, provided that such activities do not interfere with the activities of other holders of exploration permits and production concessions. A production concession entitles the holder to obtain a transportation concession for the oil and gas produced. See Section 2.3.2.5 "—Transportation" below.

Exploration permits and production concessions require holders to carry out all necessary work to find or extract hydrocarbons, using appropriate techniques, and to make specified investments. In addition, holders are required to:

- avoid damage to oil fields and waste of hydrocarbons,
- to adopt adequate measures to avoid accidents and damage to agricultural activities, fishing industry, communications networks and the water table, and

- to comply with all applicable federal, provincial and municipal laws and regulations.

Holders of production concessions, including YPF, also are required to pay royalties to the province where production occurs in the amount of 12% of the well-head price (equal to the FOB price less transportation costs and certain other reductions) of crude oil produced and 12% of the value of the used volume of natural gas produced, based on the sales price, less transportation, storage and treatment costs. Any oil and gas produced by the holder of an exploration permit prior to the grant of a production concession is subject to the payment of a 15% royalty.

Exploration permits and production or transportation concessions will terminate upon any of the following events:

- failure to pay annual surface taxes within three months of the date due;

- failure to pay royalties within three months of the due date;

- substantial and unjustifiable failure to comply with specified production, conservation, investment, work or other obligations;

- repeated failure to provide information to or facilitate inspection by authorities or to utilize adequate technology in operations;

- in the case of exploration permits, failure to apply for a production concession within 30 days of determining the existence of commercially exploitable quantities of hydrocarbons;

- bankruptcy of the permit or concession holder;

- death or end of legal existence of the permit or concession holder; or

- failure to transport hydrocarbons for third parties on a non-discriminatory basis or repeated violation of the authorized tariffs for such transportation.

When a production concession expires or terminates, all oil and gas wells, operating and maintenance equipment and facilities automatically revert to the Argentine government, without payment to the holder of the concession.

The Privatization Law granted YPF 24 exploration permits covering approximately 132,735 square kilometers and 50 production concessions covering approximately 32,560 square kilometers. The Hydrocarbons Law limits the number and total area of exploration permits or production concessions that may be held by any one entity. YPF is exempt from the limit on grants under the Hydrocarbons Law. If such limit is applied to future production concessions it may affect YPF’s ability to realize the potential of its exploration permits. Exploration permits and production concessions may be transferred to third parties with the prior approval of the national executive.

#### *2.3.2.3 Security Zones Legislation*

Argentine law restricts the ability of non-Argentine companies to own real estate, oil concessions or mineral rights located within, or with respect to areas defined as, security zones (principally border areas). Prior approval of the Argentine government may be required:

- for non-Argentine shareholders to acquire control of YPF or

- if and when the majority of the shares of YPF belong to non-Argentine shareholders, for any additional acquisition of real estate, mineral rights, oil or other Argentine government concessions located within, or with respect to, security zones. Because approval of Class A shares is required for a change in control of YPF under its by-laws, and approval of the national executive or provincial governments is required for the grant or transfer of oil concessions, Repsol YPF believes that possible additional requirements under the security zone legislation will not have a significant impact on its operations.

#### *2.3.2.4 Natural Gas*

In June 1992, Law No. 24.076, referred to as the Natural Gas Law, was passed providing for the privatization of Gas del Estado and the deregulation of the price of natural gas. Since January 1, 1994, natural gas prices received by producers have been deregulated.

To effect the privatization of Gas del Estado, the five main trunk lines of the gas transmission system were divided into two systems principally on a geographical basis (the northern and the southern trunk pipeline systems). This is designed to give both systems access to gas sources and to the main centers of demand in and around Buenos Aires. These systems were transferred into two new transportation companies. The Gas del Estado distribution system was divided into eight regional distribution companies, including two distribution companies serving the greater Buenos Aires area. Shares of each of the transportation and distribution companies were sold to consortiums of private bidders.

The regulatory structure for the natural gas industry creates an open-access system, under which gas producers such as YPF will have open access to future available capacity on transmission and distribution systems on a non-discriminatory basis. Under the Natural Gas Law, producers of natural gas are entitled to extend contractual rights to transportation and distribution capacity during the transition period referred to above and for four years after the end of such period.

#### *2.3.2.5 Transportation*

The Hydrocarbons Law permits the national executive to award 35-year concessions for the transportation of oil, gas and petroleum products following submission of competitive bids. Holders of production concessions are entitled to receive a transportation concession for their production. The term of a transportation concession may be extended for an additional ten-year term upon application to the executive branch. The holder of a transportation concession has the right to:

- transport oil, gas and petroleum products
- construct and operate oil, gas and products pipelines, storage facilities, pump stations, compressor plants, roads, railways and other facilities and equipment necessary for the efficient operation of a pipeline system.

The holder of a transportation concession is obligated to transport hydrocarbons for third parties on a non discriminatory basis for a fee. This obligation, however, applies to producers of oil or gas only to the extent that the concession holder has surplus capacity available, and is expressly subordinated to the transportation requirements of the holder of the concession. Transportation tariffs are subject to approval by the Secretary of Energy. Upon expiration of a transportation concession, the pipelines and related facilities automatically revert to the Argentine government without payment to the holder. Gas pipelines and distribution systems sold in connection with the privatization of Gas del Estado are subject to a different regime under the Natural Gas Law, under which concessions for transportation and distribution of natural gas also may be granted. The Privatization Law granted YPF a 35-year transportation concession with respect to the pipelines operated by YPF at that time.

#### *2.3.2.6 Refining*

Crude oil refining activities conducted by oil producers or others are subject to Argentine government registration requirements and safety and environmental regulations, as well as to provincial environmental legislation and municipal health and safety inspections. Registration in the registry of oil companies maintained by the Secretary of Energy also is required to operate a refinery in Argentina. The refineries operated by Repsol YPF are so registered. Registration is granted on the basis of general financial and technical standards.

#### *2.3.2.7 Market Regulation*

Under the Hydrocarbons Law and the Oil Deregulation Decrees, holders of production concessions have the right to produce and own oil and gas and are allowed to dispose of such production in the market without restriction. As a result, YPF, as well as private companies producing oil and gas under service contracts with YPF following conversion of such contracts to concessions, may sell their production in domestic or export markets, and refiners may obtain crude oil from suppliers within or outside Argentina.

The Hydrocarbons Law authorizes the national executive to regulate the Argentine oil and gas markets and prohibits the export of crude oil during any period in which the national executive finds domestic production to be insufficient to satisfy domestic demand. If the national executive restricts the export of oil and petroleum products or the free disposition of natural gas, the Oil Deregulation Decrees provide that producers, refiners and exporters shall receive a price:

- in the case of crude oil and petroleum products, not lower than that of similar imported crude oil and petroleum products and,

- in the case of natural gas, not less than 35% of the international price per cubic meter of Arabian light oil, 34API.

#### *2.3.2.8 Taxation*

Holders of exploration permits and production concessions are subject to federal, provincial and municipal taxes and regular customs duties on imports. The Hydrocarbons Law grants such holders a legal guarantee against new taxes and certain tax increases at the provincial and municipal levels. Holders of exploration permits and production concessions must pay an annual surface tax based on area held. In addition, “net profit” (as defined in the Hydrocarbons Law) of holders of permits or concessions accruing from activity as such holders is subject to a special 55% income tax. This tax has never been applied. Each permit or concession granted to an entity other than YPF has provided that the holder thereof is subject instead to the general Argentine tax regime, and a decree of the national executive provides that YPF also is subject instead to the general Argentine tax regime.

Following the introduction of market prices for downstream petroleum products in connection with the deregulation of the petroleum industry, Law No. 23.966 established a volume-based tax on transfers of certain types of fuel, replacing the prior fuel tax regime which was based on the regulated price.

#### *2.3.2.9 Antitrust Agreement*

On June 16, 1999, the Argentine Ministry of Economy and Public Works delivered a letter to Repsol YPF setting forth a series of obligations that Repsol YPF would be required to assume in the event that Repsol YPF acquires a majority of the share capital of YPF. Repsol YPF has, in a letter dated June 17, 1999, accepted the Ministry’s requirements, which are described below:

- Repsol YPF must instruct YPF not to renew specified contracts under which YPF purchases natural gas. Repsol YPF estimates that these contracts account for approximately 15% of the natural gas sold in Argentina by YPF and Repsol YPF in 1998.

- By January 1, 2001, Repsol YPF must divest itself of Argentine refining capacity equal to 4% of total Argentine installed capacity at December 31, 1998 and of a number of service stations that account for a sales volume equivalent to that of Eg3 in 1998. Both of these requirements would be satisfied by the disposition of Eg3. Repsol YPF intends to seek to trade Eg3's assets for similar assets in other countries in Latin America or to sell Eg3 and apply the proceeds to the purchase of such assets. Repsol YPF may not transfer Eg3 or its assets to any Argentine market participant having a market share in excess of 10%.

- Until the gas contracts referred to above have expired, Repsol YPF may not participate in any new electricity generation project.

- Repsol YPF must eliminate from YPF's LPG export contracts any provision prohibiting reimportation by the buyer.

- By December 1, 2002, Repsol YPF must reduce its share of the Argentine retail LPG market by 4%. Repsol YPF estimates that the combined Repsol/YPF share of this market was approximately 38% at December 31, 1998.

- During the period until December 1, 2002, Repsol YPF must pass on in the form of price reductions any benefits resulting from economies of scale in its Argentine LPG operations resulting from the YPF acquisition. Repsol YPF believes that these benefits will consist mainly of cost reductions, which could be passed directly to consumers.

On March 14, 2000 the Secretariate for the Defense of Competition and the Consumer of the Ministry of Economy (*Secretaría de Defensa de la Competencia y del Consumidor del Ministerio de Economía*) issued a press release stipulating the following series of guidelines establishing the manner in which Repsol YPF must meet its obligation under the June 16, 1999 letter of the Argentine Ministry of Economy and Public Works requiring that Repsol YPF dispose of refining assets and service stations in Argentina in connection with its acquisition of control of YPF:

(1) Repsol YPF must make the required sale of service stations to a single purchaser.

(2) The block of service stations and refining capacity to be sold must correspond to an equivalent of Repsol's share of the relevant geographical and product markets prior to its acquisition of YPF in 1999. The sale of the block of service stations must keep Repsol YPF's market share at YPF's pre-acquisition market share levels. Repsol YPF must transfer refining capacity sufficient to permit adequate supply of the block of service stations transferred.

(3) The entity acquiring the service stations and refining assets must have no agreements with Repsol YPF. In addition, Repsol YPF may not transfer the assets to any related entity or to an entity which has a market share greater than 10% for each of refining and service station activities in Argentina.

(4) The Secretariate for the Defense of Competition and the Consumer may supervise Repsol YPF's divestment of the specified assets. The *Tribunal de Defensa de la Competencia* will have the authority to review Repsol's disposal of the specified refining assets and service stations.

Repsol YPF believes that if it complies with the requirements of the Ministry of Economy outlined above, the acquisition of YPF will not be subject to further antitrust scrutiny in Argentina under existing law. However, the Ministry has not stated that there will be no further antitrust scrutiny and no assurances can be given that Repsol YPF will not be required to accept additional undertakings or other measures intended to address any perceived anti-competitive effects of the YPF acquisition.

### 2.4 Description of Property

Most of Repsol YPF's property, consisting of service stations, refineries, manufacturing facilities inventory, storage facilities and transportation facilities, is located in Spain and Argentina. Repsol YPF also has interests in crude oil and natural gas reserves. Most of these reserves are located outside of Spain, with many being located in Argentina.

There are several classes of property which Repsol YPF does not own in fee. Repsol YPF's petroleum exploration and production rights are in general based on sovereign grants of a concession. Upon the expiration of the concession, the exploration and production assets of Repsol YPF associated with a particular property subject to the relevant concession revert to the sovereign. Repsol YPF leases 2,330 service stations to third parties, 2,106 of which are located in Spain and 66 in Argentina, and 3,732 service stations are owned by third parties and operated under a supply contract with Repsol YPF for the distribution of Repsol YPF products, of which 813 are located in Spain and 2,534 in Argentina.

Law 34/1998 revoked the concessions held by Enagás and Gas Natural to operate Spain's primary transport and distribution networks of natural gas pipelines and conveyed to Enagás and Gas Natural outright ownership of the networks. Under Law 34/1998, the government could not authorize new entrants into any distribution network area served by Enagás or Gas Natural for the shorter of the remaining life of the former concession for that area or 15 years. Royal Decree Law 6/1999 further reduced this term to 10 years. Royal Decree Law 6/2000 reduced this term to the shorter of the remaining life of the former concession or the time period remaining until January 1, 2005. There are, however, no limitations on entrants in areas served by the transport network.

### 2.5 Seasonality

Among Repsol YPF's activities, its natural gas business has the most significant degree of seasonality in relation to climatological conditions, with increased activity in winter and decreased activity in summer in the Northern Hemisphere. Repsol YPF's activities in Latin America, however, partially offset this effect as winters in the Southern Hemisphere coincide with summers in the Northern Hemisphere, thus reducing the seasonality effect on Repsol YPF's natural gas business.

## 3. Operating and Financial Review and Prospects

You should read the information in this section together with the consolidated financial statements and the related notes included in this annual report. Repsol YPF prepares its consolidated financial statements in accordance with Spanish GAAP, which differ in certain significant respects from U.S. GAAP. See Note 29 to the conso0lidated financial statements.

### 3.1 Summarized Income Statement

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2000 | 1999 | 1998 |
| | (millions of euros) | | |
| Operating revenues | 45,742 | 26,295 | 18,989 |
| Operating expenses | 39,500 | (23,666) | (17,331) |
| Operating income(1) | 6,242 | 2,629 | 1,658 |
| Extraordinary income (expense) | (419) | (87) | (54) |
| Amortization of goodwill | (270) | (132) | (24) |
| Interest income (expense), net | (1,300) | (726) | (170) |
| Equity in earnings of unconsolidated affiliates | 72 | 59 | 1 |
| Income before income tax and minority interest (1) | 4,325 | 1,743 | 1,411 |
| Income tax | (1,408) | (557) | (397) |
| Minority interest | (488) | (175) | (139) |
| Net income | 2,429 | 1,011 | 875 |

(1) Repsol YPF has consolidated the results of YPF S.A. since the acquisition of YPF on June 23, 1999. In 2000, YPF contributed 25.93% of Repsol YPF operating revenues and 46.59% of operating income. In 1999 YPF contributed 17.5% of Repsol YPF operating revenues and 35.7% of Repsol YPF operating income. Pursuant to the shareholders agreement signed with La Caixa, in 2000 Repsol YPF consolidated 100% of the results at Gas Natural. Prior to 2000, Repsol YPF consolidated Gas Natural by the proportional method, reflecting a 45.3% of Gas Natural's results of operations in 1999 and 1998. In 2000 Gas Natural represented 10.9% of Repsol YPF operating revenues and 14.8% of Repsol YPF operating income. In 1999 Gas Natural contributed 5.7% of Repsol YPF operating revenues and 13.2% of Repsol YPF operating income.

### 3.2 Factors Affecting Repsol YPF's Consolidated Results of Operations

*Crude Oil Prices.* Changes in Brent crude oil benchmark prices significantly affect Repsol YPF's earnings. In 2000, exploration and production activities represented approximately 62% of Repsol YPF's operating income, compared to 45% in 1999. Per barrel Brent crude oil benchmark prices averaged US$28.4 in 2000, US$17.97 in 1999 and US$12.73 in 1998. Lower crude oil prices have a negative effect on the results of exploration and production by reducing the economic recoverability of discovered reserves and the prices realized from production. See Section 9 "Quantitative and Qualitative Disclosure About Market Risk."

*Pricing.* The effect of changes in the price of crude oil and other raw materials on refining, marketing and gas margins depends on the speed with which petroleum products and LPG prices charged by Repsol YPF are revised to reflect such changes. Prices for LPG and natural gas in Spain are largely subject to maximum selling price formulas which are established by the Spanish State. Gasoline prices in Spain were subject to such ceilings until December 1998.

In the case of LPG, the maximum price ceiling formula established in November 1993 takes into account the international price for LPG, including freight charges and certain distribution costs. Beginning in 1996, as part of the Spanish State's anti-inflationary program, prices for LPG were not allowed to rise in accordance with the maximum price ceiling formula. Changes in distribution costs and raw material costs were not reflected in the LPG price beginning in April and October 1996, respectively. In January 1997, the Spanish State formally suspended the application of the LPG price formula, freezing prices for LPG at their October 1996 levels. This price freeze was lifted in August 1997 following which the price of LPG was subject only to the maximum price ceiling formula in effect prior to the imposition of the January 1997 price freeze. The combination of this price freeze, the increase in the international price of LPG and the high domestic demand for LPG during the winter months resulted in an estimated reduction of €90.8 million in operating income in 1997.

In July 1998, the Ministry of Economy liberalized bulk LPG prices and prices for LPG sold in bottles of less than 8 kilograms. The bulk and below 8kg bottled LPG markets accounted for approximately 30% of Repsol Butano's total 2000 LPG sales On October 1, 1999, the Ministry again froze prices for bottled LPG exceeding 8kg until October 2000, when it enacted a new maximum price formula for bottled LPG. The price freeze in bottled LPG prices and other regulatory caps reduced Repsol YPF's operating income by approximately €170 million. In 2000, the average selling price for bottled LPG in Spain, which includes home delivery, was approximately 50% to 55% lower than the average selling price elsewhere in Europe, which does not include home delivery. Historically, the selling price for LPG in Spain has been 30% to 40% lower than elsewhere in Europe. See Section 2.3.1.2 "Information about Repsol YPF—Regulation of the Petroleum Industry—Spain—LPG."

In the case of gasoline products (including leaded and unleaded gasolines), until October 1998 the Spanish State determined price ceilings pursuant to formulas which took into account retail prices in other EU countries and certain distribution costs.

Repsol YPF's natural gas prices remain subject to a maximum pricing system. For industrial sector customers, the maximum price formula takes into account capacity contracted for and regularity of usage, as well as the cost of alternative fuels, the euro/dollar exchange rate and transport costs. For other customers, the formula takes into account raw material costs and transmission and distribution margins. See Section 2.2.4.1 "Information about Repsol YPF—Operations—Gas and Electricity—Natural Gas" and Section 2.3 "Information about Repsol YPF—Regulation of the Petroleum Industry."

*Distribution of LPG and Natural Gas in Spain.* Spain's Hydrocarbon Sector Law 34/1998, which came into effect in October 1998, ended Repsol YPF's near monopoly in the transport and sale of LPG in Spain. Prior to passage of the law, distribution of LPG in Spain was limited to home-deliveries of bottled LPG, piped home delivery of LPG and bulk home delivery (by truck). Bottled LPG is the most significant LPG delivery channel, comprising 70% of total LPG sales in Spain in 2000, and Repsol YPF, through its subsidiary Butano, historically was virtually the sole provider in this market prior to October 1998. The Hydrocarbon Sector Law permitted new LPG distribution channels, such as service stations and supermarkets, and this may result in a decrease in Butano's share of the overall LPG market and an increase in competition.

The Spanish market for gas activities is becoming increasingly competitive. Since October 1999, the Spanish government has granted provisional operating licenses for natural gas marketing to ten new competitors of Repsol YPF. Law 34/1998 also established third-party access rights for qualified consumers, sellers and transporters to use Enagás' and Gas Natural's facilities for the receipt, storage and transportation of natural gas on a nondiscriminatory and transparent basis, subject to tariffs that receive regulatory approval. Royal Decree Laws 6/1999 and 6/2000 have accelerated the entrance of new competitors in the Spanish natural gas distribution and supply markets, by reducing the minimum consumption standard that qualified consumers must meet. These consumption standards will be gradually eliminated. Beginning on January 1, 2003, all consumers will be considered qualified consumers. Repsol YPF expects that the changes introduced by Law 34/1998 and Decree Law 6/2000 will eventually lead to further increases in competition in the natural gas market in Spain. See Section 2.3.1.3 "Regulation of the Petroleum Industry—Spain—Natural Gas."

### 3.3 Overview of Consolidated Results of Operations

*Net Income.* Net income for 2000 was €2,429 million, a 140.3% increase, more than double of previous year's income of €1,011. Repsol YPF's net income, excluding extraordinary items and goodwill amortization relating to the YPF acquisition, would have been €3,268 million, a 143.0% increase compared to €1,344 in 1999. Net income for 2000, before extraordinary items, was €2,701 million, a 152.9% increase compared to €1,068 million in 1999.

Repsol YPF results for 2000 were boosted by the effect of full-year consolidation of YPF (which was consolidated for only six months of 1999). Repsol YPF's net income for 2000 excluding the effects of the YPF acquisition and related transactions would have been €1,469 million. Repsol YPF 2000 results also benefitted significantly from high oil prices, which on average rose more than US$10 with respect to 1999. Hydrocarbon production also increased in the first full year of consolidation of YPF. International refining profit margins increased favorably, although they were offset by narrow commercial margins during most of the year, with a considerable improvement towards the year-end as oil prices showed a moderate drop. Finally, gas & power obtained the same high growth rates as in recent years.

Repsol YPF's net income for 1999 was €1,011 million, a 15.5% increase compared to net income of €875 in 1998, reflecting the significant impact of the consolidation of YPF's results in the second half of 1999. Repsol YPF's net income for 1999 excluding the effects of the YPF acquisition and related transactions would have been €883 million.

*Operating Revenues.* Operating revenues in 2000 were €45,742 million, a 73.96% increase compared to €26,295 for 1999. This increase principally reflects the increase in the price of crude oil during 2000, which on average rose over US$10 per barrel, as well as the increase in production and sales resulting from the consolidation for a complete year of YPF for the first time. The significant increase in the sales of gas is also the result of the 100% consolidation of Gas Natural during 2000.

Operating revenues in 1999 were €26,295 million, a 38.5% increase compared to operating revenues of €18,989 million in 1998. This increase primarily reflected improved E&P revenues due to an increase in production resulting from the incorporation of YPF's operations beginning June 23, 1999 and to the continuing rise in crude oil prices during 1999. The average per barrel Brent crude oil price reached one of its highest levels since 1990 at US$17.97 for 1999, compared to US$12.73 for 1998. Sales of natural gas in Spain also rose and LPG margins improved throughout 1999, contributing to further growth in operating revenues.

*Operating Income.* Operating income for 2000 was €6,242 million, a 137.4% increase compared to operating income of €2,629 million in 1999. Excluding the effects of Gas Natural consolidation, operating income would have been €5,752 million, a 118.8% increase from €2,629 in 1999. Operating income increased mainly as a result of higher oil prices during 2000, which on average rose over US$10 per barrel compared with 1999, increased production as a result of the consolidation for the first time of YPF for a complete fiscal year, and as a result of favorable changes in international refining margins, which nevertheless were partially offset by narrower commercial margins. However, by the end of the year commercial margins had significantly improved, coinciding with a cut in crude oil prices. Finally, gas and electricity activity maintained the high growth rates of the last few years, to which the 100% consolidation of Gas Natural was added. The effect of this change in the consolidation method represented 5.79% of operating revenues and 7.82% of the operating income of Repsol YPF.

Operating income for 1999 was €2,629 million, a 58.6% increase compared to net income of €1,658 million in 1998. Operating income increased principally as a result of the consolidation of YPF's operations beginning June 23, 1999 and due to improved E&P revenues resulting from increased crude oil prices. Improved LPG margins in Spain also contributed to stronger operating income, offset in part by decreasing operating margins in Refining & Marketing and Chemicals operations.

*Extraordinary Income (Expense).* In 2000 extraordinary expense increased 382% to €419 million from €87 million in 1999. The main components of this expense were provisions to finance a management reorganization programme called RYS XXI, to complete provisions for pensions, and to cover future risks and losses. For a detailed discussion of extraordinary income (expense), see Section 3.5 "—Extraordinary Income (Expense)" below.

*Amortization of Goodwill.* Goodwill amortization in 2000 increased 104% to €270 million from €132 million in 1999. Amortization related to the YPF acquisition was €213 million euros in 2000, in contrast to €99 million in 1999. This sharp increase mainly reflects goodwill amortization of the acquisition of YPF for a full year in 2000 as compared to approximately six months in 1999. If all goodwill assigned to company reserves and other assets were included, overall amortization would have been €578 million for the 2000.

Goodwill amortization increased to €132 million in 1999, primarily reflecting amortization of €99 million related to the YPF acquisition, from €24 million in 1998. Goodwill generated by the acquisition of YPF is €3,580 million, which will be amortized during 20 years.

*Interest Income and Expense.* Net interest expense increased 79.0% to €1,300 million in 2000, from €726 million in 1999. This increase was mainly the result of three factors. First, during 2000 Repsol YPF incurred a full year of interest expenses related to the YPF acquisition, in comparison to only six months in 1999. Second, the effect of the change in the consolidation method of Gas Natural, from the proportional integration method in 1999 to the global integration method in 2000. Third, the appreciation of the dollar against the euro which increased the book value of Repsol YPF's debt, 90% of which is denominated in US dollars in accordance with our policy to cover foreign exchange risk arising from dollar-denominated assets. These three factors caused an increase of 66% in our average debt to €18,702 million in 2000, from €11,239 million in 1999. Average interest rate paid in 2000 was 7.4% as compared to 6.7% in 1999.

Net interest expense rose 327.1% to €726 million in 1999 from €170 million in 1998 in connection with debt incurred to finance the acquisition of YPF as well as interest associated with YPF's own debt, consolidated with Repsol YPF's results beginning June 23, 1999. Repsol YPF's net financial debt increased from €3,532 million at December 31, 1998 to €17,136 million at December 31, 1999. This €13,602 million increase reflected debt incurred to finance the acquisition of YPF. The fall in the euro exchange rate against the US dollar from €1.00 = US$ 1.170 at December 31, 1998 to €1.00 = US$0.993 at December 31, 1999 resulted in a €1,071 million increase in the euro equivalent amount of Repsol YPF's total indebtedness which is primarily denominated in US dollars.

Interest income and expense includes net gains and losses caused by foreign currency fluctuations. Repsol YPF had net foreign currency losses of €41 million in 2000, principally due to the devaluation of the euro against the dollar, €22 million in 1999 and €2 million in 1998.

*Equity in Earnings of Unconsolidated Companies.* Equity earnings in unconsolidated affiliates for the year 2000 was €72 million, in comparison to €59 million in 1999. Income in 2000 came mainly from Atlantic LNG (€24.7 million), Petroquímica Bahía Blanca (€15.9 million) and Oldelval (15.4 million), and in 1999 came from Atlantic LNG (€3 million), Petroquímica Bahía Blanca (€5 million), Oldelval (€8 million) and YPF (€36 million, accounting for Repsol YPF's 14.99% participation in YPF from January 20 to June 23, 1999).

Equity earnings in unconsolidated companies increased to €59 million in 1999 from €1 million in 1998 as a result of Repsol's acquisition of a 14.99% participation in YPF on January 20, 1999 and earnings of YPF's unconsolidated companies in the second half of 1999.

*Taxes.* Repsol YPF's effective tax rate in 2000 was 32.5% compared to 31.9% in 1999. As in 1999, this increase is primarily due to greater non-deductible expenses, such as goodwill amortization related to the acquisition of YPF partially offset by deductions generated by double taxation in previous years. The effective tax rate in 1998 was 28.2% .

*Minority* Interest. Income attributable to minority shareholders in 2000 increased 179% to €488 million from €175 million in 1999. This increase was mostly the result of the consolidation of minority interests in Gas Natural.

Minority interest in 1999 was €175 million, a 26% increase compared to minority interest of €139 million in 1998. The principal components of this increase in minority interest were minority stakes in YPF (from January 15 to June 22, 1999) and its unconsolidated affiliates totaling €19 million; in Astra and its subsidiary GASA (Metrogás) totaling €18 million, compared to a €4 million minority interest in 1998, as a result of improved earnings at Astra and GASA in 1999; and €49 million in CLH compared to €40 million in 1998, as a result of improved earnings at CLH.

### 3.4 Results of Operations by Business Segment

The tables below set forth Repsol YPF's operating revenues and operating income by business segment for 2000, 1999 and 1998, as well as the percentage changes in revenues for the periods shown.

| | 2000 | 1999 | 1998 | 2000 vs. 1999 | 1999 vs. 1998 |
|---|---|---|---|---|---|
| | | (millions of euros) | | | |
| **Operating revenue** | | | | | |
| Exploration and Production(1) | 9,084 | 3,774 | 964 | 140.7% | 291.5% |
| Refining and Marketing(2)(3) | 34,874 | 21,444 | 15,850 | 62.6 | 35.3 |
| Chemicals(4) | 2,445 | 1,433 | 1,114 | 70.6 | 28.6 |
| Natural Gas and Electricity(5) | 5,430 | 1,849 | 1,444 | 193.7 | 28.1 |
| Other operating revenues and adjustments in the consolidation process | (6,091) | (2,205) | (383) | — | — |
| Total Operating revenues | 45,742 | 26,295 | 18,989 | 74.0 | 38.5 |

| | 2000 | 1999 | 1998 | 2000 vs. 1999 | 1999 vs. 1998 |
|---|---|---|---|---|---|
| | | (millions of euros) | | | |
| **Operating income** | | | | | |
| Exploration and Production(1) | 3,864 | 1,186 | 93 | 225.8% | 1,175.3% |
| Refining and Marketing(3) | 1,323 | 1,009 | 1,117 | 31.1 | (9.7) |
| Chemicals(4) | 152 | 132 | 177 | 15.1 | (25.4) |
| Natural Gas and Electricity(5) | 1,006 | 396 | 284 | 154.0 | 39.4 |
| Corporate and others(6) | (103) | (94) | (13) | — | — |
| Total Operating Income | 6,242 | 2,629 | 1,658 | 137.4 | 58.6 |

(1) Includes revenues from Repsol Exploración as well as the E&P divisions of Astra and YPF (since June 1999).

(2) Includes approximately €6,869 million, €5,776 million and €4,976 million, in 2000, 1999 and 1998, respectively, relating to excise taxes on the products marketed.

(3) Refining and marketing includes CLH, Repsol Petróleo, Petronor, Repsol Comercial, Refineries La Pampilla and Eg3 (since September 1997) and YPF (since June 1999). GLP includes Repsol Butano, Solgás and Duragás (since September 1998), and YPF GLP activities (since June 1999).

(4) Includes the basic petrochemicals activities of Repsol Petróleo and Petronor, the derivative petrochemicals activities of Repsol Química and the chemical operations of YPF (since June 1999).

(5) Includes Repsol YPF's 47.04% interest in Gas Natural in 2000 (consolidated by global integration) and 45.3% in 1999 and 1998 (consolidated by proportional integration). Also includes natural gas and electricity activities in Astra and YPF's gas operations (since June 1999).

(6) Consist primarily of overhead costs

### 3.4.1 Exploration and Production (E&P)

| | 2000 | 1999 | 1998 | 2000 vs. 1999 | 1999 vs. 1998 |
|---|---|---|---|---|---|
| | (millions of euros) | | | | |
| **Operating revenue** | | | | | |
| Spain | 455 | 104 | 131 | 337.5% | (20.6)% |
| Rest of Europe | 0 | 144 | 80 | — | 80.0 |
| Argentina | 6,156 | 1,954 | 198 | 215.1 | 886.9 |
| Rest of Latin America | 496 | 461 | 66 | 7.6 | 598.5 |
| North Africa and Middle East | 1,341 | 711 | 400 | 88.6 | 77.8 |
| Far East | 604 | 282 | 82 | 114.2 | 243.9 |
| Rest of the World | 32 | 118 | 7 | (72.8) | 1,585.7 |
| | 9,084 | 3,774 | 964 | 140.7 | 291.5 |

The significant increase in operating revenues in 2000 was essentially due to the contribution in 2000 of the production of YPF which in 1999 only participated in the last six months, and the high price of crude oil which in 2000 reached an average price of $28.4 per barrel compared with $17.97 per barrel for 1999. Production increased by 51% to 367.7 million barrels of oil equivalent. On a pro forma basis, reflecting consolidation for twelve months for both 1999 and 2000 and eliminating the effect of purchases and sales of assets during 2000, production levels would be similar to those of 1999, with a reduction in liquids production and a 7.3% increase in gas production.

The increase in operating revenues in 1999 reflects primarily the consolidation of YPF's results since June 1999 as well as the sustained rise in the price of crude oil, reaching an average per barrel price of US$17.97 in 1999 compared to US$12.73 in 1998. Production also increased by 243.5 million barrels of oil equivalent, or 168.9%, compared to 1998, principally as a result of the consolidation of YPF's operations in the second half of 1999.

| | 2000 | 1999 | 1998 | 2000 vs. 1999 | 1999 vs. 1998 |
|---|---|---|---|---|---|
| | (millions of euros) | | | | |
| **Operating income** | | | | | |
| Spain | 290 | (3) | 29 | — | — |
| Rest of Europe | — | 75 | 27 | — | 177.8% |
| Argentina | 2,532 | 795 | 38 | 218.5% | 1,992.1 |
| Rest of Latin America | 416 | 84 | (13) | 395.2 | — |
| North Africa and Middle East | 367 | 121 | 3 | 203.3 | 3,933.3 |
| Far East | 271 | 92 | 19 | 194.6 | 384.2 |
| Rest of the World | (12) | 22 | (10) | — | — |
| | 3,864 | 1,186 | 93 | 225.8 | 1,175.3 |

Exploration & Production operating income increased 226% to €3,864 million in 2000 from €1,186 million in 1999. This increase primarily reflects the incorporation of YPF's production for a full year in 2000, as compared to only six months in 1999, as well as higher oil prices, which on average where 59% higher than in 1999, as well as increased production, which in 2000 reached 367.7 million barrels of oil equivalent (267.8 million of which come from the consolidation of YPF during 2000) a 72% increase with respect to 1999. Operating income as a percentage of operating revenues increase to 43% in 2000 compared to 31.4% in 1999, reflecting the increase in crude oil prices and a 37.3% improvement in finding costs to US$0.79 per barrel of oil equivalent. Repsol YPF believes that finding costs were exceptionally low in 2000.

Operating income for 2000 included €301 million of capital gain from the sale of assets located in the United Kingdom.

Operating income for 1999 was €1,186 million, a 1,175.3% increase compared to operating income of €93 million in 1998. Consolidation of YPF's operations contributed €866 million to Repsol YPF's consolidated E&P operating income in the second half of 1999. Also contributing to gains in operating income was the sustained increase in crude oil prices discussed above. In addition, on a pro forma basis in 1999 (reflecting YPF's operations for the full year 1999) compared to 1998, Repsol YPF was able to reduce finding costs by 25.0%, as a result of decreased test drilling activity and the implementation of new technology, and lifting costs by 4.6%, as a result of synergies with YPF's operations and increased levels of for gas production, which has lower lifting costs than oil production.

### 3.4.2 Refining and Marketing

| | 2000 | 1999 | 1998 | 2000 vs. 1999 | 1999 vs. 1998 |
|---|---|---|---|---|---|
| | | (millions of euros) | | | |
| **Operating revenue** | | | | | |
| Spain | 23,362 | 15,301 | 13,446 | 52.7% | 13.8% |
| Rest of Europe | 769 | 759 | 704 | 1.3 | 7.8 |
| Argentina | 7,606 | 3,319 | 780 | 129.2 | 325.5 |
| Rest of Latin America | 1,828 | 1,627 | 917 | 12.4 | 77.4 |
| North Africa and Middle East | — | — | — | — | — |
| Far East | — | — | — | — | — |
| Rest of the World | 1,309 | 438 | 3 | 198.9 | 14,500.0 |
| | 34,874 | 21,444 | 15,850 | 62.6 | 35.3 |

Refining & Marketing operating revenue in 2000 increased 62.6% to €34,874 million compared with €21,444 million 1999, principally reflecting increased prices and increased sales volume of oil products, which totaled 51,350 thousand tonnes, a 12.1% increase compared with 45,801 thousand tonnes in 1999, and increased refining production in Argentina, in both cases primarily as a result of the twelve month consolidation of YPF in 2000 compared to six months in 1999. Sales of oil products in Spain fell, particularly diesel (fuel oil) which declined by 30% to 3,510 tonnes due to the effect of high levels of rain which led to increased hydroelectric generation and decreased demand for electricity from diesel-driven thermoelectrical plants. Higher crude oil prices during 2000 allowed us to increase prices of refining products, which were 63% higher on average in 2000 than in 1999. However, this trend did not result in higher prices at the retail level, where Repsol YPF pursued a policy of moderate price increases, thus resulting in lower revenues from marketing activities. LPG sales volumes were broadly flat in 2000, reflecting a 4.7% decline in Spain and a 58.5% increase in Argentina due to YPF consolidation. The decline in Spain reflected mild weather and increased use of natural gas. LPG sales in Spain were also adversely affected by October 1999 price freeze.

Operating revenue for 1999 increased by 35.3% to €21,444 million in 1999 from €15,850 million in 1998, principally reflecting an increase in refining production to 45.2 million tonnes in 1999 from 38.4 million tonnes in 1998, primarily as a result of the consolidation of YPF's refining and marketing activities in the second half of 1999 as well as improved diesel sales in Spain, which rose as a result of drought conditions that required increased use of thermal power generation facilities. Prices for Repsol YPF's refined products increased 28% on average in 1999 compared to 1998, but production at Repsol YPF's Spanish refineries was lower in 1999 due to decreased international margins. LPG sales volumes in Spain were flat in 1999, reflecting a trend among consumers to shift from LPG to natural gas, although the average price of LPG increased by 6.5% compared to 1998. In contrast, LPG sales volumes in Latin America grew by more than 94% to greater than 700,000 tonnes, primarily as a result of the consolidation of YPF in the second half of 1999, although average prices in Argentine declined by 6.2% compared to 1998.

| | 2000 | 1999 | 1998 | 2000 vs. 1999 | 1999 vs. 1998 |
|---|---|---|---|---|---|
| | | (millions of euros) | | | |
| **Operating income** | | | | | |
| Spain | 1,144 | 834 | 992 | 37.2% | (15.9)% |
| Rest of Europe | 5 | 3 | 13 | 66.6 | (76.9) |

| | 2000 | 1999 | 1998 | 2000 vs. 1999 | 1999 vs. 1998 |
|---|---|---|---|---|---|
| | | (millions of euros) | | | |
| Argentina | 99 | 115 | 49 | (13.9) | 134.7 |
| Rest of Latin America | 61 | 53 | 63 | 15.1 | (15.8) |
| North Africa and Middle East | — | — | — | — | — |
| Far East | — | — | — | — | — |
| Rest of the World | 14 | 4 | 0 | 250.0 | — |
| | 1,323 | 1,009 | 1,117 | 31.1 | (9.7) |

Refining and Marketing operating income, including LPG, increased 31.1% to €1,323 million in 2000 from €1,009 in 1999. This increase is mainly the result of two factors: first, cost reductions obtained from the optimization of refining processes that increased efficiency and raised the output of products with higher commercial margins; second, higher refining margins, which partially offset the sharp fall in marketing margins caused by the difficulty in passing on higher feedstock costs to final retail prices. Refining and Marketing operating income excluding LPG, would have increased 57% to €1,248 million in 2000, from €790 million in 1999.

Higher refining margins resulted mainly from improved product quality, derived from new product specifications enacted in the EU and the United States. Repsol YPF was able to take advantage of the prevailing good refining margins in 2000 by timely adjusting its refinery facilities allowing them to reach optimum production levels promptly, which allowed us to sell at a premium products that were in scarce supply in the market.

The refining margin index in Spain during 2000 was $3.40 per barrel, in comparison to $1.54 per barrel in 1999. The distillation level was 4.2% lower in comparison to 1999. In Argentina, the refining margin index was $4.06 per barrel in comparison to $2.48 per barrel in 1999, and the distillation level was 3.7% lower than the year before, on a pro forma basis consolidating YPF for twelve months in both 1999 and 2000. During most of 2000, marketing margins in Spain and Argentina dropped, mainly as a result of Repsol YPF’s decision to pursue a policy of moderate price increases, in an environment marked by public pressure from consumers. LPG operating income in 2000 dropped 66% to €75 million with respect to 1999. The decrease is mainly the result of regulatory caps in the selling price of bottled LPG (price freeze and change in price formula). Cost saving programmes in place in Latin America increased operating income there by over €18 million in 2000. LPG sales in Latin America contributed €40 million or 53.3% of LPG operating income in 2000.

Refining and Marketing operating income decreased 9.7% to €1,009 million in 1999 from €1,117 million in 1998. This decrease reflects both declining margins for refining activities in 1999, which were US$1.50 per barrel in Spain, or 58% (US$1.10 per barrel) less than the exceptionally favorable $2.60 average margin achieved in 1998, and narrower margins on marketing activities in Spain during the second half of 1999 as the rise in crude oil prices could not be immediately reflected in consumer pricing. Repsol YPF took a conservative approach to increasing consumer prices for petroleum products in the wake of rising international petroleum prices. Operating income from refining and marketing activities in Latin America was €168 million in 1999, a 50.0% increase compared to operating income of €112 million in 1998, primarily as a result of the consolidation of YPF in the second half of 1999 offset in part by decreased refining and marketing margins, both of which declined, although less significantly than in Spain. Operating income from LPG activities grew 19.3% to €219 million in 1999 from €184 million in 1998, mainly as a result of increased prices in Spain. These increases were limited, in part, by price freezes imposed since October 1999 by the Spanish government on bottled LPG which had a more than €8 million negative effect on operating income and by narrowing margins and decreased prices in Latin America. The increase of prices in Spain partially offset losses in the amount of €2 million in 1995, caused by the declines in prices during 1999 and lower margins.

### 3.4.3 Chemicals

| | 2000 | 1999 | 1998 | 2000 vs. 1999 | 1999 vs. 1998 |
|---|---|---|---|---|---|
| | | (millions of euros) | | | |
| **Operating revenue** | | | | | |
| Spain | 1,830 | 1,145 | 1,099 | 59.8% | 4.2% |
| Rest of Europe | 21 | 17 | 15 | 23.5 | 13.3 |
| Argentina | 532 | 247 | — | 115.3 | — |
| Rest of Latin America | 62 | 24 | — | 158.3 | — |
| North Africa and Middle East | — | — | — | — | — |
| Far East | — | — | — | — | — |
| Rest of the World | — | — | — | — | — |
| | 2,445 | 1,433 | 1,114 | 70.6 | 28.6 |

Chemicals operating revenues grew 70.6% to €2,445 million in 2000 from €1,433 million in 1999, mainly as a result of, first, a general increase in the price of basic and derivative chemicals due to the significant increase in the price of oil during 2000 and, second, the full consolidation of YPF for the year 2000. Despite delays in the start-up of the Tarragona (Spain) and Bahía Blanca (Argentina) plants, which are now in full operation, petrochemical products sales grew by 13.1% to 2.81 million tonnes in 2000 from 2.49 million tonnes in 1999. Sales increased by 4.1% for basic petrochemical products and by 17.2% for derivative petrochemical products.

Chemicals operating revenues grew 28.6% to €1,433 million in 1999 from €1,114 million in 1998, primarily as a result of the consolidation of YPF's chemicals operations in Latin America. Prices for basic and derivative chemicals declined throughout 1999 until recovering in part in the fourth quarter. This recovery has continued into 2000. On average 1999 prices were slightly lower than 1998 prices. Petrochemical products sales grew by 25.2% to 2.49 million tonnes in 1999 from 1.98 million tonnes in 1998. Sales increased by 34.4% for basic petrochemical products and by 21.4% for derivative petrochemical products.

| | 2000 | 1999 | 1998 | 2000 vs. 1999 | 1999 vs. 1998 |
|---|---|---|---|---|---|
| | | (millions of euros) | | | |
| **Operating income** | | | | | |
| Spain | 147 | 114 | 176 | 28.9% | (35.2)% |
| Rest of Europe | 3 | 3 | 1 | — | 200.0 |
| Argentina | 1 | 13 | — | (92.3) | — |
| Rest of Latin America | 1 | 2 | — | (50.0) | — |
| North Africa and Middle East | — | — | — | — | — |
| Far East | — | — | — | — | — |
| Rest of the World | — | — | — | — | — |
| | 152 | 132 | 177 | 15.1 | (25.4) |

Chemicals operating income increased 15.1% to €152 million in 2000 from €132 in 1999. Excluding extraordinary income of €25.7 million from the sale of rubber technology to Girsa in 1999, operating income would have been €106.3 million in 1999, resulting in a 43% increase in 2000. This increase is mainly the result of increased sales and better international margins on basic chemicals, partially offset by a significant fall in derivative chemicals margins, caused by higher feedstock prices not compensated by an increase in sale prices.

Better international margins in basic petrochemicals reflect higher ethylene and propylene prices, which offset to a considerable extent higher raw material costs (naphtha). On the other hand, derivative petrochemicals margins were lower, principally reflecting higher costs in raw materials (ethylene and propylene), which could not be completely offset by an increase in derivative petrochemical prices.

Chemicals operating income decreased by 25.4% to €132 million in 1999 from €177 million in 1998. This decrease principally reflects narrower international margins in the first three quarters of 1999 which affected both basic and derivative petrochemical products. In the fourth quarter, however, international margins on petrochemical products improved compared to prior quarters. Basic petrochemical product operating income decreased more markedly due to a sharp rise in naphtha prices which Repsol YPF could not offset by increasing basic petrochemicals product prices. In its derivative petrochemicals business, Repsol YPF was able to offset declines in operating margins, especially in the first half of the year, by increased sales. As a result, the decline in derivative petrochemical operating income was not as significant as for basic petrochemical products. Operating income from petrochemicals activities in Argentina as a result of the consolidation of YPF's operations offset in part declines in consolidated petrochemicals operating income. YPF's petrochemical products portfolio was complementary with that of Repsol YPF prior to the acquisition.

### 3.4.4 Gas and Electricity

| | 2000 | 1999 | 1998 | 2000 vs. 1999 | 1999 vs. 1998 |
|---|---|---|---|---|---|
| | | (millions of euros) | | | |
| **Operating revenue** | | | | | |
| Spain | 3,940 | 1,218 | 1,032 | 223.5% | 18.0% |
| Rest of Europe | 160 | 0 | — | — | — |
| Argentina | 957 | 536 | 346 | 78.5 | 54.9 |
| Rest of Latin America | 340 | 84 | 59 | 304.8 | 42.3 |
| North Africa and Middle East | 33 | 11 | 7 | 200.0 | 57.1 |
| Far East | — | — | — | — | — |
| Rest of the World | — | — | — | — | — |
| | 5,430 | 1,849 | 1,444 | 193.7 | 28.05 |

Gas and electricity operating revenues increased by 193.7% to €5,430 million in 2000, from €1,849 million in 1999. This increase is mainly the result of the 100% consolidation of Gas Natural, in comparison to a partial consolidation of 45.3% during 1999. Additionally, both the increase in natural gas sale prices, reflecting a general increase in crude oil prices, and a rise in sales volume, contributed to the improvement in operating revenues. Sales volume in Spain increased 150.4%, or 13.3% if Gas Natural were consolidated on the same 1999 basis, reflecting a 10.1% growth in the number of customers as well as good economic conditions in the industrial market. Sales in Latin America increased 53.0%, mainly as a result of the full consolidation of Gas Natural, as well as new investments in the region, which have resulted in the gain of new customers and supply to new areas. Operating revenues from Latin America increased 109.2% to €1,297 million, or 35.2% if Gas Natural were consolidated on the same 1999 basis, mainly as a result of the growth in the territory served by Repsol YPF.

Gas and electricity operating revenues increased by 28% to €1,849 million in 1999 from €1,444 million in 1998, primarily reflecting increases in sales of natural gas. Natural gas prices declined slightly on average in Spain and Latin America but sales volumes increased by 26.6%, or 16.3% in Spain and 47.4% in Latin America, to 112,073 million termies in 1999. The improvement in Spain is primarily a result of 9.8% growth in the number of customers and favorable economic conditions for industrial customers. Increased sales in Latin America in 1999 were principally due to the consolidation of Repsol YPF's 45% interest in Metrogás for the entire year in 1999 (in contrast to only six months in 1998) as well as improved results from other investments Repsol YPF has made in the region.

| | 2000 | 1999 | 1998 | 2000 vs. 1999 | 1999 vs. 1998 |
|---|---|---|---|---|---|
| | | (millions of euros) | | | |
| **Operating income** | | | | | |
| Spain | 686 | 288 | 222 | 138.2% | 29.7% |
| Rest of Europe | 35 | — | — | — | — |
| Argentina | 198 | 90 | 58 | 120.0 | 55.2 |

| | 2000 | 1999 | 1998 | 2000 vs. 1999 | 1999 vs. 1998 |
|---|---|---|---|---|---|
| | (millions of euros) | | | | |
| Rest of Latin America | 25 | (2) | (7) | — | — |
| North Africa and Middle East | 62 | 20 | 11 | 210.0 | 81.8 |
| Far East | — | — | — | — | — |
| Rest of the World | — | — | — | — | — |
| | 1,006 | 396 | 284 | 154.0 | 39.4 |

Operating income from gas and power increased 154% to €1,006 million from €396 million in 1999. If Gas Natural were consolidated on the same 1999 basis, the increase in operating income from gas and power during 2000 would be 30.5%, reflecting mainly growth in sales volume principally due to an increase in the number of customers.

Operating income from natural gas and electricity activities increased 39.4% to €396 million in 1999 from €284 million in 1998, primarily due to favorable economic conditions in the markets for natural gas and an increased customer base, resulting in increased sales. Gas and electricity operating income from Latin American operations rose by 72.5% to €88 million in 1999 from €51 million in 1998 principally reflecting the full year consolidation of Metrogas. See Section 2.3.1 "Information about Repsol YPF—Regulation of the Petroleum Industry—Spain."

### 3.5 Extraordinary Income (Expense)

The following table provides a breakdown of extraordinary income and expense items for 2000, 1999 and 1998. These items are required to be classified as extraordinary items under Spanish GAAP but would not be so classified under U.S. GAAP.

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2000 | 1999 | 1998 |
| | (millions of euros) | | |
| **Extraordinary income (expense)** | | | |
| Labor force restructuring | (201) | (59) | (41) |
| Provision for write-down of fixed assets | (36) | (11) | (36) |
| Provision for losses of immaterial subsidiaries not consolidated | (2) | (6) | (5) |
| Change in discount rate for pension obligations | — | (10) | (17) |
| Provision for tax contingencies | (94) | (30) | (34) |
| Provision for estimated losses | (55) | (16) | (38) |
| Reversal of provisions | 44 | 18 | 32 |
| Subsidies and other earnings credited to income | 25 | 23 | 8 |
| Gain on disposal of stakes in companies and fixed assets | (6) | 101 | 68 |
| Other extraordinary items, net | (94) | (97) | 9 |
| Net Extraordinary Income/(Expense) | (419) | (87) | (54) |

*Labor force restructuring*

The following table provides a breakdown of the expenses incurred in connection with labor force restructuring.

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2000 | 1999 | 1998 |
| | (millions of euros) | | |
| **Extraordinary expenses** | | | |
| Repsol Petróleo, S.A. | 40.9 | 6.4 | 11.9 |
| Repsol Butano, S.A. | 19.3 | 9.3 | 9.0 |
| Repsol Quimica, S.A. | 23.1 | 7.6 | 8.6 |
| Repsol Comercial, S.A. | 27.4 | — | 2.5 |

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2000 | 1999 | 1998 |
| | (millions of euros) | | |
| Repsol Exploración S.A. | 10.3 | 4.5 | — |
| CLH | 9.2 | 4.6 | 4.0 |
| YPF, S.A. | 43.2 | 27.0 | — |
| Repsol YPF, S.A. | 16.0 | — | — |
| Other companies | 11.6 | 1.6 | 5.0 |
| | (201.0) | 59.0 | 41.0 |
| Amount credited to labor force restructuring allowance | 101.0 | 22.0 | 29.0 |
| Cash payments during year | | | |
| Provided for in the current year | 100.0 | 36.8 | 13.1 |
| Provided for in prior periods | 20.0 | 7.2 | 16.9 |
| | 120.0 | 44.0 | 30.0 |
| Year-end balance in allowance for labor force restructuring | 140.0 | 58.0 | 54.0 |

*Provision for write-down of fixed assets*

In 2000, provisions for write downs of fixed assets principally related to the write-down of fixed assets relating to hydrocarbon reserves due to the impairment of fixed assets associated with hydrocarbon reserves.

In 1999 provisions for write-downs of fixed assets principally related to a €11 million charge taken in connection with a revision to goodwill generated by the acquisition of Refisán to reflect losses at Refisán.

In 1998, provisions for write-downs of fixed assets principally related to the impairment of service station assets (€5.6 million) and the write-down of fixed assets relating to hydrocarbon reserves due to the decline in crude oil prices in 1998 (€30.0 million). See Note 5 to the Consolidated Financial Statements.

*Provision for tax contingencies*. Repsol YPF's tax affairs are complex and subject in some cases to uncertainties regarding the interpretation or application of the tax law. Accordingly, at any time the group makes provisions for its best estimate of the probable outcome from the finalization of its tax liabilities. It should be noted that reductions in the allowance for tax contingencies are separately reported in the consolidated financial statements (Note 15). See "Reversal of Provisions" below for the reductions arising in each of the three years ended December 31, 2000.

*Provision for estimated losses.* This caption records amounts provided to reflect Repsol YPF's best estimate of likely losses and covers a range of different matters across the group. The main item included in 2000 is the allocation of the cost derived from the posting of specific commitments acquired with the retired (€18 million) and current (€17 million) personnel. In 1999, this item includes €5.0 million related to environmental charges following contamination caused by a leak from an oil storage tank and €5.4 million due to a provision for the impact of the new Hydrocarbon Law on Gas Natural.

*Reversal of provisions.* In 2000, the main item included under this heading corresponds to the application of tax provisions as a result of legal decisions in favor of the company (€36 million). In 1999, this item mainly relates to a €9.2 million reduction of the provision for the estimated future losses on various oil price derivative contracts, as a result of increases in crude oil prices during 1999. This item also reflects a €6 million reduction in provisions for tax-related risks.

Under Spanish GAAP increases and decreases in provisions are reported separately whereas under U.S. GAAP it is common practice for only the net adjustment to be reported.

*Subsidies and other earnings credited to income.* Under Spanish GAAP subsidies received from the Spanish Government are allocated to income over the useful lives of the project to which they relate and reported as an extraordinary item.

*Gain on disposal of stakes in companies and fixed assets.* In 2000, the most significant gains correspond to the sale of land and facilities of CLH (€19 million) and a gains obtained when Repsol YPF's share of the net assets of a subsidiary of Gas Natural was increased by a third party subscribing in cash for new shares in that subsidiary (€16 million). The most significant loss corresponds to the transfer of the stake in Refinería San Lorenzo, S.A. (€39 million). In 1999, the principal gains were due to the sale of the CLH central office (€43.4 million), land belonging to Repsol Butano, S.A. in Hospitalet (€19.4 million), the stakes in Gas Natural Mexico (€11.6 million) and Musini (€15.9 million), and a gain when Repsol YPF's share of the net assets of a subsidiary of Gas Natural was increased by a third party subscribing in cash for new shares in that subsidiary (€6.3 million).

*Other extraordinary items, net.* This caption generally includes a large number of individually immaterial items. In 2000, the main item totaled €33 million posted as a result of the agreement to extend the area of Loma La Lata - Sierra Barrosa, in which YPF acquired the commitment to contribute said amount to certain companies that provide services to YPF (see note 25 of the consolidated financial statements). In 1999, it included a special provision of €128 million set up to cover expenses related to the YPF acquisition and reversal of a €19 million provision, in connection with a change in accounting policy concerning provisions which had been taken prior to 1999 for insurance payments received by Repsol.

### 3.6 Analysis of Movements in Other Provisions

Note 15 of the Consolidated Financial Statements discloses the movements in Other Provisions. A substantial proportion of these movements reflect Extraordinary Income (Expense) items described above.

In 2000, these include €55 million in allocations chargeable to the non-recurring result and €110 million in allocations chargeable to the operating result. Of particular note are the allocation of reserves related to reinsurance activities (technical insurance provisions) (€47 million) and allocations of provisions for plant stoppage (€22 million). The allocations credited to results correspond essentially to the provision for plant stoppage (€29 million) and to environmental contingencies (€11 million).

In 1999, the amount charged to other provisions of €40 million principally related to a provision for retrospective renegotiation of a gas supply contract which may result in Repsol YPF being reacquired to bear additional production costs (€7 million), a provision for the impact of the new Hydrocarbon Law on Gas Natural (€5.4 million), environmental remediation provisions (€5.0 million) and a number of other smaller items. The allowance released with a credit to income of €12 million principally related to a reduction of €9.2 million of the provision for estimated future losses on various oil price derivative contracts as a result of increases in oil prices during 1999, as well as a number of other smaller items.

In 1998 the amount charged to Other Provisions of €77.8 million principally related to future losses on oil derivative contracts (€11.5 million), environmental remediation provisions (€12.3 million), a provision for retrospective renegotiation of a gas supply contract (€16.3 million), provisions made by the captive insurance companies (€8.4 million), a provision for the impact of the new Hydrocarbon Law on Gas Natural (€5.4 million) and a number of other smaller items. The allowance released with a credit to income of €14.2 million related to a reduction in provisions by the captive insurance company (€6.3 million) and a number of other smaller items.

### 3.7 Liquidity and Capital Resources

#### 3.7.1 Financial Condition

Repsol YPF has a substantial portfolio of liquid financial investments (shown in its balance sheet as temporary cash investments) and other long-term financial investments included as non-current assets. These items are deducted from total debt to arrive at a "net debt" amount. The net debt at December 31, 2000 and 1999 is calculated as follows:

| | December 31, 2000 | December 31, 1999 |
|---|---|---|
| | (millions of euros) | |
| **Financial condition** | | |
| Long-term debt | 14,886 | 10,223 |
| Short-term debt | 7,187 | 8,769 |
| Total debt | 22,073 | 18,992 |
| Less: | | |
| Cash | (361) | (334) |
| Temporary cash investments | (1,096) | (1,373) |
| Long-term financial investments | (217) | (149) |
| Net debt | 20,399 | 17,136 |

Principally as a result of the acquisition of YPF in 1999, Repsol YPF's debt-to-book capitalization ratio increased significantly from 31% at December 31, 1998 to 53% at December 31, 1999. During 2000 Repsol YPF's debt-to-book capitalization ratio steadily declined to 51% at December 31, 2000, despite an increase in total net debt from €17,136 million at December 31, 1999 to €20,399 at December 31, 2000. Repsol YPF intends to continue its plan to dispose of assets in a total amount now stepped up to US$4,500 million in order to finance in part the acquisition of YPF. The plan calls for the disposition of assets related to non-strategic businesses or to businesses outside of regions of high value to Repsol YPF, as well as a reduction in Repsol YPF´s interest in CLH and Enagás as required by market liberalizing measures recently enacted. See Section 2.3.1 "Information about Repsol YPF—Regulation of the Petroleum Industry—Spain". Execution of this asset divestment plan and the resulting cash flows are expected to permit Repsol YPF to progressively reduce its debt levels. Repsol YPF anticipates that it will be able to improve its debt-to-book capitalization ratio over the course of the next several years until it reduces its debt-to-book capitalization ratio to approximately 30% in 2003, a key component of Repsol YPF's overall financial policy. The initial disinvestment plan called for divestments in the amount of US$2.5 billion. In December 2000, the amount of divestments made reached US$1.5 billion. As of the date of this annual report, Repsol YPF has accomplished additional divestments of US$200 million in the sale of Edenor and US$2.0 billion in the sale of CLH and Enagás.

On July 17, 2000, Repsol International Finance issued US$1.25 billion in aggregate principal amount of its 7.45% global notes, due July 15, 2005. Payment of interest and principal on the global notes is guaranteed by Repsol YPF. During 2000, Repsol International Finance B.V. issued debt in denominated in euros guaranteed by Repsol YPF in the following amounts: on May 5, €1.0 billion in aggregate principal amount of 6% bonds due 2010; on August 4, €600 million in aggregate principal amount of floating rate notes due 2003; on August 30, €250 million in aggregate principal amount of floating rate notes due 2003 and on December 14, 2000 €1.5 billion floating rate notes due 2002.

As of the date of this Annual Report, Repsol YPF's long-term debt was rated A- by Standard & Poor's, A2 by Moody's and A+ by Fitch IBCA. Repsol YPF's short-term debt was dated A2 by Standard & Poor's, P1 by Moody's and F1 by Fitch IBCA. The outlook for Repsol YPF negative for Moody's and Standard & Poors and stable for Fitch IBCA.

### 3.7.2 Capital Investments

Investments in 2000 were €6,118 million, €1,805 million of which belongs to non-recurrent acquisitions and strategic investments. This figure is 65.5% lower than in 1999, year in which €14,195 million were invested in the YPF acquisition. A strong growth in generated cash flow allowed Repsol YPF to finance these investments as well as the dividend payments.

As of December 31, 2000 Repsol YPF had available unused credit lines of €3,413 million. See Note 17 to the Consolidated Financial Statements.

The table below sets forth Repsol YPF's capital expenditures and investments by activity for each of the years ended 2000, 1999 and 1998 as well as those projected for the year 2001. The table does not include any actual or anticipated investment in YPF, which management considers to be an extraordinary investment.

| | 2000 | | 1999 | | 1998 | | Anticipated 2001 - 2004 | |
|---|---|---|---|---|---|---|---|---|
| | (millions of euros) | % | (millions of euros) | % | (millions of euros) | % | (millions of euros) | % |
| **Capital investments** | | | | | | | | |
| Exploration and production . . . . | 2,303 | 37 | 11,567 | 65 | 690 | 31 | 7,600 | 42 |
| Refining marketing and GLP . . | 1,289 | 21 | 4,614 | 26 | 738 | 33 | 3,700 | 21 |
| Chemicals . . . . . . . . . . . . . . . . . | 356 | 6 | 780 | 5 | 183 | 8 | 550 | 3 |
| Natural gas and electricity . . . . | 2,063 | 33 | 560 | 3 | 569 | 26 | 5,700 | 32 |
| Corporate and other . . . . . . . . . | 107 | 2 | 190 | 1 | 37 | 2 | 380 | 2 |
| Total investments | 6,118 | 100 | 17,711 | 100 | 2,217 | 100 | 17,930 | 100 |

*E&P investments.* E&P investments in 2000 were €2,303 million, principally in connection with the development of fields and the acquisition of reserves and mining rights. A total of €270 million was paid for the purchase of exploration and production assets under the recent public share acquisition offering to minority shareholders in Astra and YPF, made effective through a swap with Repsol YPF shares. Of the total investments in exploration and development, 60% went to Argentina, 18% to the other Latin American countries and 22% to other regions.

*Refining and marketing investments.* Refining and Marketing investments in 2000 were, €1,289 million, reflecting principally the upgrade of refining units for the production of medium distillates (catalytic hydro cracking), the completion of plants for production in compliance with new product specifications and the construction of the Cartagena-Puertollano pipeline. Other investments for 2000 include: improvements to Repsol YPF's multi-product pipelines, and storage and distribution facilities, improvement of LPG's retail and service stations network in Spain and Latin America, and €181 million for the acquisition of 45% of Lipigas, a Chilean LPG company. Investments in Latin America were €590 million, equivalent to 45.8% of overall Refining & Marketing expenditure.

*Chemicals investments.* Chemicals investments in 2000 were €356 million primarily related to the Bahía Blanca plant, increase in capacity and the upgrading of existing units.

*Gas and electricity investments.* Natural Gas and Electricity investments in 2000 were €2,063 million, primarily related to acquisitions in Mexico City and Sao Paulo, the expansion of the infrastructure for the transmission and distribution of natural gas, and other works associated with the integration of natural gas and electricity.

*Corporate and other investments.* Repsol YPF made corporate and other investments of €107 million in 2000 principally related to acquisitions of fixed assets. Capital expenditures included under "Corporate and other" totaled €190 million in 1999, primarily reflecting costs allocated to the equity issuance in July and €37 million in 1998, consisted mainly of financial investments.

*Future capital expenditures and investments.* Repsol YPF has projected investments for the period 2001-2005 to be approximately €18,100 million, broken down by business segments as follows:

| | millions of euros |
|---|---|
| | 2001-2005 |
| Exploration and production . . . . . . . . . . . . . . . . . . . . . . . | €9,100 |
| Refining and marketing . . . . . . . . . . . . . . . . . . . . . . . . . . | 3,900 |
| Chemicals . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | 600 |
| Gas and electricity . . . . . . . . . . . . . . . . . . . . . . . . . . . . | 4,200 |
| Corporate assets and other . . . . . . . . . . . . . . . . . . . . . . . | 300 |
| | €18,100 |

The investments in E&P mainly reflect the development of new reserves in Latin America and North Africa, particularly Argentina, Trinidad and Tobago, Venezuela, Bolivia and Lybia. The figure indicated above includes capital expenditures in case Repsol YPF decides to exercise the option to acquire the additional 20% of the Trinidad and Tobago assets.

Repsol YPF's projected investments in Refining are dedicated to improvements in efficiency, environment, security, compliance with new product specifications for the year 2005 and increase in conversion capacity. Notable investments in this area include investments in the Tarragona Hydrocracker, the Mild Hydrocracker in Puertollano and Bilbao, as well as increasing the capacity for desulphurization of products in Argentina and Spain, and conversion capacity in La Pampilla (Peru).

The most important investments in Repsol YPF's Marketing business are investments in the development of Repsol YPF's network of service stations, reinforcing the link with the network in Argentina, expanding networks in Brazil, Chile, Peru and Ecuador, and increasing the number of stations directly managed by Repsol YPF.

The most important investments in the Chemicals segment are those corresponding to the completion of the Project Metanol, the expansion of the cracker in Sines, if the joint venture with Borealis is concluded, and in the growth of core Chemical activities.

With respect to the Gas and Electricity segment, the largest amounts will be dedicated to the development in Spain of infrastructure for the storage, transport and distribution of natural gas as well as to integration of the gas/electricity chain that includes both LNG regasification plants and electricity generating plants. In Latin America, investments are planned for the commercial expansion of natural gas markets as well as to electricity generation projects using gas from Repsol YPF's own reserves, and to natural gas liquification projects in the area.

Repsol YPF estimates the cost of building two new trains for the expansion of the LNG Plant in Trinidad and Tobago at US$1.1 billion. The project is progressing according to schedule and Repsol YPF expects train 2 to begin operations in 2002, and train 3 to begin operations in 2003.

Repsol YPF currently has electricity generation plants and projects under different stages of development that it expects will lead to a total future gross generation capacity of 5,200 MW. New capacity in Spain is to be built by Gas Natural, jointly with BP and within the Bahía de Bizkaia de Electricidad (BBE) project, in which Repsol YPF has 25% participation. In Argentina, it mainly includes the Dock Sud plant in Buenos Aires which Repsol YPF expects to be in full operation by mid 2001.

### 3.8 Research and Development

Repsol YPF's research, technological development and engineering activities are coordinated under the direction of a senior member of management and are closely integrated with the various divisions of Repsol YPF. Repsol YPF conducts research, technological development and engineering activities at centers in Spain and Argentina as well as several other countries.

Repsol YPF conducts a significant portion of its research and development activities in cooperation with other companies, universities and research institutions in Europe, the United States and Argentina. In 2000 Repsol YPF participated in more than 165 such collaboration agreements.

In addition, Repsol YPF strengthened its technological innovation capacity, focusing on improving client satisfaction and operations by undertaking construction of a new research and development facility located near Madrid for the entire Repsol YPF group. The facility represents an investment of €66 million and will begin operation in 2001. The facility will centralize Repsol YPF's research and development activities as well as many internal and client-oriented technical services.

During 2000, Repsol YPF incurred expenses of €96.7 million for research, technological development and engineering activities. In comparison, Repsol YPF incurred expenses for these same activities of €70.3

million in 1999, including similar expenses incurred by YPF in the second half of 1999, million and €47.5 in 1998.

As part of its strategy to constantly improve the relation between results and resources employed, Repsol YPF has developed and is applying its own planning, control and assessment model for research and development activities.

During 2000 Repsol YPF applied the internal and external resources described above to the following business divisions:

### 3.8.1 Exploration and Production

Research, technological development and exploration activities in the production division are oriented toward reducing exploration risks, increasing retrieval of oil by applying new technologies, improving operating costs and reducing the environmental impact of Repsol YPF's activities.

A new system of control and supervision of production facilities is currently in development. This system will allow continuous supervision, optimization of production and energy consumption, while reducing maintenance costs.

Repsol YPF jointly with other organizations, works in the improvement of existing technologies to improve oil recovery, particularly through tertiary methods (use of bacteria, polimers and surfactants) and the development of new corrosion-resistant materials (steel).

### 3.8.2 Refining and Marketing

Research, technological development and engineering programs in this division focus primarily on optimizing and reducing the environmental impact of production processes, evaluating available technology in order to select the one that better conforms to our refineries and markets. Part of the available resources are used in thee development of processes that either are not available or can be significantly improved. Such is the case of new desulphuration catalysts which, in cooperation with other European companies, are in the stage of industrial testing. Currently, new catalytics are being developed, with the purpose of procuring products in anticipation of quality regulations five to ten years from now.

Repsol YPF has undertaken different projects in the areas of fuels, lubricants, asphalts and derivative products that have resulted in the improvement of existing products. Repsol YPF's expertise in the interaction between fuels and engines has permitted the optimization of fuel formulations, as well as anticipate the behavior of new fuels in existing and futures engines, which has permitted to readily provide the market with technologically adequate products at a lower costs.

### 3.8.3 Chemical

In 2000 Repsol YPF started operations of the propylene oxide/styrene complex in Tarragona, and the hydrogen rubber plant, using proprietary technology. The expertise accumulated in both projects has permitted the optimization of processes and the consolidation of technology for future processes.

In line with the constant adaptation of products to customer needs, Repsol YPF has developed different polyolefins for diverse use, through the utilization of test plants and the application of expertise in products and processes.

One the most innovative projects, the development of proprietary metalocens catalysts, has almost concluded, and its industrialization use is expected to begin soon. In the area of agricultural products, where Repsol YPF is one of the technology leaders, works are under way for the development of long-life films of new performances.

### 3.8.4 Natural gas and electricity

Projects in this area are focused on the optimization and improvement of production and distribution, so that the customer receive a product which quality is guaranteed, at a lower costs and of the highest safety. Prototypes of automated bottling have been undertaken, which will result in safety and productivity improvements in the industrial plants.

Also, through the use of simulation tools and advanced communications, logistics were improved and a better assessment of the customers need was achieved, which will allow is to provided better customized services.

## 3.9 U.S. GAAP Reconciliation

The Generally Accepted Accounting Principles in Spain ("Spanish GAAP") differ in some respects from U.S. GAAP. For a more detailed discussion of the differences between Spanish and U.S. GAAP please refer to Note 29 to the Consolidated Financial Statements, which includes a reconciliation of net income and shareholders' equity from Spanish GAAP to U.S. GAAP and certain additional disclosures which are required under U.S. GAAP.

### 3.9.1 Adjustments to net income and shareholders' equity

In the case of the Repsol YPF Group, the main differences between U.S. GAAP and Spanish GAAP coming from prior years relate to: (i) legal restatements of property, plant and equipment, (ii) the different measurement of the impairment of oil and gas assets, (iii) the useful lives used for the amortization of the goodwill arisen on certain business combinations, (iv) the accounting for the interest rate swaption, (v) the treatment of certain start-up costs, (vi) the accounting treatment related to costs associated to share issues, (vii) the write-off of certain acquisition costs related to YPF, (viii) the discount granted to employees in relation to the 1999 share issues, and (ix) the treatment provided to certain assets transferred to the Group by its customer free of charge.

The most significant differences arisen in 2000 are as follows:

- The adjustment under Spanish GAAP of certain charges recorded in YPF during 2000 (which are related to preacquisition contingencies) against the goodwill initially recorded. Such adjustment is not permitted under U.S. GAAP when it takes place after one year from the consummation of the business combination.

- The accounting treatment under U.S. GAAP of the exchange tender offers launched by Repsol YPF during 2000 differs from the one provided under Spanish GAAP.

- U.S. GAAP differ in the criteria for the recognition of revenue related to certain up-front non-refundable fees received by the Group from its clients.

- Under U.S. GAAP, upon sale of an investment in a foreign entity, the amount attributable to that entity and accumulated in "Translation differences" is reported as part of the gain or loss on sale or liquidation of the investment, whereas under Spanish GAAP it is reclassified into reserves.

Under Spanish GAAP, recording of income taxes differs from that under U.S. GAAP with respect to when deferred tax assets and liabilities are recognized and, secondly, in the extent of the disclosures required.

### 3.9.2 Classification differences and other

Most extraordinary revenues or expenses recorded by the Group under Spanish GAAP would be recorded as operating revenues or expenses under U.S. GAAP. This classification difference has no impact on net income.

In 2000 and 1999, certain affiliates of the Repsol YPF Group have been consolidated using the proportional integration method. Under U.S. GAAP these entities would be accounted for under the equity method. This difference has no effect on net income or shareholders' equity but impacts different items of the balance sheet and the income statement.

Under U.S. GAAP, a deferred tax liability has been recorded in accordance with the requirements of SFAS 109 for the difference between the assigned value and the tax base of the oil and gas properties acquired in certain purchase business combinations. Recognition of this deferred tax liability increases the financial reporting basis of such oil and gas properties by the same amount.

### 3.10 Conversion to the Euro

The European Economic and Monetary Union (EMU) introduced a new currency, the euro, on January 1, 1999 in response to the EMU's policy of economic convergence. On January 1, 1999, the 11 Participating Member States of the European Union, including Spain, adopted the euro as their local currency. The former national currencies of these countries became non-decimal subdivisions of the euro on that day. The euro will be initially available only for currency trading on currency exchanges and noncash (banking) transactions. Bills and coins denominated in the former local currencies, or legacy currencies, will remain legal tender through January 1, 2002 and for some or all of the following two months. Beginning January 1, 2002, euro-denominated bills and coins will be issued for cash transactions. For a period of up to two months from this date, bills and coins denominated in both legacy currencies and the euro will be legal tender. On or before March 1, 2002, the participating member states will withdraw all bills and coins denominated in legacy currency and use exclusively the euro.

#### 3.10.1 Operational Impact

Repsol YPF has adopted the euro as its reporting currency and has declared all dividends in euros for all periods ending after December 31, 1998. Repsol YPF has redenominated its capital in euros. In addition, its shares are now quoted on the Madrid Stock Exchange in euros. Repsol YPF now conducts the majority of its treasury operations in euros. Nonetheless, because Repsol YPF's cash flows are predominantly dollar-denominated, the majority of Repsol YPF's financing will continue to be U.S. dollar-based, either through direct financing in U.S. dollars or through the use of foreign exchange swaps into U.S. dollars.

The conversion to the euro will require changes in information technology and other systems in order to accommodate the use of the euro in corporate transactions and in financial reporting. Although the use of the euro as a means of payment for retail transactions is currently limited, Repsol YPF is nevertheless providing its service station credit card holders the option to receive monthly bills in euros. Repsol YPF is also providing pricing information in euros with respect to the sale of gasoline, diesel, and other products sold at is service stations, including those with convenience stores. Wholesale clients were given the option to be invoiced in euros starting in January 1999. This has required small changes in information systems in order to add the euro as an invoice currency.

#### 3.10.2 Costs of Euro Conversion and Introduction

Repsol YPF's total budgeted costs for conversion to the euro during 1999 were not significant. Repsol YPF is currently studying the impact of the introduction of the euro into circulation in the year 2002 and is making necessary changes to its financial and operating systems. Repsol YPF expects to incur no significant expenses in connection with the introduction of the euro.

The above euro discussion contains forward-looking statements that are made pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. These statements include, without limitation, whether and to what extent conversion to the euro will affect Repsol YPF's business, financial condition and results of operations, or whether Repsol YPF will be able to realize any strategic or operational benefits or transaction cost savings from the transition to the euro.

## 3.11 Recent Developments

### 3.11.1 Divestment of Assets in Egypt

In January 2001 Repsol YPF and Apache Corporation a U.S. company, reached an agreement for the sale of Repsol YPF's stake in several exploration and production concessions in the Western Desert of Egypt for $410 million. This agreement will take effect as of January 1, 2001, subject to approval by the Egyptian government and the preemption rights of Repsol YPF's partners in this commission.

The main nucleus of these assets is the Khalda concession (50% owned and operated by Repsol YPF through its affiliate Khalda Petroleum Company), and other less important concessions and blocks (Umbarka, South Umbarka, Ras Kanayes, Khalda Offset, N.E. Abu Gharadig and Ras El Hekma, all operated by Repsol YPF). The 33.3% stake held by Repsol YPF in the onshore part of the West Mediterranean block, operated by Apache, will also form part of this deal, whereas the stake (another 33.3%) in the deepwater offshore part of this block will be retained by Repsol YPF.

The current net production to Repsol YPF from the assets to be sold under this agreement is 24,100 barrels of oil equivalent per day (42% gas and 58% oil), with proved net reserves of 41.8 million barrels of oil equivalent.

### 3.11.2 Gas Production Agreement With PDVSA

Repsol YPF and Petróleos de Venezuela (PDVSA) have signed a gas production agreement for the Quiriquire field operating concession which increases Repsol YPF proved reserves by 145 million barrels of oil equivalent. Repsol YPF participates with 100% of the block, and will undertake the development, operation and production of an estimated 7.6 million cubic meters of gas per day. This agreement will be in force until expiry of the Quiriquire exploitation concession, currently set for 2013.

This project comprises the upgrading of existing wells, and the drilling of additional wells for the development of the field's gas reserves. A 50 km gas pipeline up to the PDVSA facilities in Jusepin, in the State of Monágas, will also be constructed.

The Quiriquire field is in the western area of Venezuela and was awarded in 1993, in the second round of operating concessions. Repsol YPF is current operator, and production is over 10,000 barrels of oil per day.

Gas production is scheduled to begin in the second half of this year, and by 2002 a plateau for the block will be reached at approximately 58,000 barrels of oil equivalent, 48,000 of these deriving from this production agreement (7.6 million cubic meters per day of gas).

### 3.11.3 Sale of interests in the Trasandino pipeline

In February 2001 Repsol YPF reached an agreement to sell its 36% interest in the Oleoducto Trasandino System ("Trasandino") to AEC Pipelines, L.P. Trasandino is a crude oil pipeline system transporting Argentinian crude oil to Chile. Once the transaction is completed, Repsol YPF will own 18%, AEC Pipelines 36%, Unocal Corp. 27.75% and ENAP, the Chilean National Oil Company 18.25%. The sale has been valued at $68 million.

### 3.11.4 Repsol YPF Acquires Andina

In February 2001 Repsol YPF announced that as part of its asset rationalisation program it had reached an agreement for the acquisition of stakes in Empresa Petrolera Andina S.A., an exploration and production company from Pecom Energía (Perez Companc) and Pluspetrol Bolivia Corporation.

The acquisition contemplates an asset swap with Perez Companc which will transfer to Repsol YPF its 20.25% stake in Andina and its 50% stake in the oil fields of Manantiales Behr and Restinga Alí, in the Golfo de San Jorge basin, Argentina. In exchange, Repsol YPF will transfer to Perez Companc its stake in the Santa Cruz I (30%) and Santa Cruz II (62.2%) oil and gas fields, both in the South of Argentina. In addition, Repsol YPF acquires from Pluspetrol Bolivia Corporation the 9.5% stake owned in Andina. The total value of assets involved in this agreement is $434.5 million.

As a result of this agreement, Repsol YPF will hold a 50% stake in Andina, which it already operates, and through which it participates in the important gas fields of San Alberto and San Antonio, where production started recently. These fields will contribute 70% of the gas production to be transported via the Bolivia-Brazil gas pipeline. This gas is sold under a take-or-pay contract with Petrobras covering a period of 20 years.

Repsol YPF believes that this acquisition will strength its operations in Bolivia, providing a strategic positioning in the natural gas business in this region.

### 3.11.5 Sale of Edenor

On February 26, 2001, Repsol YPF announced that it has reached an agreement in principle for the sale of its interest in Edenor to EDF International (affiliate of Electricité de France). Edenor has the concession for power distribution to the northern area of Buenos Aires and its surroundings.

The agreement in principle establishes a thirty-day negotiation period, during which the parties will negotiate the terms of a final agreement. This preliminary agreement is also subject to certain conditions, including approval by the respective Boards of Directors, and the French and Argentine Governments.

The sale of Edenor further advances the divestment programme in place since the YPF acquisition.4. Directors, Senior Management and Employees.

# 4. Directors, Senior Management and Employees

## 4.1 Directors and Officers of Repsol YPF

### 4.1.1 Board of Directors

As of March 5, 2001, the members of the Board of Directors of Repsol YPF were as follows:

| | Position | Year Appointed | Current Term Expires |
|---|---|---|---|
| Alfonso Cortina de Alcocer(1) . . . . . . . . . . . . . . | Chairman and Director | 1996 | 2004 |
| Emilio de Ybarra y Churruca(1)(2) . . . . . . . . . . . | Vice-Chairman and Director | 1992 | 2004 |
| José Vilarasau Salat(1)(5) . . . . . . . . . . . . . . . . . | Vice-Chairman and Director | 1996 | 2001 |
| Antonio Hernández-Gil Alvarez Cienfuegos(1)(3) . . . . . . . . . . . . . . . . . . . . . | Vice-Chairman and Director | 1997 | 2001 |
| Gonzalo Anes Alvarez Castrillón(3) . . . . . . . . . . | Director | 1997 | 2004 |
| PMI Holdings B.V.(1)(4) . . . . . . . . . . . . . . . . . . | Director | 1990 | 2002 |
| PEMEX Internacional España S.A.(4) . . . . . . . . | Director | 1999 | 2003 |
| Juan Molins Amat(1)(3) . . . . . . . . . . . . . . . . . . . | Director | 1994 | 2002 |
| Robert Malpas(3) . . . . . . . . . . . . . . . . . . . . . . . | Director | 1991 | 2002 |
| Antonio Brufau Niubó(5) . . . . . . . . . . . . . . . . . . | Director | 1996 | 2003 |
| Ignacio Bayón Mariné(3) . . . . . . . . . . . . . . . . . . | Director | 1997 | 2003 |
| José María Abril Pérez(2) . . . . . . . . . . . . . . . . . | Director | 1996 | 2003 |
| José Antonio Pérez-Nievas Heredero(2) . . . . . . | Director | 1996 | 2001 |
| Marcelino Oreja Aguirre(3) . . . . . . . . . . . . . . . . | Director | 2000 | 2002 |
| Enrique de Aldama y Miñón(1)(3) . . . . . . . . . . . | Director | 1996 | 2002 |

(1) Member of the Management Committee (*Comisión Delegada*).

(2) Appointed for membership by Banco Bilbao Vizcaya Argentaria, S.A.

(3) Directors not linked to significant shareholders.

(4) Raúl Muñoz Leos and Pablo Espresate serve as representatives of PMI Holdings, B.V. and PEMEX Internacional España S.A., respectively, on the Board of Directors of Repsol YPF.

(5) Appointed for membership by La Caixa d'Estalvis i Pensions de Barcelona.

The principal outside business interests of the Directors of Repsol YPF are the following:

*Alfonso Cortina de Alcocer*: Director of Banco Bilbao Vizcaya Argentaria S.A. (BBVA).

*Emilio de Ybarra y Churruca*: President of BBVA, Vice President of the Banca Nazionale del Lavoro, Director of L'Air Liquide, Director of Finaxa, Member of the European Advisory Committee of the NYSE, Member of the Board of Directors of L'Institut International d'Etudes Bancaires, Member of the International Monetary Conference and Member of the Trilateral Commission (Europe).

*José Vilarasau Salat*: President of La Caixa, President of the Sociedad de Aparcamientos de Barcelona, S.A.

*Antonio Hernández-Gil Alvarez-Cienfuegos*: Professor of Civil Law, Attorney at Law, Director and Secretary of Banco Zaragozano and Secretary of the Bar Association of Madrid.

*Gonzalo Anes Alvarez Castrillón*: Director of Cementos Portland.

*Raúl Muñoz Leos*: General Director of Petróleos Mexicanos Pemex.

*Pablo Espresate*: Managing Director Pemex Services Europe Ltd. and President of Pemex Internacional España S.A.

*Juan Molins Amat*: General Director and Vice President of Cementos Molins S.A., President of Cementos Avellaneda S.A., President of Corporación Moctezuma, President of Privat Bank, Member of the

Board of Directors of the Círculo de Economía, President of Fira 2000, Sponsor—Director of the Fundació Bosch i Gimpera and member of the Parc Cientific of Barcelona.

*Robert Malpas*: Ex-President of Eurotunnel, Ex-President of Cookson Group.

*Antonio Brufau Niubó*: General Director of La Caixa Group, President of Gas Natural SDG S.A., Director of Acesa, Director of Banco Herrero, Director of Inmobiliaria Colonial and Director of Aguas de Barcelona.

*Ignacio Bayón Mariné*: President of Grucycsa S.A., President of Citroën Hispania S.A., President of FCC Inmobiliaria, President of OMSA Alimentación, President of Produsa and President of Hermanos Revilla S.A.

*José María Abril Pérez*: General Director of Grupo Industrial, Member of The Central Advisory Group of BBVA, Director of Gas Natural SDG S.A., Director of Metrovacesa S.A., Director of Corporación IBV, Director of Bodegas y Bebidas.

*José Antonio Pérez-Nievas Heredero*: President of Iberfomento, Director of APD, Director of International Council of INSEAD (France) and Vice President of the Spanish US Council.

*Marcelino Oreja Aguirre*: President of FCC Group and Director of Acerinox S.A.

*Enrique de Aldama y Miñón*: Vice President of CEOE, Director of Corporación IB-MEI, President of Centro Asegurador, and Member of the Board of Directors of Círculo de Empresarios.

Spanish law permits limited liability companies to serve as members of the Board of Directors. A Company serving in such a capacity must appoint a natural person to represent it at the meetings of the Board.

#### 4.1.2 Management Committee

The Management Committee has been permanently delegated all the powers of the Board of Directors, except those which cannot by law be delegated. The Management Committee is responsible for reviewing important corporate and business issues. The Management Committee meets on a monthly basis and its minutes are presented to the Board of Directors

The Management Committee is comprised of the Chairman and a maximum of seven of each type of directors. The appointment of its members requires the vote of two thirds of the members of the Board of Directors.

Alfonso Cortina de Alcocer is the president of the Management Committee, and the other members are Emilio de Ybarra y Churruca, Raúl Muñoz Leos, as representative of PMI Holdings B.V., Juan Molins Amat, José Vilarasau Salat, Antonio Hernández-Gil and Enrique de Aldama y Miñón.

#### 4.1.3 Audit and Compensation and Senior Management Development Committees

The Audit Committee performs the following functions:

- Periodic inspection of the preparation of financial and economic information of Repsol YPF,
- Selection of the external auditors, formulation of the scope of their work, monitoring of Repsol YPF’s relationship with them, assurance of their independence, and termination of their appointment,
- Examination of Repsol YPF’s compliance with the law and the applicable internal rules, and
- Supervision of internal financial control systems and the annual audit.

The Audit Committee is composed of Gonzalo Anes Alvarez Castrillón, Antonio Brufau and Pablo Espresate, as representative of PEMEX Internacional España, S.A.

The Compensation and Senior Management Development Committee of the Board of Directors, composed of three external directors and the Chairman of the Board (a member of management), is responsible for the nomination of directors, director compensation policy and reporting on director compensation to the Board of Directors. The Chairman is not permitted to participate in deliberations which affect his or her own compensation.

The members of the Compensation and Senior Management Development Committee are Juan Molins Amat, president of the Committee, Alfonso Cortina de Alcocer, Emilio de Ybarra y Churruca and Antonio Hernández-Gil Alvarez-Cienfuegos.

### 4.1.4 Officers of Repsol YPF

As of March 5, 2001, the executive officers of Repsol YPF and their respective positions with Repsol YPF were as follows:

| Name | Position |
|---|---|
| Alfonso Cortina de Alcocer | Chairman and Chief Executive Officer |
| Ramón Blanco Balín | Corporate Vice President |
| Miguel Angel Remón Gil | Executive Vice President Exploration and Production |
| Juan Sancho Rof | Executive Vice President Refining and Marketing |
| Juan Badosa Pagés | Executive Vice President Chemical |
| Antonio González-Adalid García-Zozaya | Executive Vice President Gas & Electricity |
| Carmelo de las Morenas López | Chief Financial Officer |
| José Manuel Revuelta Lapique | Director Assistant to the Chairman |
| Jesus Fernández de la Vega Sanz | Director of Human Resources |
| Rafael Piqueras Bautista | Director of Legal Affairs |
| Antonio Gomis Sáez | Director of External Relations |
| Juan Antonio Ortega y Díaz-Ambrona | Director of Institutional and Corporate Affairs |
| Bernard Gremillet | Director of e-Business |
| Enrique Locutura Rupérez | Director of Shared Services |
| Fernando Cid García | Director of Real Estate Activities and General Services |
| Luís Mañas Antón | Director of Planning and Control |

On May 20, 2000, Francisco Carballo Cotanda, who until such date was Director of Legal Affairs, was ratified as Secretary of the Board of Directors.

The following is a summary of the business experience and areas of expertise of Repsol YPF's Executive Officers.

*Alfonso Cortina de Alcocer:* In June 1996, he was appointed C.E.O. of Repsol and in July 1999 C.E.O. of YPF. He is an Industrial Engineer and Graduated in Economics and Business. He has held several positions at Banco de Vizcaya Group (1968-1982) and at the Banco Hispano Americano Group (1982-1984). He was Vice President and Managing Director of the Board of Directors, and President and Managing Director of the Board of Directors of Portland–Valderribas, S.A. between 1984 and 1996. He is a member of the Board of Directors of various financial and industrial corporations as well as of several international institutions.

*Ramón Blanco Balín*: Corporate Vice President. Prior to becoming Corporate Vice President he was a member of Repsol YPF's Board of Directors as well as President of the Audit Committee. He was coordinator of the Committee for the integration of Repsol YPF and YPF. In 1982 won by selection process the position of Financial Inspector of the Government, and later on held different positions in the private sector in the areas of finance and taxes. He is Director to the board of Gas Natural and NH Hoteles, S.A.

*Miguel Ángel Remón Gil*: Executive Vice President of Exploration and Production of Repsol YPF. In 1999 was appointed Senior Vice President of Planning, Control and Strategy Development of Repsol YPF.

In 1989 was appointed General Director of Planning and Control at Repsol and since 1997 he has also been Manager of the Latin American area. From 1985 to 1999 he was Director of the E&P and Gas area of the Instituto Nacional de Hidrocarburos. He has spent his entire professional career in the energy sector.

*Juan Sancho Rof*: Executive Vice President of Refining and Marketing, he has been President of several Repsol YPF's subsidiaries. Additionally, he is the Vice President of the European Petroleum Industry Association (EUROPIA). In 1966, he started his career in the oil industry as Director of Refining and Adjunct General Director of PETRONOR. He worked six years at the Junta de Energía Nuclear in the R&D and Test Plants departments.

*Juan Badosa Pagés*: Executive Vice President of Chemical. Since 1985 has held different positions in Repsol YPF and has been president to several of its companies. Between 1985 and 1993 was president of ENAGAS, being simultaneously president of Repsol Química for one year. Between 1993 and 1996 was Adjunct Director of Gas Natural. Subsequently, he was president of Repsol Butano and in 1999 was also appointed as General Director of GLP in the Executive Vice Presidence of Refining & Marketing. He has been member of the Executive Committee since 2000.

*Antonio González-Adalid García-Zozaya:* Executive Vice President of Gas and Electricity since September 2000. Since 1989 has been president of various subsidiaries of Repsol. During 1987 was Director of Finance at Repsol and the Instituto Nacional de Hidrocarburos, a position which he already had held at ENAGAS since 1982. From July 1999 to August 2000 was Executive Vice President of Chemical at Repsol YPF. He is also member of the Spanish Committee of LLOYD's Register of Shipping and a member of the Board of Directors of the Spanish Club of Industry and Technology.

C*armelo de las Morenas López*: Chief Financial Officer of Repsol YPF. Graduated in Economics and Law. In 1989, he joined Repsol as General Director of Economics and Finance. He is also a member of the Board of Directors of the Britannia Steam Ship Association, Ltd. and of MUSINI. In 1979, joined the Empresa Nacional del Petróleo where he held the position of General Sub-Director for Finance during several years.

*José Manuel Revuelta Lapique*: Director Assistant to the Chairman. Doctorate in Economics and Business from Universidad Autónoma de Madrid (1979); Commercial Technician and Economist of the Spanish government (1981) and Professor of Applied Economy (1984). He was General Director of Structure at Grupo Prisa (1991) and has been the Director of the Yearbook "El País" since 1994. In 1996, he joined Repsol YPF as Director Assistant to the Chairman and in 1999 was appointed Corporate Director Assistant to the Chairman

*Jesús Fernández de la Vega Sanz*: Director of Human Resources. Graduated in Law from the Complutense University of Madrid, and in Comparative Law from the University of Strasbourg (France). In July 1999, he was appointed Director of Human Resources at Repsol YPF. In 1987 started his career in the human resources area as General Director of Human Resources of Repsol. He was also General Director of employment for the Ministry of Labor.

*Rafael Piqueras Bautista*: Director of Legal Affairs. Holds a degree in Law. At the end of 1999, he was appointed as Director of Legal Affairs of Gas, Electricity, Industrial and Real Estate. In 1990, he joined the Instituto Nacional de Hidrocarburos as Legal Director and later on was appointed Director of Legal Affairs of Repsol.

*Antonio Gomis Sáez*: Director of External Relations. Graduated in Chemical Sciences. In 1974 he began his professional career in the refinery of EMP (today Repsol Petróleo) in Puertollano, Ciudad Real. In 1981 he was appointed Manager of the International Energy Agency - OECD - in Paris. In 1984 he joined the Ministry of Industry and Energy as Adviser to the General Secretary of Energy and Mineral Resources. He rejoined the National Institute of Hydrocarbons in 1986, where he was Area Director of International and Institutional Relations in Repsol. In 1997 he was appointed Managing Director of Energy of the Ministry of Industry and Energy where he remained until May 2000.

*Juan Antonio Ortega y Díaz-Ambrona:* Director of Institutional and Corporate Affairs. Graduated in Law, Philosophy and Literature. He has completed studies in Political Sciences as well as in English and International and Comparative Law in London. Currently a member of the Board of Directors of Sociedad Catalana de Iniciativas and Repsol Petróleo. He was Adjunct Director of Legal Affairs for Repsol and General Secretary of the Board of Director of Repsol Petróleo in 1993.

*Bernard Gremillet*: Director of e-Business. Graduated from the Ecole Polytechnique in Paris. In 1997, joined YPF as Vice President of Engineering and Technology where he ultimately was appointed Vice President of Refining, Marketing, Petrochemicals and Distribution. In 1999 he was appointed Director of R&D. Safety Environment and Engineering for Repsol YPF. During 22 years, worked for Schlumberger.

*Enrique Locutura Rupérez*: Director of Shared Services. In 1989 was appointed Director of the Exploration and Distribution Department of Repsol S.A., and in 1990 became Technical and Logistics General Director at CLH. He has also been Adjunct Director of Repsol Química, Vice President of Repsol Comercial and Adjunct Director of Petronor.

*Fernando Cid García*: Director of Real Estate Activities and General Services. Industrial Engineer. He joined Repsol YPF in September of 1999. Before joining Repsol YPF held different managerial positions at construction and real estate companies.

*Luis Mañas Antón*: Director of Planning and Control. Graduated in Economics and Law from the Universidad Autónoma de Madrid. Doctorate (Ph.D.) and Masters (M.A) in Economics from the University of Chicago. He joined Repsol in 1987, in 1990 was appointed Director of the *Chairman's Office* and since 1999 has been Deputy Director of Finance of Repsol YPF. He has taught at the University of Chicago, Universidad Complutense de Madrid and CEMFI.

The Chairman of Repsol YPF, in conjunction with the Executive Committee, manages Repsol YPF aided by the Central Advisory Group. The Executive Committee was created in 1990 as the main executive body for the day-to-day business of Repsol YPF. It meets every two weeks and is composed of Alfonso Cortina de Alcocer, Miguel Angel Remón Gil, Juan Sancho Rof, Antonio González-Adalid García-Zozaya, Ramón Blanco Balín, Juan Badosa Pagés, Carmelo de las Morenas López and José Manuel Revuelta Lapique.

The Central Advisory Group provides management of the corporate operations of Repsol YPF. The Central Advisory Group consists of Alfonso Cortina de Alcocer, Ramón Blanco Balín, Jesús Fernández de la Vega, Rafael Piqueras Bautista, Antonio Gomis Sáez, Juan Antonio Ortega y Díaz-Ambrona, Bernard Gremillet, Enrique Locutura Rupérez, Luís Mañas Antón, Fernando Cid García, José Manuel Revuelta Lapique, and Carmelo de las Morenas López.

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

### 4.2 Compensation of Directors and Officers

Pursuant to Repsol YPF's bylaws, an amount equivalent to 1.5% of Repsol YPF's annual net income may be allocated to compensation of members of the Board of Directors. This amount may be allocated only after legal reserves, a minimum dividend of 4% and other required amounts have been provided for.

Aggregate compensation of members of the Board of Directors was approximately €4.35 million in 2000 and €3.62 million in 1999. Members of the Board of Directors did not receive any other amounts as salary or allowances.

Remuneration paid during 2000 and 1999 to the members of the Executive Committee was the following:

| | 2000 | 1999 |
|---|---|---|
| | | Thousands of euros |
| Salaries | 3,943 | 4,713 |
| Allowances | 869 | 659 |
| Variable remuneration | 689 | 1,273 |
| Remuneration in kind | 241 | 183 |
| Total | 5,742 | 6,828 |

Remuneration paid during 2000 and 1999 to the members of the Central Advisory Committee was the following:

| | 2000 | 1999 |
|---|---|---|
| | | Thousands of euros |
| Salaries | 4,529 | 3,984 |
| Allowances | 489 | 451 |
| Variable remuneration | 643 | 704 |
| Remuneration in kind | 355 | 330 |
| Total | 6,016 | 5,469 |

### 4.2.1 Medium and long-term incentives

On June 28, 2000, the general shareholders' meeting amended Repsol YPF's bylaws. The amendment permits the Directors of Repsol YPF to receive additional compensation through shares, option rights or other securities convertibles into shares, or compensatory systems linked to the price of Repsol YPF's ordinary shares. The general shareholder's meeting must approve the implementation of these compensation plans, their duration, the share reference price, the number of shares to be given to each Director, their strike price and any other conditions it considers appropriate. This amendment complies with new provisions of the Spanish Corporations Law, requiring stipulations allowing these kind of incentive programs for members of the Board of Directors and officers under its direct supervision to be included in the bylaws and its application be approved by the general shareholders' meeting.

These incentive programs must be discriminated based on whether they were established before or after January 1, 2000.

*Plans established prior to January 1, 2000*

In 1998, the Compensation and Senior Management Development Committee of the Repsol YPF Board of Directors established the basis for a medium-term incentive program for top management and in 1999 for members of the Board of Directors. Repsol YPF's medium-term incentive program was a share appreciation rights program. Repsol YPF assigned a number of theoretical shares to each of the top management officers and members of the Board of Directors of Repsol YPF. Participation in the plan was conditional upon continued employment up to and on the strike date. The strike date for each grant of theoretical shares were March 1, 2001. On this date, participants were be entitled to receive:

- a cash payment in an amount equal to the number of theoretical shares eligible for exercise on that strike date multiplied by the excess, if any, of the price of the ordinary shares of Repsol YPF on the Madrid Stock Exchange on the reference date in February 2001 over the reference price which is €13.42 per share. This element of the compensation arrangement consists of 1,500,000 rights.

- a cash payment in an amount equal to the number of theoretical shares eligible for exercise at that strike date multiplied by the excess, if any, of the price of the ordinary shares of Repsol YPF on the Madrid Stock Exchange on the reference date in February 2001 over the reference price which is €20.13 per share. This element also consists of 1,500,000 rights.

In order to meet possible payment obligations in connection with the incentive program, Repsol YPF purchased call options with a pay off linked to the price of its own shares, which will be settled in cash at maturity. The approximate net cost to Repsol YPF of these options for each of 1999 and 2000 was €1.36 million. The details of this transaction are as follows:

| Strike price(1) | Option type | Number of shares | Contract date | Maturity date | Net premium (millions of euros) |
|---|---|---|---|---|---|
| €13.42 | Call | 1,500,000 | June 3, 1998 | March 1, 2001 | 3.91 |
| €20.13 | Call | 1,500,000 | June 3, 1998 | March 1, 2001 | 1.86 |
| | | 3,000,000 | | | 5.77 |

(1) Reflects stock split in April 1999.

According to new provisions of the Spanish Corporations Law that were recently enacted, the execution and cancellation of incentive programs linked to the price of the company's shares established prior to January 1, 2000, for managers and Directors for members of the Board of Directors and officers under its direct supervision, must be approved by the general shareholders' meeting. Additionally, prior to the execution or cancellation of such incentive program, Repsol YPF will file the required form before the *Comisión Nacional del Mercado de Valores* (National Securities Market Commission).

Repsol YPF's Board of Directors will submit for approval to the general shareholders' meeting scheduled to be held on March 28, 2001, the medium-term incentive program established in June 1998.

Although the incentive plan is to be submitted to the upcoming general shareholders' meeting, Repsol YPF, pursuant to Circular 4/2000, notified the *Comisión Nacional del Mercado de Valores* on October 14, 2000 of the existing incentive program and provided all the relevant information relating to this program.

*Plans established subsequent to January 1, 2000*

The Board of Directors will submit for mandatory authorization to the general shareholders' meeting scheduled to be held next March 28, 2001, an additional compensation system for managerial personnel and Directors. Such program will be consistent with the employee loyalty program implemented in 2000 by the Compensation and Senior Management Development Committee of the Board of Directors.

The employee loyalty program is initially directed at the managerial personnel and is extendable to other top management personnel. Repsol YPF's medium to long-term incentive is a share appreciation rights program, linked to a specific period of time. Repsol YPF assigns a number of theoretical shares to each of the beneficiaries of this plan, which then will be entitled to a cash compensation equivalent to 100% of the appreciation of Repsol YPF's ordinary shares with respect to a reference price.

The amount paid as compensation will consist of the following:

- a cash payment in an amount equal to the number of theoretical shares eligible for exercise at that strike date multiplied by the excess, if any, of the price of the ordinary shares of Repsol YPF on the Madrid Stock Exchange on the strike dates detailed below over the reference price which is €16.40 per share. This element consists of 2,400,000 rights.

- a cash payment in an amount equal to the number of theoretical shares eligible for exercise at that strike date multiplied by the excess, if any, of the price of the ordinary shares of Repsol YPF on the Madrid Stock Exchange on the strike dates detailed below over the reference price which is €24.60 per share. This element consists of 2,400,000 rights.

On the different strike dates these rights will be exercisable as follows:

- As of March 1, 2002 the beneficiaries will be able to exercise up to 1/3 of the rights they are entitled to.

- As of March 1, 2003 the beneficiaries will be able to exercise up to 2/3 of the rights they are entitled to and which they have not previously exercised.

- As of March 1, 2004 the beneficiaries must exercise the rights not previously exercised.

Participation in the program is conditioned upon continued employment up to and on each of the strike dates.

As a result of this compensation plan, in 2000 Repsol YPF posted a €1.5 million expense under the heading "Wages, salaries and comparable items" of the attached consolidated income statement.

#### 4.2.2 Other compensation costs

The total approximate annual cost to Repsol YPF during 2000 in connection with benefit pension plans for Directors and officers was as follows:

- €6,300 for the Board of Directors

- €44,200 for the Executive Committee, and

- €52,700 for the Central Advisory Committee

Repsol YPF has paid all contributions related to services rendered. The benefit pension plans for the members of the Executive Committee consists of a defined-contribution pension fund.

The total approximate cost of life and disability insurance premiums for members of the Executive Committee during 2000 was approximately €144,800.

### 4.3 Share Ownership of Directors and Officers

The total number of shares owned by members of the Board of Directors as of December 31, 2000 was 479,047, which represents 0.0392% of the capital stock of Repsol YPF.

| | Number of shares owned | Number of shares repre-sented | Total shares | % total shares out-standing | Nomin-ating share-holder | Number of shares owned by shareholder(2) No. | % |
|---|---|---|---|---|---|---|---|
| Alfonso Cortina de Alcocer | 142,200 | 0 | 142,200 | 0.0116 | - | - | - |
| Emilio de Ybarra y Churruca | 1,029 | 164,451 | 165,480 | 0.0136 | BBVA { | - | - |
| José María Abril Pérez | 1,500 | 0 | 1,500 | 0.0001 | BBVA { | 113,700,613 | 9.31% |
| José Antonio Pérez-Nievas Heredero | 360 | 107,550 | 107,910 | 0.0088 | BBVA { | - | - |
| Gonzalo Anes Alvarez Castrillón | 0 | 0 | 0 | 0 | - | - | - |
| Pemex Internacional España S.A. | 0 | 0 | 0 | 0 | PEMEX { | - | - |
| PMI Holdings B.V.(1) | 15,000 | 0 | 15,000 | 0.0012 | PEMEX { | 58,679,000 | 4.81% |
| Juan Molins Amat | 234 | 0 | 234 | 0.0000 | - | - | - |
| Robert Malpas | 2,100 | 0 | 2,100 | 0.0002 | - | - | - |
| Antonio Brufau Niubó(3) | - | - | - | - | La Caixa { | - | - |
| José Vilarasau Salat | 3 | 0 | 3 | 0.0000 | La Caixa { | 117,612,001 | 9.63%(4) |
| Ignacio Bayón Mariné | 7,200 | 625 | 7,825 | 0.0006 | - | - | - |
| Antonio Hernández-Gil Alvarez Cienfuegos | 0 | 0 | 0 | 0 | - | - | - |
| Marcelino Oreja Aguirre | 5,436 | 0 | 5,436 | 0.0004 | - | - | - |
| Enrique de Aldama y Miñón | 0 | 31359 | 31,359 | 0.0025 | - | - | - |

(1) The beneficial owner of these shares is Petróleos Mexicanos, sole shareholder of PMI Holdings, B.V.

(2) As of most recent Annual Shareholders Meeting.

(3) Antonio Brufau Niubó owns 87,893 options A of Repsol YPF.

(4) 2.33% is owned by La Caixa through Repinves.

The executive officers of Repsol YPF together own less than one percent of the outstanding shares of Repsol YPF.

### 4.4 Employees

As of December 31, 2000, Repsol YPF had approximately 37,194 employees.

The following table provides a breakdown of Repsol's employees by business segment as well as by geographic area.

| | 2000 | 1999 | 1998 |
|---|---|---|---|
| **Employees by business segment** | | | |
| E&P | 3,148 | 3,659 | 855 |
| Refining and Marketing | 22,901 | 21,159 | 16,086 |
| Chemicals | 3,046 | 3,214 | 2,490 |
| Gas and Electricity | 6,598 | 4,454 | 3,785 |
| Other Segments | 1,501 | 1,358 | 546 |
| Total | 37,194 | 33,844 | 23,762 |

| | 2000 | 1999 | 1998 |
|---|---|---|---|
| **Employees by geographic area** | | | |
| Spain | 20,671 | 18,255 | 17,406 |
| Rest of Europe | 459 | 794 | 721 |
| Latin America | 14,640 | 13,294 | 5,369 |
| North Africa and Middle East | 348 | 286 | 258 |
| Far East | 938 | 987 | 8 |
| Rest of the World | 138 | 228 | — |
| Total | 37,194 | 33,844 | 23,762 |

The average payroll of Repsol YPF, by professional categories, for the last three years, is as follows:

| | 2000 | 1999 | 1998 |
|---|---|---|---|
| **Employees by professional categories** | | | |
| Officers | 372 | 293 | 248 |
| Middle Management | 3,109 | 3,190 | 2,063 |
| Technicians | 12,123 | 9,158 | 6,334 |
| Administrators | 4,345 | 3,102 | 3,200 |
| Operations staff and subordinates | 17,438 | 13,519 | 10,780 |
| Total | 37,387 | 29,262 | 22,625 |

The increase in Repsol YPF's number of employees in 2000 is mainly the result of the 100% consolidation of Gas Natural for 2000 in comparison to 45.3% for 1999, as well as the full consolidation of YPF in 2000 as opposed to approximately 6 months in 1999.

The following table provides a breakdown of the average permanent and temporary employees of Repsol YPF:

| | 2000 | 1999 | 1998 |
|---|---|---|---|
| **Permanent and temporary employees** | | | |
| Permanent | 34,739 | 26,669 | 20,495 |
| Temporary | 2,648 | 2,593 | 2,130 |
| Total | 37,387 | 29,262 | 22,625 |

Repsol YPF negotiates collective labor agreements for each of its operating subsidiaries.

The principal unions in Spain are U.G.T. (*Unión General de Trabajadores*) and CC.OO. (Comisiones Obreras). Other unions with a significant representation in Spain are: C.T.I. (*Confederación de Trabajadores Independientes*), T.U. (*Trabajadores por la Unidad*), ELA-STV (*Euzko Langilleen*

*Alkartasuna-Solidaridad de Trabajadores Vascos*) , SEOMN *(Sindicato Español de Oficiales de la Marina Mercante)* and C.I.G. (*Confederación Intersindical Galega).*

On May 11, 1999, Repsol YPF signed a second Master Agreement with the most important unions representing Repsol YPF employees in Spain. This second Master Agreement will expire December 31, 2001. The second Master Agreement covers, like the first Master Agreement, the most important subsidiaries of Repsol YPF in Spain. It is estimated that in Spain a total of 17,500 (including Gas Natural) employees are covered by collective labor contracts which are structured by industry, sector or company.

In Argentina, YPF has three labor agreements which it signed in 1997 and which cover 3,274 employees active in refining and production, service stations and LPG activities. YPF's agreements covering employees working in each of refining and production and service station activities will expire on December 31, 2000 except for the agreement covering LPG employees which expires on March 31, 2001.

YPF employees are primarily represented by the Federación de Sindicatos Unidos Petrolíferos e Hidrocarboníferos (SUPEH). YPF Gas' employees are primarily represented by the Federación Argentina de Petroleras (FASP) and Gas Privado (G.P.)

Repsol YPF expects to begin negotiations during the first half of 2001 in order to renew existing labor agreements. Repsol YPF intends to conform its labor agreements to a single model which would provide Repsol YPF with the flexibility to respond to market developments as well as to labor law reforms in Argentina in 2000. With regard to the negotiations of the new labor agreements in Argentina, during 2000 Repsol YPF has participated in preparatory meetings identifying the main issues to be discussed during the 2001 negotiations.

Repsol YPF's labor-related costs for the past three years have been as follows:

| | 2000 | 1999 | 1998 |
|---|---|---|---|
| | | | (millions of euros) |
| **Labor-related costs** | | | |
| Salaries | 1,284 | 978 | 736 |
| Benefits | 364 | 289 | 234 |
| Total | 1,648 | 1,267 | 970 |
| Average cost per employee (thousands of euros) | 44.079 | 43.298 | 42.873 |

Repsol YPF has reduced its number of employees through incentivized layoffs and early retirements, as agreed upon with union representatives. In 2000, for the first time Repsol YPF signed a labor restructuring agreement, regulating layoff procedures, that encompasses the eleven related companies: Repsol Petróleo, Repsol Química, Repsol Derivados, Repsol Distribución, Repsol Comercial de Productos Petrolíferos, Repsol Productos Asfálticos, Repsol YPF, Repsol Exploración, Dynasol Elastómeros, Repsol Butano and RYTTSA. The agreement was signed with the participation of all Labor Unions with representation in all companies in Spain and has the approval of the Ministry of Labor. This agreement covers to all middle management personnel with 55 or more years of age during 2000 and extends its validity for the years 2000, 2001 and 2002. Repsol YPF believes that its business units currently have the necessary human resources to participate competitively in their respective industries.

The reduction in the number of employees has been complemented in 2000 by:

- training programs to broaden employees' skill sets beyond their area of expertise and to improve employees' abilities with their area of expertise,

- reallocation of human resources among operating units of Repsol YPF from companies with available personnel to companies in need of additional human resources in order to efficiently allocate resources and to foster employee professional development.

Extraordinary expenses in connection with labor force restructuring were €201 million in 2000, €59 million in 1999 and €41 million in 1998. For a detailed discussion of Repsol YPF's extraordinary expense related to labor force restructurings, see Section 3.5 "Operating and Financial Review and Prospects—Extraordinary Income (Expense)—Labor Force Restructuring."

Repsol YPF has defined contribution pension plans in place for employees of its principal operating subsidiaries, Compañía Logística de Hidrocarburos CLH, S.A., Repsol Petróleo, S.A., Repsol Comercial de Productos Petrolíferos, S.A., Repsol Exploración, S.A., Repsol Química, S.A. and Repsol Butano, S.A. Under Spanish law, participation in the plans is open to all employees and participation is subject to a maximum contribution. YPF also has a defined contribution pension plan for employees of its main subsidiaries (YPF, OPESSA and YPF Gas) under which YPF makes matching contributions up to a defined limit. In 2000, the total annual cost to Repsol YPF of maintaining these plans was €28 million.

## 5. Major Shareholders and Related Party Transactions

### 5.1 Interest of Management in Certain Transactions

At December 31, 2000 loans by Repsol YPF to its executive officers totaled approximately €1,094.750 and bore interest at an average rate of 4%. The amounts and recipients of the loans were as follows:

| | Thousands of euros |
|---|---|
| Executive Vice President Exploration & Production | 397 |
| Executive Vice President Refining and Marketing | 72 |
| Executive Vice President Chemical | 30 |
| Executive Vice President Gas and Electricity | 515 |
| Director of Human Resources | 11 |
| Chief Financial Officer | 34 |
| Director of External Relations | 7 |
| Director of Planning and Control | 26 |
| Director of Shared Services | 2 |
| | € 1,094 |

### 5.2 Control of Repsol YPF

For a discussion of certain restrictions affecting the acquisition of ordinary shares of Repsol YPF, see Section 8.1.10 "Additional Information—Memorandum and Articles of Association—Limitations on Transactions."

By law, the prior administrative approval of the Ministry of Industry and Energy of Spain is required for certain transactions involving Repsol YPF, including

- voluntary winding-up or change of corporate purpose;
- merger or spin-off;
- disposal of, or imposition of liens on, any oil or gas reserves and refinery located in Spain, any natural gas and petroleum products storage facilities as well as certain LPG bottling and storage facilities and any pipelines;
- disposition by Repsol YPF of, or imposition of liens on, shares, or securities convertible into shares, of certain of Repsol YPF's subsidiaries, including Repsol Exploración, Repsol Petróleo, Repsol Comercial, Repsol Butano, Repsol Investigaciones Petrolíferas and Petronor; and
- the acquisition, whether direct or indirect, of shares, or securities convertible into shares, representing at least 10% of the capital stock of Repsol YPF or any of the subsidiaries referred to in this paragraph. See Section 8.1.10 "Additional Information—Memorandum and Articles of Association—Limitations on Transactions."

As of December 31, 2000, the total amount of voting securities owned by the directors and executive officers (including their immediate families) of Repsol YPF as a group was 554,897 ordinary shares, or 0.045% of total number of ordinary shares of Repsol YPF issued and outstanding.

According to the latest information available to Repsol YPF as of the date of this annual report, these shareholders held the following percentages of the outstanding ordinary shares of Repsol YPF:

- *Banco Bilbao Vizcaya Argentaria, S.A.*: 9.78%;
- *La Caixa d'Estalvis i Pensions de Barcelona*: 10.03%. La Caixa holds 7.70% through La Caixa Holdings and 2.33% through Repinvés;

- *Repinvés*: 5.94%. Repinvés is jointly owned by La Caixa, Caja de Cataluña and Caja de Guipuzcoa;

- *Petróleos de México*: 5.00%. Petróleos de México holds its interest in Repsol YPF through PMI Holdings B.V., a company in which it is the sole shareholder, and The Strategic Management Company. All shares of Repsol YPF held by PMI Holdings B.V. have been pledged as collateral.

In a report to the U.S. Securities and Exchange Commission on Schedule 13D dated February 22, 2000, Banco Bilbao Vizcaya Argentaria, S.A. reported that, as of the date of the report, it beneficially owned 113,360,099 ordinary shares of Repsol YPF, or 9.55% of the issued and outstanding ordinary shares of Repsol YPF. BBVA and the other major shareholders of Repsol YPF hold ordinary shares of Repsol YPF, all of which have the same voting rights.

Banco Bilbao Vizcaya Argentaria, S.A., in its report to the U.S. Securities and Exchange Commission on Schedule 13D dated February 22, 2000, reported that it had acquired an additional 2.65% of the outstanding ordinary shares of Repsol YPF since the original filing of a report on Schedule 13D on April 9, 1997.

In July 1997, each of Caja de Cataluña and Caja de Guipuzcoa, two Spanish regional banks, contributed their participations in Repsol YPF to Repinvés, an investment company owned by Caja de Cataluña, Caja de Guipuzcoa and La Caixa.

On January 15, 1999 Endesa notified the CNMV that it acquired a 3.64% stake in Repsol YPF.

On May 31, 1999 Iberdrola notified the CNMV that it acquired a 3.59% stake in Repsol YPF.

Repsol YPF regularly engages in arm’s length transactions related to financing activities in the ordinary course of business.

## 6. Legal Proceedings

Repsol YPF does not believe that there are any material legal proceedings pending to which Repsol YPF or any of its subsidiaries is a party or of which any of their property is subject.

Repsol YPF does, however, note the following the legal proceedings:

Under the Privatization Law of YPF, the Argentine government assumed certain obligations of YPF as of December 31, 1990. Decree 546/93, concerning the Privatization Law, set forth limitations concerning legal fees and expenses in connection with these liabilities. The Argentine government will assume these costs as long as the fees and expenses agreed upon are fixed and are not contingent upon the amounts in dispute. YPF is required to keep the Argentine government apprised of any claim against YPF arising from the obligations assumed by the Argentine government. As of December 31, 1999, YPF had received complaints for an aggregate amount of €729 million, as well as other claims for undetermined amounts. All these claims have been or are in the process of being notified to the Argentine government. YPF believes it will not be responsible for any material claims, pursuant to the provisions of the Privatization Law of YPF.

As of December 31, 2000, Repsol YPF had established reserves for environmental risks in connection with past operations of the Diamond Shamrock Chemicals Company, a subsidiary of Maxus, prior to its sale to Occidental Petroleum Corporation in 1986. As of December 31, 2000, these reserves amounted to approximately €96 million. Repsol YPF believes that these reserves are adequate to cover all significant and probable environmental contingencies. Nevertheless, changes in the current circumstances could result in the increase of such allowances in the future.

On March 22, 1999, YPF received notification from the Argentine Secretary of Industry, Commerce and Mining with regard to an investigation conducted by the National Commission for the Defense of Competition in connection with anti-competitive practices by YPF. The alleged practices consisted of differences in YPF's LPG prices in the Argentine and export markets from 1993 to 1997. The Secretary of Industry, Commerce and Mining imposed on YPF a fine of US$109.6 million. YPF filed an appeal to the Secretary's notification with the National Commission for the Defense of Competition, which appeal will be heard by the National Economic Criminal Court of Appeal (*Cámara Nacional de Apelaciones en lo Penal Económico*). On November 24, 2000, the National Economic Criminal Court of Appeal, in a split decision, confirmed the fine imposed by the Secretary of Industry, Commerce and Mining. YPF filed an extraordinary appeal with the Argentine Supreme Court, which on December 19, 2000, declined to hear the appeal. On January 5, 2001, YPF filed with the National Commission for the Defense of Competition, a petition to suspend the fine imposed. Additionally, on February 9, 2001, YPF appealed the denial of extraordinary appeal to the Argentine Supreme Court. As of the date of this annual report both the petition to suspend the fine and the new appeal to the Argentine Supreme Court are pending. We have established reserves in the full amount of the fine. See note 1(d)2 to the Financial Statements. Repsol YPF believes that the fine is without merit.

YPF has been sued by former employees whose positions were eliminated after personnel reductions in connection with the privatization of YPF. Repsol YPF believes that proper reserves have been made in connection with these contingencies. Repsol YPF does not expect the outcome of these lawsuits to have a material adverse effect on its financial condition or future results of operations.

## 7. Offering and Listing

### 7.1 Historical Trading Information

Repsol YPF's shares are listed on the Spanish Stock Exchanges and quoted on the Automated Quotation System. Repsol YPF's shares have also been quoted since November 30, 1999 on the *Bolsa de Comercio* in Buenos Aires in the form of Argentine certificates of deposit (CEDEARS or *certificados de depósito argentinos*). The ADSs, each representing one share, are listed on the New York Stock Exchange. The Bank of New York is Repsol YPF's depositary issuing ADSs under the deposit agreement dated May 15, 1989, as amended and restated as of February 22, 1993, and as further amended and restated as of July 6, 1999, among Repsol, The Bank of New York, as depositary, and the holders from time to time of ADSs. All per ADS and per share data presented below have been adjusted to reflect the three-for-one stock split of shares of Repsol YPF which occurred on April 19, 1999.

The table below sets forth, for the periods indicated, the reported high and low sales prices of ADSs on the New York Stock Exchange:

| | Per ADS | |
|---|---|---|
| | High | Low |
| | (dollars per share) | |
| **1996** | | |
| First Quarter | 13.042 | 10.792 |
| Second Quarter | 12.542 | 11.167 |
| Third Quarter | 11.708 | 10.500 |
| Fourth Quarter | 12.833 | 10.833 |
| **1997** | | |
| First Quarter | 14.667 | 12.375 |
| Second Quarter | 14.750 | 13.542 |
| Third Quarter | 14.792 | 12.875 |
| Fourth Quarter | 15.167 | 12.667 |
| **1998** | | |
| First Quarter | 17.750 | 14.021 |
| Second Quarter | 19.167 | 17.042 |
| Third Quarter | 19.167 | 13.688 |
| Fourth Quarter | 19.167 | 13.556 |
| **1999** | | |
| First Quarter | 20.047 | 16.875 |
| Second Quarter | 20.500 | 15.440 |
| Third Quarter | 24.250 | 18.625 |
| Fourth Quarter | 23.000 | 18.000 |
| **2000** | | |
| First Quarter | 23.000 | 18.000 |
| Second Quarter | 22.000 | 18.875 |
| Third Quarter | 20.875 | 18.250 |
| Fourth Quarter | 19.500 | 14.625 |

| | High | Low |
|---|---|---|
| **2000** | | |
| September | 20.750 | 18.000 |
| October | 19.500 | 18.875 |
| November | 18.250 | 16.625 |
| December | 16.438 | 14.625 |
| **2001** | | |
| January | 18.063 | 16.438 |
| February | 18.700 | 16.820 |
| March(1) | 17.520 | 16.900 |

(1) Through March 5, 2001.

On March 5, 2001, the reported last sale price of the ADSs on the New York Stock Exchange was US$17.26 per ADS.

The table below sets forth, for the periods indicated, the reported high and low quoted prices for the ordinary shares on the Automated Quotation System, which is the principal Spanish trading system for the ordinary shares.

| | euros per share | |
|---|---|---|
| | **High** | **Low** |
| **1996** | | |
| First Quarter | 9.03 | 7.96 |
| Second Quarter | 9.48 | 8.56 |
| Third Quarter | 9.10 | 7.99 |
| Fourth Quarter | 10.24 | 8.26 |
| **1997** | | |
| First Quarter | 12.22 | 9.83 |
| Second Quarter | 13.08 | 11.56 |
| Third Quarter | 13.32 | 11.98 |
| Fourth Quarter | 13.52 | 10.60 |
| **1998** | | |
| First Quarter | 16.63 | 12.92 |
| Second Quarter | 17.41 | 15.93 |
| Third Quarter | 17.77 | 11.48 |
| Fourth Quarter | 16.81 | 11.42 |
| **1999** | | |
| First Quarter | 17.33 | 14.33 |
| Second Quarter | 20.25 | 14.64 |
| Third Quarter | 20.87 | 18.24 |
| Fourth Quarter | 24.25 | 17.65 |
| **2000** | | |
| First Quarter | 23.47 | 18.17 |
| Second Quarter | 23.47 | 20.13 |
| Third Quarter | 24.01 | 20.00 |
| Fourth Quarter | 22.43 | 16.20 |

| | euros per share | |
|---|---|---|
| | **High** | **Low** |
| **2000** | | |
| September | 24.01 | 20.82 |
| October | 22.43 | 18.57 |
| November | 19.63 | 18.40 |
| December | 19.00 | 16.20 |
| **2001** | | |
| January | 19.43 | 16.99 |
| February | 20.27 | 18.10 |
| March(1) | 18.85 | 18.10 |

(1) Through March 5, 2001.

The table below sets forth, for the periods indicated, the reported high and low quoted prices for the ordinary shares on the Buenos Aires Stock Exchange, which is the principal Argentinean trading stock for the ordinary shares. The peso-dollar exchange rate has been fixed at Ps. 1.00 = US$1.00.

| | pesos per share | |
|---|---|---|
| | **High** | **Low** |
| **2000** | | |
| September | 20.55 | 18.20 |
| October | 19.45 | 15.90 |
| November | 16.70 | 15.80 |
| December | 16.35 | 14.60 |
| **2001** | | |
| January | 18.30 | 16.40 |
| February | 18.70 | 16.85 |
| March(1) | 17.45 | 16.90 |

(1) Through March 5, 2001.

| | pesos per share | |
|---|---|---|
| | **High** | **Low** |
| **1999** | | |
| Fourth quarter | 24.20 | 21.80 |
| **2000** | | |
| First quarter | 23.25 | 18.10 |
| Second quarter | 22.00 | 19.45 |
| Third quarter | 20.80 | 18.20 |
| Fourth quarter | 19.45 | 14.60 |

On January 4, 1999, the Madrid Stock Exchange began quoting share prices in euros. The exchange rate at which the Spanish peseta has been irrevocably fixed against the euro is Ptas. 166.386 =   1.00. All share prices in pesetas for the period since January 4, 1999 have been translated at the irrevocable euro-peseta exchange rate.

On March 5, 2001, the closing price of the Shares in the Automated Quotation System was €18.71 per Share, equal to $17.38 at the Noon Buying Rate on March 5, 2001.

Repsol YPF and its subsidiaries do not currently make a market or trade in the ordinary shares and have not held and do not hold any of the ordinary shares.

As of January 31, 2001, approximately 5.03% of the ordinary shares were held in the form of ADSs by 184 holders of record, including The Depository Trust Company. Approximately 55.4 million ADSs were held of record by approximately 15,000 persons through The Depository Trust Company at that date. Repsol YPF estimates that the percentage of United States holders of Shares and ADSs is approximately 6.96%.

The *Comisión Nacional de Mercados de Valores* suspended trading from market opening on November 11, 1999 until 11:15 a.m. of the same day of ordinary shares of Repsol YPF as well as all other securities of Repsol YPF which give rise to subscription rights on the Madrid Stock Exchange and on the Intermarket Exchange. Trading was also suspended for the same period on option contracts for the same securities of Repsol YPF on the Meff Renta Variable, S.A. The CNMV cited unconfirmed reports that had not been reported to the CNMV about possible agreements among Repsol YPF, Iberdrola and Gas Natural as the reason for the suspension of trading. On November 12, 1999, Repsol YPF announced that its Board of Directors would not meet to study a possible transaction with Iberdrola or Gas Natural or for any other reason. Repsol YPF stated that preliminary studies exist with respect to national and international strategies, but that no concrete plans existed as of the date of the announcement.

## 7.2 Nature of the Trading Market

At December 31, 2000 there were 1,114 companies listed and traded on the Madrid Stock Exchange. The market capitalization of all companies listed on the Madrid Stock Exchange as of December 31, 2000 was approximately €537.05 billion (US$501.9 billion), and reported trading volume of companies for 2000 was €391.5 billion (US$365.9 billion).

### 7.2.1 Automated Quotation System

The Automated Quotation System was introduced in 1989 and links the four local exchanges in Madrid, Barcelona, Bilbao and Valencia (the "local exchanges"), providing those securities listed on it with a uniform continuous market that eliminates certain of the differences among the local exchanges. The principal feature of the system is the computerized matching of buy and sell orders at the time of entry of the order. Each order is executed as soon as a matching order is entered, but can be modified or canceled until execution. The activity of the market can be continuously monitored by investors and brokers. The Automated Quotation System is quoted and regulated by Sociedad de Bolsas, S.A., (the "Sociedad de Bolsas"), a corporation owned by the companies that manage the local exchanges. All trades on the

Automated Quotation System must be placed through a brokerage firm, an official stock broker or a dealer firm.

Since January 17, 2000, a pre-opening session held from 8:30 a.m. to 9:00 a.m. each trading day, an opening price is established for each security traded based on tentative orders placed at that time. The trading of a security requires that the opening market price, fixed during the pre-opening session or after this period, not vary by more than 15% from the previous day's closing price, referred to as the reference price. If, however, during the opened trading session there are offers or bids which differ by more than 15% on a significant part of the securities, trading may be authorized with variations in price of up to a maximum of 20% by reference to all securities. In exceptional circumstances and after giving notice to the CNMV, the Sociedad de Bolsas may establish an opening price without regard to the reference price, alter the price range for permitted orders with respect to the reference price and modify the reference price. The computerized trading hours are from 9:00 a.m. to 5:30 p.m. during which time the trading price of a security is permitted to vary up to 15% (or 20% with the authorization of the Sociedad de Bolsas) of the previous day's closing price.

Between 5:30 p.m. and 8:00 p.m., trades may occur outside the computerized matching system without prior authorization of the Sociedad de Bolsas. These trades may occur:

- at a price within the range of 5% above the higher of the average price and closing price for the day and 5% below the lower of the average price and closing price for the day, if

- the trade involves more than 300,000 euros and more than 20% of the average daily trading volume of the stock during the preceding three months and

- if all outstanding buy or sell orders meet specific conditions including, among other things, a value of at least 30,000 euros and no more than 60,000 euros or 5% of the average daily trading volume for the securities in the preceding three months.

Trades may take place at any time (with the prior authorization of the Sociedad de Bolsas) at any price if:

- the trade involves more than 1.5 million euros and more than 40% of the average daily volume of the stock during the preceding three months,

- the transaction derives from a merger or spin-off process, or from the reorganization of a group of companies,

- the transaction is performed for the purposes of settling a litigation or completing a complex group of contracts, or

- the Sociedad de Bolsas finds other justifiable cause.

Information with respect to the computerized trades between 9:00 a.m. and 5:30 p.m. is made public immediately, and information with respect to trades outside the computerized matching system is reported to the Sociedad de Bolsas by the end of the trading day and published in the Boletín de Cotizacion and in the computer system by the beginning of the next trading day.

In September 1998, new rules were adopted by the Sociedad de Bolsas with respect to block trades of at least 600,000 euros and representing at least 5% of the average daily trading volume during the last quarter ended of the security being traded. The new rates apply to securities that constitute the IBEX-35, including Repsol YPF.

Pursuant to Royal Decree (Real Decreto 116/92) of February 14, 1992 and to Repsol YPF's by-laws, Repsol YPF's ordinary shares are in book entry form. The clearance and settlement system and its members referred to below are responsible for maintaining records of purchases and sales under the book entry system.

### 7.2.2 Clearance and Settlement System

Transactions carried out on the Automated Quotation System are cleared and settled through the Servicio de Compensación y Liquidación de Valores, S.A. (the "SCLV"). Only members of the system are entitled to use it, and membership is restricted to authorized broker members of the Automated Quotation System and, with the approval of the CNMV, other brokers not members of the Automated Quotation System, banks, savings banks and foreign settlement and clearing systems. The SCLV is owned by its members and by the companies which manage the local exchanges. The clearance and settlement system and its members are responsible for maintaining records of purchases and sales under the book entry system. The SCLV, which manages the clearance and settlement system, maintains a registry reflecting the number of shares held by each of its member entities (each an *entidad adherida*) as well as the amount of such shares held on behalf of beneficial owners. Each member entity, in turn, maintains a registry of the owners of such shares.

## 7.3 Securities Market Regulation

The Securities Markets Act was enacted in 1988 with the purpose of reforming the organization and supervision of the Spanish securities markets. This legislation and regulation implementing it

- established an independent regulatory authority, the Comisión Nacional del Mercado de Valores (the "CNMV") to supervise the securities markets,
- established a framework for the regulation of trading practices, tender offers and insider trading,
- required stock exchange members to be corporate entities,
- required companies listed on a Spanish stock exchange to file annual audited financial statements and to make public quarterly financial information,
- established the legal framework for the Automated Quotation System,
- exempted the sale of securities from transfer and value added taxes,
- deregulated brokerage commission and
- provided for transfer of shares by book-entry or by delivery of evidence of title. This law has been modified in part by Law 37/1998, which came into effect on November 16, 1998, adopting certain European Union directives relating to (a) investment services, (b) indemnification of investors, (c) capital requirements for investment companies and financial institutions and (d) legal, regulatory and administrative provisions relating to access to the services of financial institutions.

## 7.4 Trading by Subsidiaries/Affiliates

The Spanish Corporations Law dated December 22, 1989 prohibits the purchase by Repsol YPF and its affiliates of ordinary shares of Repsol YPF in the secondary market except in limited circumstances: such a purchase of ordinary shares must be authorized by a General Meeting of shareholders of Repsol YPF, the ordinary shares so purchased are without economic or voting rights while held by Repsol YPF and without voting rights while held by its affiliates, and the total number of ordinary shares held by Repsol YPF and its affiliates may not exceed 5% of the total capital of Repsol YPF. Any acquisition of ordinary shares of Repsol YPF exceeding, or that causes Repsol YPF's and its affiliates holdings to exceed, one percent of Repsol YPF's share capital must be reported to the CNMV. The General Shareholders Meeting held on March 24, 1999 authorized the members of the Board of Directors to purchase ordinary shares of Repsol YPF in the secondary market for a period of eighteen months from March 24, 1999. Repsol YPF and its affiliates have not, since the date of this resolution, participated in the market for ordinary shares and have not held and do not hold any of the ordinary shares.

# 8. Additional Information

## 8.1 Memorandum and Articles of Association

### 8.1.1 General

At the annual general meeting of shareholders held June 28, 2000, the shareholders approved the proposal to change the company's name to "Repsol YPF, S.A." effective as of the same date.

Repsol YPF, S.A was incorporated on November 12, 1986, by public deed notarized before the Public Notary of Madrid D. Miguel Mestanza Fragero, filing number 4,293, and filed with the Commercial Registry on December 31, 1986.

For a detailed description of Repsol YPF's object and purpose please see Section 2.1.2 "Information about Repsol YPF—Repsol YPF—Organization of Repsol YPF." Repsol YPF's object is established in Article 2 of its bylaws. Copies of the bylaws, which have been incorporated by reference, are available at the offices of Repsol YPF.

### 8.1.2 Description of Shares of Repsol YPF

The issued capital of Repsol YPF is €1,220,863,463 divided into a single series of 1,220,863,463 shares in book entry form, with a nominal value of €1.00 each.

On February 24, 1999, the Repsol YPF board of directors approved the redenomination of Repsol YPF's capital stock in euros. During 2000, Repsol YPF capital stock was increased as follows: on September 6, 2000, by 24,342,464 shares, on September 7, 2000 by 8,166,114 shares and on December 15, 2000, by 354,885 shares. These increases were made in connection with the exchange offers for shares of Astra C.A.P.S.A., YPF S.A. and Repsol Comercial de Productos Petrolíferos, S.A., respectively.

The shares are in book entry form. Shares are indivisible. Co-owners of one share must designate a single person to exercise their shareholders' rights, but they are jointly and severally liable to Repsol YPF for all the obligations flowing from their status as shareholders. The Servicio de Compensación y Liquidación de Valores, S.A., which manages the Spanish clearance and settlement system, maintains a registry reflecting the number of shares held by each of its member entities ( entidad adherida) as well as the amount of these shares held on behalf of beneficial owners. Each member entity, in turn, maintains a registry of the owners of these shares. Transfers of shares quoted on the Spanish Stock Exchanges must be made through or with the participation of a member of a Spanish Stock Exchange that is an authorized stockbroker by book entry or delivery of evidence of title to the buyer.

### 8.1.3 Dividend and Liquidation Rights

Payment of the interim dividend may be approved by the board of directors without shareholder approval. Payment of the final dividend is proposed by the board of directors and must be authorized by the shareholders at a general meeting. Holders of shares participate in such dividends for each year from the date agreed by a general meeting. According to Spanish law and Repsol YPF's bylaws, dividends may only be paid out of profits or distributable reserves if the value of Repsol YPF's net worth is not, and as a result of distribution would not be, less than its capital stock. The right to a dividend lapses and reverts to Repsol YPF if it is not claimed within five years after it becomes due.

Dividends payable by Repsol YPF to non-residents of Spain are subject to a Spanish withholding tax at the rate of 25%. However, pursuant to a treaty between Spain and the United States and to Spanish legislation currently in force, holders of ADSs or shares meeting various requirements may benefit from withholding tax at a reduced rate of 15%. See Section 8.3 "—Taxation" below for more information about the reduced rate of withholding tax in Spain.

Under the deposit agreement with The Bank of New York as depositary under which the ADRs evidencing the ADSs are to be issued, dividends in connection with shares represented by the ADSs being offered will be received by the depositary.

Upon liquidation of Repsol YPF, the shareholders would be entitled to receive proportionately any assets remaining after the payment of Repsol YPF's debts and taxes and expenses of the liquidation.

#### 8.1.4 Directors

The members of the Board of Directors shall be elected by vote. For purposes of this election, any shares voluntarily grouped together in order to constitute a sum of capital equal to or greater that than resulting from dividing the latter by the number of Board members, shall be entitled to appoint those who, exceeding whole fractions, are deducted from the corresponding proportion. Repsol YPF's directors are elected for terms of four years, and are reelected in staggered terms of one year. One fourth of the Board of Directors is reelected each year. The board of directors may designate directors from among shareholders of Repsol YPF to fill a vacancy on the board of directors until the next general shareholder meeting.

Under Spanish law, directors of Repsol YPF have a duty of loyalty which requires that they put the interests of Repsol YPF before their own. If a director finds that his or her interests are other than those of Repsol YPF or the Board of Directors, this director may fulfil his or her duty of loyalty by abstaining from a vote of the Board of Directors. Furthermore, under the Regulations of the Board of Directors of Repsol YPF (*Reglamento del Consejo*), directors are required to abstain from voting on a resolution if he or she has a conflict of interest.

The Board of Directors of Repsol YPF is, pursuant to its Bylaws, composed of a minimum of 9 and a maximum of 16 directors. As of March 5, 2001 the Board of Directors was composed of 15 members.

The Regulations of the Board of Directors provides for three types of Directors:

- Executive Directors, who have an executive role and are a member of senior management. The number of Executive Directors is limited to a maximum of three.
- Institutional Directors, who are nominated by strategic holders of a significant and stable participation in Repsol YPF.
- External Directors, who are neither Executive nor Institutional Directors and who meet all other requirements of the Regulations of the Board of Directors..

Quorum for the valid adoption of resolutions of the Board of Directors requires that the majority of the current directors be represented at a meeting, unless the meeting has not been duly convened, in which case all Directors must be present to establish quorum.

Directors must resign upon reaching 70 years of age. The President of the Board of Directors and all Directors who have responsibilities which have been delegated to them by the Board of Directors and who, therefore, participate in the management of Repsol YPF must resign upon reaching 65 years of age. The President may, however, remain a member of the Board of Directors until reaching the age of 70.

The Board of Directors has the power to approve any credit transaction. The issuance of debt securities requires, however, the approval of a general shareholders meeting.

#### 8.1.5 Reporting Requirements

Spanish law requires any person or group which acquires or transfers shares of a company listed on a Spanish Stock Exchange to report such acquisition or transfer:

- to the company whose securities are being acquired;

- to the stock exchange on which the company whose securities are being acquired is listed;

- to the National Stock Market Commission (*Comisión Nacional del Mercado de Valores*); and

- if the investor is deemed "foreign" for purposes of Spanish law, to the General Directorate for Commercial Policy and Foreign Investment (*Dirección General de Política Comercial e Inversiones Exteriores*).

if, as a result of such acquisition or transfer, its ownership increases above 5% or any multiple of 5%, or decreases below 5% or any multiple of 5% of the capital stock of the company. Additional disclosure obligations apply to shareholder voting agreements and to purchasers resident in designated tax havens or jurisdictions lacking adequate supervision. Furthermore, any person or group must similarly report any acquisition or transfer, regardless of size, of the capital stock of a company listed on a Spanish Stock Exchange if such person or group is a member of the board of directors.

### 8.1.6 Mandatory Prior Administrative Authorization

Pursuant to Law 5/1995, as implemented by Royal Decree 3/1996, a person or group must obtain prior administrative authorization for any direct or indirect acquisitions of shares or other securities of Repsol YPF which give the person or group the right, indirectly or directly upon acquisition or subscription, to ownership of at least 10% of the issued and outstanding capital stock Repsol YPF. As a result of the failure to obtain prior authorization from the Ministry of Economy, the following are null and void:

- acts and agreements taken or made without the prior authorization of the Ministry of Industry and Energy required under Law 5/1995; and

- resolutions adopted by any corporate body, if, in order to constitute a quorum of such body or to adopt such resolutions, it would have been necessary to count (a) shares acquired without the prior authorization of the Ministry of Economy or (b) shares which have no "political rights" pursuant to Law 5/1995.

Until such time as the acquiring person or group obtains the prior authorization of the Ministry of Economy, Industry and Energy, "political rights" are suspended with respect to the number of shares by which the total number of shares held by that person or group exceeds 10% of the issued and outstanding capital stock of Repsol YPF. This suspension of political rights continues to apply to such shares upon subsequent transfer to a third party until the acquiring third party obtains the required prior administrative approval of the Ministry of Economy. Authorization will not be granted to an acquiring third party deemed to be acting in concert with any prior acquirer of such shares.

Under Royal Decree 1525/1995, "political rights" with respect to ordinary shares of Repsol YPF are defined as the following: the right to attend and vote at general shareholder meetings; the right to obtain information with respect to Repsol YPF; the right of preferential subscription; the right to belong to the board of directors; the right to challenge resolutions of the board of directors which are not contrary to law; and, in general, all rights which do not have an exclusively economic content.

### 8.1.7 Preemptive Rights

Pursuant to the Spanish corporations law, holders of ordinary shares and bonds convertible into ordinary shares have preemptive rights to subscribe for any new shares and bonds convertible into shares issued by Repsol YPF. The preemptive rights of holders of ordinary shares may not be available under special circumstances if precluded by a resolution passed at a meeting of shareholders in accordance with Article 159 of the Spanish corporations law.

Further, the rights, in any event, will not be available in the event of an increase in capital:

- to meet the requirements of a convertible bond issue

- in connection with a merger in which shares are issued as consideration, or
- in connection with an acquisition of assets spun off by another company in which shares are issued as consideration.

The rights are transferable, may be traded on the Automated Quotation System and may be of value to existing shareholders because new shares may be offered for subscription at prices lower than prevailing market prices. Shares issuable upon exercise of rights must be registered under the Securities Act of 1933 in order to be offered to holders of Repsol YPF ADSs. If Repsol YPF decided not to register the shares, the rights would not be distributed to holders of Repsol YPF ADSs. Under the deposit agreement, however, holders of ADSs are entitled to receive their proportionate share of proceeds, if any, from the sale by The Bank of New York of any rights accruing to holders of Repsol YPF ADSs.

#### 8.1.8 Shareholder Suits

In accordance with Article 117 of the Spanish corporate law, Repsol YPF's bylaws provide that shareholders in their capacity as shareholders may bring actions challenging resolutions adopted at shareholders' meetings or board of directors' meetings only in Madrid, Spain. Only shareholders which own 5% or more of the issued and outstanding capital stock of Repsol YPF may challenge a resolution of the board of directors. Under the bylaws, shareholders must submit disputes with Repsol YPF to arbitration, in accordance with Law 36/1988 of December 5, 1988, unless such disputes challenge resolutions adopted at a shareholders' meeting or at a board of directors' meeting, in which case such actions must be brought in a Madrid court. Under Spanish law, directors are liable to shareholders for illegal acts, acts that violate the bylaws and for failure to carry out their legal duties with due diligence. Shareholders need not submit these actions to arbitration.

#### 8.1.9 General Meetings of Shareholders

The annual general meeting of the shareholders of Repsol YPF is held in Madrid during the first six months of each year on a date fixed by the board of directors. Extraordinary meetings may be called by the board of directors whenever deemed appropriate or at the request of shareholders representing at least 5% of Repsol YPF's share capital. Notices of all shareholders' meetings are published in the Commercial Registry's Official Bulletin and in one Madrid area newspaper at least 15 days prior to the meeting.

In general, each share entitles the holder to one vote. However, Repsol YPF's bylaws, as amended by resolution of the extraordinary general meeting of shareholders of Repsol YPF held in Madrid on June 5, 1999, provide that no shareholder or group of companies may vote more than 10% of Repsol YPF's capital stock at a general meeting of shareholders regardless of its individual or aggregate holding in Repsol YPF. Only holders of 150 or more shares are entitled to attend a general meeting of shareholders. Holders of fewer than 150 shares may aggregate their Repsol YPF shares by proxy and select a representative to attend a general meeting of shareholders. All holders may aggregate their shares for the election of directors.

Any share may be voted by proxy. Proxies must be in writing, may be given to natural persons or legal entities and are valid for a single shareholders' meeting. Notice of such proxies must be given to Repsol YPF at least 3 days prior to the meeting. A proxy may be revoked by written notice to Repsol YPF prior to the meeting or by attendance by the shareholder at the meeting.

Only holders of shares registered at least five days prior to the day on which a shareholders' meeting is scheduled, in the manner provided in the notice for such meeting, may attend and vote at such meeting. Subject to the above, The Bank of New York or its nominee will be entitled to vote the Repsol YPF shares represented by the ADSs. The deposit agreement provides that The Bank of New York or its nominee will accept voting instructions from ADS holders and execute such instructions as permitted by law and by the terms governing the shares.

The bylaws provide that, on the first call of an ordinary or extraordinary general shareholders' meeting, the presence in person or by proxy of shareholders representing at least 25% of the voting capital of Repsol YPF will constitute a quorum. If on the first call a quorum is not present, then the meeting can be reconvened by a second call at which time the shareholders present will constitute a quorum, irrespective of the voting capital represented at such meeting. However, a resolution in a shareholders' meeting to modify the bylaws of Repsol YPF, change its share capital or corporate purpose, issue bonds, merge, dissolve, spin-off assets or transform its legal form requires on first call the presence in person or by proxy of shareholders representing at least 50% of the voting capital of Repsol YPF, and on second call the presence in person or by proxy of shareholders representing at least 25% of the voting capital. If on this second call the shareholders represent less than 50% of the voting capital, such resolutions may only be passed upon the vote of shareholders representing two-thirds of the capital present or represented at such meeting.

In order to modify article 27 of the Bylaws, regarding the maximum number of votes that may be cast by any shareholder or by a group of related corporations, a special resolution approved by at least 75% of the shares entitled to vote present at the general shareholders meeting is required. The same percentage of votes is required to modify such supermajority requirement.

Resolutions in all other cases are passed by a majority of the votes cast. Resolutions passed by a shareholders' meeting are binding upon all shareholders. In limited circumstances, such as when a company's corporate purpose is changed or it is transformed into a different type of legal entity, Spanish law gives dissenting or absent shareholders the right to have their shares redeemed by Repsol YPF at prices determined in accordance with established formulas.

### 8.1.10 Limitations on Transactions

Under Law 5/1995 of March 23, 1995 and Royal Decree 1525/1995, which enable the government of Spain to impose by Royal Decree limitations on transactions affecting companies then controlled by the State under Spanish commercial law, the Spanish government enacted Royal Decree 3/1996 on January 15, 1996. Law 5/1995 and Royal Decree 3/1996 do not require the State to retain any ownership interest in Repsol YPF for application of the limitations described below. Royal Decree 3/1996 requires prior administrative approval by the Ministry of Industry and Energy of Spain for the following transactions involving Repsol YPF:

- voluntary winding-up or change of corporate purpose,
- merger or spin-off,
- disposal of, or imposition of liens on, any oil or gas reserves and refineries, any natural gas and petroleum products storage facilities as well as some LPG bottling and storage facilities and any pipelines located in Spain,
- disposition by Repsol YPF of, or imposition of liens on, shares, or securities convertible into shares, of several of Repsol YPF's subsidiaries, namely Repsol Exploración Alga, Repsol Petróleo, Repsol Comercial de Productos Petrolíferos, Repsol Butano, Repsol Investigaciones Petrolíferas and Petróleos del Norte (Petronor), or
- the acquisition, whether direct or indirect, of shares, or securities convertible into shares, representing at least 10% of the capital stock of Repsol YPF or any of the subsidiaries referred to previously.

Royal Decree 3/1996 will lapse on February 6, 2006.

### 8.1.11 Restrictions on Foreign Investments

The Spanish Stock Exchanges and securities markets are open to foreign investors. Historically, any foreign investment which increases foreign shareholding in a Spanish company to more than 50% of the outstanding share capital or any purchase of shares by a foreign entity above the 50% limitation has required the prior consent of the Ministry of Economy, which has generally been granted. Pursuant to the Foreign Investments Law 18/1992, of July 1, and Royal Decree 664/1999, of April 23, foreign investors may freely invest in shares of Spanish companies and need only to notify their investment to the Spanish

Ministry of Economy after they have made their investment and for administrative, economic and statistical purposes, for the purposes its registration with the Spanish Registry of Foreign Investments. The shares underlying the ADSs are so registered.

In addition, if a foreign investor is an individual or entity resident in designated tax havens, this investor is also required to file a prior notification of investment with the Spanish Ministry of Economy and Finance. This prior notification is not necessary when the investment is made in transferable securities or when the foreign holding in the Spanish target company does not exceed 50%.

Foreign investments in activities including telecommunications, gambling, mining, radio, television, air transportation, manufacturing and sales of weapons and explosives for civil use and national defense are subject to specific requirements. These restrictions do not apply to investments made by EU residents, except for investments by EU residents in activities relating to the Spanish defense sector and the manufacturing and sales of weapons and explosives for non-military use.

### 8.2 Dividends

Repsol YPF normally pays an interim and a final dividend in respect of each fiscal year. The interim dividend is generally payable, after approval by the Board of Directors of Repsol YPF, in the January following each fiscal year and the final dividend is payable, after approval of Repsol YPF's financial statements by the shareholders at the annual general meeting of shareholders, in the following July. The interim dividend amounts to approximately 40% of total dividends paid with respect to each fiscal year. Assuming that the General Shareholders Meeting scheduled to be held on March 28, 2001 approves the final dividend amount currently proposed by the Board of Directors of Repsol YPF, holders of the ordinary shares or ADSs on the applicable record date will be entitled to the final dividend of €0.31 per ordinary share with respect to 2000 earnings and any dividend declared with respect to earnings after that time. Pursuant to Spanish Law and Repsol's by-laws, dividends may only be paid out of profits or distributable reserves if Repsol YPF's net worth is not, and as a result of such distribution would not be, less than its capital stock. While Repsol YPF has paid and expects to pay dividends each year, the payment of dividends will depend upon Repsol YPF's earnings, financial condition and other factors.

The following table sets forth the interim, final and total dividends paid per share in respect of each year indicated and translated into dollars per ADS. All per ADS and per share data presented below have been adjusted to reflect the three-for-one stock split of shares of Repsol YPF which became effective April 19, 1999. U.S. dollar amounts shown are calculated based on the noon buying rates for the peseta or the euro, as the case may be, in effect at the respective payment dates.

| Year Ended December 31, | Interim | Final | Total | Interim | Final | Total |
|---|---|---|---|---|---|---|
| | Euros per share | | | Dollars per ADS | | |
| 1996 | 0.16 | 0.20 | 0.36 | 0.20 | 0.23 | 0.43 |
| 1997 | 0.18 | 0.22 | 0.40 | 0.19 | 0.24 | 0.44 |
| 1998 | 0.19 | 0.25 | 0.44 | 0.22 | 0.29 | 0.51 |
| 1999 | 0.16 | 0.26 | 0.42 | 0.16 | 0.26 | 0.42 |
| 2000 | 0.19 | 0.31 (1) | 0.50 (1) | 0.18 | 0.29 (1) (2) | 0.47 (1) |

(1) Assumes that the General Shareholders Meeting scheduled to be held on March 28, 2001 approves the final dividend amount currently proposed by the Board of Directors of Repsol YPF.

(2) The Final dividend has been calculated at the exchange rate of €1.0765 = US$1.00, the Noon Buying Rate for the euro on March 5, 2001.

Dividends payable by Repsol YPF to non-residents of Spain are subject to a Spanish withholding tax at the rate of 25%. However, pursuant to a treaty between Spain and the United States and to Spanish legislation currently in force, holders of ADSs or shares meeting various requirements may benefit from withholding tax at a reduced rate of 15%. See Section 8.3 "Taxation" below for more information about the reduced rate of withholding tax in Spain.

### 8.3 Taxation

The following summary is the opinion of Uría y Menéndez and describes the material Spanish tax consequences to United States Residents (as defined below) of the acquisition, ownership and disposition of ADSs or ordinary shares of Repsol YPF. This summary does not address all tax considerations that may be relevant to all categories of potential purchasers, some of whom (such as life insurance companies, tax-exempt entities, dealers in securities or financial institutions) may be subject to special rules. In particular, the summary deals only with the United States Holders (as defined below) that will hold ADSs or ordinary shares as capital assets and who do not at any time own individually, nor are treated as owning, 10% or more of the shares, including ADSs, of Repsol YPF.

As used in this particular section, the following terms have the following meanings:

(1) "United States Holder" means a beneficial owner of ADSs of Repsol YPF or ordinary shares that is:

- a resident of the United States for United States federal income tax purposes,
- a corporation or other entity treated as a corporation, created or organised under the laws of the United States or any State thereof, or
- an estate or trust the income of which is subject to United States federal income tax without regard to its source.

(2) "Treaty" means the Convention between the United States and the Kingdom of Spain for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on income together with a related Protocol.

(3) "United States Resident" means a United States Holder that is resident of the United States for the purposes of the Treaty and entitled to the benefits of such Treaty, whose holding is not effectively connected with (1) a permanent establishment in Spain through which such holder carries on or has carried on business, or (2) a fixed base in Spain from which such holder performs or has performed independent personal services.

Holders of ADSs or ordinary shares who are not United States Residents should also consult their own tax advisors, particularly as to the applicability of any tax treaty. The statements regarding Spanish tax laws set out below are based on interpretations of those laws in force as of date of this annual report. Such statements also assume that each obligation in the Deposit Agreement and any related agreement will be performed in full accordance with the terms of those agreements.

*Taxation of Dividends*. Under Spanish law, dividends paid by Repsol YPF to a holder of ordinary shares or ADSs who is not resident in Spain for tax purposes and does not operate through a permanent establishment in Spain, are subject to Spanish Non-Resident Income Tax, withheld at source, currently at a 18% tax rate. For these purposes, upon distribution of the dividend, Repsol YPF or its paying agent will withhold an amount equal to the tax due according to the rules set forth above (i.e., applying the general withholding tax rate of 18%), transferring the resulting net amount to the depositary. However, under the Treaty, if you are a United States Resident, you are entitled to the Treaty-reduced rate of 15%.

To benefit from the Treaty-reduced rate of 15%, if you are a United States Resident, you must provide to the depositary, before the 10th day following the end of the month in which the dividends were payable, a certificate from the IRS stating that, to the best knowledge of the IRS, you are a resident of the United States within the meaning of the Treaty and entitled to its benefits.

Those depositaries providing timely evidence (i.e., by means of the IRS certificate) of your right to apply the Treaty-reduced rate will immediately receive the surplus amount withheld, which will be credited to you. The IRS certificate is valid for a period of one year from issuance.

If the certificate referred to in the above paragraph is not provided to the depositary within said term, you may afterwards obtain a refund of the amount withheld in excess of the rate provided for in the Treaty.

*Spanish Refund Procedure*. According to Spanish Regulations on Non-Resident Income Tax, approved by Royal Decree 326/1999 dated February 26, 1999, as amended, a refund for the amount withheld in excess of the Treaty-reduced rate can be obtained from the relevant Spanish tax authorities. To pursue the refund claim, if you are a United States Resident, you are required to file:

- the corresponding Spanish tax form,
- the certificate referred to in the preceding section, and
- evidence of the Spanish Non-Resident Income Tax that was withheld with respect to you.

The refund claim must be filed within two years from the date in which the withheld tax was collected by the Spanish tax authorities.

United States Residents are urged to consult their own tax advisors regarding refund procedures and any US tax implications thereof.

*Taxation of Rights*. Distribution of preemptive rights to subscribe for new shares made with respect to your shares in Repsol YPF will not be treated as income under Spanish law and, therefore, will not be subject to Spanish Non Resident Income Tax. The exercise of such preemptive rights is not considered a taxable event under Spanish law and thus is not subject to Spanish tax. Capital gains derived from the disposition of preemptive rights obtained by United States Residents are generally not taxed in Spain provided that certain conditions are met (See Section 8.3 "Taxation-Taxation of Capital Gains" below).

*Taxation of Capital Gains*. Under Spanish law, any capital gain derived from securities issued by persons residing in Spain for tax purposes are considered to be Spanish source income and, therefore, are taxable in Spain. For Spanish tax purposes, income obtained by you, if you are a United States Resident, from the sale of Repsol YPF ADSs or ordinary shares will be treated as capital gains. Spanish Non-Resident Income Tax is currently levied at a 35% tax rate on capital gains obtained by persons non residents of Spain for tax purposes who are not entitled to the benefit of any applicable treaty for the avoidance of double taxation and who do not operate through a fixed base or a permanent establishment in Spain.

Notwithstanding the above, capital gains derived from the transfer of shares in an official Spanish secondary stock market by any holder who is resident in a country that has entered into a treaty for the avoidance of double taxation with an "exchange of information" clause (the Treaty contains currently such a clause), will be exempt from taxation in Spain. Additionally, capital gains realised by non-residents of Spain who are entitled to the benefit of an applicable treaty for the avoidance of the double taxation will, in the majority of cases, not be taxed in Spain (since most tax treaties provide for taxation only in the taxpayer's country of residence). If you are a United States Resident, by virtue of the Treaty, capital gains arising from the disposition of ordinary shares or ADSs will not be taxed in Spain, provided that you have not maintained a direct or indirect holding of at least 25% in the capital of Repsol YPF during the twelve months preceding the disposition of the stock. You will be required to establish that you are entitled to this exemption by providing to the relevant Spanish tax authorities an IRS certificate of residence in the United States, together with the corresponding Spanish tax form.

*Spanish Wealth Tax*. If you do not reside in Spain and you hold shares located in Spain, you are subject to Spanish Wealth Tax (Spanish Law 19/1991), which impose a tax on property located in Spain on the last day of any year. It is possible that the Spanish tax authorities may contend that all shares of Spanish corporation and all ADSs representing such shares are located in Spain for Spanish tax purposes. If such a view were to prevail, and you are a non-resident of Spain who held ADRs of Repsol YPF or ordinary shares on the last day of any year, you would be subject to the Spanish Wealth Tax for such year at marginal rates varying between 0,2% and 2,5% of the average market value of such ordinary shares or

ADSs during the last quarter of such year. United States Residents should consult their tax advisors with respect to the applicability of Spanish Wealth Tax.

*Spanish Inheritance and Gift Taxes*. Transfers of Repsol YPF shares or ADRs upon death or by gift are subject to Spanish inheritance and gift taxes (Spanish Law 29/1987), if the transferee is a resident in Spain for tax purposes, or if Repsol YPF shares or ADRs are located in Spain, regardless of the residence of the beneficiary. In this regard, the Spanish tax authorities may argue that all shares of Spanish corporations and all ADSs representing such shares are located in Spain for Spanish tax purposes. The applicable tax rate, after applying all relevant factors, ranges between 7.65% and 81,6% for individuals.

Alternatively, gifts granted to corporations non-resident in Spain are subject to Spanish Non-Resident Income Tax at a 35% tax rate on the fair market value of the shares as a capital gain. Hence, if the donee is a United States resident corporation, the exclusions available under the Treaty described in the section "Taxation of Capital Gains" above will be applicable.

*Spanish Transfer Tax*. Transfers of Repsol YPF ordinary shares or ADSs will be exempt from Transfer Tax (*Impuesto sobre Transmisiones Patrimoniales*) or Value-Added Tax. Additionally, no Stamp Duty will be levied on such transfers.

### 8.4 Available Information

Repsol YPF is subject to the information requirements of the Exchange Act, except that as a foreign issuer, Repsol YPF is not subject to the proxy rules or the short-swing profit disclosure rules of the Exchange Act. In accordance with these statutory requirements, Repsol YPF files or furnishes reports and other information with the SEC. Reports and other information filed or furnished by Repsol YPF with the SEC may be inspected and copied at the public reference facilities maintained by the SEC at Room 1024, 450 Fifth Street, N.W. ,Washington, D.C. 20549, and at the SEC's Regional Offices at 7 World Trade Center, 13th Floor, New York, New York 10048 and Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511. Copies of such material may be obtained by mail from the Public Reference Section of the SEC, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Such reports and other information may also be inspected at the offices of the New York Stock Exchange, 11 Wall Street, New York, New York 10005, on which Repsol YPF's American Depositary Shares are listed. In addition, the SEC maintains a Web site that contains information filed electronically with the SEC, which can be accessed over the Internet at http://www.sec.gov. As a foreign private issuer, Repsol YPF is not, however, required to file reports electronically with the SEC.

# 9. Quantitative and Qualitative Disclosure About Market Risk

## 9.1 Oil Price Exposure

In the refining business, Repsol YPF is exposed to various market risks relating to the volatility of crude oil and crude oil product prices. To manage these risks, Repsol YPF engages in hedging transactions involving futures and other derivative instruments. Repsol YPF purchases and sells futures contracts (mainly on the International Petroleum Exchange and the New York Mercantile Exchange) in order to reduce its exposure to the effects of market price changes on its crude oil and products inventories. From time to time, Repsol YPF also purchases and sells over-the-counter derivative instruments, principally forwards, swaps and options, with financial institutions whose credit is rated “A” or better. Such instruments are used only for hedging market risks arising from Repsol YPF’s industrial and commercial activities.

Repsol YPF entered into long-term product-purchase contracts with financial institutions with respect to fixed amounts of crude oil (West Texas Intermediate grade). If in any given year the average market price for the reference crude is above that provided in the contract, the financial institution counterparty is obligated to pay Repsol YPF an amount equal to the product of such price difference and the notional amount of crude stipulated for that year. Repsol YPF is similarly obligated to pay the financial institution counterparty when the market price of crude falls below the contract price. Net profit (loss) related to these coverages contracts was €(1.4) million in 1999, €(3.7) million in 1998 and €15.10 million in 1997. Losses in 1998 reflected the decline of crude oil prices during that year to levels substantially below the price stipulated in the swaps.

These contracts were signed in 1992 with respect to a total of 6.5 million barrels of crude during the 10-year contract term. The remaining amount as of December 31, 2000 is 1 million barrels. A provision of €11.5 million was recorded at December 31, 1998 under the heading Extraordinary Provisions to provide for potential future losses on these contracts. As a result of the rise in crude oil prices in 1999, Repsol YPF reversed provisions of €9.2 million, with provisions of €2.3 million remaining for future losses on these contracts. During 2000 Repsol YPF covered existing open positions in connection with long-term purchase agreements (West Texas Intermediate) by entering into long-term sale agreements with identical duration and notional principal amounts, but with higher sale prices. Any benefit originated from the difference between the purchase and sale prices will be accounted for upon settlement of the contracts on their expiration date. As a consequence of this, in 2000 Repsol YPF reversed the remaining existing provisions of €2.3 million originally set apart in 1998 to cover potential future losses on these contracts. Repsol YPF has no other long-term product-purchase contracts relating to crude oil.

The following table sets forth certain information with respect to oil price risk sensitive instruments issued or held by Repsol YPF at December 31, 2000. Repsol YPF had no material exposure to such instruments (other than the forward contracts discussed above) at December 31, 1998, 1999 and 2000. Repsol YPF had no material exposure to crude oil price-sensitive trading portfolio instruments in 1998, 1999 or 2000.

### Non-trading portfolio

| At December 31, 2000 | Thousands of barrels | Average settlement price | Expected maturity date December 31, 2001 | 2002 | 2003 | 2004 | 2005 | Thereafter | Total | Fair value at December 31, 2000 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | (US$ per barrel) | (thousands of US$) | | | | | | | |
| **Buy contracts** | | | | | | | | | | |
| Long-term: | | | | | | | | | | |
| WTI Futures | 1,000 | 21.512 | 14,244 | 7,268 | — | — | — | — | 21,512 | 1,855 |
| Short-term | | | | | | | | | | |
| WTI Futures | 1,633 | 30.509 | 49,822 | — | — | — | — | — | 49,822 | (7,567) |
| **Sell contracts** | | | | | | | | | | |
| Long-term: | | | | | | | | | | |
| WTI Futures | 1,000 | 27.261 | 18,395 | 8,866 | — | — | — | — | 27,261 | 3,894 |
| Short-term | | | | | | | | | | |
| WTI Futures | 220 | 32.568 | 7,165 | — | — | — | — | — | 7,165 | 1,449 |
| **Swap contracts(2)** | | | | | | | | | | |
| Short-term: | | | | | | | | | | |
| WTI | 659 | 26.691 | 17,590 | — | — | — | — | — | 17,590 | (40) |

| At December 31, 2000 | Tonnes | Average settlement price | Expected maturity date 2001 | 2002 | 2003 | 2004 | 2005 | Thereafter | Total | Fair value |
|---|---|---|---|---|---|---|---|---|---|---|
| **Swap contracts(2)** | | | (Tonnes) | | | | | | | Millions of Euros |
| **Long term:** | | | | | | | | | | |
| Fuel | 48,075 | (1) | — | 48,075 | — | — | — | — | 48,075 | (7.24) |
| Short term: | | | | | | | | | | |
| Fuel | 20,000 | (1) | 20,000 | — | — | — | — | — | 20,000 | (3.30) |

| At December 31, 2000 | Billions of cubic feet | Average settlement price | Expected maturity date 2001 | 2002 | 2003 | 2004 | 2005 | Thereafter | Total | Fair value |
|---|---|---|---|---|---|---|---|---|---|---|
| **Swap contracts (2)** | | | (Billions of cubic feet) | | | | | | | |
| Short term: | | | | | | | | | | |
| Natural Gas | 15,458,421 | (1) | 15,458,421 | — | — | — | — | — | 15,458,421 | |

(1) Settlement price of these contracts is determined based on future prices of the product.

(2) In all swaps, Repsol YPF pays a fixed price and receives a market price. The "Average settlement price" column shows the rate paid by Repsol YPF in swaps.

The following table sets forth certain information with respect to oil price risk sensitive instruments issued or held by Repsol YPF at December 31, 1999. Repsol YPF had no material exposure to such instruments (other than the forward contracts discussed above). Repsol YPF had no material exposure to crude oil price-sensitive trading portfolio instruments in 1999.

### Non-trading portfolio

| At December 31, 1999 | Thousands of barrels | Average settlement price | Expected maturity date December 31, 2000 | 2001 | 2002 | 2003 | 2004 | Thereafter | Total | Fair value at December 31, 1999 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | (US$ per barrel) | (thousands of US$) | | | | | | | |
| **Buy contracts** | | | | | | | | | | |

| At December 31, 1999 | Thousands of barrels | Average settlement price | Expected maturity date December 31, 2000 | 2001 | 2002 | 2003 | 2004 | Thereafter | Total | Fair value at December 31, 1999 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | (US$ per barrel) | (thousands of US$) | | | | | | | |
| Short-term: | | | | | | | | | | |
| WTI Futures . . . . . | 1,280 | (2) | — | — | — | — | — | — | — | — |
| WTI Futures . . . . . | 1,653 | 23.410 | 38,699 | — | — | — | — | — | 38,699 | 619 |
| Gasoline Futures . | 180 | 28.880 | 5,199 | — | — | — | — | — | 5,199 | (229) |
| **Sell contracts** | | | | | | | | | | |
| Short-term: | | | | | | | | | | |
| WTI Futures . . . . . | 1,650 | 24.112 | 39,785 | — | — | — | — | — | 39,785 | (706) |
| WTI Futures . . . . . | 1,550 | (2) | — | — | — | — | — | — | — | — |
| **Swap contracts(1)** | | | | | | | | | | |
| Short-term: | | | | | | | | | | |
| WTI . . . . . . . . . . . . | 229 | 26.201 | 6,000 | — | — | — | — | — | 6,000 | 59 |
| **Product purchase contracts** | | | | | | | | | | |
| Long-term: | | | | | | | | | | |
| WTI . . . . . . . . . . . . | 1,650 | 21.578 | 14,093 | 14,244 | 7,268 | — | — | — | 35,605 | (2,300) |
| Propane, butane and gasoline . . . . . . . | 20,935 | (2) | — | — | — | — | — | — | — | — |

(1) In all swaps, Repsol YPF pays a fixed price and receives a market price. The "Average settlement price" column shows the rate paid by Repsol YPF in swaps.

(2) Settlement prices in these contracts are determined by the future market prices of the products purchased or sold.

### 9.1.1 Crude oil price options

At December 31, 2000, Repsol YPF had put options for 21 million barrels of crude oil at a price of US$14 per barrel according to the following schedule:

| | 2001 | 2002 | 2003 | 2004 | Total | Fair Value |
|---|---|---|---|---|---|---|
| Volume of contract (millions of barrels) . . . . . . . . . . . . . . . | 12 | 9 | – | – | 21 | – |
| Price of contract (US$ per barrel) . . . . . . . . . . . . . . . . . . . | 14 | 14 | – | – | 14 | – |
| Amount of contract (millions of US$) . . . . . . . . . . . . . . . . . | 168 | 126 | – | – | 294 | 2.5 |

Repsol YPF expects that it will exercise these options when the per-barrel price of crude oil drops below US$14.00.

### 9.1.2 Crude oil price swaps

At December 31, 2000, Repsol YPF had swap contracts on the per barrel price of crude oil for 28.9 million barrels of crude oil at an average price of US$18.3 per barrel according to the following schedule:

| | 2001 | 2002 | 2003 | 2004 | Thereafter | Total | Fair Value |
|---|---|---|---|---|---|---|---|
| Volume of contract (millions of barrels) . . . . . . . . . . . | 6.4 | 6.4 | 5.7 | 2.4 | 8.0 | 28.9 | |
| Price of contract (US$ per barrel) . . . . . . . . . . . . . . . | 18.3 | 18.3 | 18.3 | 18.3 | 18.3 | 18.3 | |
| Amount of contract (millions of US$) . . . . . . . . . . . . . | 117 | 117 | 104 | 44 | 146 | 528.9 | 88.5 |

Under these contracts, Repsol YPF will deliver crude oil at a fixed average price of US$18.30 per barrel and it will achieve the countervalue of the same quantity of crude oil at a variable market price.

### 9.2 Foreign Currency Exposure

Repsol YPF's results of operations are exposed to foreign exchange rate movements because it publishes its financial statements in euros while a substantial part of its revenues and certain of its expenses are denominated in or indexed to dollars. Approximately 51.77% of Repsol YPF's total 2000 sales were made outside Spain. The billing currency of products sold outside Spain is primarily the U.S. dollar.

The introduction of the euro has, beginning in January 1999, eliminated the foreign exchange risk of petrochemical sales previously denominated in Deutsche marks and other exports into the Euro zone. See Section 3.10 "Operating and Financial Review and Prospects—Conversion to the Euro."

Currency exposure also arises from some domestic sales. Domestic sales of bottled and pipeline-delivered LPG and natural gas are subject in most cases to price ceilings established by the Spanish State. See Section 2.3.1 "Information about Repsol YPF—Regulation of the Petroleum Industry—Spain." The Spanish State determines these prices on a "cost plus" basis. As part of the price formula, raw material costs take into account among other components, the peseta/U.S. dollar exchange rate, which is reflected to some extent in the selling price. Petroleum products are sold in Spain at market prices. These prices reflect to some extent the international import parity prices which are denominated in U.S. dollars.

Repsol YPF's policy is to fund its activities in the same functional currency of its foreign investments. At December 31, 2000, 85% of consolidated net debt of Repsol YPF was denominated in foreign currencies, mainly in U.S. dollars, either directly or through forward foreign exchange contracts. To implement this policy, the desired currency of funding is obtained either directly from the capital markets or indirectly through forward foreign exchange contracts coupled with funding in other currencies. Repsol YPF does not use forward foreign exchange contracts to hedge anticipated transactions.

The following tables set forth certain information with respect to exchange rate sensitive instruments issued or held by Repsol YPF at December 31, 2000 and 1999. Repsol YPF had no material exchange rate risk arising from trading instruments at December 31, 2000.

**Non-trading portfolio**

| | Expected maturity date | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **At December 31, 2000** | **2001** | **2002** | **2003** | **2004** | **2005** | **Thereafter** | **Total** | **Fair Value** |
| | | | | | | | **(millions of euros equivalent)** | |
| **Forwards** | | | | | | | | |
| Euro/USD (1) | | | | | | | | |
| Contract Amount | 1,325.19 | — | — | — | — | — | 1,325.19 | 128.61 |
| Average contractual Exchange rate | 0.8879 | | | | | | | |
| USD/euro(1) | | | | | | | | |
| Contract Amount | 72.6 | 6.0 | — | — | — | — | 78.6 | (0.34) |
| Average contractual Exchange rate | 0.9340 | 0.9340 | | | | | | |
| JPY/USD(1) | | | | | | | | |
| Contract Amount | 8,000 | | | | | | 8,000 | (4.89) |
| Average contractual Exchange rate | 103.9830 | | | | | | | |
| GBP/USD(1) | | | | | | | | |
| Contract Amount | 62.90 | — | — | — | — | — | 62.90 | 1.13 |
| Average contractual Exchange rate | 1.4777 | | | | | | | |

(1) Repsol YPF receives the first currency named, unless expected payments are negative, in which case Repsol YPF pays the first currency named.

| At December 31, 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | Thereafter | Total | Fair Value |
|---|---|---|---|---|---|---|---|---|
| | Expected maturity date | | | | | | | |
| | | | | | | | (millions of euros equivalent) | |
| **Forwards** | | | | | | | | |
| Euro/USD(1) | | | | | | | | |
| Contract Amount . . . . . | 1,932.55 | — | — | — | — | — | 1,932.55 | (55.45) |
| Average contractual exchange rate . . . . . . . . | 1.0512 | — | — | — | — | — | 1.0512 | |

(1) Matured in January/February 2000. Repsol YPF receives the first currency named, unless expected payments are negative, in which case Repsol YPF pays the first currency named.

**Non-trading portfolio**

| At December 31, 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | There-after | Total | Fair Value |
|---|---|---|---|---|---|---|---|---|
| | Expected maturity date | | | | | | | |
| | | | | | | | (millions of euros equivalent) | |
| **Financial debt** | | | | | | | | |
| US$ . . . . . . . . . . . . . . . . . . . . . | 4,885 | 616 | 704 | 1,017 | 1,979 | 1,694 | 10,895 | 10,609 |
| euros . . . . . . . . . . . . . . . . . . . . | 2,106 | 4,010 | 1,148 | 1,611 | 139 | 1,802 | 10,816 | 10,650 |
| other . . . . . . . . . . . . . . . . . . . . . | 196 | 142 | 3 | 3 | 3 | 15 | 362 | 362 |
| **Preferred shares** | | | | | | | | |
| US$ . . . . . . . . . . . . . . . . . . . . . | — | — | — | — | — | 772 | 772 | — |

| At December 31, 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | There-after | Total | Fair Value |
|---|---|---|---|---|---|---|---|---|
| | Expected maturity date | | | | | | | |
| | | | | | | | (millions of euros equivalent) | |
| **Financial debt** | | | | | | | | |
| US$ . . . . . . . . . . . . . . . . . . . . . | 4,009 | 2,018 | 499 | 581 | 497 | 1,532 | 9,136 | 9,159 |
| euros . . . . . . . . . . . . . . . . . . . . | 4,705 | 1,494 | 1,881 | 82 | 1,481 | 135 | 9,778 | 9,668 |
| other . . . . . . . . . . . . . . . . . . . . . | 55 | 14 | 1 | 1 | 1 | 6 | 78 | 78 |
| **Preferred shares** | | | | | | | | |
| US$ . . . . . . . . . . . . . . . . . . . . . | — | — | — | — | — | 720 | 720 | — |

### 9.3 Cross-currency interest rate swaps

At December 31, 2000, Repsol YPF had cross currency interest rate swap arrangements pursuant to which Repsol YPF was able to transform debt in various currencies into dollar-denominated debt as detailed below:

| At December 31, 2000 | 2001 | 2002 | 2003 | 2004 | 200 5 | There-after | Total | Estimated Fair Value |
|---|---|---|---|---|---|---|---|---|
| | Expected maturity date | | | | | | | |
| | | | | | | | (millions of euros equivalent) | |
| Variable to variable | | | | | | | | |
| Contract/notional amount (EUR) . . | 1,000 | 1,500 | — | — | — | — | 2,500 | (18.05) |
| Average pay rate (USD LIBOR) . . | 3m+8.125b.p | 3m+25.07b.p | — | — | — | — | | |
| Average Receive rate (EUR LIBOR) | 3m+15b.p | 3m+22b.p | — | — | — | — | | |
| Contract/notional amount (JPY) . . | — | 26 | — | — | — | — | 26 | (1.7) |
| Average pay rate (EURIBOR) . . . . | — | 3m+0.21b.p | — | — | — | — | | |
| Average Receive rate (JPY LIBOR) . . . . . . . . . . . . . . . . . . | — | 3m+0.14b.p | — | — | — | — | | |

| At December 31, 2000 | Expected maturity date 2001 | 2002 | 2003 | 2004 | 2005 | Thereafter | Total | Estimated Fair Value |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | (millions of euros equivalent) | |
| Contract/notional amount (CHF) . . | — | 16 | — | — | — | — | 16 | (0.5) |
| Average pay rate (EURIBOR) . . . . | — | Euribor 3m | — | — | — | — | | |
| Average Receive rate (CHF EURIBOR) . . . . . . . . . . . . . . . . | — | 3m+4.17b.p. | — | — | — | — | | |
| Variable to fixed | | | | | — | — | 9.46 | 0.04 |
| Contract/notional amount (BRL) . . | 9.46 | — | — | — | | | | |
| Average pay rate (USD) . . . . . . . . | 102.5% x CDI | — | — | — | — | — | | |
| Average Receive rate (BRL) | 8.3% | — | — | — | — | — | | |
| Fixed to fixed | | | | | | | | |
| Contract/notional amount (EUR) . . | — | 1,000 | — | 1,400 | — | 1,000 | 3,400 | (249.5) |
| Average pay rate (USD) . . . . . . . . | — | 5.6% | — | 5.62% | — | 7.23% | | |
| Average Receive rate (EUR) . . . . | — | 3.5% | — | 3.75% | — | 6.00% | | |
| Contract/notional amount (ITL) . . . | 212 | — | — | — | — | — | 212 | (57.0) |
| Average pay rate (USD) . . . . . . . . | 8.100% | — | — | — | — | — | | |
| Average Receive rate (ITL) . . . . . | 8.750% | — | — | — | — | — | | |
| Contract/notional amount (JPY) . . | 38 | 38 | 18 | — | — | — | 94 | (4.0) |
| Average pay rate (USD) . . . . . . . . | 7.280% | 7.280% | 7.280% | — | — | — | | |
| Average Receive rate (JPY) . . . . . | 5.250% | 5.250% | 5.250% | — | — | — | | |

### 9.4 Interest Rate Swaps

At December 31, 2000, Repsol YPF had interest rate swap arrangements according to the following schedule:

| At December 31, 2000 | Expected maturity date 2001 | 2002 | 2003 | 2004 | 2005 | Thereafter | Total | Estimated Fair Value |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | (millions of euros equivalent) | |
| Fixed to Variable | | | | | | | | |
| Contract/notional amount (EUROS) . . . . | — | 15 | — | — | — | — | 15 | 0.4 |
| Average pay rate (EURIBOR) . . . . . . . . . | | 3m+0.20b.p | — | — | — | — | | |
| Average Receive rate | | 5.67% | — | — | — | — | | |
| Variable to variable | | | | | | | | |

### 9.5 Average Interest Rate Forward

At December 31, 2000, Repsol YPF had average rate forward arrangements according to the following schedule:

| At December 31, 2000 | Expected maturity date 2001 | 2002 | 2003 | 2004 | 2005 | Thereafter | Total | Estimated Fair Value |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | (millions of euros equivalent) | |
| USD/euro(2) | 11.0 | — | — | — | — | — | 11.0 | (1.1) |
| Average contractual exchange rate | (1) | — | | | | | | |
| euro/USD (2) | 69.6 | 11.4 | — | — | — | — | 81.0 | (0.2) |

| At December 31, 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | Thereafter | Total | Estimated Fair Value |
|---|---|---|---|---|---|---|---|---|
| | Expected maturity date | | | | | | | |
| | | | | | | | (millions of euros equivalent) | |
| Average contractual exchange rate | (1) | (1) | | | | | | |

(1) The contractual exchange rate will be the average of the exchange rate fixed by the European Central Bank for the last 5 months of the contract.

(2) Repsol YPF receives the first currency named, unless expected payments are negative, in which case Repsol YPF pays the first currency named.

### 9.6 Interest Rate Exposure

Of total financial debt, which amounted to €22,073 million as of December 31, 2000, €8,756 million were fixed interest rate instruments, the fair value of which fluctuates with variations in interest rates.

In October 1997, Repsol International Capital Limited (RICL), a wholly-owned subsidiary of Repsol YPF, issued US$725 million of preference shares with a 7.45% non-cumulative dividend. The preference shares are redeemable, at the option of RICL, in whole or in part, from time to time on or after October 21, 2002.

In December 1997, Repsol YPF monetized this option by selling the right, exercisable from October 21, 2002 to October 21, 2007, to carry out an interest rate swap transaction for a notional amount of US$725 million under which Repsol YPF would pay a fixed quarterly interest rate of 7.45% (the same interest rate as that to be paid on the preference shares) from the effective exercise date to October 21, 2027 and Repsol YPF would receive quarterly interest of 3-month LIBOR plus 0.45%. The US$78.155 million (€70.48 million) premium received on the sale of this interest rate option (Swaption), recorded as deferred revenues, will be credited to income over the life of the contract.

The following tables set forth certain information with respect to interest rate sensitive instruments issued or held by Repsol YPF at December 31, 2000 and 1999. All such instruments are accounted for as nontrading instruments. Repsol YPF had no material interest rate risk arising from trading instruments at December 31, 2000 and December 31, 1999.

**Non-trading Portfolio**

| At December 31, 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | Thereafter | Total | Fair Value |
|---|---|---|---|---|---|---|---|---|
| | Expected Maturity Date | | | | | | | |
| | | | | | | | (millions of euros equivalent) | |
| **Swaption(1)** | | | | | | | | |
| Repsol YPF would pay 7.45% fixed (US$) Repsol YPF would receive variable 3-month LIBOR + 0.45% US$ | | | | | | | | |
| Contract amount (US$725MM) . . . . . . . . | | | | | | 772.26 | 772.26 | 100.03 |
| **Swaption(2)** | | | | | | | | |
| Repsol YPF would pay Variable 3-month EURIBOR -0.1 (ESP) | | | | | | | | |
| Repsol YPF would receive variable 3-month EURIBOR +0.375% (ESP) | | | | | | | | |

| At December 31, 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | Thereafter | Total | Fair Value |
|---|---|---|---|---|---|---|---|---|
| | Expected Maturity Date | | | | | | | |
| | | | | | | (millions of euros equivalent) | | |
| Contract amount (ESP 20.000MM) . . . . | | | | | | 120.2 | 120.2 | 3.40 |
| **Long Term Debt fixed rate** | | | | | | | | |
| US Dollar . . . . . . . . . . | — | 303 | 493 | 811 | 1,434 | 1,159 | 4,200 | 3,956 |
| Average Interest Rate | — | 7.84% | 8.03% | 7.45% | 7.42% | 7.63% | | |
| Euro . . . . . . . . . . . . . . . | — | 1,273 | 81 | 1,526 | 80 | 1,596 | 4,556 | 4,348 |
| Average Interest Rate | — | 3.75% | 5.34% | 3.83% | 5.35% | 6.09% | | |

(1) Expires October 21, 2007

(2) Expires August 7, 2007

| At December 31, 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | Thereafter | Total | Fair Value |
|---|---|---|---|---|---|---|---|---|
| | Expected Maturity Date | | | | | | | |
| | | | | | | (millions of euros equivalent) | | |
| **Swaption(1)** | | | | | | | | |
| Repsol YPF would pay 7.45% fixed (US$) Repsol YPF would receive variable 3-month LIBOR + 0.45% US$ Contract amount (US$725MM) . . . . . . | — | — | — | — | — | 664.19 | 664.19 | 33.93 |
| **Long Term Debt fixed rate** | | | | | | | | |
| US Dollar . . . . . . . . | — | 552 | 267 | 454 | 420 | 1,172 | 2,865 | 2,875 |
| Average Interest Rate | — | 8.371% | 2.728% | 7.808% | 7.880% | 7.610% | | |
| Euro . . . . . . . . . . . . . | | 1 | 1,240 | 37 | 1,436 | 36 | 2,750 | 2,640 |
| Average Interest Rate | | 3.960% | 3.752% | 5.335% | 3.790% | 5.350% | | |

(1) Matures October 21, 2007

### 9.7 Employee Share Purchase Programs

In connection with the July 7, 1999 equity offering, Repsol YPF offered to employees resident in Spain the possibility to purchase shares for cash or through products called “Repsol Garantizado Plus 50" (RGP 50) and “Repsol Garantizado Plus 100" (RGP 100).

These products include a partial financing contract for the purchase of shares of Repsol YPF and a coverage contract pursuant to which Repsol YPF, in exchange for a coverage premium above the reference price, will pay to the employee 100% of the “latent loss” and, in the case of RGP 50, the employee receives 50% of the “latent accretion.” This loss or accretion is calculated as the difference between the so-called reference price (fixed at €20.218 per share) and the simple average of the average weighted price of shares of Repsol YPF during the 20 trading sessions prior to July 8, 2000, the date on which these contracts mature. The following table sets forth the number of shares purchased and the premiums to be received under these products:

| Product | Number of shares | Coverage premium |
|---|---|---|
| RGP50 | 8,418,135 | 7.4892% |
| RGP100 | 557,929 | 16.9973% |

As partial cover for the risks associated with these products, Repsol YPF contracted the following forward agreements related to the market value of shares of Repsol YPF:

| Number of shares | Maturity | Settlement price (euros per share) |
|---|---|---|
| 2,000,000 | June 9, 2000 | 19.428 |
| 2,000,000 | June 9, 2000 | 21.646 |
| 1,500,000 | February 28, 2001 | 19.588 |
| 1,500,000 | June 11, 2001 | 18.099 |

Repsol YPF accounts for the net economic effect associated with the coverage contract inherent in RGP 50 and RGP 100 products and with the partial coverage transactions described above. As a result, at the end of each accounting period, Repsol YPF takes into account the following factors:

- The coverage premium described above that Repsol YPF receives as payment from employees
- The market value at that date of the rights and obligations assumed by Repsol YPF under the coverage contract
- The market value of partial coverage transactions of Repsol YPF which are soon to mature as of that date
- The cumulative income generated by partial coverage transactions which have been settled until that date

Repsol YPF accounts for the overall effect, if greater than zero, of these four factors as “Revenues to be distributed in several years.” If the effect is negative, that part which exceeds “Revenues to be distributed in several years” which has previously been accumulated are booked as a charge to income in the period in which the negative effect occurs. At December 31, 1999, Repsol YPF had booked €7 million as “Revenues to be distributed in several years.” During the fiscal 2000, Repsol YPF booked €4 million as a charge to income under the item “Financial Expenses.”

## PART II

### 10. Defaults, Dividend Arrearages and Delinquencies

None.

### 11. Material Modifications to the Rights of Security Holders and Use of Proceeds

None.

## PART III

### 12. Financial Statements

The consolidated financial statements of Repsol YPF attached to this annual report on Form 20-F have been audited by Arthur Andersen y Cía., S. Com., independent public accountants, as indicated in their reports with respect to the consolidated financial statements. The consolidated financial statements of Gas Natural and its group companies as of and for the years ended December 31, 2000, 1999 and 1998 have been audited by PricewaterhouseCoopers, independent accountants. Theses consolidated financial statements are not separately attached; however, to the extent they have been included in the financial statements of Repsol YPF, they have been included in reliance on the report of such auditors.

See pages F-1 through F-146.

### 13. Exhibits

(a) *Index to Financial Statements:*



(b) *Index to Exhibits:*

0.1 Consents of Independent Public Accountants

1.1 By-Laws (*Estatutos*) of Repsol YPF, S.A. as amended (Spanish Version)

1.2 By-Laws (*Estatutos*) of Repsol YPF, S.A. as amended (English Version)

2.1 Indenture among Repsol International Finance B.V., Repsol S.A. and The Chase Manhattan Bank, N.A., as Trustee, dated as of May 15, 1995*

2.2 Trust Deed dated August 4, 2000 among Repsol International Finance B.V., Repsol YPF, S.A. and Citicorp Trustee Company Limited relating to the €600,000,000 Floating Notes due 2003 issued by Repsol International Finance B.V. and guaranteed by Repsol YPF, S.A.

2.3 Supplemental Trust Deed dated August 30, 2000 among Repsol International Finance B.V., Repsol YPF, S.A. and Citicorp Trustee Company Limited relating to the €250,000,000 Floating Notes due 2003 issued by Repsol International Finance B.V. and guaranteed by Repsol YPF, S.A.

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* Previously filed as an exhibit to Registration Statement No. 33-84828.

2.4 Trust Deed dated December 14, 2000 among Repsol International Finance B.V., Repsol YPF, S.A. and Citicorp Trustee Company Limited relating to the €1,500,000,000 Floating Notes due 2002 issued by Repsol International Finance B.V. and guaranteed by Repsol YPF, S.A.

8. List of significant subsidiaries

## 14. Signatures

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant certifies that it meets all requirements for filing on Form 20-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

REPSOL YPF, S.A.

By: /s/ CARMELO DE LAS MORENAS LÓPEZ
Name: Carmelo de las Morenas López
Title: Chief Financial Officer

Date: March 9, 2001

**REPSOL YPF, S.A. AND COMPANIES COMPOSING**

**THE REPSOL GROUP**

**CONSOLIDATED BALANCE SHEETS**

**AS OF DECEMBER 31, 2000 AND 1999**

**AND CONSOLIDATED STATEMENTS OF INCOME,**

**CASH FLOWS AND CHANGES IN SHAREHOLDERS' EQUITY**

**FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998**

**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

To the Shareholders of the Board of
Directors of Repsol YPF, S.A.:

We have audited the accompanying consolidated financial statements of Repsol YPF, S.A. and Subsidiaries, which consist of the consolidated balance sheets as of December 31, 2000 and 1999, and the related consolidated statements of income for each of the three years ended December 31, 2000, 1999 and 1998, all expressed in euros. The preparation of these consolidated financial statements is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements taken as a whole based on our audits. We did not audit the consolidated financial statement of Gas Natural SDG, S.A. and Subsidiaries, in which Repsol YPF, S.A. had holdings of 47.04% and 45.26%, respectively, as of December 31, 2000 and 1999, and whose assets and net income represented 18.27% and 9.57%, respectively, as of December 31, 2000, 8.36% and 21.02%, respectively, as of December 31, 1999, and 17% in both cases, as of December 31, 1998, of the related consolidated figures of Repsol YPF, S.A. and Subsidiaries. The consolidated financial statements of Gas Natural SDG, S.A. and Subsidiaries were audited by other auditors (see Exhibit I) whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for Gas Natural SDG, S.A. and Subsidiaries, is based solely on the report of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards in Spain and the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1.d.2 to the consolidated financial statements referred to above, on April 29, 1999, the Board of Directors of Repsol YPF, S.A. approved the launch of a tender offer for shares of YPF, S.A. in order to increase its holding from the initial 14.99%, acquired on January 20, 1999, to 100% of the capital stock. The tender offer was taken up by shareholders owning 82.47% of the shares. The consolidated statement of income for 1999 includes the income of YPF, S.A. by the equity method from the initial acquisition date through June 23, 1999, and by the global integration method from the latter date through year-end, i.e. for approximately the last six months of the year. Subsequent to the aforementioned tender offer, Repsol YPF, S.A. has increased its ownership to 99% of the capital stock of YPF, S.A as of December 31, 2000.

As indicated in Note 1.d.1 to the consolidated financial statements referred to above, on January 11, 2000, Repsol YPF, S.A. and La Caixa entered into an agreement whereby the majority of the members of the Board of Directors of Gas Natural SDG, S.A. would be proposed by Repsol YPF, S.A. As a result of the aforementioned agreement, the consolidated financial statements of Gas Natural SDG, S.A. and Subsidiaries were consolidated by the global integration method from January 1, 2000.

In our opinion, based on our audit and on the report of the other auditors (see Exhibit I), the consolidated financial statements referred to above present, in all material respects, a true and fair view of the net worth and financial position of Repsol YPF, S.A. and Subsidiaries as of December 31, 2000 and 1999, and of the funds obtained and applied by them and of the results of their operations for each of the three years ended December 31, 2000, 1999 and 1998, and contain the required information, sufficient for their proper interpretation and comprehension, in conformity with generally accepted accounting principles and standards in Spain applied on a consistent basis.

Accounting practices used by Repsol YPF, S.A. in preparing the consolidated financial statements referred to above conform with generally accepted accounting principles in Spain, but do not conform with accounting principles generally accepted in the United States. A description of these differences and the reconciliation of consolidated net income and stockholders' equity to U.S. generally accepted accounting principles and the consolidated statements of cash flows and changes in shareholder equity for each of the three years ended December 31, 2000, 1999 and 1998 are set forth in Note 29.

ARTHUR ANDERSEN

March 1, 2001

**INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS OF GAS NATURAL SDG, S.A.**

To the Shareholders of Gas Natural SDG, S.A.

We have audited the consolidated annual accounts of Gas Natural SDG, S.A. and its Group companies consisting of the consolidated balance sheet at December 31, 2000, the consolidated profit and loss account and the consolidated notes for the year then ended (not presented separately herein), all expressed in Euro, whose preparation is the responsibility of the Directors of Gas Natural SDG, S.A. Our responsibility is to express an opinion on the aforementioned consolidated annual accounts as a whole, based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated annual accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated annual accounts. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated annual accounts presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with Spanish company legislation, the Directors of Gas Natural SDG, S.A. have presented, for comparative purposes only, for each of the items of the consolidated balance sheet, the consolidated profit and loss account and the consolidated statement of source and application of funds, corresponding amounts for the previous year as well as the amounts for 2000. Our opinion refers exclusively to the consolidated annual accounts for 2000. On February 29, 2000, we issued our audit report on the consolidated annual accounts for 1999 in which we expressed an unqualified opinion.

In our opinion, the consolidated annual accounts for 2000 audited by us present fairly, in all material respects, the financial position of Gas Natural SDG, S.A. and its Group companies at December 31, 2000, and the results of their operations and the resources obtained and applied for the year ended on that date, in conformity with generally accepted accounting principles in Spain, applied on a basis consistent with that of the preceding year.

PRICEWATERHOUSECOOPERS

March 1, 2001

## INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS OF GAS NATURAL SDG, S.A.

To the Shareholders of Gas Natural SDG, S.A.

We have audited the consolidated annual accounts of Gas Natural SDG, S.A. and its Group companies consisting of the consolidated balance sheet at December 31, 1999, the consolidated profit and loss account and the consolidated notes for the year then ended (not presented separately herein), all expressed in Euro; whose preparation is the responsibility of the Directors of Gas Natural SDG, S.A. Our responsibility is to express an opinion on the aforementioned consolidated annual accounts as a whole, based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated annual accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated annual accounts. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated annual accounts presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with Spanish company legislation, the Directors of Gas Natural SDG, S.A. have presented, for comparative purposes only, for each of the items of the consolidated balance sheet, the consolidated profit and loss account and the consolidated statement of source and application of funds, corresponding amounts for the previous year as well as the amounts for 1999. Our opinion refers exclusively to the consolidated annual accounts for 1999. On February 26, 1999, we issued our audit report on the consolidated annual accounts for 1998 in which we expressed an unqualified opinion.

In our opinion, the consolidated annual accounts for 1999 audited by us present fairly, in all material respects, the financial position of Gas Natural SDG, S.A. and its Group companies at December 31, 1999, and the results of their operations and the resources obtained and applied for the year ended on that date, in conformity with generally accepted accounting principles in Spain.

PRICEWATERHOUSECOOPERS

February 29, 2000

INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED
ANNUAL ACCOUNTS OF GAS NATURAL SDG, S.A.

To the Shareholders of Gas Natural SDG, S.A.

We have audited the consolidated annual accounts of Gas Natural SDG, S.A. and its Group companies consisting of the consolidated balance sheet at December 31, 1998, the consolidated profit and loss account and the consolidated notes for the year then ended (not presented separately herein), all expressed in Spanish pesetas; whose preparation is the responsibility of the Directors of Gas Natural SDG, S.A. Our responsibility is to express an opinion on the aforementioned consolidated annual accounts as a whole, based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated annual accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated annual accounts. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated annual accounts presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with Spanish company legislation, the Directors of Gas Natural SDG, S.A. have presented, for comparative purposes only, for each of the items of the consolidated balance sheet, the consolidated profit and loss account and the consolidated statement of source and application of funds, corresponding amounts for the previous year as well as the amounts for 1998. Our opinion refers exclusively to the consolidated annual accounts for 1998. On March 25, 1998, we issued our audit report on the consolidated annual accounts for 1997 in which we expressed an unqualified opinion.

In our opinion, the consolidated annual accounts for 1998 audited by us present fairly, in all material respects, the financial position of Gas Natural SDG, S.A. and its Group companies at December 31, 1998, and the results of their operations and the resources obtained and applied for the year ended on that date, in conformity with generally accepted accounting principles in Spain.

PRICE WATERHOUSE

February 26, 1999

Translation of a report and consolidated financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Note 29). In the event of a discrepancy, the Spanish-language version prevails.

## REPSOL YPF, S.A. AND COMPANIES COMPOSING THE REPSOL YPF GROUP

### CONSOLIDATED BALANCE SHEETS
**As of December 31, 2000 and 1999**

| | Millions of Euros (*) | |
|---|---|---|
| **ASSETS** | 2000 | 1999 |
| FIXED AND OTHER NONCURRENT ASSETS | | |
| Start-up expenses (Note 3) | 138 | 172 |
| Intangible assets (Note 4) | | |
| Cost | 2,025 | 1,169 |
| Less - Accumulated depreciation and amortization | (520) | (307) |
| | 1,505 | 862 |
| Property, plant and equipment (Note 5) | | |
| Cost | 59,126 | 49,479 |
| Less - Accumulated depreciation, depletion and amortization | (27,937) | (23,554) |
| | 31,189 | 25,925 |
| Investments in affiliates and other financial assets (Note 6) | 2,048 | 1,474 |
| Total fixed and other noncurrent assets | 34,880 | 28,433 |
| GOODWILL (Note 7) | 4,733 | 4,150 |
| DEFERRED EXPENSES (Note 8) | 481 | 415 |
| DEFERRED TAX ASSETS (Note 16) | 708 | 464 |
| CURRENT ASSETS | | |
| Inventories (Note 9) | 2,660 | 1,935 |
| Accounts receivable | | |
| Trade | 5,289 | 3,878 |
| Tax receivables | 1,021 | 650 |
| Other accounts receivable | 1,157 | 801 |
| Less - Allowance for doubtful accounts | (634) | (435) |
| Total accounts receivable | 6,833 | 4,894 |
| Temporary cash investments (Note 10) | 1,697 | 1,373 |
| Cash on hand and at banks | 361 | 334 |
| Prepaid expenses and deferred collections | 66 | 52 |
| Total current assets | 11,617 | 8,588 |
| **TOTAL ASSETS** | **52,419** | **42,050** |

**The accompanying Notes 1 to 30 are an integral part of these consolidated balance sheets.**

(*) Amounts stated in millions of Euros in order to more adequately present a true and fair view of these consolidated balance sheets.

Translation of a report and consolidated financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Note 29). In the event of a discrepancy, the Spanish-language version prevails.

## REPSOL YPF, S.A. AND COMPANIES COMPOSING THE REPSOL YPF GROUP

### CONSOLIDATED BALANCE SHEETS
**As of December 31, 2000 and 1999**

| | Millions of Euros (*) | |
|---|---|---|
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | 2000 | 1999 |
| SHAREHOLDERS' EQUITY (Note 11) | | |
| Capital stock | 1,221 | 1,188 |
| Paid-in surplus | 6,428 | 6,064 |
| Other reserves in parent company: | | |
| Restatement reserves | 3 | 3 |
| Other reserves | 1,335 | 1,390 |
| Reserves in consolidated companies | 3,397 | 2,811 |
| Translation differences | 562 | 249 |
| Net income for the year | 2,429 | 1,011 |
| Interim dividend paid during the year | (232) | (190) |
| Total shareholders' equity | 15,143 | 12,526 |
| MINORITY INTERESTS (Note 12) | 3,522 | 1,870 |
| NEGATIVE GOODWILL (Note 13) | 13 | 7 |
| SUBSIDIES AND DEFERRED REVENUES (Note 14) | 939 | 479 |
| LONG-TERM LIABILITIES (Note 15) | | |
| Pensions costs | 79 | 175 |
| Other provisions | 1,497 | 924 |
| Total long-term liabilities | 1,576 | 1,099 |
| DEFERRED TAX LIABILITIES (Note 16) | 1,018 | 919 |
| LONG-TERM DEBT | | |
| Loans (Note 17) | 14,886 | 10,223 |
| Refundable deposits (Note 18) | 196 | 185 |
| State financing of investments in exploration | 7 | 21 |
| Other accounts payable | 651 | 463 |
| Total long-term debt | 15,740 | 10,892 |
| CURRENT LIABILITIES | | |
| Short-term debt (Note 17) | 7,187 | 8,769 |
| Suppliers of products | 2,324 | 1,713 |
| Other accounts payable | 2,389 | 2,030 |
| Accrued taxes payable | 2,506 | 1,668 |
| Accrual liabilities | 62 | 78 |
| Total current liabilities | 14,468 | 14,258 |
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | **52,419** | **42,050** |

**The Notes 1 to 30 are an integral part of these consolidated balance sheets.**

(*) Amounts stated in millions of Euros in order to more adequately present a true and fair view of these consolidated balance sheets.

**REPSOL YPF, S.A. AND COMPANIES COMPOSING THE REPSOL YPF GROUP**

**CONSOLIDATED STATEMENTS OF INCOME**

**FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998**

**(Amounts in millions of euros, except per share amounts)**

| | 2000 | 1999 | 1998 |
|---|---|---|---|
| Operating revenues | | | |
| Sales | 44,043 | 25,633 | 18,573 |
| Other | 1,699 | 662 | 416 |
| Total operating revenues | 45,742 | 26,295 | 18,989 |
| Operating expenses | | | |
| Materials consumed | (27,895) | (16,444) | (12,751) |
| Personnel expenses | (1,648) | (1,267) | (970) |
| Taxes other than income tax | (1,415) | (614) | (220) |
| Outside work, supplies and services | (4,667) | (2,960) | (1,949) |
| Transport and freight | (1,011) | (585) | (387) |
| Depreciation, depletion and amortization | (2,864) | (1,796) | (1,054) |
| Total operating expenses | (39,500) | (23,666) | (17,331) |
| **Operating income** | **6,242** | **2,629** | **1,658** |
| **Extraordinary income/(expense)** (Note 19) | | | |
| Labor force restructuring | (201) | (59) | (41) |
| Extraordinary provisions | (188) | (74) | (130) |
| Capital gains (losses) and other extraordinary income | (30) | 46 | 117 |
| | **(419)** | **(87)** | **(54)** |
| **Amortization of goodwill** | **(270)** | **(132)** | **(24)** |
| **Interest income (expense)** | | | |
| Interest income | 909 | 302 | 174 |
| Interest expense | (2,209) | (1,028) | (344) |
| | **(1,300)** | **(726)** | **(170)** |
| **Share in the income of companies carried by the equity m** | **72** | **59** | **1** |
| **Income before income tax and minority interests** | **4,325** | **1,743** | **1,411** |
| **Income tax** (Note 16) | **(1,408)** | **(557)** | **(397)** |
| **Income attributed to minority interests** (Note 12) | **(488)** | **(175)** | **(139)** |
| **Net income** | **2,429** | **1,011** | **875** |
| **Net income per share** | **2.03** | **0.97** | **0.97** |
| **Average number of shares (millions)** | **1,198** | **1,038** | **900** |

**The Notes 1 to 30 are an integral part of these consolidated balance sheets.**

(*) Amounts stated in millions of Euros in order to more adequately present a true and fair view of these consolidated balance sheets.

Translation of a report and consolidated financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Note 29). In the event of a discrepancy, the Spanish-language version prevails

# REPSOL YPF, S.A. AND COMPANIES COMPOSING THE REPSOL YPF GROUP

## NOTES THE CONSOLIDATED FINANCIAL STATEMENTS

(1) BASIS OF PRESENTATION, CONSOLIDATION PRINCIPLES AND REGULATORY FRAMEWORK

a) Basis of presentation

On June 28, 2000, the Shareholders' Meeting resolved to change the corporate name of Repsol, S.A. to REPSOL YPF, S.A., in order to reflect the new reality of the Company following the acquisition of YPF.

REPSOL YPF, S.A. and the companies composing the REPSOL YPF Group (hereinafter "REPSOL YPF" or the "REPSOL YPF Group") constitute an integrated group of oil and gas companies which commenced operations in 1987.

The accompanying consolidated financial statements, which were prepared from the accounting records of REPSOL YPF, S.A. and companies composing the REPSOL YPF Group, whose individual financial statements were prepared by their respective directors, are presented in accordance with current legislation, the Spanish Corporations Law, generally accepted accounting principles in Spain ("Spanish GAAP") and consolidation regulations and, accordingly, give a true and fair view of the Group's shareholders' equity, financial position and results of operations. Differences between Spanish GAAP and generally accepted accounting principles in the United States of America (U.S. GAAP) and their effect on the consolidated net income for each of the years 2000, 1999 and 1998 and on the consolidated shareholders' equity as of December 31, 2000 and 1999 are set forth in Note 29. These consolidated financial statements also include the information necessary to conform to the form and content required by the Securities and Exchange Commission of the United States of America.

As part of the strategy to adapt to the Euro, the Board of Directors of REPSOL YPF, S.A. decided to prepare the 1999 financial statements of REPSOL YPF, S.A. and of the consolidated Group in Euros. The irrevocably fixed Peseta/Euro exchange rate is Ptas. 166.386/€1.

Article 1.1 of Royal Decree 2814/1998 enacting the regulations on the accounting aspects of the introduction of the Euro stipulates that consolidated financial statements expressed in Euros may include values in thousands of Euros when the magnitude of the figures so requires, and that this circumstance must be disclosed in the related notes. However, the directors consider that, given the magnitude of the figures in the Group's financial statements, and on the basis of standard practice among companies in the industry, presenting the financial statements in millions of Euros gives a truer and fairer view of the Company's shareholders' equity, financial position and results of operations and, accordingly, facilitates their better comprehension. Accordingly, the 1999 financial statements were prepared, approved and deposited in millions of Euros.

The 2000 financial statements, which were prepared by the Board of Directors of REPSOL YPF, S.A., will be submitted, as will those of the investees, for approval by the respective Shareholders' Meetings, and it is considered that they will be approved without any changes.

b) Consolidation principles

The Exhibit hereto shows the consolidated dependent, associated and multigroup companies directly or indirectly owned by REPSOL YPF, S.A. The investees excluded from consolidation represent approximately 0.04%, 0.03% y 0.03% of REPSOL YPF's assets, operating revenues and operating income, respectively, for 2000. The most salient information on the main companies excluded from consolidation is disclosed in Note 6.

The companies were consolidated on the basis of the following principles:

- Companies over which effective control is exercised were consolidated by the global integration method.

- Multigroup companies which are managed jointly with third parties were consolidated by the proportional integration method.

- Companies over which significant influence is exerted but in which there is not majority vote or joint management with third parties, are carried by the equity method.

- The equity of minority interests in shareholders' equity is presented under the "Minority Interests" caption on the liability side of the consolidated balance sheets and their equity in income is presented under the "Income Attributed to Minority Interests" caption in the consolidated statements of income (see Note 12).

  In accordance with standard practice in Spain, the accompanying consolidated financial statements do not include the tax effect, if any, of transferring the reserves of the consolidated dependent companies and of the companies carried by the equity method to the parent Company's accounts, since it is considered that such reserves will be used to finance the operations of each company and that those that may be distributed will not give rise to a material additional tax cost.

- Transactions between consolidated companies

  All material balances, transactions and profits between the companies consolidated by the global integration method were eliminated in consolidation

  All accounts receivable and payable, revenues, expenses and income derived from transactions between the companies consolidated by the proportional integration method and other Group companies were eliminated in proportion to REPSOL YPF's percentage of ownership of these companies.

  Income derived from transactions between Group and associated companies was eliminated in proportion to the Group's percentage of ownership of these companies.

- Uniformity of items

  In order to present the consolidated financial statements using uniform valuation standards, at investees that apply accounting and valuation methods that differ from those of the Group, adjustments were made in consolidation when the effect thereof was material.

- Translation of financial statements denominated in foreign currencies

  For the purpose of preparing the accompanying consolidated financial statements, the investees' financial statements denominated in foreign currencies were translated to Euros as follows: assets, rights and obligations were translated at the year-end exchange rates; capital stock and reserves were translated at the historical exchange rates; and revenues and expenses were translated at the average exchange rates in the periods in which they arose.

The resulting translation differences, net of the portion relating to minority interests, which is recorded under the "Minority Interests" caption, are included under the "Translation Differences" caption in the accompanying consolidated balance sheets (see Note 11).

The U.S. Dollar/Euro exchange rates used as of December 31, 2000, 1999 and 1998, were US$ 0.94/€1, US$ 1.01/€1 and US$1.17/€1, respectively.

c) Regulatory framework

- On June 23, 2000, the Spanish government approved Royal Decree 6/2000 on Urgent Measures to Increase Competition in the Goods and Services Markets. The measures provided for in this Royal Decree with an effect on the Company's business activities in Spain are basically as follows:

  - The Administration must be notified of the selling prices applied in the service stations network, operators with a market share of over 30% may not increase their points of sale for five years (three years for operators with market shares of between 15% and 30%) and the installation of service stations in large commercial establishments must be promoted.

  - Any company's individual holding in CLH may not exceed 25% and the combined holdings of companies with refinery capacity in Spain may not exceed 45%. Accordingly, the REPSOL YPF Group's current holding of 61.46% in CLH should be reduced to a maximum of 25%. Additionally, the Spanish National Energy Commission must also be informed of all service contracts between operators and the owners of permanent storage and transport facilities such as CLH.

  - The deadline for opening up the natural gas market has been brought forward to 2003 for retailing and to 2005 for distribution. From 2003 onwards all consumers will be able to choose their supplier. Also, until January 1, 2004, 25% of the gas supplied by Algeria through the Maghreb gas pipeline must be distributed among the natural gas retailers. The remainder under the contract will be assigned to Enagas for supply in the regulated market.

    To enable other operators to become shareholders of the company owning the high-pressure transport network in Spain, the percentage of ownership of Enagas that may be held by a single company or a group of companies is limited to 35%. Lastly, from 2003 onwards, the percentage of total natural gas that can be supplied by a single company or group of companies is confined to 70%.

- Also, Regulation 2790/99/EC applying Article 81.3 of the Treaty constituting the European Community to certain categories of vertical agreements and concerted practices, which replaces Regulation 1984/83/EEC, came into force on June 1, 2000.

  The most important provisions of the new Regulation are, on the one hand, the reduction of the maximum term of exclusive purchase contracts in the service station area from the ten years previously authorized under the 1983 Regulation to five years and, on the other, the limitation of scope of the general exemption to operators with a market share of 30% or less, whereas, under the previous Regulation, the category-based exemption applied to all operators. However, operators with a larger share in the relevant market, such as REPSOL YPF, are entitled to the exemption provided by Article 81.3 of the Treaty on an individual basis, provided they meet the requirements established therein, without having to previously notify the European Commission of the contracts, since this requirement has been excluded from the new version of Regulation 17 of 1962 which came into force at the same time.

  In any case, the revised EC Regulation provides for a transitional period through December 31, 2001, for the application of the category-based exemption to agreements entered into when the previous Regulation was in force.

d) Comparative information

d.1) Global integration of Gas Natural SDG, S.A.

On January 11, 2000, REPSOL YPF and Caja de Ahorros y Pensiones de Barcelona (La Caixa), as the majority shareholders of Gas Natural SDG, S.A., entered into an agreement whereby the Board of Directors of Gas Natural SDG, S.A. would be made up of eleven directors, six representing REPSOL YPF and five representing La Caixa.

Under this agreement, REPSOL YPF Group obtained majority control over Gas Natural SDG, S.A., which permitted the consolidation of this company by the global integration method from January 1, 2000.

The effect of the change in the consolidation method on each caption is disclosed in the related notes.

In 2000 the REPSOL YPF Group invested €175 million in the acquisition of an additional holding in Gas Natural, increasing its holding in this company to 47.042% as of December 31, 2000.

The effect of the change in the method used to consolidate Gas Natural accounted for 9.87%, 5.79% and 7.82% of the assets, operating revenues and operating income, respectively, of the REPSOL YPF Group in the financial statements as of December 31, 2000.

d.2) Inclusion of YPF

In June 1999, after purchasing an initial holding of 14.99% in January 1999 and following a subsequent tender offer, REPSOL YPF acquired control of the Argentine company YPF, S.A. ("YPF"). As of December 31, 1999, Repsol held 97.81% of the capital stock of this company. The total investment made amounted to €14,195 million (US$ 14,909 million).

Following its acquisition of the initial holding of 14.99%, Repsol carried the holding in YPF by the equity method. Once control had been acquired, on June 23, 1999, the Group consolidated its holding in YPF by the global integration method. YPF's first-time consolidation balance sheet was as follows:

Millions of Euros

| ASSETS | | LIABILITIES | |
|---|---|---|---|
| Fixed and other noncurrent assets | 11,447 | Shareholders' equity | 6,513 |
| | | Long-term financial debt | 2,692 |
| | | Other nonfinancial long-term debt | 1,477 |
| Operating working capital | 320 | Financial working capital | 1,085 |
| | 11,767 | | 11,767 |

As a result of the specific valuation of this company's assets and liabilities, in the consolidation process the carrying value of its net oil and gas reserves was increased by €4,325 million (US$ 4,547 million), and this amount was recorded as an addition to the "Property, Plant and Equipment" caption (see Note 5) from the date on which the company was consolidated by the global integration method. This amount is being depreciated at the same rate as YPF's oil and gas reserves using the method described in Note 2.c.3. While the holding was carried by the equity method, the period depreciation, which amounted to €14 million, was recorded under the “Share in the Income of Companies Carried by the Equity Method” caption. From the date on which the company was consolidated by the global integration method the period depreciation was recorded under the “Depreciation, Depletion and Amortization” caption and amounted to €238 million and €89 million in 2000 and 1999, respectively.

The positive difference between the price paid and the proportion of the underlying book value relating to the percentage of ownership, per YPF’s balance sheet, adjusted by the aforementioned valuation of its oil and gas reserves, which amounted to €3,580 million (US $3,730 million), was recorded as goodwill. Goodwill is being amortized over 20 years and the period amortization charge is recorded under the “Amortization of Goodwill in Consolidation” caption in the accompanying consolidated statement of income. In 2000 and 1999 €213 and €99 million, respectively were recorded in this connection.

In 2000 the goodwill attributed to YPF increased by €355 million (US $370 million), which included €199 million (US $206 million) relating to a reduction of the same amount in the initial valuation of its net oil and gas reserves, and €156 million (US $164 million) relating to variations in YPF’s equity accounts which, although they came to light in 2000, arose from circumstances which had occurred prior to acquisition of control of the company (June 23, 1999) (see Notes 5, 7 and 25).

The effect on each caption of the inclusion of YPF is disclosed in the related notes.

The acquisition of YPF was financed through two successive capital increases (see Note 11) and through debt (see Note 17).

In the first quarter of 2000 REPSOL YPF, S.A. acquired an additional 0.03% holding in YPF for €4.75 million. In September, following a tender offer in exchange for REPSOL YPF, S.A. shares (see Note 11), it acquired a further holding of 1.16%, bringing its total holding in YPF to 99% at 2000 year-end. The related capital increase amounted to €98 million.

The net effect of the inclusion of YPF in the consolidated financial statements of REPSOL YPF as of December 31, 2000, represented 45.07%, 25.93% and 46.59% of the assets, operating revenues and operating income, respectively. The impact on the same aggregates as of December 31, 1999, was 70.7%, 17.5% and 35.7%, respectively.

d.3) Scope of consolidation

In addition to the variations mentioned in point d.1, the main variations in the scope of consolidation in 2000 were as follows:

- Gas Natural SDG, S.A. acquired all the shares of Servicio de Energía de México, S.A. (SEMSA), the owner of Metrogas, a company which holds the natural gas distribution concession in Mexico City, for €104 million. This company was consolidated by the global integration method.

- Gas Natural SDG, S.A. incorporated Gas Natural de São Paulo Sul, S.A., which acquired the gas distribution concession for the southern area of the Brazilian state of São Paulo, for €328 million. This company was consolidated by the global integration method.

- Repsol Exploración, S.A. and Gas Natural SDG, S.A. incorporated, with holdings of 67% and 33%, respectively, REPSOL YPF Trinidad y Tobago, S.A. for the acquisition of 10% of BP Trinidad & Tobago LLC, which engages in oil and gas exploration and production in Trinidad and Tobago. The investment in this company, which was consolidated by the proportional integration method in the REPSOL YPF Group, amounted to €310 million.

- REPSOL YPF, S.A. acquired a 31.48% holding in Astra CAPSA through a tender offer in exchange for REPSOL YPF, S.A. shares (see Note 11), thus increasing its holding in Astra to 99.36%. The related capital increase amounted to €292 million.

- REPSOL YPF, S.A. acquired an additional 0.53% holding in Repsol Comercial de Productos Petrolíferos, S.A. through a private tender offer in exchange for REPSOL YPF, S.A. shares (see Note 11), bringing its total holding in this company to 97% at year-end. The related capital increase amounted to €7 million.

- Repsol YPF Perú BV acquired an additional 6.77% holding in Refinadores del Perú, S.A. (a company consolidated by the global integration method) for €11 million.

- Andina, which is 20.25% owned by YPF, was carried by the equity method in 1999 but was consolidated by the proportional integration method in 2000. This company engages in oil and gas exploration and production in Bolivia.

- Repsol UK sold its two subsidiaries, Repsol Petroleum Limited (which sells and markets fuels) and Carless Refining and Marketing (which distributes solvents and special products), giving rise to a gain of €9.9 million. This amount is recorded under the “Extraordinary Income/(Expense)” caption in the accompanying consolidated statement of income. The two companies had been consolidated by the global integration method in the REPSOL YPF Group.

- Astra CAPSA sold its holding in Refinería San Lorenzo, S.A., giving rise to an extraordinary loss of €39 million. This company was carried by the equity method by its parent company.

- In December Eg3, S.A., an investee of Astra CAPSA, was excluded from the scope of consolidation since a commitment had been made at year-end to sell it (in exchange for assets of Petrobras – see Note 26). Its shareholders’ equity, together with its unamortized goodwill as of that date are recorded under the “Temporary cash investments” caption in the accompanying consolidated balance sheets (see Note 10). However, the transactions carried out by this company through year-end are included in the accompanying consolidated statement of income.

The net effect of the aforementioned changes in the 2000 scope of consolidation was to increase the REPSOL YPF Group’s assets, operating revenues and operating income by 3.27%, 0.35% and 0.90%, respectively. The aforementioned companies were consolidated from the dates on which they were acquired.

In addition to the inclusion of YPF, the main variations in the scope of consolidation in 1999 were as follows:

- Eg3, S.A. (a subsidiary consolidated by the global integration method) acquired a 99.99% holding in La Pampa, S.A. for €5.7 million in April and all the shares of Alvisa, S.A. for €2.4 million in May. Both companies were consolidated by the global integration method with their parent company.

- In May REPSOL YPF sold its 50% holding in Gas Natural México to Gas Natural SDG, which already owned the other 50%. This sale, which amounted to €55 million, gave rise to an extraordinary gain of €12 million for the Group.

- In July REPSOL YPF, through its subsidiary Repsol Química, S.A. entered into an equal-footing alliance with the Mexican company GIRSA, a subsidiary of DESC, S.A. de CV. As a result, Repsol Química incorporated Dynasol Elastómeros, S.A., contributing to it its synthetic rubber in solution business. Subsequently, Dynasol Elastómeros, S.A. carried out a capital increase that was fully subscribed by GIRSA, whose holding increased to 49.99%. Repsol Química acquired a 49.99% holding in GIRSA's subsidiary Dynasol Elastómeros de CV (which also engages in the synthetic rubber in solution business). The investment in this subsidiary amounted to €21 million. Both subsidiaries are consolidated in the REPSOL YPF Group by the proportional integration method.

- In December Repsol Exploration UK Ltd. was excluded from consolidation since its sale had been agreed as of year-end (REPSOL YPF reached an agreement to sell it to the U.S. company Kerr McGee). Its shareholders' equity at 1999 year-end was recorded under the "Temporary cash investments" caption in the accompanying consolidated balance sheet (see Note 10). However, the transactions performed by this company through year-end are included in the accompanying consolidated statement of income.

- In 1999 the REPSOL YPF Group acquired an additional 1.86% holding in Astra CAPSA for €13 million (Note 22), increasing its total holding to 67.87%.

The net effect of the aforementioned changes in the 1999 scope of consolidation was to increase the REPSOL YPF Group's assets, operating revenues and operating income by 0.4%, 0.2% and 0.2%, respectively.

The main variations in the consolidated Group in 1998 were as follows:

- In January Astra CAPSA (a company consolidated by the global integration method) acquired a 15% holding in Central Térmica San Miguel de Tucumán, S.A., in which it already had an ownership interest of 30% and which was carried by the equity method, for €6.7 million (see Note 22). In the first quarter of 1998 Central Térmica San Miguel de Tucumán, S.A. was absorbed by Pluspetrol Energy, S.A.

- In January Gas Natural ESP, S.A. (a company consolidated by the proportional integration method in the Gas Natural Group) acquired a holding of 54.5% in Gas Oriente, S.A., a gas distributor in Bucaramanga (Colombia). This company is consolidated by the global integration method with its parent company and by the proportional integration method in the REPSOL YPF Group through Gas Natural. This acquisition gave rise to a disbursement of €9.4 million (45.3% of the Gas Natural Group's investment).

- In June Repsol acquired in Morocco all the shares of the LPG distribution company National Gaz for €5.0 million (see Note 22). Following the acquisition, this company was consolidated by the global integration method.

- In July Astra CAPSA (a company consolidated by the global integration method) acquired an additional 11.33% holding in Gas Argentino, S.A. for €30 million (see Note 22). Following this transaction, Astra CAPSA had a direct and indirect holding of 45.33%. This company, which was previously carried by the equity method, was then consolidated by the proportional integration method in the financial statements of Astra.
  Gas Argentino, S.A. owns 70% of the capital stock of Metrogás, which distributes natural gas in Buenos Aires and the surrounding metropolitan area.

- In July Repsol acquired a 75% holding in Duragás, which markets LPG in Ecuador and is consolidated by the global integration method, for €24 million (see Note 22).

- Since October, when the remaining 9% of Enagás was acquired by it, Gas Natural SDG, S.A. has owned all the shares of this company. The investment amounted to €32 million (45.3% of the total amount of the acquisition made by Gas Natural SDG, S.A. - see Note 22).

- In 1998 the REPSOL YPF Group acquired an additional holding of 9.28% in Astra CAPSA for €75 million (see Note 22), giving it a total ownership interest of 66.01%.

- In 1998 48.9% of Algás y Poligás Luján was sold. Carboex and Silquímica, which were carried by the equity method, were also sold. The sale of these holdings gave rise to an extraordinary gain of €12 million.

The net effect of the aforementioned changes in the 1998 scope of consolidation was to increase the REPSOL YPF Group's assets, operating revenues and operating income by 3.4%, 0.8% and 1.1%, respectively. The operations of the aforementioned companies were consolidated from the dates on which the holdings therein were acquired.

## (2) ACCOUNTING POLICIES

The main accounting principles applied by REPSOL YPF were as follows:

a) Start-up expenses

This caption includes the capital increase expenses, consisting mainly of bank fees and transfer tax (see Note 11). These expenses are amortized on a straight-line basis over five years.

b) Intangible assets

. Research and development costs

Research and development costs are expensed as incurred.

. Goodwill (see Note 4)

This caption includes mainly the difference between the price paid for companies engaged in the sale of oil products (service stations) and the book value of their net assets (excluding the portion allocable to land) at the dates of their dissolution through merger with the parent company.

Goodwill is amortized on a straight-line basis over ten years, the average years of useful life of the facilities.

. Transfer, easement and usage rights

This caption includes the following:

a) Costs relating to contracts for the purchase of service station management rights and of the usage and easement rights related to these assets. These costs are amortized over the related contract terms, which range from 15 to 25 years.

b) Exclusive rights to use gas pipelines. These rights are valued at acquisition or production cost and are amortized over the term of the related right (currently 25 years).

. <u>Other intangible assets</u>

This caption includes administrative concessions and other costs, such as those relating to computer software and intellectual property. These items are recorded at cost and are amortized on a straight-line basis over their useful lives, which range from four to ten years, except for the administrative concessions, which are amortized over the concession term.

c) Property, plant and equipment

c.1) Cost

Property, plant and equipment acquired prior to December 31, 1996, are carried at cost revalued pursuant to the applicable enabling legislation, the latest being royal Decree-Law 7/1996. The net values arising from all the revaluations are disclosed in Note 5. Subsequent additions are stated at cost.

The aforementioned cost includes the following expenses incurred exclusively during the construction period:

- The financial expenses relating to external specific and general-purpose financing. As regards external general-purpose financing, the financial expenses to be capitalized are obtained by applying the average cost of long-term external financing to the average accumulated capitalizable investments not specifically financed. €53 million, €34 million and €38 million were capitalized in this connection in 2000, 1999 and 1998, respectively, and these amounts are recorded as a reduction in the “Interest Expenses” caption in the accompanying consolidated statements of income.

- The personnel and other similar operating expenses effectively incurred in in-house construction work on fixed assets.

The costs of expansion, modernization or improvements leading to increased productivity, capacity or efficiency or to a lengthening of the useful lives of the assets are capitalized.

The estimated costs of extraordinary fixed asset inspections and repairs covering a period exceeding one year are deferred and charged each year to income, and a provision is recorded under the “Other Provisions” caption in the consolidated balance sheet. Ordinary repair, upkeep and maintenance expenses are expensed currently.

This caption also includes investments relating to oil and gas exploration and production activities (see Note 2.c.3).

c.2) Depreciation

The restated value of property, plant and equipment other than those relating to oil and gas exploration and production activities (see Note 2.c.3) are depreciated, by the straight-line method at annual rates based on the following years of estimated useful life:

| | Years of Estimated Useful Life |
|---|---|
| Buildings and other structures | 30-50 |
| Machinery, plant and equipment: | |
| Machinery, installations and tools | 8-15 |
| Furniture and fixtures | 9-15 |
| Refineries in service: | |
| Units | 8-15 |
| Storage tanks | 20-30 |
| Pipelines and networks | 12-18 |
| Gas infrastructure and distribution facilities | 20-30 |
| Transport equipment | 7-15 |

c.3) Investments in oil and gas exploration and production

Investments in areas with oil reserves

This caption includes the costs of new investments in areas with proved and unproved reserves, the costs of drilling in areas with proved reserves and the subsequent investments made to develop and extract the oil and gas reserves.

The investments recorded under this caption are depreciated as follows:

1. Investments relating to acquisitions of proved reserves are amortized over the years of estimated commercial life of the field on the basis of the ratio of annual production to proved field reserves.

2. The investments relating to unproved reserves are evaluated annually, and impairments, if any, are recognized with a charge to period income.

3. The costs of drilling and the subsequent investments made to develop and extract the oil and gas reserves are amortized over the years of estimated commercial life of the field on the basis of the ratio of annual production to proved developed field reserves.

In accordance with generally accepted accounting principles on market value or the long-term fixed asset depreciation, each year the Company compares the market value or the discounted, if appropriate, future cash flows from its proved and unproved reserves (the latter of which are subject to a risk factor) in each field owned by the Company at year-end with the net book values of the property, plant and equipment and long-term financial investments relating thereto. As a result of applying this principle, in 2000, 1999 and 1998 REPSOL YPF recorded provisions of €50 million, €5.4 million and €30 million under the "Extraordinary Income/(Expense)" caption in the accompanying consolidated statements of income (see Notes 5 and 19).

Other exploration costs

Exploration investments in progress and those financed by the Spanish State pending classification as unsuccessful are recorded under this caption and are presented in the consolidated financial statements as follows:

1. The costs of acquiring interests in exploration are capitalized at acquisition cost and are amortized with a charge to income on the basis of technical evaluation of the results of the exploration in progress over a maximum period equal to the term of the contract regulating the exploration interests. If commercially exploitable wells are found, the costs are reclassified to "Investments in Areas with Oil Reserves" and recorded at net book value when the wells are determined to be commercially exploitable.

2. Hydrocarbon exploration operations are recorded by the "successful-efforts" method, whereby exploration costs, excluding drilling costs, are charged to income as they are incurred. Drilling costs are capitalized until it is known whether the prospective wells are commercially exploitable, in which case they are reclassified to "Investments in Areas with Oil Reserves"; otherwise, they are expensed when the wells are determined to be unproductive.

Future field abandonment and dismantlement costs

Future field abandonment and dismantlement costs (environmental, safety, etc.) are estimated, on a field-by-field basis, taking into account Spanish and international regulations. These costs are allocated to income each year based on production with respect to the proved reserves.

Note 15 discloses the balance of, the provisions to, and amounts used of, the allowance for field abandonment costs in 2000 and 1999.

d) Long-term financial investments

Companies in which the percentage of direct or indirect ownership exceeds 3% (listed companies) or 20% (unlisted companies) but does not exceed 50% (excluding the multigroup companies and those over which effective control is exercised) are carried by the equity method based on the underlying book value of the holding in each company. The net income or loss obtained each year through these companies is reflected in the consolidated statements of income as “Share in the Income of Companies Carried by the Equity Method”.

Other holdings in companies that do not form part of the consolidated REPSOL YPF Group or that, despite forming part of the consolidated Group, were not consolidated (see Note 1.b), are stated at the lower of cost or market value. The market value is deemed to be the underlying book value of the holding plus, where appropriate, the unrealized gains disclosed at the acquisition date and still existing at the date of subsequent valuation.

e) Consolidation differences

. Goodwill

This caption relates to the positive difference between the amounts paid to acquire the investees and their underlying book values, in proportion to the percentage of ownership in them, per their balance sheets, at the acquisition date, adjusted, where appropriate, by the specific valuation of their assets and liabilities. The goodwill is amortized over the period in which the investments made will be recovered, up to a maximum of 20 years (see Note 7).

According to the estimates and projections available to the Board of Directors, the projected income attributable to the Group of each of these companies is at least equal to the unamortized portion of the related goodwill over each corresponding period, no exceptional write-downs having been made in 2000, 1999 and 1998.

. Negative goodwill

This account relates to the negative difference between the amounts paid to acquire the investees and their underlying book values, in proportion to the percentage of ownership in them, per their balance sheets, at the acquisition date, adjusted, where appropriate, by the specific valuation of their assets and liabilities. The balance of this account is taken to income when the costs giving rise to it are disclosed (see Note 13).

f) Deferred expenses

This caption includes the following items:

. Reflagging contracts

This account relates to the cost of reflagging contracts for service stations owned by third parties, and the account balance is amortized on a straight-line basis over the average related contract term (currently between 8 and 15 years, depending on the contracts).

. Exclusive supply contracts

This caption relates to the costs arising from exclusive supply contracts entered into by Repsol with service station owners, distributors and direct consumers which are amortized on a straight-line basis over the term of the contract (the average term is currently eight years).

. Deferred charges arising from debt issue

This caption includes deferred expenses arising from the issuance of fixed-income securities and the arrangement of loans, which are amortized based on the term of the securities issued.

The caption also includes preferred share issuance expenses, which are amortized on a straight-line basis over five years (see Note 12).

. <u>Other deferred charges</u>

This caption relates mainly to the costs incurred in programs to convert installations of natural gas and other expenses incurred by the Group companies through the commencement or extension of the operations for which they were incorporated. These costs, net of the revenues associated with start-up, are amortized on a straight-line basis over five to seven years (see Note 8).

g) Inventories

Inventories are stated at the lower of cost (basically annual average cost) or market, and, where appropriate, the required provision for diminution in value is recorded. In the case of refinery products, the costs are allocated in proportion to the selling price of the related products (isomargin method).

h) Short-term financial investments

Short-term financial investments are stated at the lower of cost, plus the accrued interest receivable, or market.

This caption also includes the holdings in Group and associated companies the disposal of which at short term was sufficiently certain at year-end. These holdings are recorded at the lower of their underlying book value at year-end or expected selling price.

i) Short and long-term nontrade payables and receivables

Nontrade payables and receivables are recorded at face value, plus the accrued interest receivable or payable at each year-end.

j) Capital subsidies and deferred revenues

- <u>Capital subsidies</u>

  This account relates mainly to nonrefundable capital subsidies, which are valued at the amount granted and are allocated to income on a straight-line basis over the useful lives of the projects financed.

- <u>Deferred revenues</u>

  Deferred revenues include basically the revenues from assignment of gas pipeline usage rights, the revenues relating to the natural gas distribution network relocation to be borne by third parties and the net amounts received each year for new connections and branch lines. These revenues are credited to income on a straight-line basis over the depreciation period of the related fixed assets, which ranges from 20 to 50 years.

  This caption also includes the premiums received on the financial derivatives arranged in connection with the issue of preferred shares, which are taken to income on a straight-line basis over the term of the derivative instrument (see Notes 12 and 14).

k) Provision for labor force restructuring

The estimated costs of these restructuring plans are expensed in the year in which the related plan is agreed on and are included under the “Extraordinary Income/(Expense)” caption in the accompanying consolidated statements of income (see Notes 15 and 19).

l) Provision for pensions and similar obligations

REPSOL YPF has defined-contribution plans for certain employees, which conform to the Pension Plan and Fund Law. The main features of these plans are as follows:

a) They are mixed plans to cover retirement, disability and death of the participants.

b) The sponsor (REPSOL YPF) undertakes to make monthly contributions of certain percentages of serving employees´ salaries to external pension funds.

Until 1999 and 2000 Gas Natural and CLH employees were covered by defined-contribution pension plans not yet adapted to the Pension Plan and Fund Law and recorded under the “Pensions costs” caption in the accompanying consolidated balance sheets.

In 1999 Gas Natural began to externalize its pension commitments to retired employees, and used €44 million of the recorded allowance. In 2000 it externalized all its remaining commitments to retired employees and began externalizing its commitments to serving employees. €59 million of provisions were used in this connection in 2000. The remaining provision recorded in this connection in the consolidated balance sheet as of December 31, 2000 relates to the estimated cost of externalizing the rest of the commitments.

CLH externalized all its commitments to its employees in 2000, using the provision it had recorded for this purpose.

The annual cost of the pension plans and similar obligations amounted to €28 million in 2000, €25 million in 1999 and €28 million in 1998 and these amounts are recorded under the "Personnel Expenses – Employee Welfare Expenses" caption in the accompanying consolidated statements of income. The "Interest Expenses" caption includes €6.6 million in 2000, €9.2 million in 1999 and €11 million in 1998 arising from the discounting to present value of the provisions recorded in this connection as of December 31, 1999, 1998 and 1997, respectively. Also, in 1999 and 1998 €9.7 million and €17 million, respectively, of extraordinary expenses were recorded to bring the discount rates of these closer to market rates. In 2000 €5.1 million of extraordinary expenses were recorded to set up a provision to cover the cost of commitments not yet externalized.

m) Other provisions

This caption includes the provisions for contingencies and expenses relating to probable or certain third-party liabilities arising from litigation in progress or from outstanding indemnity payments or obligations of undetermined amount, and collateral and other similar guarantees provided by the Company. These provisions are recorded when the liability or obligation giving rise to the indemnity or payment arises.

n) Foreign currency transactions

Transactions denominated in foreign currencies are translated to Euros at the exchange rates prevailing at the transaction date. At the end of each year the balances of the accounts receivable and payable in foreign currencies are translated at the exchange rates prevailing at year- or period-end. The resulting exchange differences are recorded by the methods described in the following paragraphs, except for the exchange differences arising as a result of specific transactions to finance investments in investees whose functional currencies are the same, which are recorded as an addition to or a reduction in the balances of the "Translation Differences" caption in the accompanying consolidated balance sheets.

Exchange differences arising on adjustment of foreign currency fixed-income securities, and accounts receivable and payable denominated in foreign currencies to year-end exchange rates are classified by due date and currency, and for this purpose currencies which, although different, are officially convertible are grouped together.

The positive net differences in each group of currencies are recorded under the "Deferred Revenues" caption on the liability side of the consolidated balance sheet, unless exchange losses in a given group have been charged to income in prior years, in which case the net positive differences are credited to period income up to the limit of the negative net differences charged to income in prior years.

The negative differences in each group are charged to income.

The positive differences deferred in prior years are credited to income in the year in which the related accounts receivable and payable fall due or are settled in advance, or as negative exchange differences for the same or a higher amount are recognized in each homogeneous group.

o) Corporate income tax

The expense for corporate income tax of each year is calculated on the basis of book income before taxes, increased or decreased, as appropriate, by the permanent differences from taxable income, net of tax relief and tax credits. The difference between the expense recorded and the resulting net tax payable is solely due to differences in the timing of recognition of expenses and revenues giving rise to deferred tax assets or liabilities (see Note 16).

p) Classification of debt

In the accompanying consolidated balance sheets, debts maturing in less than 12 months from year-end are classified as current liabilities.

q) Recognition of revenues and expenses

Revenues and expenses are recognized on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises. However, in accordance with the accounting principle of prudence, the Group companies only record realized income at year-end, whereas foreseeable contingencies and losses, including possible losses, are recorded as soon as they become known.

As a result of the legislation in force in Spain on the marketing of oil and gas, REPSOL YPF includes in both expenses and revenues the excise taxes on the products marketed by it. This gave rise to increases in expenses of €6,869 million, €5,776 million and €4,976 million in 2000, 1999 and 1998, respectively, which are recorded under the "Materials Consumed" caption and to increases in revenues of the same amounts, which are recorded under the "Net Sales" caption.

r) Financial derivatives

The REPSOL YPF Group uses these instruments to hedge its operating and financial risks. Note 25 contains a description of the transactions carried out by the Group, and of the way in which they were recorded.

s) Gains and losses on disposals and assignments of interests relating to oil and gas exploration and production and similar activities.

In accordance with the method used for transactions of this type and with standard practice in the industry in which the Group operates, these gains and losses are recorded under the "Other Operating Revenues" and "Materials Consumed" captions, as appropriate, in the accompanying consolidated statements of income.

## (3) START-UP EXPENSES

The variations in this caption in the consolidated balance sheet as of December 31, 2000 and 1999, were as follows:

| | Millions of Euros | |
|---|---|---|
| | 2000 | 1999 |
| Beginning balance | 172 | - |
| Capitalized costs | 4 | 187 |
| Amortization | (38) | (15) |
| Ending balance | 138 | 172 |

## (4) INTANGIBLE ASSETS

The detail of the balances of intangible asset accounts and of the related accumulated amortization and depreciation as of December 31, 2000 and 1999, and of the variations therein is as follows:

| | Millions of Euros | | | | |
|---|---|---|---|---|---|
| | | Transfer, easement and Usage Rights | | | |
| | Goodwill | Service Stations | Gas Pipelines | Other Intangible Assets | Total |
| **COST** | | | | | |
| Balance as of December 31, 1998 | 76 | 266 | 239 | 115 | 696 |
| Additions | - | 27 | - | 61 | 88 |
| Retirements or reductions | - | - | - | (5) | (5) |
| Effect of inclusion of YPF | 2 | 89 | 1 | 219 | 311 |
| Translation differences | 1 | 4 | 39 | 11 | 55 |
| Reclassifications and other variations in scope of consolidation | 30 | 8 | (4) | (10) | 24 |
| Balance as of December 31, 1999 | 109 | 394 | 275 | 391 | 1,169 |
| Additions | 5 | 12 | 1 | 82 | 100 |
| Retirements or reductions | (1) | - | - | (5) | (6) |
| Change in method used to consolidate Gas Natural | - | - | 331 | 73 | 404 |
| Translation differences | 1 | 8 | 44 | (19) | 34 |
| Reclassifications and other variations in scope of consolidation (1) | 15 | - | (2) | 311 | 324 |
| Balance as of December 31, 2000 | 129 | 414 | 649 | 833 | 2,025 |
| **ACCUMULATED AMORTIZATION** | | | | | |
| Balance as of December 31, 1998 | (12) | (54) | (17) | (63) | (146) |
| Amortization | (9) | (16) | (12) | (22) | (59) |
| Retirements or reductions | - | - | - | 1 | 1 |
| Effect of inclusion of YPF | - | - | - | (94) | (94) |
| Translation differences | - | - | (3) | (6) | (9) |
| Reclassifications and other variations in the scope of consolidation | - | (3) | 1 | 2 | - |
| Balance as of December 31, 1999 | (21) | (73) | (31) | (182) | (307) |
| Amortization | (12) | (36) | (25) | (58) | (131) |
| Retirements or reductions | - | - | - | 4 | 4 |
| Change in method used to consolidate Gas Natural | - | - | (34) | (43) | (77) |
| Translation differences | - | - | (4) | (7) | (11) |
| Reclassifications and other variations in the scope of consolidation | (1) | 2 | - | 1 | 2 |
| Balance as of December 31, 2000 | (34) | (107) | (94) | (285) | (520) |

(1) The "Other Intangible Assets" caption includes mainly the amount of the concession (€328 million) awarded to Gas Natural de São Paulo Sul, S.A. for gas distribution in the southern area of the Brazilian State of São Paulo. (See Note 1.d.3).

## (5) PROPERTY, PLANT AND EQUIPMENT

The detail of the balances of property, plant and equipment accounts and of the related accumulated depreciation, depletion and provisions as of December 31, 2000 and 1999, and of the variations therein is as follows:

| | Millions of Euros | | | | | | |
|---|---|---|---|---|---|---|---|
| | Land, Buildings and Structures | Machinery Plant and Equipment | Investments in Areas with Oil Reserves | Other Exploration Costs | Transport Equipment | Other Tangible Fixed Assets (4) | Total |
| **COST** | | | | | | | |
| Balance as of December 31, 1998 | 1,471 | 11,215 | 5,264 | 514 | 198 | 1,126 | 19,788 |
| Additions | 97 | 766 | 684 (1) | 118 | 18 | 947 | 2,630 |
| Retirements or reductions | (60) | (77) | (735) (2) | (48) | (16) | (80) | (1,016) |
| Translation differences | 69 | 340 | 1,478 | 57 | 34 | 56 | 2,034 |
| Effect of inclusion of YPF | 811 | 3,566 | 20,522 (3) | 169 | 888 | 629 | 26,585 |
| Reclassifications and other variations in the scope of consolidation | 33 | 147 | (315) (5) | (129) | - | (278) | (542) |
| Balance as of December 31, 1999 | 2,421 | 15,957 | 26,898 | 681 | 1,122 | 2,400 | 49,479 |
| Additions | 100 | 1,075 | 1,502 (1) | 152 | 12 | 1,161 | 4,002 |
| Retirements or reductions | (26) | (109) | (340) | (91) | (12) | (102) | (680) |
| Translation differences | 80 | 409 | 1,870 | 27 | 64 | 59 | 2,509 |
| Change in the method used to consolidate Gas Natural | 174 | 3,723 | - | - | 12 | 221 | 4,130 |
| Reclassifications and other variations in the scope of consolidation | (81) | 250 | 472 (6) | (27) | (255) | (673) | (314) |
| Balance as of December 31, 2000 | 2,668 | 21,305 | 30,402 | 742 | 943 | 3,066 | 59,126 |
| **ACCUMULATED DEPRECIATION, DEPLETION AND PROVISIONS** | | | | | | | |
| Balance as of December 31, 1998 | (334) | (5,700) | (2,619) | (454) | (161) | (215) | (9,483) |
| Depreciation and depletion | (51) | (690) | (794) | (51) | (25) | (55) | (1,666) |
| Retirements or reductions | 26 | 66 | 167 (2) | - | 15 | 22 | 296 |
| Net period provisions | (1) | (1) | (5) | - | - | - | (7) |
| Translation differences | (14) | (111) | (713) | (53) | (20) | (12) | (923) |
| Effect of inclusion of YPF | (246) | (2,052) | (9,097) | (36) | (495) | (72) | (11,998) |
| Reclassifications and other variations in the scope of consolidation | 4 | 27 | 100 (5) | 97 | - | (1) | 227 |
| Balance as of December 31, 1999 | (616) | (8,461) | (12,961) | (497) | (686) | (333) | (23,554) |
| Depreciation and depletion | (69) | (1,029) | (1,385) | (27) | (41) | (68) | (2,619) |
| Retirements or reductions | 8 | 104 | 316 | 67 | 9 | 16 | 520 |
| Net period provisions | - | (2) | (50) | (20) | - | (1) | (73) |
| Translation differences | (21) | (179) | (900) | (18) | (37) | (13) | (1,168) |
| Change in the method used to consolidate Gas Natural | (33) | (1,036) | - | - | (7) | (32) | (1,108) |
| Reclassifications and other variations in the scope of consolidation | 21 | 122 | (160) (6) | (17) | 114 | (15) | 65 |
| Balance as of December 31, 2000 | (710) | (10,481) | (15,140) | (512) | (648) | (446) | (27,937) |
| **Net balance at 12/31/00** (7) | **1,958** | **10,824** | **15,262** | **230** | **295** | **2,620** | **31,189** |

(1) In 1999 the “Investments in Areas with Oil Reserves” caption includes mainly investments in Latin America amounting to €372 million, in North Africa and the Middle East amounting to €148 million and in Indonesia amounting to €76 million.

In 2000 this account includes mainly investments in Latin America (€1,389 million) and in North Africa and the Middle East (€70 million).

(2) Including €648 million of gross cost and €114 million of accumulated depreciation relating to the sale of the properties of Crescendo Resources L.P. The sale did not give rise to any gain or loss for the Group.

(3) Including €4,325 million relating to the increase in value of YPF’s reserves as a result of the specific valuation made of them at the acquisition date (see note 1.d.2).

(4) Including construction in progress.

(5) Including a retirement of €498 million of gross cost and €207 million of accumulated depreciation relating to the decrease due to the exclusion from the consolidation scope of Repsol Exploration UK because at year-end the Group had undertaken to sell it (see Note 10).

(6) This account includes €256 million which are reclassified to the “Goodwill” caption because of YPF, €199 million due to the variation in 2000 in the initial valuation of the Company’s net oil and gas reserves and €60 million due to variations in YPF’s property, plant and equipment, which although recognized in 2000, had occurred before control of the company had been acquired (see Notes 1.d.2 and 7).
Also included are €285 million and €146 million of cost and accumulated depreciation, respectively, contributed by the proportional integration of BP Trinidad & Tobago LLC, and €274 million relating to the specific valuation of its assets and liabilities made, based on preliminary estimates, in the consolidation process.

(7) As of December 31, 2000 and 1999, the accumulated provision amounted to €203 million and €129 million, respectively.

The balances of nondepreciable assets, i.e. land and construction in progress, amounted to €1,078 million and €3,118 million, respectively, in 2000, and to €760 million and €2,834 million, respectively in 1999. The amounts relating to land are included in the foregoing table under the "Land, Buildings and Structures" caption, and the amounts relating to construction in progress were recorded under "Investments in Areas with Oil Reserves" (€596 million and €687 million in 2000 and 1999, respectively), "Other Exploration Costs" (€247 million and €197 million in 2000 and 1999, respectively) and "Other Tangible Fixed Assets" (€2,276 million and €1,950 million in 2000 and 1999, respectively). The most significant amount relating to construction in progress recorded under the "Other Tangible Fixed Assets" caption relates to the construction of various technical production plants in the Tarragona industrial complex (€510 million), most of which entered into service in January 2001.

€7.529 million and €5,004 million of the property, plant and equipment had been fully depreciated as of December 31, 2000 and 1999, respectively.

On December 31, 1996, most of the Spanish REPSOL YPF Group companies revalued their property, plant and equipment pursuant to Royal Decree-Law 7/1996 and paid the one-time 3% tax. Some of the Group companies had formerly revalued their assets pursuant to other enabling legislation. The 1996 revaluation was generally carried out by applying the maximum coefficients authorized by the aforementioned Royal Decree-Law with the 40% reduction.

The accounts affected by the revaluation made pursuant to Royal Decree-Law 7/1996 and the related effect, net of depreciation, as of December 31, 2000 and 1999, are as follows:

| | Millions of Euros | | | | |
|---|---|---|---|---|---|
| | Balance at 12/31/99 | Additions | Disposals | Change in the method used to consolidate Gas Natural | Balance at 12/31/00 |
| Land, buildings and other structures | 123 | (6) | (2) | 11 | 126 |
| Machinery, plant and equipment | 394 | (70) | (2) | 256 | 578 |
| Investments in oil and gas exploration and production | | | | | |
| . Investments in areas with oil reserves | 1 | | | - | 1 |
| Transport equipment | 1 | | | - | 1 |
| Other tangible fixed assets | 4 | (1) | | 1 | 4 |
| | 523 | (77) | (4) | 268 | 710 |

The revaluations made increased the net values of the property, plant and equipment by €1,496 million. The effect in shareholders' equity of the remaining undepreciated balance, net of minority interests, included in the accompanying consolidated balance sheets as of December 31, 2000 and 1999, amounted to €446 million and €449 million, respectively.

The aforementioned revaluations also increased the period depreciation charge, net of the portion attributable to minority interests, by €53 million, €63 million and €80 million in 2000, 1999 and 1998, respectively.

The “Property, Plant and Equipment” caption includes investments by the REPSOL YPF Group in administrative concessions amounting to €149 million and €156 million as of December 31, 2000 and 1999, respectively. The assets subject to the concessions must be returned to the Spanish State in good working order between 2002 and 2050.

Approximately €21,242 million and €19,519 million of the Group’s total net property, plant and equipment as of December 31, 2000 and 1999, respectively, relating mostly to oil and gas exploration and production activities, are located outside Spain.

In 2000 and 1999 REPSOL YPF recorded provisions for assets depreciation of €50 million and €5.4 million, respectively, as a result of comparing the market value or future cash flows, discounted if appropriate, from the proved and unproved (the latter being subject to a risk factor) oil and gas reserves with the net book values of the assets associated therewith.

REPSOL YPF has insured all the industrial risks to which its property, plant and equipment are subject.

As of December 31, 2000 and 1999, the Group had commitments for investments in assets totaling €225 million and €111 million, respectively.

In January 2001 REPSOL YPF and the U.S. company Apache entered into an agreement whereby REPSOL YPF would sell Apache its interests in various oil and gas exploration and production concessions in the Western Desert of Egypt. The agreement, which came into force on January 1, 2001, is subject to the approval of Egyptian authorities and the shareholders’ preferential acquisition rights. The net property, plant and equipment committed in this transaction as of December 31, 2000, amounted to €409 million, of which €404 million are classified under the “Investments in Areas with Oil Reserves” caption and €5 million are recorded under the “Other Exploration Costs” caption (see Note 26).

## (6) INVESTMENTS IN AFFILIATES AND OTHER FINANCIAL ASSETS

The detail of the balances of this caption as of December 31, 2000 and 1999, is as follows:

| | Millions of Euros | |
|---|---|---|
| 1. Investments in companies | 2000 | 1999 |
| Holdings in companies carried by the equity method: | | |
| Inversora Dock Sud, S.A. | 93 | 75 |
| Electricidad Argentina, S.A. | 83 | 82 |
| Petroquímica Bahía Blanca, S.A. I.C. | 74 | 57 |
| Refinerías del Norte, S.A. | 72 | 64 |
| Atlantic LNG | 58 | 55 |
| Oleoducto Trasandino Chile, S.A. | 43 | - |
| Oleoductos del Valle, S.A. | 41 | 37 |
| Oleoducto Trasandino Argentina, S.A. | 38 | - |
| Sociedad de Gas de Euskadi, S.A. | 35 | 14 |
| Inversora en Distribución de Entre Ríos, S.A. | 20 | 40 |
| E.S. San Blas, S.L. | 19 | 19 |
| Terminales Marítimos Patagónicos, S.A. (Termap) | 13 | 10 |
| Gas Aragón, S.A. | 10 | 5 |
| Asfaltos Españoles, S.A. | 9 | 9 |
| Gasolineras Prats, S.A. | 7 | - |
| Polisur, S.A. | 5 | 20 |
| Kromschroeder, S.A. | 5 | 2 |
| Ángel Muñoa, S.L. | 4 | 8 |
| Oiltanking Ebytem, S.A. | 3 | - |
| Sociedad Catalana de Petrolis, S.A. (Petrocat) | 2 | 4 |
| E.S. Puerto de Lumbreras, S.A. | 1 | 4 |
| Andina , S.A. | - | 106 |
| Estre, S.A. | - | 9 |
| E.S. José Rebuelta Moreno, S.A. | - | 5 |
| E.S. Zavala, S.A. | - | 4 |
| Other companies carried by the equity method | 27 | 44 |
| | 662 | 673 |
| Long-term investment securities (at cost). Equity securities: | | |
| Empresas Lipigas, S.A. | 181 | - |
| Atlantic LNG 2/3 Holdings LLC | 83 | - |
| Gasoducto del Pacífico (Argentina), S.A. | 19 | 6 |
| Terminales Canarios, S.L. | 16 | 16 |
| Bitech Petroleum Corporation | 16 | 15 |
| Proyectos Integrados Energéticos, S.A. | 12 | 12 |
| Polymed | 9 | 9 |
| Terminales Químicos, S.A. (Terquimsa) | 4 | 4 |
| Other companies | 78 | 45 |
| | 418 | 107 |
| Total investments in companies | 1,080 | 780 |
| 2. Other financial investments | | |
| Long-term financial investments | 217 | 149 |
| Long-term guarantees and deposits | 44 | 32 |
| Other financial investments | 707 | 513 |
| Total other financial investments | 968 | 694 |
| Total financial investments | 2,048 | 1,474 |

The variations in long-term financial investments in 2000 and 1999 were as follows:

| | Millions of Euros | | |
|---|---|---|---|
| | Investments in companies | Other Financial Investments | Total |
| Balance as of December 31, 1998 | 418 | 206 | 624 |
| Investment (1) | 126 | 325 | 451 |
| Retirements or reductions | (36) | (51) | (87) |
| Net period provisions | (2) | - | (2) |
| Effect of inclusion of YPF, S.A. | 135 | 176 | 311 |
| Income of investees (2) | 59 | 1 | 60 |
| Dividends distributed | (70) | - | (70) |
| Translation differences | 198 | 2 | 200 |
| Reclassifications and other variations in the scope of consolidation | (48) | 35 | (13) |
| Balance as of December 31, 1999 | 780 | 694 | 1,474 |
| Investment (1) | 315 | 186 | 501 |
| Retirements or reductions | (21) | (51) | (72) |
| Net period provisions | (7) | - | (7) |
| Change in the method used to consolidate Gas Natural | 42 | 119 | 161 |
| Income of investees (2) | 72 | - | 72 |
| Dividends distributed | (54) | - | (54) |
| Translation differences | 42 | 31 | 73 |
| Reclassifications and other variations in the scope of consolidation | (89) | (11) | (100) |
| Balance as of December 31, 2000 | 1,080 | 968 | 2,048 |

(1) The main investments in 1999 under the "Investment in companies" caption related mainly to the contribution to Inversora Dock Sud (€22 million) and to the acquisitions of Estación de Servicio San Blas, S.A. (€19 million), Estre, S.A. (€9.5 million), Estación de Servicio Ángel Muñoa (€8.4 million), Asiru, S.A. (€6.2 million), Automecánica Manchega, S.A. (€6.0 million) and other companies in which the investment made was less than €5 million.

The investments in 2000 under the same caption relate to the capital contributions to Atlantic LNG (€42 million) and Atlantic LNG 2/3 Holdings LLC (€38 million) and to the acquisitions of Gasoducto del Pacífico (€12 million), Gasolineras Prat (€7.2 million) and other companies in which investments of less than €5 million were made. It also includes €185 million paid for the acquisition of a 45% holding in Empresas Lipigas, S.A., of which €142 million relate to goodwill.

In 1999 the investments in "Other Financial Investments" relate mainly to loans to nonconsolidated companies (€74 million) and to loans to employees under the financing system known as "Repsol Garantizado" (€145 million) for the acquisition of Repsol shares (see Note 25).

In 2000 the investments in "Other Financial Investments" relate mainly to commercial loans relating to the financing of gas installations for residential customers (€86 million) and to loans to nonconsolidated companies (€31 million).

(2) In 1999 €36 million of this amount related to income contributed by YPF during the period it was carried by the equity method. This amount includes a loss of €14 million relating to the amortization of the increased value of YPF's reserves as a result of the specific valuation performed at the time of the acquisition of 14.99% of YPF in January 1999.

In 2000 this amount related to income or loss contributed by Atlantic LNG (€25 million), Petroquímica Bahía Blanca, S.A. (loss of €16 million), Oleoductos del Valle, S.A. (€15 million), Gas de Euskadi, S.A. (€6.1 million), Refinerías del Norte, S.A. (€15.8 million), Electricidad Argentina, S.A. (€5.2 million), the €17 million loss at Polisur and to the income of other companies with individual contributions of under €5 million.

The most salient information as of December 31, 2000, on the companies listed in the foregoing table of equity securities with an individual cost per books of more than €4 million is as follows:

| | | Millions of Euros | | |
|---|---|---|---|---|
| Company | Percentage of Ownership | Capital | Reserves | 2000 Income (Loss) |
| Empresas Lipigas, S.A. (1) ............................ | 45% | 96 | - | 2 |
| Atlantic LNG 2/3 Holdings LLC (2) ............ | 25% | 331 | - | - |
| Gasoducto del Pacífico, S.A. (3) .................... | 10.00% | 62 | - | 1 |
| Terminales Canarios, S.L. (4) ........................ | 50.00% | 33 | - | 1 |
| Bitech Petroleum Corporation (5) .................. | 16.82% | 75 | 10 | 5 |
| Proyectos Integrados Energéticos, S.A. (6) .... | 50.00% | 24 | - | (1) |
| Polymed (7) .................................................... | 33.33% | 25 | 11 | n.a. |
| Terminales Químicos, S.A. (Terquimsa) (8) ... | 50.00% | 1 | 7 | 1 |

(1) Chilean company, which markets LPG.
(2) Portfolio company holding shares of Atlantic LNG 2/3 Co. Trinidad y Tobago (engaging in gas supply and/or logistics).
(3) Argentine company engaging in the transportation of gas.
(4) Spanish company engaging in the logistics for aviation and marine fuel, and for fuel-oil and gas-oil for industrial uses.
(5) Canadian company engaging in the identification and development of new business opportunities in the oil and gas industry in the Russian Federation.
(6) Spanish company engaging in the performance of energy projects.
(7) Algerian company engaging in the petrochemicals marketing business.
(8) Spanish company engaging in the storage of oil products.

The "Long-Term Financial Investments" caption relates mainly to loans granted to companies consolidated by the proportional integration method which were not eliminated in consolidation, as indicated in Note 1 b. These investments earned average interest of 7.50% and 7.15% in 2000 and 1999, respectively.

The "Other Financial Investments" caption relates to trade and other loans to associated companies. The caption also includes loans to employees, relating mainly to the loans granted in connection with the capital increase that was carried out in July 1999 (see Note 11) through a public offering, whereby REPSOL YPF, with the aim of fostering employee stock ownership, granted its employees the possibility of opting for a system known as "Repsol Garantizado" (see Note 25), which combines granting employees financing on favorable terms to acquire shares with a hedge against possible drops in the REPSOL YPF share price.

As of December 31, 2000 and 1999, these financial investments mature over the next five years as follows:

| | Millions of Euros | |
|---|---|---|
| MATURING IN | 2000 | 1999 |
| 2000 ........................................................ | - | 1,373 (1) |
| 2001 ........................................................ | 1,697 (1) | 177 |
| 2002 ........................................................ | 476 | 206 |
| 2003 ........................................................ | 110 | 60 |
| 2004 ........................................................ | 89 | 53 |
| 2005 ........................................................ | 56 | 56 |
| Subsequent years | 237 | 142 |
| | 2,665 | 2,067 |

(1) These amounts include short-term financial investments (see Note 10).

## (7) GOODWILL

The detail, by investee, of the "Goodwill" caption as of December 31, 2000 and 1999, is as follows:

| | Millions of Euros | |
|---|---|---|
| | 2000 | 1999 |
| Companies consolidated by the global integration method | | |
| YPF, S.A. | 4,036 | 3,601 |
| Eg3, S.A. (1) | - | 102 |
| Gas Natural SDG, S.A. | 114 | - |
| Refinería La Pampilla, S.A. | 63 | 63 |
| Repsol YPF Comercial del Perú, S.A. (2) | 56 | 55 |
| Comercializadora Metrogas, S.A. | 51 | - |
| Repsol Gas, S.A. (before Algas, S.A.) | 28 | 28 |
| YPF Gas, S.A. | 19 | 24 |
| Duragás, S.A. | 20 | 19 |
| Dispal, S.A. | 14 | 13 |
| Gas Natural México, S.A. de C.V. | 11 | - |
| Gas Navarra, S.A. | 6 | - |
| Compañía Logística de Hidrocarburos CLH, S.A. | 4 | 5 |
| La Pampa, S.A. | - | 5 |
| Maleic, S.A. | - | 5 |
| National Gaz, S.A. | 4 | 4 |
| Alvisa, S.A. | - | 2 |
| Companies consolidated by the proportional integration method | | |
| Compañía Distribuidora de Gas do Río de Janeiro | 102 | 52 |
| Gas Natural, S.A. ESP | 58 | 28 |
| Andina, S.A. | 27 | - |
| Gas Argentino, S.A. | 20 | 26 |
| Riogás, S.A. | 38 | 19 |
| Global Companies LLC | 13 | 13 |
| Gas Natural del Oriente, S.A. | 11 | 5 |
| Refinaria de Petróleos de Manguinhos, S.A. and investees | 3 | 3 |
| Gas Navarra, S.A. | - | 4 |
| Companies carried by the equity method | | |
| Petroquímica Bahía Blanca, SAIC | 21 | 23 |
| Electricidad Argentina, S.A. | 7 | 7 |
| Sucar, S.A. | 3 | 4 |
| Refinerías del Norte, S.A. | 2 | 2 |
| Limagás, S.A. | 2 | 2 |
| Refinería San Lorenzo, S.A. (Refisán) | - | 36 |
| | 4,733 | 4,150 |

(1) As of December 31, 2000, Eg3, S.A. was excluded from the scope of consolidation since as of year-end the Group had agreed to sell it. The unamortized goodwill was recorded under the "Temporary cash investments" caption (see Notes 1.d.3 and 10).

(2) In November 1999 the Group reorganized its holdings in Peru, giving rise to Repsol YPF Comercial del Perú, S.A., which included Solgas, S.A., Corpetrol, S.A. and YPF Perú, S.A.

The variations in 2000 and 1999 in this caption in the accompanying consolidated balance sheets were as follows:

| | Millions of Euros | |
|---|---|---|
| | 2000 | 1999 |
| Beginning balance | 4,150 | 420 |
| Additions (1) | 107 | 31 |
| Effect of inclusion of YPF, S.A. (2) | - | 3,665 |
| Change in the method of consolidation of Gas Natural | 132 | - |
| Amortization (3) | (270) | (132) |
| Retirements (4) | (37) | - |
| Translation differences | 329 | 174 |
| Reclassifications and other variations in the scope of consolidation (5) | 322 | (8) |
| Ending balance | 4,733 | 4,150 |

(1) The 2000 additions relate mainly to Gas Natural SDG, S.A. (€120 million) and Servicio de Energía de México, S.A. (€4.5 million). The 1999 additions relate, inter alia, to the goodwill of Eg3, S.A. (€9.9 million), Solgas, S.A. (€8.7 million) and La Pampa, S.A. (€4.8 million).

(2) Including €3,580 million relating to the positive difference between the price paid and the underlying book value in proportion to the percentage of ownership, per YPF's balance sheet, adjusted for the valuation of its oil and gas reserves.

(3) Including €213 million and €99 million of amortization of goodwill of YPF in 2000 and 1999, respectively.

(4) Relating to the goodwill of Refinería San Lorenzo, S.A., which was sold in 2000.

(5) Including €355 million relating to the increase in goodwill of YPF, €199 million due to the reduction recorded in 2000 in the initial valuation of the company's net oil and gas reserves and €156 million due to variations in YPF's equity accounts, which although recognized in 2000, were due to circumstances which occurred prior to the acquisition of control of the company (see Notes 1.d.2 , 5 and 25).

## (8) DEFERRED EXPENSES

The detail of the balances of this caption in the accompanying consolidated balance sheets as of December 31, 2000 and 1999, and of the variations therein in the years then ended is as follows:

| | Millions of Euros | | | | |
|---|---|---|---|---|---|
| | Cost of Reflagging Service Stations | Exclusive Supply Contracts | Deferred Charges on Debts | Other Deferred Expenses | Total |
| Balance as of December 31, 1998 | 88 | 62 | 16 | 37 | 203 |
| Capitalized costs | 21 | 9 | 29 | 19 | 78 |
| Amortization | (24) | (15) | (20) | (35) | (94) |
| Retirements | (2) | - | - | (3) | (5) |
| Effect of inclusion of YPF | 49 | - | 48 | 110 | 207 |
| Translation differences | 3 | 1 | 5 | 4 | 13 |
| Reclassifications and other variations | - | - | - | 13 | 13 |
| Balance as of December 31, 1999 | 135 | 57 | 78 | 145 | 415 |
| Capitalized costs (1) | 21 | 4 | 19 | 134 | 178 |
| Amortization | (29) | (16) | (30) | (35) | (110) |
| Retirements | (2) | - | (1) | (6) | (9) |
| Change in the method used to consolidate Gas Natural | - | - | - | 8 | 8 |
| Translation differences | 4 | - | 6 | 12 | 22 |
| Reclassifications and other variations | (1) | (4) | - | (18) | (23) |
| Balance as of December 31, 2000 | 128 | 41 | 72 | 240 | 481 |

(1) The "Other Deferred Expenses" column includes a balance of €85 million relating to the start-up expenses of various chemicals production plants in the Tarragona industrial complex (see Note 5).

## (9) INVENTORIES

The detail of the "Inventories" caption as of December 31, 2000 and 1999, is as follows:

| | | Millions of Euros | | |
|---|---|---|---|---|
| | | Cost | Write Down | Carrying Value |
| 2000 | Crude oil and natural gas | 966 | (45) | 921 |
| | Finished and semifinished products | 1,397 | (28) | 1,369 |
| | Supplies and other inventories | 378 | (8) | 370 |
| | | 2,741 | (81) | 2,660 |
| 1999 | Crude oil and natural gas | 654 | (1) | 653 |
| | Finished and semifinished products | 981 | (1) | 980 |
| | Supplies and other inventories | 310 | (8) | 302 |
| | | 1,945 | (10) | 1,935 |

Royal Decree 2111/94, which came into force on December 8, 1994, regulates the obligation to maintain minimum safety reserves of oil products and also created Corporación de Reservas Estratégicas de Productos Petrolíferos. The Royal Decree defines who must maintain these safety reserves and the quantity thereof, specifying that they can be calculated at consolidated level. In this respect, as of December 31, 2000, the REPSOL YPF Group had met the minimum safety reserve requirements established by the Royal Decree through the Spanish companies included in the Group.
Also, in accordance with current legislation (Royal Decree 1085/1992), Repsol Butano, S.A. must have stored, and does have stored, the necessary LPG inventories to ensure that demand for gas can be met for a period of 30 days.

REPSOL YPF's product purchase and sale futures as of December, 2000 and 1999, are disclosed in Note 25.

## (10) TEMPORARY CASH INVESTMENTS

The detail of this caption as of December 31, 2000 and 1999 is as follows:

| | Millions of Euros | |
|---|---|---|
| | 2000 | 1999 |
| Temporary cash investments | 1,681 | 1,350 |
| Accrued interest | 16 | 23 |
| TOTAL | 1,697 | 1,373 |

The balance of this caption relates to circumstantial cash surpluses deposited at finance entities. These investments earned interest of approximately 5.38% and 3.5% in 2000 and 1999, respectively.

In 1999 the caption includes €217 million of assets relating to the second tranche of the sale of Crescendo Resources L.P.'s properties, which were valued at their estimated net realizable value at year-end, and €150 million relating to the net book value of Repsol Exploration UK Ltd., a company that REPSOL YPF had undertaken at year-end to sell (see Note 1.d.3).

In 2000 the caption includes €358 million relating to the shareholders' equity and goodwill of Eg3, S.A., an investee of Astra CAPSA, which was excluded from consolidation because at year-end, the Group had undertaken to sell it in exchange for Petrobras assets (see Notes 1.d.3 and 26).

## (11) SHAREHOLDERS' EQUITY

The detail of the balances of this caption as of December 31, 2000, 1999 and 1998, and of the variations therein in the years then ended is as follows:

| 1998 | Capital Stock | Paid-in Surplus | Other Reserves of the Parent Company: Legal Reserve | Restatement Reserves | Voluntary Reserves | Reserves at Consolidated Companies | Translation Differences | Income for the Period | Interim Dividend | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | Millions of Euros | | | | | | | | | |
| Balance as of December 31, 1997 | 902 | 687 | 180 | 3 | 1,109 | 2,015 | 63 | 758 | (160) | 5,557 |
| Distribution of 1997 income: | | | | | | | | | | |
| Interim dividend | - | - | - | - | - | - | - | (160) | 160 | - |
| Supplementary dividend | - | - | - | - | - | - | - | (200) | - | (200) |
| Voluntary reserves | - | - | - | - | 23 | 375 | - | (398) | - | - |
| Translation differences and other | - | - | - | - | - | 6 | (22) | - | - | (16) |
| Net income for the year | - | - | - | - | - | - | - | 875 | - | 875 |
| Interim dividend | - | - | - | - | - | - | - | - | (173) | (173) |
| Balance as of December 31, 1998 | 902 | 687 | 180 | 3 | 1,132 | 2,396 | 41 | 875 | (173) | 6,043 |

| 1999 | Millions of Euros | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Other Reserves of the Parent Company | | | | | | | | |
| | Capital Stock | Paid-in Surplus | Legal Reserve | Restatement Reserve | Reserve for Adjustment to Euros | Voluntary Reserves | Reserves at Consolidated Companies | Translation Differences | Income for the Period | Interim Dividend | Total |
| Balance as of December 31, 1998 | 902 | 687 | 180 | 3 | - | 1,132 | 2,396 | 41 | 875 | (173) | 6,043 |
| Capital increase | 288 | 5,377 | - | - | - | - | - | - | - | - | 5,665 |
| Redenomination in euros | (2) | - | - | - | 2 | - | - | - | - | - | - |
| Distribution of 1998 income: | | | | | | | | | | | |
| Interim dividend | - | - | - | - | - | - | - | - | (173) | 173 | - |
| Supplementary dividend | - | - | - | - | - | - | - | - | (224) | - | (224) |
| Voluntary reserves | - | - | - | - | - | 76 | 402 | - | (478) | - | - |
| Translation differences and other | - | - | - | - | - | - | 13 | 208 | - | - | 221 |
| Net income for the year | - | - | - | - | - | - | - | - | 1,011 | - | 1,011 |
| Interim dividend | - | - | - | - | - | - | - | - | - | (190) | (190) |
| Balance as of December 31, 1999 | 1,188 | 6,064 | 180 | 3 | 2 | 1,208 | 2,811 | 249 | 1,011 | (190) | 12,526 |

| 2000 | Capital Stock | Paid-in Surplus | Other Reserves of the Parent Company: Legal Reserve | Restatement Reserve | Reserve for Adjustment to Euros | Voluntary Reserves | Reserves at Consolidated Companies | Translation Differences | Income for the Period | Interim Dividend | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Millions of Euros | | | | | | | | | | |
| Balance as of December 31, 1999 | 1,188 | 6,064 | 180 | 3 | 2 | 1,208 | 2,811 | 249 | 1,011 | (190) | 12,526 |
| Capital increase | 33 | 364 | - | - | - | - | - | - | - | - | 397 |
| Distribution of 1999 income: | | | | | | | | | | | |
| Legal reserve | - | - | 44 | - | - | - | - | - | (44) | - | - |
| Interim dividend | - | - | - | - | - | - | - | - | (190) | 190 | - |
| Supplementary dividend | - | - | - | - | - | - | - | - | (309) | - | (309) |
| Voluntary reserves | - | - | - | - | - | (99) | 567 | - | (468) | - | - |
| Translation differences and other | - | - | - | - | - | - | 19 | 313 | - | - | 332 |
| Net income for the year | - | - | - | - | - | - | - | - | 2,429 | | 2,429 |
| Interim dividend | - | - | - | - | - | - | - | - | - | (232) | (232) |
| Balance as of December 31, 2000 | 1,221 | 6,428 | 224 | 3 | 2 | 1,109 | 3,397 | 562 | 2,429 | (232) | 15,143 |

Capital stock

As of December 31, 2000, the capital stock consisted of 1,220,863,463 fully subscribed and paid shares of €1 par value each, all listed on the Spanish (continuous market), New York and Buenos Aires Stock Exchanges.

On March 3, 1999, Repsol, S.A. redenominated its capital stock in Euros, following which the par value of the Company's shares, which had been Ptas. 500 each, became approximately €3.005 each.

Subsequently, pursuant to Law 46/1998 on the introduction of the Euro, on April 19, 1999, capital was reduced by €1,518,156.58 with a credit to a restricted reserve in order to round the par value of the shares down to €3 each. On the same date, the par value of the shares was divided by three, following which, the capital stock consisted of 900 million shares of €1 par value each.

On June 5, 1999, the Extraordinary Shareholders' Meeting approved two capital increases on the following terms:

- The first capital increase on July 7, 1999, amounted to €240 million, through the issuance of 240 million common shares of €1 par value each. The additional paid-in capital recorded in relation to this increase was €4,468 million.

- The second capital increase on July 19, 1999, amounted to €48 million, through the issuance of 48 million common shares of €1 par value each and additional paid-in capital of €909 million.

On June 28, 2000, the General Shareholders' Meeting approved three capital increases on the following terms:

- The first of a maximum par value of €24,847,088, through the issuance of 24,847,088 new common shares of €1 par value each and additional paid-in capital of €11 each, for delivery to and subscription by the shareholders with voting rights at the Argentine company Astra Compañía Argentina de Petróleo, S.A. who accept REPSOL YPF, S.A. tender offer for these shares, subject to the outcome of the tender offer.

- The second of a maximum par value of €15,266,670, through the issuance of 15,266,670 new common shares of €1 par value each and additional paid-in capital of €11 each, for delivery to and subscription by the holders of shares with voting rights issued by YPF, S.A. who accept REPSOL YPF, S.A. tender offer for these shares, subject to the outcome of the tender offer.

- The third of a maximum par value of €522,871, through the issuance of 522,871 new common shares of €1 par value each and additional paid-in capital of €18.70 each, for delivery to and subscription by the shareholders with voting rights at the Spanish company Repsol Comercial de Productos Petrolíferos, S.A. who accept REPSOL YPF, S.A. private tender offer for these shares, subject to the outcome of the private tender offer.

As a result of the first offering, 24,342,464 shares of REPSOL YPF, S.A. shares were issued and exchanged for 18,256,848 shares of Astra (four REPSOL YPF, S.A. shares for every three Astra shares), which increased the holding in Astra to 99.4%. This capital increase amounted to €292 million and was registered on September 8.

The tender offer relating to YPF was registered on September 11 and took place through the issuance of 8,166,114 shares of REPSOL YPF, S.A. which were exchanged for 4,083,057 shares of YPF (two REPSOL YPF, S.A. shares for every YPF share). This transaction increased the holding in YPF to 99%. This capital increase amounted to €98 million.

The private tender offer for the shares of Repsol Comercial de Productos Petrolíferos, S.A. was registered on December 19 and involved the issuance of 354,885 shares of REPSOL YPF which were exchanged for 591,475 shares of Repsol Comercial de Productos Petrolíferos, S.A. (three REPSOL YPF, S.A. shares for every five Repsol Comercial de Productos Petrolíferos, S.A. shares). As of December 31 this company was 97% owned by REPSOL YPF. This capital increase amounted to €7 million.

On June 28, 2000, the General Shareholders' Meeting authorized the Board of Directors to issue, over a period of one year, debentures or bonds convertible into new shares of REPSOL YPF, S.A. or exchangeable for existing shares of REPSOL YPF, S.A., up to a maximum amount of €2,000 million or the equivalent in another foreign currency. Also, on June 6, 1997, the Shareholders' Meeting resolved to empower the Board of Directors to issue, over a maximum period of five years, debentures convertible into and/or exchangeable for Company shares up to a maximum amount of Ptas. 150,000 million (€902 million). As of December 31, 2000, these authorizations had not been used.

The Company's bylaws limit the maximum number of votes that any single shareholder or companies belonging to the same Group may exercise at the Shareholders' Meeting to 10% of the voting stock.

The most significant holdings in REPSOL YPF, S.A. of which the Company is aware are as follows:

| | Percentage of Ownership |
|---|---|
| CAIXA | 10.03 (1) |
| BBVA | 9.78 |
| Repinves | 5.94 |
| Pemex | 5.00 |

(1) 2.33% through Repinves

Paid-in surplus

The revised Corporations Law expressly permits the use of the additional paid-in surplus balance to increase capital and establishes no specific restrictions as to its use.

Legal reserve

Under the revised Corporations Law, 10% of net income for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of capital stock. The legal reserve can be used to increase capital, provided that the remaining reserve balance does not fall below 10% of the increased capital stock amount. Otherwise, until the legal reserve exceeds 20% of capital stock, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

This reserve, in the case of REPSOL YPF, S.A.'s subsidiaries, is recorded under the "Reserves in Consolidated Companies" caption".

Restatement reserve

The balance of the "Restatement Reserve Royal Decree-Law 7/1996" account can be used, free of tax, to offset recorded losses (both prior years´ accumulated losses and current year losses) or losses which might arise in the future, and to increase capital stock. From January 1, 2007, the balance of this account can be transferred to unrestricted reserves provided the related monetary surplus has been realized. The distribution of this reserve would give rise to dividend double taxation tax credits. The surplus will be deemed to have been realized in respect of the portion on which depreciation has been taken for accounting purposes or when the revalued assets have been transferred or retired from the accounting records.

If this balance were used in a manner other than that provided for in Royal Decree-Law 7/1996, it would be subject to tax.

This reserve, in the case of REPSOL YPF, S.A.'s subsidiaries, is recorded under the "Reserves in Consolidated Companies" caption.

Dividends

The interim dividend paid out of 2000, 1999 and 1998 income relates to the gross dividend per share distributed by REPSOL YPF, S.A. In 2000 it amounted to €232 million (€0.19 gross per share based on the 1,220,863,463 shares which currently compose REPSOL YPF's capital stock). In 1999 it amounted to €190 million (€0.16 gross per share based on the 1,188 million shares composing REPSOL YPF's capital stock as of the date of payment of the dividend). In 1998 it amounted to €173 million (€0.53 gross per share based on the 300 million shares composing REPSOL YPF's capital stock as of the date of payment of the dividend).
The supplementary dividend for 1999 and 1998 approved by the General Shareholders' Meeting of REPSOL YPF, S.A., amounted to €309 million (€0.26 gross per share based on the 1,188 million shares composing REPSOL YPF's capital stock as of the date of payment of the dividend) and to €224 million (0,25 gross per share based on the 900 million shares composing REPSOL YPF's capital stock as of the date of payment of the dividend).

The proposed distribution of REPSOL YPF, S.A.'s 2000 income that will be submitted for approval by the next General Shareholders' Meeting will include a supplementary dividend for 2000 of €378 million (€0.31 gross per share based on the 1,220,863,463, million shares which currently compose REPSOL YPF's capital stock), payable after July 12, 2001.

Based on the accounting statement prepared and its unused credit lines, as of the date on which the interim dividend was approved, the Company had sufficient liquidity to distribute the interim dividend pursuant to Articles 194.3 and 216 of the revised Corporations Law.

The detail, by subgroup, of the balances of "Reserves at Consolidated Companies" and "Translation Differences" as of December 31, 2000, 1999 and 1998, is as follows:

| | Millions of Euros | |
|---|---|---|
| | Translation Differences | Reserves in Consolidated Companies |
| 2000 | | |
| Repsol Petróleo Subgroup | - | 165 |
| Repsol Exploración Subgroup | 12 | 305 |
| Repsol Química Subgroup | (1) | 22 |
| Repsol Butano Subgroup | - | 56 |
| CLH Subgroup | - | 320 |
| Petronor Subgroup | - | 91 |
| Repsol Comercial Subgroup | - | 977 |
| Gas Natural Subgroup | 3 | 878 |
| YPF Subgroup | 474 | 140 |
| Astra Subgroup | (17) | 217 |
| Other subsidiaries and consolidated adjustments | 91 | 225 |
| Total | 562 | 3,396 |
| 1999 | | |
| Repsol Petróleo Subgroup | - | 172 |
| Repsol Exploración Subgroup | 41 | 248 |
| Repsol Química Subgroup | 2 | 18 |
| Repsol Butano Subgroup | - | 56 |
| CLH Subgroup | - | 311 |
| Petronor Subgroup | - | 84 |
| Repsol Comercial Subgroup | - | 883 |
| Gas Natural Subgroup | 16 | 716 |
| YPF Subgroup | 144 | - |
| Astra Subgroup | 4 | 210 |
| Other subsidiaries and consolidated adjustments | 42 | 113 |
| Total | 249 | 2,811 |
| 1998 | | |
| Repsol Petróleo Subgroup | - | 197 |
| Repsol Exploración Subgroup | 27 | 272 |
| Repsol Química Subgroup | 1 | 13 |
| Repsol Butano Subgroup | - | 56 |
| CLH Subgroup | - | 307 |
| Petronor Subgroup | - | 80 |
| Repsol Comercial Subgroup | - | 765 |
| Gas Natural Subgroup | - | 603 |
| Astra Subgroup | - | 11 |
| Amount transferred to Repsol, S.A. (Parent Company) | - | (35) |
| Other subsidiaries and consolidated adjustments | 13 | 127 |
| Total | 41 | 2,396 |

The “Reserves in Consolidated Companies” caption includes €2,143 million and €1,599 million of restricted reserves in 2000 and 1999, respectively.

Following is a detail of the Group companies whose shares were listed as of December 31, 2000:

| Company | Number of Shares Listed | Percentage of Capital Stock Listed | Stock Exchange | Year-End Value | Last Quarter Value | Currency |
|---|---|---|---|---|---|---|
| Compañía Logística de Hidrocarburos CLH, S.A. | 1,779,049 | 2.54% | Spanish Stock Market | 34.00 | 33.78 | Euros |
| Gas Natural SDG, S.A. | 447,776,028 | 100% | Spanish continuous market | 19.40 | 19.57 | Euros |
| Repsol YPF, S.A. | 1,220,863,463 | 100% | Spanish continuous market | 17.02 | 19.13 | Euros |
| | | | Buenos Aires | 15.85 | 16.57 | Argentine Pesos |
| | | | New York | 16.13 | 16.63 | U.S. Dollars |
| Astra CAPSA | 58,000,000 | 100% | Buenos Aires | 1.85 | 1.66 | Argentine Pesos |
| YPF | 353,000,000 | 100% | New York | 29.94 | 30.90 | U.S. Dollars |
| | | | Buenos Aires | 29.40 | 30.72 | Argentine Pesos |

## (12) MINORITY INTERESTS

The detail of this caption as of December 31, 2000 and 1999, is as follows:

1999

| | Millions of Euros | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Preferred Shares | Astra | CLH | Repsol YPF Perú, BV | Invergás | Petronor | YPF, S.A. | Other | Total |
| Equity in: | | | | | | | | | |
| Capital stock | 720 | 302 | 34 | 128 | 54 | 15 | 123 | 33 | 1,409 |
| Reserves | - | 32 | 199 | 4 | 3 | 35 | 77 | 41 | 391 |
| Income | 51 | 17 | 49 | 17 | 9 | 8 | 19 | 5 | 175 |
| Interim dividend | (51) | - | (35) | (10) | - | (7) | (2) | - | (105) |
| | 720 | 351 | 247 | 139 | 66 | 51 | 217 | 79 | 1,870 |

2000

| | Millions of Euros | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Preferred Shares | Astra | CLH | Repsol YPF Perú, BV | Invergás | Gas Natural | Petronor | YPF, S.A. | Other | Total |
| Equity in: | | | | | | | | | | |
| Capital stock | 772 | 91 | 34 | 124 | 119 | 283 | 15 | 38 | 13 | 1,489 |
| Reserves | (1) | (16) | 197 | 8 | 18 | 1,377 | 36 | 13 | 31 | 1,663 |
| Income | 59 | 22 | 46 | 7 | 31 | 260 | 24 | 43 | (4) | 488 |
| Interim dividend | (58) | - | (39) | (2) | - | - | (19) | - | - | (118) |
| | 772 | 97 | 238 | 137 | 168 | 1,920 | 56 | 94 | 40 | 3,522 |

The variations in this caption in 2000 and 1999 were as follows:

| | Millions of Euros | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Preferred Shares | Astra | CLH | Repsol YPF Perú, BV | Invergás | Petronor | YPF | Other | Total |
| Balance as of December 31, 1998 | 619 | 317 | 249 | 158 | 59 | 50 | - | 61 | 1,513 |
| Effect of inclusion of YPF (1) | - | - | - | (42) | - | - | 197 | - | 155 |
| Income for the period | 51 | 17 | 49 | 17 | 9 | 8 | 19 | 5 | 175 |
| Dividends paid during the year | (51) | (6) | (50) | (20) | (13) | (8) | (4) | (1) | (153) |
| Translation differences | 101 | 50 | - | 23 | 11 | - | 5 | (2) | 188 |
| Reclassifications and other variations | - | (27) | (1) | 3 | - | 1 | - | 16 | (8) |
| Balance as of December 31, 1999 | 720 | 351 | 247 | 139 | 66 | 51 | 217 | 79 | 1,870 |

(1) The amount recorded in the REPSOL YPF Perú, BV column relates to the 25.5% holding YPF had in Refinadores del Perú, S.A. as of the acquisition date.

| | Millions of Euros | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Preferred Shares | Astra | CLH | Repsol YPF Perú, BV | Invergás | Gas Natural | Petronor | YPF | Other | Total |
| Balance as of December 31, 1999 | 720 | 351 | 247 | 139 | 66 | - | 51 | 217 | 79 | 1,870 |
| Change in method used to consolidate Gas Natural | - | - | - | - | 81 | 1,755 | - | - | - | 1,836 |
| Variations in percentages of ownership | - | (315) | - | (12) | - | (44) | - | (176) | (6) | (553) |
| Income for the period | 59 | 22 | 46 | 7 | 31 | 260 | 24 | 43 | (5) | 487 |
| Dividends paid during the year | (58) | (7) | (55) | (9) | (21) | (62) | (19) | (12) | - | (243) |
| Translation differences | 51 | 45 | - | 9 | 10 | (15) | - | 19 | - | 119 |
| Reclassifications and other variations | - | 1 | - | 3 | 1 | 26 | - | 3 | (28) | 6 |
| Balance as of December 31, 2000 | 772 | 97 | 238 | 137 | 168 | 1,920 | 56 | 94 | 40 | 3,522 |

Preferred shares

In October 1997 the REPSOL YPF Group, through its subsidiary Repsol International Capital, issued preferred shares of this company amounting to US$ 725 million under the following terms:

- Annual dividend : 7.45%, payable quarterly.
- Term : perpetual, with the option for the issuer of early redemption from the fifth year at face value.
- Guarantee : subordinated REPSOL YPF, S.A. guarantee.
- Remuneration : payment of preferred dividends is conditional upon the obtainment of consolidated income or upon the payment of dividends on common shares. If no dividend is accrued, there is no subsequent obligation to pay it.

Associated with this preferred share issue, REPSOL YPF sold options on an interest rate swap (see Note 25).

## (13) NEGATIVE GOODWILL

The detail, by company, of the negative goodwill as of December 31, 2000 and 1999, is as follows:

| | Millions of Euros | |
|---|---|---|
| | 2000 | 1999 |
| Enagás, S.A. (1) | 11 | 5 |
| Central Térmica San Miguel de Tucumán, S.A. | 2 | 2 |
| | 13 | 7 |

(1) The variation was due to the change in the method used to consolidate Gas Natural SDG, S.A.

The variations in 2000 and 1999 in this caption in the accompanying consolidated balance sheets were as follows:

| | Millions of Euros | |
|---|---|---|
| | 2000 | 1999 |
| Beginning balance | 7 | 34 |
| Change in the method of consolidation of Gas Natural | 6 | - |
| Applied to income (1) | - | (27) |
| Ending balance | 13 | 7 |

(1) The negative goodwill allocated to income in 1999 has been realized since the circumstances envisaged in Article 25.3-a of Royal Decree 1815/1991 were met.

## (14) SUBSIDIES AND DEFERRED REVENUES

The detail of the main items under this caption in the accompanying consolidated balance sheets as of December 31, 2000 and 1999, is as follows:

| | Millions of Euros | |
|---|---|---|
| | 2000 | 1999 |
| Subsidies received | | |
| Research and development projects | 1 | 2 |
| Pipelines and storage facilities construction | 17 | 19 |
| Gas network construction | 454 | 185 |
| Other subsidies | 54 | 42 |
| Subtotal | 526 | 248 |
| Deferred revenues | | |
| Revenues from the assignment of gas pipeline transport rights | 79 | 39 |
| Deferred revenues on property, plant and equipment received for no consideration | 139 | 55 |
| Revenues from new connections and branch lines | 68 | 28 |
| Indemnities for the compulsory relocation of the gas network | 45 | 18 |
| Premium on preferred share option | 62 | 65 |
| Other deferred revenues | 20 | 26 |
| Subtotal | 413 | 231 |
| TOTAL | 939 | 479 |

The variations in this caption in 2000 and 1999 were as follows:

| | Millions of Euros | | |
|---|---|---|---|
| | Subsidies | Other Deferred Revenues | Total |
| Balance As of December 31, 1998 | 211 | 221 | 432 |
| Financing received (1) | 50 | 24 | 74 |
| Subsidies credited to income | (12) | (35) | (47) |
| Translation differences | - | 17 | 17 |
| Reclassifications and variations in scope of consolidation | (1) | 4 | 3 |
| Balance As of December 31, 1999 | 248 | 231 | 479 |
| Financing received (2) | 87 | 34 | 121 |
| Subsidies credited to income | (33) | (26) | (59) |
| Change in method used to consolidate Gas Natural | 224 | 170 | 394 |
| Translation differences | - | 15 | 15 |
| Reclassifications and variations in scope of consolidation | - | (11) | (11) |
| Balance As of December 31, 2000 | 526 | 413 | 939 |

(1) The 1999 subsidies were received by Repsol Petróleo for the construction of the Cartagena-Puertollano pipeline and by the Gas Natural Group for the construction of its gas infrastructure.

(2) In 2000 the subsidies were received mainly by Repsol Petróleo (€17 million) for the construction of the Cartagena-Puertollano pipeline and by the Gas Natural Group for the construction of its gas infrastructure (€65 million).

## (15) LONG-TERM LIABILITIES

The detail of the balance of this caption as of December 31, 2000, 1999 and 1998, and of the variations therein in 2000, 1999 and 1998 is as follows:

| | Millions of Euros | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Pensions Costs | Provision for Labor Force Restructuring | Tanker Repairs | Dismantling of Fields | Commitments and Contingent Liabilities | Reversion Reserves | Other Provisions | Total |
| Balance as of December 31, 1997 | 182 | 39 | 7 | 34 | 175 | 38 | 112 | 587 |
| Period provisions charged to income | 30 | 29 | 2 | 4 | 35 | 4 | 78 | 182 |
| Disposals | - | - | - | (1) | - | - | - | (1) |
| Allowance released with a credit to income | - | - | - | - | (20) | (10) | (13) | (43) |
| Amount used | (8) | (17) | (2) | - | (14) | (1) | (4) | (46) |
| Variations in scope of consolidation | (1) | - | - | - | (1) | - | 2 | 0 |
| Translation differences | (1) | - | - | (1) | - | - | (2) | (4) |
| Reclassifications and transfers | (6) | 3 | - | - | 1 | - | - | (2) |
| Balance as of December 31, 1998 | 196 | 54 | 7 | 36 | 176 | 31 | 173 | 673 |
| Period provisions charged to income | 14 | 22 | 3 | 8 | 30 | 5 | 40 | 122 |
| Allowance released with a credit to income | (1) | - | (1) | - | (6) | - | (12) | (20) |
| Allowance released due to payment | (51) | (7) | (2) | (1) | (2) | - | (38) | (101) |
| Effect of inclusion of YPF | 36 | - | - | 111 | - | - | 281 | 428 |
| Translation differences | 4 | 1 | - | 5 | - | - | 12 | 22 |
| Reclassifications and other variations in the scope of consolidation | (23) | (12) | - | (3) | 18 | - | (5) | (25) |
| Balance as of December 31, 1999 | 175 | 58 | 7 | 156 | 216 | 36 | 451 | 1,099 |
| Period provisions charged to income (1) | 17 | 101 | 4 | 11 | 132 | 3 | 165 | 433 |
| Allowance released with credit to income | (4) | - | - | - | (40) | - | (44) | (88) |
| Allowance released due to payment (2) | (128) | (20) | (1) | (2) | (1) | (1) | (69) | (222) |
| Change in method used to consolidate Gas Natural | 37 | - | - | - | 74 | - | 36 | 147 |
| Translation differences | 4 | - | - | 9 | (1) | - | 37 | 49 |
| Reclassifications and other variations in the scope of consolidation | (22) | 1 | - | (10) | 53 | - | 136 | 158 |
| Balance as of December 31, 2000 | 79 | 140 | 10 | 164 | 433 | 38 | 712 | 1,576 |

(1) The balance of the "Other Provisions" caption includes €55 million of provisions charged to extraordinary income (see Note 19) and €110 million of provisions charged to operating income, which include most notably the insurance reserves (€47 million), provisions for environmental contingencies (€11 million) and provisions for plant shutdowns (€22 million).

(2) The release of the provision for pensions relates mainly to the payments made to externalize the provisions of CLH (€66 million) and of Gas Natural SDG, S.A. (€59 million). (See Note 2.l ).

The "Other Provisions" caption includes mainly technical reserves for insurance, provisions for environmental contingencies, provisions for litigation in progress and other provisions for future contingencies.

## (16) TAX MATTERS

Since 1988 REPSOL YPF, S.A. has been taxed on a consolidated basis with certain Group companies. The consolidated tax group comprised 37 companies in 2000, of which the major companies in terms of net sales were as follows: REPSOL YPF, S.A., Repsol Petróleo, S.A., Repsol Química. S.A., Repsol Butano, S.A., Repsol Distribución, S.A., Repsol Productos Asfálticos, S.A., Repsol Derivados, S.A., and Repsol Exploración, S.A.

In 1999 a new consolidated tax group was created, the controlling company of which is Repsol Comercial de Productos Petrolíferos, S.A. In 2000 this company filed consolidated tax returns with 47 subsidiaries, the most significant of which in terms of sales are as follows: Repsol Comercial de Productos Petrolíferos, S.A. and Campsa Estaciones de Servicio, S.A.

The detail of the deferred tax assets and liabilities as of December 31, 2000 and 1999, is as follows:

| | Millions of Euros | |
|---|---|---|
| | 2000 | 1999 |
| Deferred tax assets | | |
| Provision for pension allowances | 51 | 44 |
| Provision for personnel restructuring plans | 54 | 21 |
| Depreciation for accounting purposes in excess of depreciation for tax purposes | 41 | 70 |
| Accounting basis for bad debt allowances in excess of tax basis | 97 | 72 |
| Tax loss carryforwards | 60 | 40 |
| Provisions for other items | 252 | 168 |
| Other deferred tax assets | 153 | 49 |
| | 708 | 464 |
| Deferred tax liabilities | | |
| Accounting basis for depreciation of property in excess of tax basis | 671 | 648 |
| Deferred taxes arising from reinvestment of profit in new tangible assets | 89 | 69 |
| Tax basis on financial expenses in excess of accounting basis as a consequence of hedging operations | 54 | 53 |
| Other deferred tax liabilities | 204 | 149 |
| | 1,018 | 919 |

The variations in the deferred tax assets and liabilities in 2000 and 1999 were as follows:

| | Millions of Euros | | |
|---|---|---|---|
| | Deferred tax assets | Deferred tax liabilities | NET |
| Balance as of December 31, 1998 | 168 | (325) | (157) |
| Decrease during the period | (47) | 38 | (9) |
| Increase during the period | 71 | (102) | (31) |
| Effect of inclusion of YPF | 242 | (507) | (265) |
| Reclassifications and other variations in scope of consolidation | 30 | (23) | 7 |
| Balance as of December 31, 1999 | 464 | (919) | (455) |
| Decrease during the period | (161) | 46 | (115) |
| Increase during the period | 327 | (51) | 276 |
| Change in method used to consolidate Gas Natural | 36 | (15) | 21 |
| Reclassifications and other variations in scope of consolidation (*) | 42 | (79) | (37) |
| Balance as of December 31, 2000 | 708 | (1,018) | (310) |

(*) Including €53 million arising from variations in YPF's deferred tax assets which, although recognized in 2000, were due to circumstances which had occurred prior to the acquisition of control of the company and had modified the goodwill in consolidation (see Notes 1.d.2 and 7).

The reconciliation of the consolidated income per books to the taxable income for 2000, 1999 and 1998 is as follows:

| | Millions of Euros | | |
|---|---|---|---|
| | 2000 | 1999 | 1998 |
| . Income before income tax | | | |
| Spanish companies | 1,546 | 615 | 1,242 |
| Foreign companies | 2,779 | 1,128 | 169 |
| | 4,325 | 1,743 | 1,411 |
| . Permanent differents (1) | 696 | 81 | (187) |
| . Timing differences | | | |
| a) Arising in the year (2) | 457 | (91) | 121 |
| b) Arising in prior years (3) | (188) | (10) | (25) |
| . Taxable income | 5,290 | 1,723 | 1,320 |

(1) The main items in 2000 relate, on the one hand, to a €559 million increase relating to nondeductible amortization of goodwill and, on the other, to a €144 million decrease due to the exemption applicable to the income obtained in Murzuq (Libya).

(2) The 2000 balance includes €107 million of losses at various Latin American subsidiaries, €118 million relating to nondeductible provisions for bad debts and €137 million of provisions for early retirements.

Including in 1998 a negative adjustment of €211 million as a result of the losses incurred on the contribution by Repsol, S.A. at market value of the Astra CAPSA and Caveant, S.A. shares owned by it to its subsidiary Repsol International Finance, B.V. as part of the strategy to reorganize and rationalize the shareholdings in companies in REPSOL YPF Group companies located outside Spain.

(3) The 2000 balance includes €99 million relating to the recovery of provisions used for the purpose for which they were recorded.

The corporate income tax expense for 2000, 1999 and 1998 was calculated as follows:

| | Millions of Euros | | | |
|---|---|---|---|---|
| | 2000 | | | |
| | Spanish Companies at 35% | Spanish Companies at a Different Rate | Foreign Companies | TOTAL |
| Income before income tax | 1,188 | 358 | 2,779 | 4,325 |
| Permanent differences | 331 | (1) | 366 | 696 |
| Adjusted income | 1,519 | 357 | 3,145 | 5,021 |
| Gross tax | 532 | 121 | 1,110 | 1,763 |
| Tax credits for: | | | | |
| Investment | (15) | (9) | - | (24) |
| Dividends and international double taxation | (299) | - | - | (299) |
| Other | (33) | - | 1 | (32) |
| Income tax expense | 185 | 112 | 1,111 | 1,408 |

| | Millions of Euros | | | |
|---|---|---|---|---|
| | 1999 | | | |
| | Spanish Companies at 35% | Spanish Companies at a Different Rate | Foreign Companies | TOTAL |
| Income before income tax | 512 | 103 | 1,128 | 1,743 |
| Permanent differences | 155 | (7) | (67) | 81 |
| Adjusted income | 667 | 96 | 1,061 | 1,824 |
| Gross tax | 233 | 33 | 372 | 638 |
| Tax credits for: | | | | |
| Investment | - | (8) | - | (8) |
| Dividends and international double taxation | (48) | - | - | (48) |
| Other | (24) | - | (1) | (25) |
| Income tax expense | 161 | 25 | 371 | 557 |

| | Millions of Euros | | | |
|---|---|---|---|---|
| | 1998 | | | |
| | Spanish Companies at 35% | Spanish Companies at a Different Rate | Foreign Companies | TOTAL |
| Income before income tax | 1,073 | 169 | 169 | 1,411 |
| Permanent differences | (208) | (11) | 32 | (187) |
| Adjusted income | 865 | 158 | 201 | 1,224 |
| Gross tax | 303 | 59 | 69 | 431 |
| Tax credits for: | | | | |
| Investment | (20) | (1) | - | (21) |
| Dividends and international double taxation | (9) | - | - | (9) |
| Other | (4) | - | - | (4) |
| Income tax expense | 270 | 58 | 69 | 397 |

Repsol YPF Trinidad Tobago, S.A. was unable to use €9.09 million of double taxation tax credits in 2000 because the limit established by Article 37 of Corporate Income Tax Law 43/1995 had already been reached. This unused amount can be taken in the tax periods ending in the immediately following seven years.

The periods open for review by the tax inspection authorities with respect to the applicable taxes vary from one consolidated company to another, but are generally 1998 to the present year, except in the case of Repsol Comercial de Productos Petrolíferos, S.A., the last tax audit at which included the years through 1995.

The differing interpretations which might be made of the tax regulations applicable to the companies' operations might give rise to contingent tax liabilities in the future which cannot presently be quantified. However, management of REPSOL YPF considers that the consequences which might arise therefrom should not materially affect the consolidated financial statements.

## (17) LONG AND SHORT-TERM DEBT

The detail of the loans and interest payable, mostly unsecured, as of December 31, 2000 and 1999, is as follows:

| | Millions of Euros | | | |
|---|---|---|---|---|
| | 2000 | | 1999 | |
| | Short Term | Long Term | Short Term | Long Term |
| FOREIGN CURRENCIES | | | | |
| Principal in U.S. dollars | 4,700 | 6,009 | 3,906 | 5,127 |
| Principal in other currencies | 186 | 166 | 55 | 23 |
| Accrued interest | 195 | - | 103 | - |
| Total | 5,081 | 6,175 | 4,064 | 5,150 |
| EUROS | | | | |
| Principal | 1,882 | 8,711 | 4,611 | 5,073 |
| Accrued interest | 224 | - | 94 | - |
| Total | 2,106 | 8,711 | 4,705 | 5,073 |
| TOTAL | 7,187 | 14,886 | 8,769 | 10,223 |

The debt in Euros was converted to U.S. Dollars substantially in full through exchange hedging transactions (see Note 25).

The increase in financial debt in 2000 is due mainly to the appreciation of the Dollar against the Euro and to the effect of the change of the method used to consolidate Gas Natural (see Note 1.d.1).

In 2001 the Company plans to continue to implement its debt refinancing policy aimed at structuring the maturities over time in line with the projected rate of generation of cash flow, which is one of the fundamental objectives of its financial policy.

The Group's long-term financing is divided between approximately 60% fixed-interest and approximately 40% floating-interest debt. The floating interest rates were set by adding a spread to the reference rates (mainly LIBOR and MIBOR). Fixed-rate financing amounted to €8,756 million and €5,615 million as of December 31, 2000 and 1999, and bore average annual interest of 6.06% and 5.5%, respectively.

As of December 31, 2000, €238 million of YPF's debt was secured by the revenues relating to exports under the long-term contract to sell crude oil to ENAP. As of December 31, 1999, the related figure was €364 (see Note 25).

On June 28, 2000, the General Shareholders' Meeting authorized the Board of Directors to issue debentures or similar securities up to a maximum of €12,000 million over a period of five years.

As of December 31, 2000 and 1999, the loans and interest payable matured as follows:

| DUE IN: | Millions of Euros 2000 | 1999 |
|---|---|---|
| 2000 .......................................... | - | 8,769 (1) |
| 2001 .......................................... | 7,187 (1) | 306 |
| 2002 .......................................... | 4,767 | 2,366 |
| 2003 .......................................... | 1,855 | 652 |
| 2004 .......................................... | 2,631 | 1,981 |
| 2005 .......................................... | 2,121 | 2,130 |
| Subsequent years ....................... | 3,512 | 2,788 |
| | 22,073 | 18,992 |

(1) Relating to short-term loans and interest payable.

As of December 31, 2000 and 1999, the Group had available unused credit lines of €3,413 million and €3,325 million, respectively, which entailed no cost for the Group since they had not been used.

## (18) REFUNDABLE DEPOSITS

This caption relates basically to the deposits received by Repsol Butano, S.A. from the users of metal gas bottles, as authorized by the applicable legislation. These amounts are refundable when the related contracts are cancelled.

The variations in this caption in 2000 and 1999 were as follows:

| | Millions of Euros 2000 | 1999 |
|---|---|---|
| Beginning balance ................................................................... | 185 | 183 |
| Amounts received ............................................................. | 4 | 5 |
| Amounts refunded ............................................................. | (1) | (3) |
| Change in the method used to consolidate Gas Natural ..... | 8 | - |
| Ending balance ....................................................................... | 196 | 185 |

## (19) REVENUES AND EXPENSES

The foreign currency transactions in 2000, 1999 and 1998 were as follows:

| | Millions of Euros | | |
|---|---|---|---|
| | Spanish Companies | Foreign Companies | TOTAL |
| 2000 | | | |
| Purchases | 16,778 | 3,530 | 20,308 |
| Sales | 7,270 | 13,366 | 20,636 |
| Other transactions | 567 | 6,377 | 6,944 |
| 1999 | | | |
| Purchases | 6,417 | 4,160 | 10,577 |
| Sales | 2,019 | 7,810 | 9,829 |
| Other transactions | 45 | (1,255) | (1,210) |
| 1998 | | | |
| Purchases | 5,388 | 1,176 | 6,564 |
| Sales | 2,120 | 3,420 | 5,540 |
| Other transactions | 146 | 249 | 395 |

The detail of the extraordinary revenues and expenses included in the accompanying consolidated statements of income for 2000, 1999 and 1998 is as follows:

| | Millions of Euros Revenues/(Expenses) | | |
|---|---|---|---|
| | 2000 | 1999 | 1998 |
| **Extraordinary Expenses:** | | | |
| Labor force restructuring (Note 2.k) (1) | (201) | (59) | (41) |
| Losses on fixed assets (2) | (64) | (11) | (3) |
| Variation in fixed asset provisions | (38) | (18) | (41) |
| Changes in the discount rate for pension obligations | - | (10) | (17) |
| Provision for commitments and contingent liabilities | (94) | (30) | (34) |
| Provisions for estimated losses (3) | (55) | (16) | (38) |
| Other extraordinary expenses (4) | (96) | (160) | (9) |
| | (548) | (304) | (183) |
| **Extraordinary Income:** | | | |
| Gains on fixed asset disposals (5) | 28 | 90 | 48 |
| Gains on disposals of shareholdings | 30 | 22 | 23 |
| Subsidies and other deferred revenues transferred to income | 25 | 23 | 8 |
| Revenues from reversal of provisions for contingencies and expenses | 44 | 18 | 32 |
| Other extraordinary revenues | 2 | 64 | 18 |
| | 129 | 217 | 129 |
| | (419) | (87) | (54) |

(1) Including €130 million relating to an early retirement plan affecting certain technical supervisors in Spain aged 55 or over approved in 2000 by the Ministry of Employment and to termination indemnities for executives and other groups of employees.

(2) Including in 2000 €39 million relating to the loss on the sale of the holding in Refinería San Lorenzo, S.A.

(3) The main item included in 2000 is the provision for the cost of externalizing certain commitments to retired employees (€18 million) and serving employees (€17 million).

(4) Including in 1999 expenses of €128 million incurred in the acquisition of YPF, and in 2000 €33 million (US$ 30 million) recorded as a result of the extension agreement for the Loma La Lata – Sierra Barrosa area, under which YPF undertook to donate US$ 30 million to certain companies providing services to YPF (see Note 25).

(5) The main revenues in 1999 relate to the sale of CLH's registered office, Repsol Butano's land in Hospitalet and the disposal of the holdings in Gas Natural México and Musini.

## (20) DIRECTORS' COMPENSATION

In 2000, 1999 and 1998 the members of the Board of Directors of REPSOL YPF, S.A. earned compensation of €4.35 million, €3.62 million and €1.70 million, respectively, including payments relating to their membership of the Board of Directors and, where appropriate, to the directors' employment relationships or the direct responsibilities they may have at different executive levels.

The members of the Board of Directors of REPSOL YPF, S.A. who sat on the governing bodies of REPSOL YPF Group companies were paid a total of €0.82 million, €0.46 million and €0.12 million in 2000, 1999 and 1998, respectively, by these companies for the items described in the preceding paragraph.

## (21) AVERAGE HEADCOUNT

The average number of REPSOL YPF Group employees in 2000 and 1999, by category, was as follows:

| | Average Number of Employees | |
|---|---|---|
| | 2000 | 1999 |
| Managers | 372 | 293 |
| Senior technicians | 3,109 | 3,190 |
| Technicians | 12,123 | 9,158 |
| Clerical staff | 4,345 | 3,102 |
| Manual workers and messengers | 17,438 | 13,519 |
| | 37,387 | 29,262 |

The increase in the number of employees was due mainly to the change in the method used to consolidate Gas Natural (see Note 1.d.1) and to the inclusion of YPF's labor force for the whole of 2000 as compared with only six months in 1999. In 2000 YPF's professional categories were adapted to the professional classification system of the REPSOL YPF Group.

The Group had a total of 37,194 employees as of December 31, 2000.

## (22) BUSINESS SEGMENT DATA

Through 1999 the Company operated in four main business segments: exploration and production, refining and marketing, chemicals and gas and electricity. From 2000 the LPG business, which was previously included in the gas and electricity segment, was reclassified and included in the refining and marketing segment. In order to make the figures for 1999 and 1998 comparable with those for 2000, the data for 1999 and for 1998 are presented on the basis of the new business area organization.

The detail of operating revenues and income by line of business for 2000, 1999 and 1998 is as follows:

| | Millions of Euros | | |
|---|---|---|---|
| | 2000 | 1999 | 1998 |
| Operating revenues: | | | |
| Exploration and production | 9,084 | 3,774 | 964 |
| Refining and marketing (*) | 34,874 | 21,444 | 15,850 |
| Chemicals | 2,445 | 1,433 | 1,114 |
| Natural gas and electricity | 5,430 | 1,849 | 1,444 |
| Consolidation and other adjustments | (6,091) | (2,205) | (383) |
| | 45,742 | 26,295 | 18,989 |

(*) Including approximately €6,869 million, €5,776 million and €4,976 million, in 2000, 1999 and 1998, respectively, relating to the recording of excise taxes as revenues (see Note 2.q).

| | Millions of Euros | | |
|---|---|---|---|
| | 2000 | 1999 | 1998 |
| Operating income: | | | |
| Exploration and production | 3,864 | 1,186 | 93 |
| Refining and marketing | 1,323 | 1,009 | 1,117 |
| Chemicals | 152 | 132 | 177 |
| Natural gas and electricity | 1,006 | 396 | 284 |
| Corporate and other | (103) | (94) | (13) |
| | 6,242 | 2,629 | 1,658 |

The identifiable net assets assigned to each line of business as of December 31, 2000, 1999 and 1998, are shown below. These assets are those which can be directly associated with the related lines of business.

| | Millions of Euros | | |
|---|---|---|---|
| | 2000 | 1999 | 1998 |
| Exploration and production | 21,602 | 20,414 | 3,943 |
| Refining and marketing | 14,492 | 13,451 | 7,948 |
| Chemicals | 2,974 | 2,303 | 1,068 |
| Natural gas and electricity | 11,522 | 4,546 | 4,080 |
| Corporate and other | 1,829 | 1,336 | 312 |
| | 52,419 | 42,050 | 17,351 |

The detail, by line of business, of the investments made in 2000, 1999 and 1998 is as follows:

| | Millions of Euros | | | | | | |
|---|---|---|---|---|---|---|---|
| | Fixed Assets | | | | | Adquisition of Holdings in Companies Consolidated by the Global or Proportional Integration Methods (1) | |
| | Start-up Expenses (Note 3) | Intangible Assets (Note 4) | Property, Plant and Equipment (Note 5) | Long-Term Financial Investments (Note 6) | Deferred Expenses (Note 8) | | Total |
| 2000 | | | | | | | |
| Exploration and production .... | - | 1 | 1,672 | 28 | 22 | 580 | 2,303 |
| Refining and marketing ......... | - | 50 | 843 | 245 | 33 | 118 | 1,289 |
| Chemicals .............................. | - | 6 | 259 | 1 | 88 | 2 | 356 |
| Natural gas and electricity ...... | - | 35 | 1,164 | 214 | 17 | 633 | 2,063 |
| Corporate and other ................ | 4 | 8 | 64 | 13 | 18 | - | 107 |
| | 4 | 100 | 4,002 | 501 | 178 | 1,333 | 6,118 |
| 1999 | | | | | | | |
| Exploration and production .... | 138 | 3 | 898 | 20 | 23 | 10,485 | 11,567 |
| Refining and marketing ......... | 45 | 60 | 847 | 115 | 51 | 3,496 | 4,614 |
| Chemicals .............................. | 4 | 1 | 477 | 8 | 1 | 289 | 780 |
| Natural gas and electricity ...... | - | 16 | 391 | 143 | 3 | 7 | 560 |
| Corporate and other ................ | - | 8 | 17 | 165 | - | - | 190 |
| | 187 | 88 | 2,630 | 451 | 78 | 14,277 | 17,711 |
| 1998 | | | | | | | |
| Exploration and production .... | - | 1 | 627 | 9 | 3 | 50 | 690 |
| Refining and marketing ......... | - | 24 | 479 | 69 | 25 | 60 | 657 |
| Chemicals .............................. | - | 3 | 173 | 6 | 1 | - | 183 |
| Natural gas and electricity ...... | - | 9 | 435 | 113 | 7 | 86 | 650 |
| Corporate and other ................ | - | 3 | 9 | 21 | 4 | - | 37 |
| | 0 | 40 | 1,723 | 218 | 40 | 196 | 2,217 |

(1) €14,195 million of the total investment recorded under this caption in 1999 relate to the acquisition of YPF.

The detail, by business segment, of the period depreciation, depletion and amortization in 2000, 1999 and 1998 is as follows:

| | Millions of Euros | | |
|---|---|---|---|
| | 2000 | 1999 | 1998 |
| Exploration and production | 1,448 | 876 | 312 |
| Refining and marketing | 841 | 624 | 521 |
| Chemicals | 78 | 68 | 55 |
| Natural gas and electricity | 431 | 186 | 152 |
| Other | 66 | 42 | 14 |
| | 2,864 | 1,796 | 1,054 |

Revenues from sales abroad amounted to approximately €22,799 million, €10,290 million and €5,370 million in 2000, 1999 and 1998, respectively.

**Breakdown of assets and operations by geographic area**

The revenues, operating income, investments and assets relating to the operations carried on by the REPSOL YPF Group abroad represent 37.3%, 65.3%, 65.12% and 65.49%, respectively, of the total figures of the consolidated Group in 2000. The table below shows the variations in 2000, 1999 and 1998 in the main financial aggregates by geographic area.

| | Millions of Euros | | |
|---|---|---|---|
| | **2000** | **1999** | **1998** |
| **OPERATING REVENUES** | | | |
| Spain | 28,664 | 17,159 | 15,308 |
| Rest of Europe | 950 | 934 | 816 |
| Argentina | 10,082 | 4,448 | 1,322 |
| Rest of Latin America | 2,727 | 2,194 | 1,045 |
| North Africa and Middle East | 1,387 | 730 | 410 |
| Far East | 604 | 282 | 82 |
| Rest of the world | 1,328 | 548 | 6 |
| | **45,742** | **26,295** | **18,989** |
| **OPERATING INCOME** | | | |
| Spain | 2,164 | 1,188 | 1,408 |
| Rest of Europe | 43 | 81 | 41 |
| Argentina | 2,830 | 964 | 145 |
| Rest of Latin America | 503 | 137 | 42 |
| North Africa and Middle East | 429 | 141 | 14 |
| Far East | 271 | 92 | 19 |
| Rest of the world | 2 | 26 | (11) |
| | **6,242** | **2,629** | **1,658** |
| **INVESTMENTS** | | | |
| Spain | 2,134 | 1,746 | 981 |
| Rest of Europe | 36 | 95 | 77 |
| Argentina | 2,209 | 15,243 | 406 |
| Rest of Latin America | 1,504 | 363 | 378 |
| North Africa and Middle East | 95 | 158 | 331 |
| Far East | 127 | 83 | 39 |
| Rest of the world | 13 | 23 | 5 |
| | **6,118** | **17,711** | **2,217** |
| **TOTAL ASSETS** | | | |
| Spain | 18,089 | 12,433 | 10,579 |
| Rest of Europe | 476 | 485 | 615 |
| Argentina | 24,237 | 22,426 | 3,069 |
| Rest of Latin America | 5,523 | 2,850 | 1,397 |
| North Africa and Middle East | 2,398 | 1,626 | 1,480 |
| Far East | 1,001 | 1,146 | 183 |
| Rest of the world | 695 | 1,084 | 28 |
| | **52,419** | **42,050** | **17,351** |

In recent years REPSOL YPF's strategy has been to expand its operations in Latin America, focusing on the establishment of integrated activities including production, refining, transportation and marketing of oil products, as well as electricity generation in new markets with large population centers and growing power needs. In 2000, 1999 and 1998, REPSOL

YPF invested €3,713 million, €15,606 million and €784 million, respectively, in Latin America. The main investment in 1999 was the acquisition of 97.81% of the capital stock of YPF, S.A.

In 2000 REPSOL YPF business activities in Latin America accounted for 56.7% of the Group's total assets, 28% of its operating revenues and 53.4% of its operating income. The comparable figures for 1999 were 60.1%, 25.3% and 41.9%, respectively.

The detail, by business activity, of the geographical distribution of the main foreign subsidiaries in 2000 is as follows:

| | Affiliated Company | Location |
|---|---|---|
| **Exploration and Production Area:** | | |
| Argentina | Astra CAPSA | Argentina |
| | YPF, S.A. | Argentina |
| | Compañía Mega, S.A. | Argentina |
| | Repsol Argentina, S.A. | Argentina |
| Rest of Latin America | Astra CAPSA | Venezuela |
| | YPF, S.A. | Ecuador |
| | | Peru |
| | YPF International Ltd. and investees | Venezuela |
| | | Bolivia |
| | | Colombia |
| | | Ecuador |
| | YPF Brasil. S.A. | Brazil |
| | Andina, S.A. | Bolivia |
| | Repsol Exploración Securé S.A. | Bolivia |
| | Repsol Exploración Eléctrica de Brasil, S.A. | Brazil |
| | Repsol Exploración Trinidad, S.A. | Trinidad and Tobago |
| | Repsol Exploración Perú, S.A. | Peru |
| | Repsol Exploración Colombia, S.A. | Colombia |
| | Repsol Occidental Corporation | Colombia |
| | Repsol Exploración Venezuela, BV | Venezuela |
| | Repsol Exploración Tobago, S.A. | Trinidad and Tobago |
| | Repsol YPF Trinidad y Tobago, S.A. | Trinidad and Tobago |
| | Repsol Exploración Cuba, S.A. | Cuba |

| | Affiliated Company | Location |
|---|---|---|
| North Africa and Middle East | Repsol Exploración Egipto, S.A. | Egypt |
| | Repsol Exploración Murzuq,. S.A. | Libya |
| | Repsol Exploración Argelia, S.A. | Algeria |
| | Dubai Marine Areas, Ltd. | Dubai |
| | Repsol Exploración Vietnam, S.A. | Vietnam |
| Far East | Repsol (Java) Exploration & Production, Ltd | Indonesia |
| | Repsol (Sumatra) Exploration & Production, Ltd. | Indonesia |
| | Repsol Exploration Sunda BV | Indonesia |
| | YPF International Ltd. and investees | Indonesia |
| Rest of the world | Repsol Exploración Kazahkstan, S.A. | Kazahkstan |
| | Repsol Exploración Azerbaiyán, S.A. | Azerbaijan |
| | YPF International Ltd. and investees | United States |

**Refining and Marketing Area:**

| | | |
|---|---|---|
| Rest of Europe | Repsol UK Ltd | United Kingdom |
| | Repsol Portugal, S.A. | Portugal |
| | Repsol Francia, S.A. | France |
| | Repsol Italia, S.P.A. | Italy |
| Argentina | Refinerías del Norte, S.A. (1) | Argentina |
| | Oleoductos del Valle, S.A. (1) | Argentina |
| | Oiltanking Ebytem S.A (1) | Argentina |
| | Oleoducto Trasandino Argentina, S.A. (1) | Argentina |
| | Operadora de Estaciones de Servicio, S.A. (1) | Argentina |
| | Terminales Marítimas Patagónicas, S.A. (1) | Argentina |
| | Repsol Gas (before Algas, S.A.) | Argentina |
| | Mejorgas, S.A. (1) | Argentina |
| | Gas Austral, S.A.(1) | Argentina |
| | YPF Gas, S.A. and investees | Argentina |
| | Algas Patagónica, S.A. (1) | Argentina |

| | Affiliated Company | Location |
|---|---|---|
| Rest of Latin America | Repsol YPF Comercial del Ecuador, S.A. | Ecuador |
| | Refinería La Pampilla, S.A. | Peru |
| | Refinadores del Perú, S.A. | Peru |
| | Grupo Repsol del Perú, S.A. | Peru |
| | Combustibles Industriales Oil Trader, S.A. | Ecuador |
| | Oleoducto Trasandino Chile, S.A. (1) | Chile |
| | Repsol YPF Comercial del Perú, S.A. | Peru |
| | YPF Chile, S.A. and investees | Chile |
| | YPF Brasil, S.A. and investees | Brazil |
| | Duragas | Ecuador |
| | Limagas, S.A. | Peru |
| | Refinería de Petróleo Manguinhos, S.A. | Brazil |
| North Africa and Middle East | National Gaz | Morocco |
| Rest of the world | YPF International Ltd. and investees | United States |
| **Chemicals Area:** | | |
| Rest of Europe | Repsol Bronderslev A/S | Denmark |
| Argentina | Petroquímica Bahía Blanca (1) | Argentina |
| | Polisur, S.A. (1) | Argentina |
| | Profertil, S.A. | Argentina |
| | Petroquímica Ensenada, S.A. | Argentina |
| Rest of Latin America | Dynasol Elastómeros, S.A. de CV | Mexico |
| **Natural Gas and Electricity Area:** | | |
| Argentina | Gas Natural BAN, S.A. | Argentina |
| | Metrogas (Junio 1998) | Argentina |
| | Gas Argentino, S.A. | Argentina |
| | Central Dock Sud, S.A. (1) | Argentina |
| | Electricidad Argentina, S.A. y Edenor, S.A. (1) | Argentina |
| | Inversora Dock Sud, S.A. (1) | Argentina |
| | Inversora en Distribución de Entre Ríos (IDERSA) and Empresa de Electricidad de Entre Ríos, S.A. (1) | Argentina |

| | Affiliated Company | Location |
|---|---|---|
| Rest of Latin America | Gas Natural México, S.A. de CV | Mexico |
| | Companhia Estadual do Gas | Brazil |
| | Riogas | Brazil |
| | Atlantic LNG (1) | Trinidad and Tobago |
| | Gas Natural ESP | Colombia |
| | Gas Natural de Oriente | Colombia |
| | Gases de Barrancabermeja, S.A. | Colombia |
| | Gas Natural Cundiboyacense, S.A. | Colombia |
| | Metrogas | Mexico |
| | Servicio de Energía de México, S.A. de CV (SEMSA) | Mexico |
| | Transportadora Colombiana de Gas (SAESA), S.A. | Colombia |
| | Gas Natural Sao Paulo Sul, S.A. | Brazil |
| North Africa and Middle East | Europe Magreb Pipeline (EMPL) | Morocco |
| | Metragaz, S.A. | Morocco |

(1) Data on these companies are only included in assets.

## (23) ENVIRONMENTAL INFORMATION

REPSOL YPF's Environmental Management System includes a methodology for the identification of matters which have a bearing on its environmental planning, enabling the five-year Strategic Environmental Plan, which forms part of the Company's general strategic planning, to be prepared each year. The Strategic Environmental Plan includes the actions required to respond to new legislation, REPSOL YPF's strategic guidelines, the corrective action plans drawn up as a result of the environmental audits performed, etc.

This identification of the actions considered to be environmental is carried out by adapting the guidelines of the American Petroleum Institute to REPSOL YPF's operations and technical procedures. However, it should be emphasized that this task is becoming increasingly complex, since traditional "end-of-the-line" solutions to progressively reduce the environmental impact are being replaced by preventive measures integrated in all the Company's processes, starting with the design of the facilities.

In 2000 REPSOL YPF invested €160 million in environmental actions under the aforementioned Plan. Of this amount, €46 million related to actions to improve the environmental quality of the products of the refining line of business, including most notably the measures relating to "Heart Cut" hydrogenation at F.C.C.'s Bilbao refinery, in which €9.17 million were invested.

The other investments, which were made in the various different environmental areas (air, water, waste, soil and others) included most notably the following:

In the refining line of business, the new Superclaus plant at the Bilbao refinery required an investment of €4.67 million. At the Luján de Cuyo (Argentina) refinery, the sulfur recovery plant was acquired in 2000 for €19 million.

In the logistics and marketing line of business, implementation of the first phase of the installation of volatile organic compound (VOC) Vapor Recovery Systems involved an investment of €7.3 million. €8.78 million was invested in adapting service station installations in Spain for the same purpose, and €4.72 million was invested in the coating and replacement of underground tanks over ten years old.

In the chemicals line of business, the main action in 2000 was the completion and start-up of the Waste Water Treatment Unit at the new Styrene/Propylene Oxide plant at the Tarragona petrochemicals plant, which required a total investment of €40 million (€13 million in 2000).

In the exploration and production line of business, various significant measures were taken, particularly in relation to proper production water management, as in the case of Vizcacheras (Argentina), where €1.12 million were invested.

Lastly, the evaluation and remediation of contaminated soils, treated as an expense, amounted to a total of €12 million in 2000.

## (24) CONVERSION TO THE EURO

The Group companies continued to adapt their computer software to the Euro as the currency used in transactions during the transitional phase of introduction of the Euro as the single currency, and they are now ready to perform and record transactions in Euros.

## (25) OTHER INFORMATION

- **Guarantees**

***Guarantees provided***

As of December 31, 2000, the REPSOL YPF Group companies has provided the following guarantees:

- YPF, S.A. has provided guarantees as security for loans granted to YPF Gas, S.A., Petroken Petroquímica Ensenada, S.A. and Oleoducto Trasandino (Argentina), S.A., for a total of approximately €15 million, and as security for marketing agreements entered into by certain subsidiaries for €132 million. In addition, YPF had signed guarantees relating to the financing of the expansion of the plants of Petroquímica Bahía Blanca, S.A.I.C. and Polisur, S.A. for €207 million and the financing of the construction of the plants of Profertil, S.A. and Compañía Mega for €152 million and €218 million, respectively. YPF had also provided guarantees as security for the loans obtained for the acquisition of common shares of Maxus (a subsidiary of YPF International Limited), which amounted to US$ 30 million as of December 31, 2000.

- Gas Natural has provided guarantees to secure loans granted to EMPL for €479 million, to Enagás for €55 million and to Gas Natural Ban for €44 million.

- Repsol Petróleo, S.A. has provided a guarantee for Petrochem UK Limited for compliance with the obligations acquired by its subsidiary Repsol UK Limited as a result of the sale to Petrochem UK Limited of the shares of Carless Refining and Marketing Limited, up to a maximum amount of £35 million.

***Guarantees received***

As of December 31, 2000, the REPSOL YPF Group had requested guarantees amounting to €1,396 million from finance entities. The main items relate to guarantees of compliance with terms and conditions of tenders awarded, guarantees requested by various court and administrative bodies in relation to litigation in progress and claims on which decisions had not yet been handed down, and the Group companies' trading activities.

No losses are expected to be incurred in relation to these commitments.

. **Purchase and sale future transactions**

a) Through December 31, 1999, the hedging contracts used to mitigate the effects of crude oil price fluctuations for a portion of the future years' purchase transactions but which were not specifically classified as hedging instruments were recorded at their estimated market value. Changes in market value were recognized in the consolidated statement of income.

The net losses recorded under the "Materials Consumed" caption in 1999 and 1998 in connection with these hedging contracts amounted to €(1.4) million and €(3.7) million. Additionally, in 1998 a provision of €11.5 million was recorded under the "Extraordinary Income/(Expense)" caption to cover possible future losses. As a result of the increase in crude oil prices in 1999, €9.2 million of the provision recorded for possible future losses on contracts of this kind were reversed, leaving a provision of €2.3 million in this connection.

In 2000 the open positions relating to the long-term crude oil buy contracts (WTI) were hedged through long-term sell contracts with identical notional amounts and maturities, but with higher sale prices. The gains resulting from the difference between the purchase and sale price are recorded when the contracts are settled on maturity. Consequently, in 2000 the balance of the provision recorded for possible future losses (€2.3 million) was reversed in full.

The open positions at December 31, 2000 and 1999, were as follows:

December 31, 2000:

| Product | Millions of Barrels | Thousands of US Dollars |
|---|---|---|
| Long term (WTI): | | |
| From one to two years (buy contract) | 1.00 | 21,512 (*) |
| Long term (WTI): | | |
| From one to two years (sell contract) | 1.00 | 27,261 (*) |

(*) Per the contracts established.

December 31, 1999

| Product | Millions of Barrels | Thousands of US Dollars |
|---|---|---|
| Long term (WTI): | | |
| From one to three years (buy contract) | 1.65 | 35,605 |
| Long Term (butane, propane and gasoline): | | |
| From one to fourteen years (sell contract) | 20.94 | (*) |

(*) The prices established under these contracts are indexed to the future market prices of the products bought or sold.

b) Hedging contracts which cover the risk of future physical crude oil purchases are recorded as operating revenues and expenses under the "Net Sales" and "Materials Consumed" captions when the physical deliveries are made.

As of December 31, 2000 and 1999, the open positions were as follows:

December 31, 2000:

| | Millions of Barrels | Thousands of U.S. Dollars |
|---|---|---|
| **Buy contracts:** | | |
| Crude | | |
| Short term | | |
| February (WTI) | 0.30 | 7,653 (*) |
| March (WTI) | 0.37 | 11,489 (*) |
| April (WTI) | 0.82 | 26,041 (*) |
| May (WTI) | 0.15 | 4,639 (*) |
| **Total** | **1.64** | |
| **Sell contracts** | | |
| Crude | | |
| Short term | | |
| March (WTI) | 0.22 | 7,165 (*) |
| **Total** | **0.22** | |
| **Swap contracts:** | | |
| Crude | | |
| Short term | | |
| February (WTI) | 0.05 | 1,367 (*) |
| February (WTI) Platts | 0.30 | 8,194 (*) |
| March (WTI) | 0.08 | 2,243 (*) |
| March (WTI) Platts | 0.22 | 5,786 (*) |
| **Total** | **0.65** | |

| | Tonnes | | Thousands of U.S. Dollars |
|---|---|---|---|
| **Swap contracts:** | | | |
| Fuel | | | |
| Long term | | | |
| February 2002 | 48,075 | | (*) |
| Short term | | | |
| May | 10,000 | | (*) |
| June | 10,000 | | (*) |
| **Total** | | | |

| | Millions of termies | Millions of cubic feet | Thousands of U.S. Dollars |
|---|---|---|---|
| **Swap contracts** | | | |
| Natural Gas | | | |
| Short Term | | | |
| February | 831.6 | 2,935.5 | (*) |
| March | 3,172.6 | 11,199.5 | (*) |
| May | 133.0 | 469.3 | (*) |
| November | 241.9 | 853.9 | (*) |

(*) The prices established under these contracts are indexed to the future market prices of the products bought or sold.

December 31, 1999:

| | Millions of Barrels | Thousands of U.S. Dollars |
|---|---|---|
| **Buy contracts:** | | |
| Crude | | |
| Short Term | | |
| February (WTI) | 0.01 | 81 |
| March (WTI) | 0.55 | 13,297 |
| April (WTI) | 0.55 | 13,061 |
| June (WTI) | 0.55 | 12,260 |
| December (WTI) | 1.28 | (*) |
| **Total** | **2.94** | |
| Products | | |
| Short term | | |
| February (Gasoline) | 0.18 | 5,199 |
| **Sell contracts:** | | |
| Crude | | |
| Short term | | |
| February (WTI) | 0.55 | 13,762 |
| March (WTI) | 0.55 | 13,411 |
| May (WTI) | 0.55 | 12,612 |
| December (WTI) | 1.55 | (*) |
| **Total** | **3.20** | |
| **Swap contracts:** | | |
| Crude | | |
| Short term | | |
| February (WTI) | 0.12 | 1,873 |
| March (WTI) | 0.04 | 2,294 |
| December (WTI) | 0.07 | 1,833 |
| **Total** | **0.23** | |

(*) The prices established under these contracts are indexed to the future market prices of the products bought or sold.

- **Crude oil price options**

As YPF has secured the issuances of Negotiable Obligations for an amount of US$ 400 million by proceeds from the exports under the long-term crude oil sales contract with ENAP (the Chilean state-owned oil and gas company) (see "Other contractual commitments" in this Note), the Company has entered into put options intended to hedge this contract price.

As of December 31, 2000, approximately 21 million barrels of crude oil are hedge under these put options at US$ 14 per barrel of crude oil according to the schedule below:

| | 2001 | 2002 | Total |
|---|---|---|---|
| Volume (millions of barrels) | 12 | 9 | 21 |
| Price (Dollars per barrel) | 14 | 14 | 14 |
| Amount (millions of US Dollars) | 168 | 126 | 294 |

These options will be exercised when the market price of a barrel of crude oil falls below US$ 14.

- **Crude oil price swaps**

In November 1996 and June 1998, YPF acquired swap contracts on the price of a barrel of crude oil in respect of the crude oil delivery commitments described under the "Other Contractual Commitments" heading in this Note.

As of December 31, 2000, the REPSOL YPF Group held price swap agreements on 28.9 million barrels of crude oil at an average price of US$ 18.3 per barrel based on the following schedule:

| | 2001 | 2002 | 2003 | 2004 | Subsequent Years | Total |
|---|---|---|---|---|---|---|
| Volume (millions of barrels) | 6.4 | 6.4 | 5.7 | 2.4 | 8.0 | 28.9 |
| Price (Dollars per barrel) | 18.3 | 18.3 | 18.3 | 18.3 | 18.3 | 18.3 |
| Amount (millions of US Dollars) | 117 | 117 | 104 | 44 | 146 | 528 |

Under these contracts, the REPSOL YPF Group will deliver barrels of crude oil at a fixed average price of US$ 18.3 per barrel and will receive the equivalent value of the same number of barrels at a floating price based on market prices.

- **Exchange rate hedging transactions**

The Company's policy is to attempt to finance its activities in the same currencies as those used for its foreign investments. This policy is implemented either through the obtainment of financing in the related currency or through the arrangement of currency swaps, thereby reducing the exchange risk.

a) Forward rate agreements

REPSOL YPF enters into forward rate agreements as part of its overall strategy to manage its exposure to exchange risk.

These contracts are used to hedge assets and liabilities denominated in foreign currencies.

The difference between the forward rate and the spot rate at the agreement dates are recorded as financial revenues or expenses over the term of the agreements. The agreements are adjusted at the exchange rates prevailing at the end of each year, and the resulting exchange differences are recorded in the "Interest Income (Expenses)" caption in the consolidated statement of income, except for those arising on transactions financing investments in investees whose functional currency is the same, which are recorded as an addition to or a reduction in "Translation Differences".

The nominal values of these contracts at December 31, 2000 and 1999, were as follows:

December 31, 2000:

| Buy | | | Sell | | | Maturity |
|---|---|---|---|---|---|---|
| € | 1,325 | million | US$ | 1,131 | million | 2001 |
| Yen | 8,000 | million | US$ | 77 | million | 2001 |
| GBP | 63 | million | US$ | 93 | million | 2001 |
| US$ | 95 | million | € | 102 | million | 2001-2002 |

December 31, 1999:

| Buy | | | Sell | | | Maturity |
|---|---|---|---|---|---|---|
| € | 1,932 | million | US$ | 2,013 | million | 2000 |

b) Cross Currency Interest Rate Swaps (IRS)

As of December 31, 2000, the REPSOL YPF Group held mixed cross-currency IRS through which it converted debts in various currencies into U.S. Dollars or Euros, the detail being as follows:

| Notional Amount | | | Maturity | Foreign currency Debt |
|---|---|---|---|---|
| Lira | 300,000 | million | 2001 | US$ |
| Yen | 9,291 | million | 2003 | US$ |
| € | 5,900 | million | 2001-2010 | US$ |
| Yen | 3,000 | million | 2002 | € |
| CHF | 25 | million (Swiss franc) | 2002 | € |
| BRL | 17 | million (Brasilean real) | 2001 | US$ |

The detail of these transactions as of December 31, 1999, is as follows:

| Notional amount | | | Maturity |
|---|---|---|---|
| Lira | 300,000 | million | 2001 |
| Yen | 13,007 | million | 2003 |
| € | 6,650 | million | 2000-2004 |

The interest accrued on these transactions is recorded as financial revenues and expenses.

c) Interest rate swaps

As of December 31, 2000, the REPSOL YPF Group held the following interest rate swaps:

| | Notional amount | | Maturity |
|---|---|---|---|
| From fixed to floating interest rate | € 15 | million | 2002 |
| From floating to floating interest rate | € 120 | million | 2007 |

d) Average-rate forward rate agreements

As of December 31, 2000, the REPSOL YPF Group had entered into the following floating average rate currency purchase/sale agreements:

| Buy | | | Sell | | | Maturity |
|---|---|---|---|---|---|---|
| US$ | 10 | million | € | (*) | | 2001 |
| € | (*) | | US$ | 92 | million | 2001-2002 |

(*) These amounts will be determined at the average exchange rates set by the European Central Bank in the five months immediately preceding the contract expiration date.

. **Interest rate options**

In December 1997 Repsol implemented a strategy consisting of the sale of options on an interest rate swap (Swaption) which reflected the implicit option underlying the issue of preferred shares in October 1997 (see Note 12). This implicit option enables REPSOL YPF to redeem the issue early, totally or partially, in October 2002 or thereafter.

The description of this transaction is as follows:

* REPSOL YPF has sold the right, exercisable from October 2002 to October 2007 for a notional amount of US$ 725 million, to carry out an interest rate swap transaction under which:

  * REPSOL YPF would pay quarterly fixed interest of 7.45% (the same interest rate as that to be paid on the preferred shares) from the effective exercise date to October 2027; and

  * REPSOL YPF would receive quarterly interest of 3-month LIBOR plus a spread of 0.45% during the same period as that indicated above.

The premium received on the sale of this interest rate option, which was recorded as deferred revenues (see Note 14), will be amortized over the term of the contract and will be taken to income as financial revenues. €6.7 million and €6 million were recorded in this connection in 2000 and 1999, respectively.

- **Compensation agreement: stock appreciation rights**

1998 incentive

The Compensation and Senior Management Development Committee of the Board of Directors of REPSOL YPF, S.A. approved in 1998 a medium-term incentive plan for certain senior executives and the Board of Directors in 1999, based on a stock appreciation rights plan that will be settled in cash. The plan provides these executives with the right to receive an amount in cash equal to the full appreciation of the market price of REPSOL YPF shares with respect to certain specific values. All the rights vest at the end of the three-year period, i.e. March 2001. This medium-term incentive is subject to the continued employment of these individuals in the Company for the duration of the plan.

The compensation paid will be composed of the following two items:

- A cash amount equivalent to the appreciation of the market price of REPSOL YPF shares in February 2001 with respect to a reference value of €13.42 per share, multiplied by the related number of rights. This first item of the compensation agreement comprises 1,500,000 rights.

- A cash amount equivalent to the appreciation in the market price of REPSOL YPF shares in February 2001 with respect to a reference value of €20.13 per share, multiplied by the related number of rights. This item also comprises 1,500,000 rights.

In order to cover the liabilities that arise from this compensation plan, REPSOL YPF has purchased two call options on shares of REPSOL YPF, S.A., which will be settled on maturity. The detail of these transactions as of December 31, 2000, is as follows:

| Strike Price (Euros) (*) | Type of Option | Number of shares (*) | Contract Date | Maturity Date | Net premium (Millions of Euros) |
|---|---|---|---|---|---|
| 13.42 | Call | 1,500,000 | June 3, 1998 | March 1, 2001 | 3.91 |
| 20.13 | Call | 1,500,000 | June 3, 1998 | March 1, 2001 | 1.86 |
| | | 3,000,000 | | | 5.77 |

(*) Both reflect the stock split that took place in April 1999 (see Note 11).

The cost of the aforementioned options is deferred on a straight-line basis through maturity. Since this plan partially replaces the annual variable incentive, the net cost thereof in 2000 and 1999, which amounted to €1.36 million in both years, was recorded with a charge to the "Wages, Salaries, etc." caption.

2000 incentive

- In 2000 the Compensation and Senior Management Development Committee of the Board of Directors of REPSOL YPF, S.A. implemented a loyalty program initially aimed at executives and extendible to other persons occupying positions of high responsibility in the Company. Under this program a medium-/long-term incentive was set as part of the compensation system, linked to the appreciation of REPSOL YPF, S.A. shares over a given period of time.

The aim of this program is to strengthen the identification of executives and managers with shareholders' interests while at the same time favoring retention of the most senior personnel in an increasingly competitive labor market. Its effectiveness is subject to the approval of the Company's Shareholders' Meeting.

The beneficiaries of this plan will be entitled to receive compensation in cash equal to the full appreciation of the market price of the shares of REPSOL YPF, S.A. with respect to certain specific values. The compensation paid will be composed of the following two items:

- A cash amount equal to the appreciation of the market price of the shares of REPSOL YPF, S.A. with respect to the reference value used, €16.40. This first item will comprise a total of 2,400,000 shares.
- A cash amount equal to the appreciation of the market price of the shares of REPSOL YPF, S.A. with respect to the reference value used, €24.60. This second item will comprise a total of 2,400,000 shares.

This right will be exercisable as follows and on the following dates:

- From March 1, 2002, the beneficiaries will be able to exercise 1/3 of their rights.
- From March 1, 2003, the beneficiaries will be able to exercise up to 2/3 of their rights not already exercised.
- From March 1, 2004, the beneficiaries will have to exercise any rights not already exercised.

Entitlement to the incentive is subject to the beneficiary's being in the Group's employment at each of the dates on which the rights are exercisable.

As a result of this compensation plan, in 2000 REPSOL YPF recorded an expense of €1.5 million under the "Wages, Salaries, etc." caption in the accompanying consolidated statement of income, representing the applicable difference between the market price of the shares at year-end and the reference values indicated.

- In December the Board of Directors of Gas Natural SDG, S.A. approved a medium-term cash incentive program tied to the market price of the shares of Gas Natural SDG, S.A., for a group of senior executives. Entitlement to the incentive is subject to the beneficiary's being in the Group's employment over the period covered by the program and to approval by the Company's Shareholders' Meeting. Beneficiaries will be able to exercise up to 1/3 each year, accumulable in subsequent years with respect to the portion not yet exercised, of the aforementioned rights on the shares previously assigned to them in the five working days subsequent to March 1, 2002, 2003 and 2004, the reference price being €20.3.

  In order to cover the liabilities that arise from this compensation plan, REPSOL YPF has purchased, from a finance entity, call options on 256,187 shares of the Company, which will be settled on maturity at the same reference price as that of the incentive.

  The cost of these options is €1.6 million, and this amount was recorded in the "Wages, Salaries, etc." account.

. **<u>Repsol Garantizado</u>**

In the public offering on July 7, 1999, the employees of the REPSOL YPF Group companies resident in Spain were offered the possibility of acquiring shares either for cash or through products known as Repsol Garantizado Plus 50 ("RGP-50") and Repsol Garantizado Plus 100 ("RGP-100").

These products include a contract to partially finance the purchase of shares and a hedging contract, by virtue of which REPSOL YPF S.A., in exchange for "Hedging Premiums" calculated on the basis of the reference price, undertakes to pay the employee 100% of the unrealized loss plus, in the case of RGP-50, 50% of the unrealized gain. The loss or gain is calculated as the difference between the so-called reference price (set at €20.218/share) and the arithmetic average of the weighted average of REPSOL YPF share price in the twenty market sessions prior to July 8, 2002, the date on which all these contracts expire. The detail of the number of securities subscribed and the premiums receivable is as follows:

| Type | Number of shares | Hedging Premium |
|---|---|---|
| RGP-50 | 8,418,135 | 7.4892% |
| RGP-100 | 557,929 | 16.9973% |

To partially hedge the risks associated with these products, REPSOL YPF, S.A. entered into the following forward sale transactions linked to the market price of REPSOL YPF, S.A. shares:

| Number of Securities | Maturity | Settlement Price (Euros/share) |
|---|---|---|
| 2,000,000 | June 9, 2000 | 19.428 |
| 2,000,000 | June 9, 2000 | 21.646 |

As of December 31, 2000, the forward sale transactions linked to the market price of REPSOL YPF, S.A. shares were as follows:

| Number of Securities | Maturity | Settlement Price (Euros/share) |
|---|---|---|
| 1,500,000 | February 28, 2001 | 19.5882 |
| 1,500,000 | June 11, 2001 | 18.0989 |

The Company records the economic effects deriving from the hedging contract inherent to the RGP-50 and RGP-100 products and those relating to the partial hedging transactions described above based on their joint effect. To this end, the following items are taken into account at each closing date:

a) The Hedging Premium described above that REPSOL YPF, S.A. receives from the employees as consideration.

b) The market value at the aforementioned date of the rights and obligations assumed by the Company under the hedging contract.

c) The market value of the partial hedging transactions entered into by REPSOL YPF, S.A. that have not yet matured as of that date.

d) The cumulative gain or loss generated by the partial hedging transactions that have been settled through that date.

The Company records the joint effect of the four items under the “Subsidies and deferred revenues” caption if it is positive. If the effect is negative, the portion, if any, that exceeds the previously recognized deferred revenues, is recorded in full with a charge to income for the period in which the effect arises. In the year ended December 31, 2000, €4 million were recorded in this connection under the “Interest Income/(Expense)” caption in the accompanying consolidated statement of income. As of December 31, 1999, the Company had recorded €7 million under the “Subsidies and deferred revenues” caption in this connection.

- **Purchase option on assets of BP in Trinidad and Tobago**

Effective January 1, 2000, REPSOL YPF acquired 10% of BP’s production assets in Trinidad and Tobago. There is a purchase option for an additional 20% over a three-year period.

- **Lipigas Group purchase option**

On November 2, 2000, the acquisition of 45% of the Chilean group Lipigas was concluded (see Note 6).

This agreement envisages the purchase of an additional 10%, exercisable for an indefinite period from the end of 2003. Should this option be exercised, the sellers have three years to exercise a sale option on the remaining 45%.

- **Other contractual commitments**

In 1994 YPF entered into a long-term sale contract with ENAP (Chilean state oil company) to supply oil from the Neuquina field over a maximum period of 15 years. In addition, a contract was signed with Oleoducto Transandino (Argentina), S.A. and Oleoducto Transandino (Chile), S.A., both of which are indirectly controlled by YPF, to transport a minimum of 60,000 barrels of oil to Chile. YPF bears the cost of the transportation of these volumes even when they have not actually been transported.

With respect to certain issues of Negotiable Obligations amounting to €2,203 million, YPF, S.A. agreed to certain obligations including, inter alia, to pay all amounts due on maturity, and not to establish liens or charges exceeding 15% of total consolidated assets. In the event of breach of any of the clauses agreed on, the trustee or the holders of at least 25% of the total principal of the outstanding debentures in circulation may declare the principal and accrued interest on all the debentures claimable and payable immediately.

In November 1996 and June 1998 YPF received US$ 381 million and US$ 300 million, respectively, in connection with future deliveries of oil provided for in futures sale contracts amounting to US$ 399 million and US$ 315 million, respectively. Under these contracts, the Company agreed to deliver approximately 27.8 million and 23.9 million barrels over seven and ten years, respectively; the Company's own production or that of third parties may be used to make the deliveries.

The amounts received are recorded in the consolidated balance sheet as customer advances and will be taken to income as the physical deliveries are made over the term of the contracts. The advances as of December 31, 2000, amounted to €389 million. Deliveries of crude oil are recorded as net sales at the price used to calculate the total amount of the contracts. Company management does not expect any material losses to arise as a result of the aforementioned commitments.

As of December 31, 2000, the REPSOL YPF Group had the following firm gas purchase and sale commitments:

BUY

| Company | Millions of termies | Millions of cubic feet | Period |
|---|---|---|---|
| Repsol YPF (*) | 539,910 | 1,905,882 | 2002-2023 |
| Gas Natural (*) | 3,383,472 | 11,943,656 | 2001-2030 |
| YPF | 35,861 | 126,590 | 2001-2006 |
| Metrogas | 67,858 | 239,538 | 2001-2006 |

(*) These contracts include "take or pay" clauses.

SELL

| Company | Millions of termies | Millions of cubic feet | Period |
|---|---|---|---|
| Repsol YPF (**) | 748,713 | 2,642,958 | 2001-2021 |
| Astra | 78,284 | 276,342 | 2001-2014 |
| Pluspetrol | 50,129 | 176,957 | 2001-2014 |
| YPF | 41,848 | 147,722 | 2001-2014 |

(**) These contracts include "delivery or pay" clauses.

In July 2000 REPSOL YPF chartered three 138,000m$^3$ methane gas tankers under a "time charter" arrangement. In addition, in February 2001 another "time charter" contract was signed for a 140,500 m3 tanker. These four vessels will make it possible to transport the liquid natural gas that the Company has undertaken to transport under the agreement between REPSOL YPF and Atlantic LNG Company of Trinidad and Tobago. As of the date of this writing the four vessels were under construction and are expected to be delivered in the period from December 2002 to March 2004.

Once the vessel has been delivered by the owner, REPSOL YPF must pay monthly the amount of the rent over the agreed period. The initial overall amount of rent payable for all four vessels in the first year is approximately €85 million.

Under these contracts, REPSOL YPF undertakes to rent the vessels over an initial period of 20 years from delivery thereof, extendible through two consecutive extensions each for five years. Also, REPSOL YPF has acquired a purchase option on three of these vessels which it will be able to exercise on expiry of the initial period or of either of the extensions, for a total amount of approximately €255 for all three tankers.

REPSOL YPF has also chartered, under a "time charter" arrangement, three oil tankers to transport crude oil, of which one has a deadweight tonnage capacity of 96,755 tonnes and the other two a deadweight tonnage capacity of 147,000 tonnes each. The first of these charter agreements expires in December 2003 and the other two expire in October 2002.

There are also long-term contracts with eight cryogenic ships for the transportation of LNG.

As of December 31, 2000, REPSOL YPF, through Gas Natural, had arranged with third parties rights for the transportation of 331,474 million termies of gas for the period from 2000 through 2021, with "ship or pay" clauses, for each of the five stretches of the gas pipeline between the border with Morocco and the Portuguese border with Galicia at Tuy.

In addition, as of December 31, 2000, Astra (through Metrogas) had the following gas transportation commitments:

| | Millions of termies | Millions of cubic feet | Period |
|---|---|---|---|
| Uninterruptible transportation commitment | 509,934 | 1,800,069 | 2001-2014 |
| Interruptible transportation commitment | 66,215 | 233,737 | 2001-2014 |

Additionally, Metrogas has an annual uninterruptible transportation capacity of 18,287 termies (64,552 million cubic feet) with contracts expiring annually and automatically renewable.

Also, as of December 31, 2000, the REPSOL YPF Group had the following crude oil and gas-oil sale commitments maturing in 2001:

| Company | Product | Thousands of barrels | Period |
|---|---|---|---|
| Astra | Crude | 855 | 01/01/01-09/30/01 |
| YPF | Gas-oil | 33,179 | 01/01/01-07/31/01 |

As of December 31, 2000, the REPSOL YPF Group (through Metrogas) had materials purchase and supply commitments amounting to US$ 59 million, the related schedule being as follows:

| 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|
| 21 | 14 | 11 | 7 | 6 |

. **Other commitments and contingencies**

- Pursuant to the YPF Privatization Law, the Argentine State took on certain obligations that YPF had as of December 31, 1990. Decree 546/1993 on the Privatization Law stipulates certain restrictions regarding the extent to which the Argentine State can assume the costs incurred by YPF for legal services sought in the defense of the aforementioned obligations. The Argentine government will bear these costs provided that the remuneration amounts provided for in the contracts are fixed and are not dependent upon the amounts claimed. Under the provisions of this Decree, YPF is required to keep the Argentine State informed regarding any claim made against YPF in this connection.

Through December 31, 2000, the Argentine State has been, or is in the process of being, notified of all such claims. Based on the Privatization Law, YPF considers that it will not have to meet any significant claims in this connection.

- YPF has undertaken to maintain a minimum holding of 51% in its subsidiary YPF Gas, S.A., through the expiration of a lease contract arranged by the aforementioned company, and to maintain its holdings in YPF Chile, S.A., Profertil, S.A. and Petroken, which it cannot sell without prior authorization from the creditor banks. Also, YPF has pledged all the shares of Compañía Mega, S.A. owned by it as security for the financing for construction of the plant, and has undertaken, inter alia, to maintain its holding in the aforementioned company through the end of the third year following the commencement of the transactions.

- As of December 31, 2000, the REPSOL YPF Group had recorded provisions to cover the environmental risks relating to the operations carried on in the past by a former chemical products subsidiary of Maxus, Diamond Shamrock Chemicals Company (“Diamond”) prior to its sale in 1986 to Occidental Petroleum Corporation (“Occidental”).

  As of December 31, 2000, the REPSOL YPF Group had recorded a provision amounting to approximately €96 million in this connection.

  The current position of the main sites can be summarized as follows:

  - Hudson County (New Jersey, United States). Contribution to the cleaning costs incurred at various sites at which chromium mineral waste was used as fill material. YPF International has recorded a provision, based on its best estimate of the research and remedial costs yet to be incurred, amounting to €42 million, although the results of the review of the aforementioned report by the New Jersey Department of Environmental Protection and Energy (“DEP”) could increase the costs as a result of the additional work that might be required.

    Additionally, the DEP has stated that it expects Occidental and Maxus to contribute, along with the other chromium manufacturers, to the provision of funds for certain cleaning activities related to some of the so-called “orphan sites” located in Hudson County, New Jersey. Occidental and Maxus have refused to make any contribution in connection with the aforementioned sites on the grounds that there is no evidence to suggest that any of the waste was produced by their operations.

- Río Passaic (New Jersey, United States). YPF International has recorded a provision for €6 million corresponding to its share of the costs to be borne in the tests and studies that are being carried out in this area adjacent to a former Diamond plant.

  Additional work may be required, including remedial measures, which could lead to an increase in the costs associated with this area.

- Painesville (Ohio, United States). Obligations relating to the research and feasibility studies in relation to the environmental cleaning work to be carried out in the area of a former Diamond plant in Painesville. YPF International has recorded a provision for the full amount of its share of these costs.

  Although it is still not possible to calculate the exact magnitude and nature of any research or additional remedial measures that may prove to be necessary, the related changes and increases in provisions will be made when required.

- Third-party sites. The US Environmental Protection Agency (EPA) has filed a complaint against various parties (including Occidental as the successor of Diamond) potentially liable for the remediation costs supposedly borne at a site in Texas. The EPA considers that the defendants are jointly liable for all the costs, amounting to approximately €160 million plus interest (as of December 31, 2000, the estimated amount was €59 million). REPSOL YPF considers that Diamond's involvement at this site, if any, was limited, and, accordingly, any liability of Occidental as the successor to Diamond will not be material.

- Legal actions. In 1998 a subsidiary of Occidental filed a suit at a court in Ohio in connection with certain expenses relating to a Diamond plant located in that state and other costs. The Company considers that Occidental's complaint is groundless.

The directors consider that these provisions will adequately cover all the probable and significant environmental contingencies that can reasonably be estimated; however, any changes that may occur in current circumstances could lead to increases in these provisions in the future.

- On March 22, 1999, the Argentine Secretariat for Industry, Commerce and Mining informed YPF of Resolution 189 of March 19, 1999, under which YPF was fined US$ 110 million for abuse of dominant position in the Argentine LPG market through the practice of price discrimination between Argentine and foreign LPG buyers from 1993 to 1997. On March 29, 1999, YPF filed an appeal with the National Court of Appeals in the economic-criminal jurisdiction to have this decision set aside, and on September 23 filed a communication replacing the oral report provided for by Article 538 of the Criminal Procedures Code.

On November 24, 2000, the National Court of Appeals, in a split decision (two judges for and one against), decided to uphold the Secretariat's Resolution. It should be noted that in his decision, the dissenting Judge proposed that Resolution 189 of the Secretariat, being wholly set aside on the grounds that the correct operation of the market had not been affected and no anticompetitive practices had occurred and, therefore, Fair Trading Law 22,262 had not been contravened (consideration no.20). YPF filed an extraordinary appeal against the decision at the Argentine Supreme Court on December 13, 2000. Leave to proceed with the appeal was denied by the Court on December 29, 2000. On January 5, 2001, YPF submitted to the Secretariat of Fair Trading and Consumer Protection a request for a stay of enforcement of the aforementioned penalty. On February 9, 2001, YPF appealed at the Supreme Court against the denial of leave to proceed with the extraordinary appeal, in an attempt to obtain leave for the latter appeal and overturn the contested judgment. At the date of this report no decision had been taken regarding the request for the aforementioned stay of enforcement and appeal. Although, based on its legal advisers' opinions and available documentation on the Court record Company management considers that Law 22.262 had not been contravened in any way and Resolution 189 of the Secretariat had no legal basis, it was decided to record a provision for the penalty amount in YPF's statement of income in accordance with strict accounting principles of prudence, reflecting the terms of the court decision handed down, until such time as the appeal filed is resolved. The net effect of this provision was recorded as goodwill in consolidation (see Note 1.d.2) in the financial statements of the REPSOL YPF consolidated Group.

- With regard to the privatization of YPF, which led to a significant reduction of the labor force, the aforementioned company was sued by several former employees. A provision has been recorded for this contingency. In the opinion of Company management and the Company's external legal advisers, these lawsuits are not expected to have material adverse effects in the future on the results of the company's operations or on its financial position.

- On December 28, 2000, the Argentine State applied Rule 1252 and extended the term of YPF's operating concession for the Loma La Lata – Sierra Barrosa area for an additional ten-year period through November 2027, in accordance with the conditions established in the Extension Agreement signed on December 5, 2000, between the State, the Neuquén Province and YPF. Under this agreement, YPF undertook, inter alia, to pay the State US$300 million for the obtainment of the extension, this amount being recorded under the "Property, Plant and Equipment" caption in the balance sheet as of December 31, 2000, to define a program of investments totaling US$ 8,000 million to be made in the Neuquén Province from 2000 through 2017, and to transfer to the Neuquén Province 5% of the net cash flow arising from the concession in each year of the extended term. YPF also undertook to donate the sums of US$ 20 million, which will be used to settle the debts of certain companies providing services to YPF, and of US$10 million to meet those companies' capital requirements. In connection with the last two commitments, YPF recorded a loss of US$30 million under the "Extraordinary Loss" caption of the statement of income for the year ended December 31, 2000.

(26) SUBSEQUENT EVENTS

In December 2000 REPSOL YPF and Petrobras signed an asset exchange agreement, whereby REPSOL YPF will receive a 30% holding in the REFAP refinery located in the South of Brazil, a service station network operating in Central, South-East and Southern Brazil, and a 10% holding in the Albacora Leste crude oil field. In exchange, Petrobras will acquire Eg3. As a result of this operation, as of December 31, 2000, Eg3 was excluded from the scope of consolidation. Its shareholders' equity and unamortized goodwill are classified under the "Temporary cash investments" caption in the accompanying consolidated balance sheets (see Note 1.d.3). At the preparation of these financial statements, REPSOL YPF and Petrobras are negotiating the final exchange agreement, which had some modifications required by Petrobras.

REPSOL YPF and the U.S. company Apache entered into an agreement whereby REPSOL YPF will sell to Apache, for US$410 million, its interests in various oil and gas exploration and production concessions in the Western Desert of Egypt. The agreement, effective on January 1, 2001, is subject to the approval of the Egyptian authorities and the shareholders' preferential purchase rights (see Note 5).

On February 7, 2001, YPF sold 36% of its holding in Oleoducto Trasandino (Argentina), S.A., A & C Pipeline Holding Company and Oleoducto Trasandino (Chile), S.A. for approximately US$ 66 million. This transaction did not have a material impact on the Company's income.

On December 27, 2000, the Special Shareholders' Meeting of YPF, S.A. resolved to merge Astra Compañía Argentina de Petróleo, S.A. and Repsol Argentina, S.A. into YPF, S.A. The merger is effective from January 1, 2001.

At its meeting in February 2001, YPF's Board of Directors approved the merger with effect from January 1, 2001, of YPF Gas, S.A. and Repsol Gas, S.A. Following the merger, YPF will acquire an 85% holding in the new company and Pluspetrol Exploración y Producción S.A. will acquire the remaining 15%.

In February 2001 REPSOL YPF entered into an agreement for the acquisition of holdings owned by Pecom Energía, S.A. (Pérez Companc) and Pluspetrol Bolivia Corporation in the Bolivian company Andina, S.A. This agreement with Pérez Companc provided for an exchange of assets, involving the assignment of this company's 20.25% holding in Andina, S.A. and its 50% holding in the Manantiales Behr and Restinga Ali areas to REPSOL YPF. REPSOL YPF, in turn, assigns to Pérez Companc its 30% and 62.2% holdings in the Santa Cruz I and Santa Cruz II areas, respectively. Also, REPSOL YPF purchases from Pluspetrol Bolivia Corporation its 9.5% holding in Andina, S.A. The total value of the assets being exchanged is US$434.5 million. This transaction increased REPSOL YPF's holding in Andina, S.A., which it already operates, to 50%.

## (27) CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

Following are the Group's consolidated statements of changes in financial position for 2000, 1999 and 1998:

**Millions of Euros**

| APPLICATIONS OF FUNDS | 2000 | 1999 | 1998 | SOURCES OF FUNDS | 2000 | 1999 | 1998 |
|---|---|---|---|---|---|---|---|
| Investments | | | | Funds obtained from operations (*) | 6,302 | 3,182 | 2,150 |
| Property, plant and equipment | 4,002 | 2,630 | 1,723 | | | | |
| Intangible assets | 100 | 88 | 40 | Share issuances | 397 | 5,665 | - |
| Long-term financial investments | 501 | 451 | 218 | | | | |
| Deferred expenses | 182 | 265 | 39 | Subsidies and other deferred revenues | 121 | 74 | 92 |
| Acquisitions of consolidated affiliates | 1,333 | 14,277 | 197 | | | | |
| | 6,118 | 17,711 | 2,217 | Contribution of minority interests | 16 | 25 | 11 |
| Net long-term assets and liabilities related | | | | Long-term debt | | | |
| to the consolidation of new affiliates | (648) | 520 | 16 | Loans received | 7,162 | 12,942 | 544 |
| Net change in long-term assets and liabilities | | | | Other long-term debt | 275 | 23 | 11 |
| due to translation | 925 | 714 | (84) | | | | |
| Dividends | | | | Disposal of fixed and other noncurrent assets | | | |
| Of the Parent Company | 541 | 414 | 373 | Property, plant and equipment | 137 | 767 | 111 |
| Of the Group companies attributed to minority interests | 242 | 153 | 144 | Long-term investments and other | 128 | 152 | 116 |
| Repayment or reclassification of long-term debt | 4,541 | 8,267 | 1,199 | | | | |
| INCREASE IN WORKING CAPITAL | 2,819 | - | - | DECREASE IN WORKING CAPITAL | - | 4,949 | 830 |
| TOTAL FUNDS APPLIED | 14,538 | 27,779 | 3,865 | TOTAL FUNDS OBTAINED | 14,538 | 27,779 | 3,865 |

(*) The detail of the funds obtained from operations in 2000, 1999 and 1998 is as follows:

| | Millions of Euros | | |
|---|---|---|---|
| | 2000 | 1999 | 1998 |
| Net income for the year | 2,429 | 1,011 | 875 |
| Adjustments to determine the funds obtained from operations: | | | |
| Depreciation, depletion and amortization | 3,135 | 1,929 | 1,078 |
| Provisions funded (net) | 422 | 112 | 179 |
| Income attributed to minority interests | 488 | 175 | 139 |
| Income/(expense) on fixed assets disposals | 7 | (101) | (58) |
| Cancellation of deferred tax liabilities and other | (179) | 56 | (63) |
| Funds obtained from operations | 6,302 | 3,182 | 2,150 |

The variations in working capital in 2000,1999 and 1998 were as follows:

| | Millions of Euros | | | | | |
|---|---|---|---|---|---|---|
| | 2000 | | 1999 | | 1998 | |
| VARIATIONS IN WORKING CAPITAL | Increases | Decreases | Increases | Decreases | Increases | Decreases |
| Inventories | 725 | - | 874 | - | - | 141 |
| Accounts receivable | 1,939 | - | 1,960 | - | 402 | - |
| Accounts payable | - | 226 | - | 8,398 | - | 1,196 |
| Temporary cash investments and cash | 351 | - | 645 | - | 105 | - |
| Prepaid expenses and accrued liabilities (net) | 30 | - | - | 30 | - | - |
| TOTAL | 3,045 | 226 | 3,479 | 8,428 | 507 | 1,337 |
| VARIATION IN WORKING CAPITAL | - | 2,819 | 4,949 | - | 830 | - |
| | 3,045 | 3,045 | 8,428 | 8,428 | 1,337 | 1,337 |

## (28) SUPPLEMENTARY INFORMATION ON OIL AND GAS EXPLORATION AND PRODUCTION ACTIVITIES (Unaudited information)

### Capitalized costs

Capitalized costs represent the historical costs capitalized to assets with proved and unproved oil and gas reserves, including auxiliary equipment and facilities, and the related accumulated depreciation and depletions. These amounts include state-financed exploration costs (see Note 2.c.3).

| | Millions of Euros | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Total | Spain | North Africa and Middle East | Argentina | Rest of Latin America | Far East | North Sea | Rest of the World |
| As of December 31, 1998 | | | | | | | | |
| Costs capitalized to assets with proved reserves | 4,902 | 254 | 1,834 | 1,668 | 397 | 434 | 263 | 52 |
| Costs capitalized to assets with unproved reserves | 264 | - | - | 76 | 188 | - | - | - |
| | 5,166 | 254 | 1,834 | 1,744 | 585 | 434 | 263 | 52 |
| Support equipment and facilities | 99 | 11 | 80 | - | 1 | 1 | 6 | - |
| Total capitalized costs | 5,265 | 265 | 1,914 | 1,744 | 586 | 435 | 269 | 52 |
| Accumulated depreciation | (2,620) | (210) | (962) | (847) | (213) | (289) | (61) | (38) |
| Net amounts | 2,645 | 55 | 952 | 897 | 373 | 146 | 208 | 14 |
| As of December 31, 1999 | | | | | | | | |
| Costs capitalized to assets with proved reserves | 24,480 | 251 | 2,186 | 18,910 | 1,020 | 1,417 | 386 | 310 |
| Costs capitalized to assets with unproved reserves | 2,689 | - | - | 1,872 | 524 | 282 | - | 11 |
| | 27,169 | 251 | 2,186 | 20,782 | 1,544 | 1,699 | 386 | 321 |
| Support equipment and facilities | 548 | 12 | 185 | 303 | 16 | 25 | 7 | - |
| Total capitalized costs | 27,717 | 263 | 2,371 | 21,085 | 1,560 | 1,724 | 393 | 321 |
| Accumulated depreciation | (13,236) | (235) | (1,248) | (10,458) | (409) | (726) | (114) | (46) |
| Net amounts | 14,481 | 28 | 1,123 | 10,627 | 1,151 | 998 | 279 | 275 |
| As of December 31, 2000 | | | | | | | | |
| Costs capitalized to assets with proved reserves | 28,127 | 269 | 2,391 | 21,456 | 2,327 | 1,671 | - | 13 |
| Costs capitalized to assets with unproved reserves | 1,801 | - | - | 1,460 | 303 | 20 | - | 18 |
| | 29,928 | 269 | 2,391 | 22,916 | 2,630 | 1,691 | - | 31 |
| Support equipment and facilities | 646 | 15 | 221 | 308 | 64 | 38 | - | - |
| Total capitalized costs | 30,574 | 284 | 2,612 | 23,224 | 2,694 | 1,729 | - | 31 |
| Accumulated depreciation | (15,164) | (260) | (1,525) | (11,817) | (693) | (864) | - | (5) |
| Net amounts | 15,410 | 24 | 1,087 | 11,407 | 2,001 | 865 | - | 26 |

## Costs incurred

Costs incurred represent amounts capitalized or expensed during the year relating to acquisitions of assets with oil and gas reserves and exploration and development activities, including amounts financed by the State (see Note 2.c.3).

| | Millions of Euros | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Total | Spain | North Africa and Middle East | Argentina | Rest of Latin America | Far East | North Sea | Rest of the World |
| 1998 | | | | | | | | |
| Acquisitions of assets with proved reserves | 50 | - | - | 50 | - | - | - | - |
| Acquisitions of assets with unproved reserves | 32 | - | - | 1 | 31 | - | - | - |
| Exploration costs | 110 | 7 | 36 | 9 | 30 | 5 | 10 | 13 |
| Development costs | 486 | 2 | 299 | 78 | 32 | 36 | 37 | 2 |
| | 678 | 9 | 335 | 138 | 93 | 41 | 47 | 15 |
| 1999 | | | | | | | | |
| Acquisitions of assets with proved reserves | 8,942 | - | - | 7,216 | 421 | 696 | - | 609 |
| Acquisitions of assets with unproved reserves | 1,711 | - | - | 1,630 | 80 | - | - | 1 |
| Exploration costs | 223 | 19 | 18 | 52 | 83 | 16 | 11 | 24 |
| Development costs | 635 | - | 148 | 269 | 68 | 72 | 62 | 16 |
| | 11,511 | 19 | 166 | 9,167 | 652 | 784 | 73 | 650 |
| 2000 | | | | | | | | |
| Acquisitions of assets with proved reserves | 806 | - | - | 563 | 235 | 4 | - | 4 |
| Acquisitions of assets with unproved reserves | 155 | - | - | 16 | 138 | - | - | 1 |
| Exploration costs | 281 | 14 | 51 | 113 | 73 | 15 | - | 15 |
| Development costs | 1,098 | 13 | 70 | 748 | 155 | 110 | - | 2 |
| | 2,340 | 27 | 121 | 1,440 | 601 | 129 | - | 22 |

Results of operations of oil and gas producing activities

The following table shows the revenues and expenses associated directly with the Company’s oil and gas producing activities. It does not include any allocation of the Company’s financial costs or general corporate overhead and, therefore, is not necessarily indicative of the contribution to consolidated net earnings of the Company’s oil and gas operations.

| | Millions of Euros | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Total | Spain | North Africa and Middle East | Argentina | Rest of Latin America | Far East | North Sea | Rest of the World |
| 1998 | | | | | | | | |
| . Revenues | | | | | | | | |
| Sales to unaffiliated parties | 584 | - | 173 | 212 | 34 | 82 | 78 | 5 |
| Sales to affiliated parties | 321 | 70 | 182 | 69 | - | - | - | - |
| Other revenues | 11 | - | 11 | - | - | - | - | - |
| Total revenues | 916 | 70 | 366 | 281 | 34 | 82 | 78 | 5 |
| Production costs | (293) | 2 | (121) | (104) | (18) | (31) | (18) | (3) |
| Exploration expenses | (83) | (6) | (33) | (3) | (22) | (5) | (6) | (8) |
| Other operating expenses | (2) | - | (1) | - | (1) | - | - | - |
| Depreciation and amortization | (290) | (35) | (100) | (80) | (16) | (27) | (28) | (4) |
| Income (Loss) before taxes and charges | 248 | 31 | 111 | 94 | (23) | 19 | 26 | (10) |
| Taxes and charges | (152) | (6) | (104) | (33) | 3 | (9) | (6) | 3 |
| Results of oil and gas producing activities | 96 | 25 | 7 | 61 | (20) | 10 | 20 | (7) |
| 1999 | | | | | | | | |
| . Revenues | | | | | | | | |
| Sales to unaffiliated parties | 1,520 | - | 329 | 561 | 106 | 299 | 138 | 87 |
| Sales to affiliated parties | 1,812 | 55 | 310 | 1,447 | - | - | - | - |
| Other revenues | 42 | - | 27 | (2) | 9 | 2 | 2 | 4 |
| Total revenues | 3,374 | 55 | 666 | 2,006 | 115 | 301 | 140 | 91 |
| Production costs | (946) | (4) | (156) | (599) | (27) | (121) | (22) | (17) |
| Exploration expenses | (218) | (11) | (24) | (66) | (79) | (15) | (5) | (18) |
| Other operating expenses | (15) | (2) | (13) | - | - | - | - | - |
| Depreciation and amortization | (820) | (31) | (132) | (503) | (25) | (68) | (38) | (23) |
| Income (Loss) before taxes and charges | 1,375 | 7 | 341 | 838 | (16) | 97 | 75 | 33 |
| Taxes and charges | (561) | (3) | (169) | (338) | 6 | (39) | (21) | 3 |
| Results of oil and gas producing activities | 814 | 4 | 172 | 500 | (10) | 58 | 54 | 36 |
| 2000 | | | | | | | | |
| . Revenues | | | | | | | | |
| Sales to unaffiliated parties | 3,854 | - | 569 | 2,289 | 482 | 509 | - | 5 |
| Sales to affiliated parties | 4,091 | 92 | 656 | 3,250 | - | 85 | - | 8 |
| Other revenues | 383 | 302 | 65 | - | - | 9 | - | 7 |
| Total revenues | 8,328 | 394 | 1,290 | 5,539 | 482 | 603 | - | 20 |
| Production costs | (2,107) | (1) | (310) | (1,458) | (123) | (210) | - | (5) |
| Exploration expenses | (176) | (7) | (36) | (76) | (27) | (11) | - | (19) |
| Other operating expenses | (35) | (4) | - | (10) | (20) | - | - | (1) |
| Depreciation and amortization | (1,391) | (31) | (184) | (996) | (82) | (90) | - | (8) |
| Income (Loss) before taxes and charges | 4,619 | 351 | 760 | 2,999 | 230 | 292 | - | (13) |
| Taxes and charges | (1,845) | (126) | (404) | (1,150) | (61) | (103) | - | (1) |
| Results of oil and gas producing activities | 2,774 | 225 | 356 | 1,849 | 169 | 189 | - | (14) |

Estimated net proved developed and undeveloped reserves of crude oil (including condesate and natural gas liquids) and natural gas

The following table reflects the estimated developed and undeveloped proved reserves of crude oil and natural gas as of December 31, 1998, 1999 and 2000, and the variations therein.

The net proven oil and gas reserves as of December 31, 2000, 1999 and 1998, were estimated by the Company in accordance with the guidelines established by the U.S. Securities and Exchange Commission and the accounting principles of the Financial Accounting Standards Board in force in the U.S., which require that reserve estimates be prepared under existing economic and operating conditions with no provision for price and cost escalations for the purpose of calculating the present value of future net revenues, unless contractual agreements exist.

| | Thousands of Barrels of Crude Oil | | | | | | | | Natural Gas in Millions of Cubic Feet | Thousands of Barrels of Crude Oil Equivalent |
|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Spain | North Africa and Middle East | Argentina | Rest of Latin America | Far East | North Sea | Rest of the World | | |
| Reserves at December 31, 1997 | 679,419 | 4,779 | 321,001 | 164,631 | 96,320 | 32,171 | 57,738 | 2,779 | 2,144,297 | 1,036,802 |
| Revision of previous estimates | 5,175 | 240 | (7,567) | 4,957 | 53 | 5,556 | 2,618 | (682) | (151,701) | (20,110) |
| Increase due to improvements in recovery techniques | 7,156 | - | 949 | 6,207 | - | - | - | - | 224 | 7,193 |
| Extensions and discoveries | 25,287 | - | 6,286 | 11,828 | 7,173 | - | - | - | 118,631 | 45,060 |
| Purchase (Sale) of reserves | 960 | - | (419) | 814 | 565 | - | - | - | (8,235) | (413) |
| Production | (74,339) | (1,898) | (33,181) | (19,119) | (5,616) | (6,130) | (7,879) | (516) | (97,288) | (90,554) |
| Reserves at December 31, 1998 (1) | 643,658 | 3,121 | 287,069 | 169,318 | 98,495 | 31,597 | 52,477 | 1,581 | 2,005,928 | 977,978 |
| Revision of previous estimates | 121,472 | 659 | 26,494 | 80,993 | 8,762 | (8,343) | 16,123 | (3,216) | 1,491,592 | 370,071 |
| Increase due to improvements in recovery techniques | 24,964 | - | 45 | 16,190 | 461 | 8,268 | - | - | 18 | 24,967 |
| Extensions and discoveries | 50,652 | 3,435 | 2,165 | 25,167 | 15,942 | 2,774 | 685 | 484 | 580,114 | 147,338 |
| Purchase (Sale) of reserves | 1,473,414 | - | - | 1,144,023 | 188,657 | 135,974 | - | 4,760 | 10,705,864 | 3,257,725 |
| Production | (164,508) | (1,078) | (36,375) | (94,526) | (11,488) | (11,968) | (8,447) | (626) | (473,738) | (243,464) |
| Reserves at December 31, 1999 (2) | 2,149,652 | 6,137 | 279,398 | 1,341,165 | 300,829 | 158,302 | 60,838 | 2,983 | 14,309,778 | 4,534,615 |
| Revision of previous estimates | 298,301 | (420) | 15,258 | 251,409 | (24,868) | 56,921 | - | 1 | (954,506) | 139,217 |
| Increase due to improvements in recovery techniques | 99,613 | 61 | (958) | 106,584 | (8,673) | 2,599 | - | - | (113) | 99,594 |
| Extensions and discoveries | 94,563 | 496 | 4,784 | 43,649 | 38,077 | 7,557 | - | - | 1,144,962 | 285,390 |
| Purchase (Sale) of reserves | (31,036) | 1,711 | - | (13,521) | 44,379 | - | (60,838) | (2,767) | 705,233 | 86,503 |
| Production | (232,622) | (811) | (35,554) | (157,751) | (19,730) | (18,611) | - | (165) | (810,614) | (367,724) |
| Reserves at December 31, 2000 (3) | 2,378,471 | 7,174 | 262,928 | 1,571,535 | 330,014 | 206,768 | - | 52 | 14,394,740 | 4,777,595 |

Note: As of December 31, 1998, approximately 128 million barrels of crude oil equivalent related to minority shareholders of Astra. As of December 31, 1999, approximately 196 million barrels of crude oil equivalent related to minority shareholders (120 to minority shareholders of Astra and 76 to minority shareholders of YPF).

(1) Including 13 million barrels the only revenues from which relate to the extraction services contract entered into for this purpose (base production).

(2) Including 11 million barrels, the only revenues from which relate to the extraction services contract entered into for this purpose (base production) and 177 million barrels contributed by Andina, S.A. which was not consolidated as of that date.
Including also 90 million barrels relating to Repsol Exploración UK, for which there was a sale commitment at the end of the period, and 42 million of barrels relating to the second tranche of the sale of the assets of Crescendo Resources, L.P.

| | Thousands of Barrels of Crude Oil | | | | | | | | Natural Gas in Millions of Cubic Feet | Thousands of Barrels of Crude Oil Equivalent |
|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Spain | North Africa and Middle East | Argentina | Rest of Latin America | Far East | North Sea | Rest of the World | | |
| Proved developed reserves: | | | | | | | | | | |
| At December 31, 1997 ............ | 462,361 | 4,779 | 223,828 | 126,528 | 44,447 | 27,187 | 32,813 | 2,779 | 1,062,306 | 639,412 |
| At December 31, 1998 ............ | 474,528 | 1,719 | 240,163 | 134,688 | 39,386 | 24,514 | 32,477 | 1,581 | 1,013,321 | 643,415 |
| At December 31, 1999 ............ | 1,667,503 | 1,829 | 252,391 | 1,122,062 | 129,759 | 122,075 | 36,404 | 2,983 | 10,683,209 | 3,448,038 |
| At December 31, 2000 ............ | 1,808,911 | 3,401 | 229,153 | 1,252,592 | 168,338 | 155,375 | - | 52 | 9,688,850 | 3,423,719 |

Standardized measure of discounted future net cash flows

The future net cash flows were calculated by applying to the estimated future production quantities the selling prices in force at the end of the year in which the estimate was made. Future production costs were estimated on the basis of actual costs incurred in 1998, 1999 and 2000. Future development costs were calculated on the basis of technical studies conducted by REPSOL YPF and by the operators holding joint title with REPSOL YPF. The taxes projected for each of the future years were determined by applying the nominal tax rate applicable in Spain, reduced by the tax benefits available to the Company in each of the years. The interest rate used to discount the future net revenues was 10%.

The calculations assumed that the economic conditions existing at the end of each year would continue. Other different, but equally valid, assumptions might lead to significantly different results.

The present value of the future net cash flows calculated as described above is not intended to be interpreted, and should not be interpreted, as the fair value of the Company’s oil and gas reserves. An estimation of the fair value of these reserves would also include the future exploitation of reserves not yet classified as proved reserves, changes in future prices and costs and a discount rate which better represents the value of money over time and the risks inherent to estimating the reserves.

The following table shows the present value of the future net revenues relating to proved oil and gas reserves, calculated on the basis of the aforementioned assumptions.

| | Millions of Euros | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Total | Spain | North Africa and Middle East | Argentina | Rest of Latin America | Far East | North Sea | Rest of the World |
| At December 31, 1998: | | | | | | | | |
| Future cash flows | 7,240 | 101 | 3,139 | 2,537 | 345 | 569 | 540 | 9 |
| Future production and development costs | (4,099) | (54) | (1,779) | (1,165) | (364) | (392) | (341) | (4) |
| Future net cash flows before income taxes | 3,141 | 47 | 1,360 | 1,372 | (19) | 177 | 199 | 5 |
| Future income tax expense | (1,545) | (10) | (643) | (682) | (69) | (75) | (66) | - |
| | 1,596 | 37 | 717 | 690 | (88) | 102 | 133 | 5 |
| Effect of discounting at 10% | (400) | (4) | (215) | (123) | 22 | (32) | (47) | (1) |
| Standardized measure | 1,196 | 33 | 502 | 567 | (66) | 70 | 86 | 4 |
| At December 31, 1999: | | | | | | | | |
| Future cash flows | 61,582 | 244 | 7,335 | 41,868 | 4,746 | 4,944 | 1,809 | 636 |
| Future production and development costs | (18,797) | (103) | (2,105) | (12,202) | (1,326) | (2,362) | (514) | (185) |
| Future net cash flows before income taxes | 42,785 | 141 | 5,230 | 29,666 | 3,420 | 2,582 | 1,295 | 451 |
| Future income tax expense | (13,385) | (44) | (1,588) | (9,264) | (1,049) | (889) | (398) | (153) |
| | 29,400 | 97 | 3,642 | 20,402 | 2,371 | 1,693 | 897 | 298 |
| Effect of discounting at 10% | (11,575) | (8) | (1,376) | (8,011) | (1,072) | (698) | (271) | (139) |
| Standardized measure | 17,825 | 89 | 2,266 | 12,391 | 1,299 | 995 | 626 | 159 |
| At December 31, 2000 | | | | | | | | |
| Future cash flows | 72,551 | 648 | 7,766 | 48,260 | 10,117 | 5,170 | 570 | 20 |
| Future production and development costs | (24,637) | (323) | (2,338) | (15,092) | (4,028) | (2,622) | (232) | (2) |
| Future net cash flows before income taxes | 47,914 | 325 | 5,428 | 33,168 | 6,089 | 2,548 | 338 | 18 |
| Future income tax expense | (16,300) | (54) | (1,521) | (11,439) | (2,143) | (1,030) | (107) | (6) |
| | 31,614 | 271 | 3,907 | 21,729 | 3,946 | 1,518 | 231 | 12 |
| Effect of discounting at 10% | (13,614) | (91) | (1,501) | (9,058) | (2,089) | (638) | (231) | (6) |
| Standardized measure | 18,000 | 180 | 2,406 | 12,671 | 1,857 | 880 | 0 | 6 |

## Changes in the standardized measure of discounted future net cash flows

The detail of the changes in the standardized measure of discounted future net cash flows for 2000, 1999 and 1998 is as follows:

| | Millions of Euros | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Total | Spain | North Africa and Middle East | Argentina | Rest of Latin America | Far East | North Sea | Rest of the World |
| Balance as of December 31, 1997 | 2,472 | 86 | 1,013 | 937 | 71 | 118 | 233 | 14 |
| Oil and gas sales, net of production costs | (531) | (41) | (179) | (181) | (16) | (37) | (73) | (4) |
| Net variation in selling prices | (1,940) | (48) | (1,001) | (410) | (204) | (80) | (191) | (6) |
| Net change in taxes and charges | 436 | 30 | 215 | 108 | 5 | 24 | 54 | - |
| Development costs incurred during the year | 474 | 3 | 274 | 76 | 51 | 21 | 49 | - |
| Purchases/(Sales) of reserves | (5) | (2) | (3) | - | - | - | - | - |
| Changes in reserve quantities | 42 | (5) | (44) | 71 | 2 | 22 | (2) | (2) |
| Accretion of discount | 214 | 5 | 111 | 56 | 10 | 10 | 21 | 1 |
| Changes in production, development and abandonment costs | 34 | 5 | 116 | (90) | 15 | (8) | (5) | 1 |
| Net variation | (1,276) | (53) | (511) | (370) | (137) | (48) | (147) | (10) |
| Balance as of December 31, 1998 | 1,196 | 33 | 502 | 567 | (66) | 70 | 86 | 4 |
| Oil and gas sales, net of production costs | (1,852) | (24) | (149) | (1,377) | (49) | (136) | (49) | (68) |
| Net variation in selling prices | 10,528 | 71 | 2,551 | 5,605 | 1,032 | 678 | 507 | 84 |
| Net change in taxes and charges | (3,768) | (20) | (741) | (2,294) | (338) | (217) | (151) | (7) |
| Development costs incurred during the year | 586 | 5 | 114 | 263 | 82 | 54 | 52 | 16 |
| Purchases/(Sales) of reserves | 8,358 | (3) | - | 7,504 | 459 | 481 | - | (83) |
| Changes in reserve quantities | 2,949 | 30 | 315 | 2,063 | 220 | 56 | 195 | 70 |
| Accretion of discount | 1,175 | 1 | 47 | 885 | 79 | 91 | 9 | 63 |
| Changes in production, development and abandonment costs | (1,347) | (4) | (373) | (825) | (120) | (82) | (23) | 80 |
| Net variation | 16,629 | 56 | 1,764 | 11,824 | 1,365 | 925 | 540 | 155 |
| Balance as of December 31, 1998 | 17,825 | 89 | 2,266 | 12,391 | 1,299 | 995 | 626 | 159 |
| Oil and gas sales, net of production costs | (4,971) | (43) | (456) | (3,717) | (232) | (337) | (179) | (7) |
| Net variation in selling prices | 718 | 15 | 378 | 1,435 | (902) | (211) | - | 3 |
| Net change in taxes and charges | 266 | 17 | (94) | 207 | 121 | (68) | - | 83 |
| Development costs incurred during the year | 981 | 16 | 53 | 681 | 121 | 102 | 7 | 1 |
| Purchases/(Sales) of reserves | (475) | - | - | (117) | 384 | - | (499) | (243) |
| Changes in reserve quantities | 3,456 | 117 | 388 | 2,104 | 605 | 245 | - | (3) |
| Accretion of discount | 1,467 | 6 | 186 | 305 | 706 | 207 | 45 | 12 |
| Changes in production, development and abandonment costs | (1,267) | (37) | (316) | (617) | (246) | (52) | - | 1 |
| Net variation | 175 | 91 | 140 | 280 | 558 | (115) | (626) | (153) |
| Balance as of December 31, 2000 | 18,000 | 180 | 2,406 | 12,671 | 1,857 | 880 | - | 6 |

(29) DIFFERENCES BETWEEN SPANISH AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES AND OTHER REQUIRED DISCLOSURES

The financial statements of the Repsol YPF Group were prepared in accordance with generally accepted accounting principles in Spain ("Spanish GAAP"), which differ in some respects from generally accepted accounting principles in the United States ("U.S. GAAP"). These differences are discussed in the following paragraphs.

**Reconciliation of Net Income and Shareholders' Equity to Generally Accepted Accounting Principles in the United States**

The following table ("Reconciliation Table") sets forth the most significant adjustments to consolidated net income and shareholders' equity that would have been required had U.S. GAAP been applied instead of Spanish GAAP:

| | | (Millions of Euros, except per share amounts) | | | | |
|---|---|---|---|---|---|---|
| | | Net Income | | | Shareholders´ Equity | |
| | | For the Years Ended December 31, | | | At December 31, | |
| | Item # | 2000 | 1999 | 1998 | 2000 | 1999 |
| **Amounts per accompanying consolidated financial statements** | | 2,429 | 1,011 | 875 | 15,143 | 12,526 |
| **Increase (decrease) due to:** | | | | | | |
| Adjustments to costs of fixed assets: | | | | | | |
| - Elimination of legal restatements of fixed assets | 1 | 58 | 69 | 91 | (391) | (449) |
| - Impairment of assets | 2 | 9 | 17 | (41) | (14) | (23) |
| - Amortization of grossed-up oil and gas assets | 3 | (127) | (63) | (4) | (194) | (67) |
| Goodwill | | | | | | |
| - Amortization of goodwill | 4.1 | (33) | (25) | (20) | (78) | (45) |
| - Direct expenses capitalized as goodwill | 4.2 | (2) | 33 | - | 31 | 33 |
| - Preacquisition contingencies related to YPF | 4.3 | (350) | - | - | (311) | - |
| - Exchange tender offers | 4.4 | (5) | - | - | 240 | - |
| Revenue recognition (SAB101) | | | | | | |
| - Cumulative effect as of January 1, 2000 | 5 | (47) | - | - | (47) | - |
| - Effect in period 2000 | 5 | (13) | - | - | (13) | - |
| Stock appreciation rights | 6.1 | (7) | 7 | - | - | 7 |
| Interest rate swaption | 7 | (72) | 56 | (21) | (34) | 38 |
| Start-up costs | 8 | (82) | (27) | - | (109) | (27) |
| Costs related to stock issues | 9 | 37 | 16 | - | (135) | (172) |
| Acquisition of Enagás | 10 | 1 | (23) | - | (22) | (23) |
| Shares discount paid to employees | 11 | - | (17) | - | - | - |
| Revenues from gas distribution infrastructure | 12 | (4) | 1 | - | (15) | (11) |
| Repsol Garantizado | 13 | 1 | - | - | 1 | - |
| Translation differences related to disposals | 14 | 18 | - | - | - | - |
| Other | - | (10) | 10 | - | - | 10 |
| Tax effect of the above adjustments and deferred taxation under SFAS 109 | 15 | 110 | 69 | (5) | 453 | 343 |
| **Amounts under U.S. GAAP** | | 1,911 | 1,134 | 875 | 14,505 | 12,140 |
| **Net income per share in accordance with U.S. GAAP (*)** | | 1.60 | 1.09 | 0.97 | | |

(*) The 1998 amount has been restated to reflect the 3-for-1 share and ADS split carried out in April 1999 (see Note 11). In 2000 and 1999, the weighted average number of shares outstanding has been 1,198 million and 1,039 million, respectively.

| | Millions of Euros | |
|---|---|---|
| | 2000 | 1999 |
| U.S. GAAP shareholders' equity at January 1 | 12,140 | 5,653 |
| Net income for the year | 1,911 | 1,134 |
| Share issuances | 676 | 5,553 |
| Translation adjustment | 313 | 208 |
| Other | 6 | 6 |
| Interim dividend | (232) | (190) |
| Supplementary dividend | (309) | (224) |
| U.S. GAAP shareholders' equity at December 31 | 14,505 | 12,140 |

The differences included in the Reconciliation Table above are explained in the following items:

1. *Legal restatements of property, plant and equipment*

As described in Note 2-c, the cost and accumulated depreciation of property, plant and equipment have been restated, including the 1996 legal restatement. Under U.S. GAAP, such restatements are not permitted. The adjustments shown in the Reconciliation Table above include a reduction of consolidated shareholders' equity due to the elimination of these restatements, and an increase in consolidated net income for each year, resulting from the elimination of the depreciation expense on the amount of the restatement. The effect of the tax credit arising from deductibility of future depreciation of the restated assets in 1996 was recorded as income for the year, net of the 3% tax, in accordance with SFAS No. 109 (Item 15).

2. *Impairment*

As a consequence of the different assumptions used to measure impairment of certain long-lived assets (oil and gas properties), Repsol YPF recorded under U.S. GAAP an additional impairment charge of € 41 million (before tax) in the statement of income as of December 31, 1998.

During 1999, oil prices have experienced a significant increase as compared with 1998, thus making it unnecessary to record further impairment charges. Accordingly, as of December 31, 2000 and 1999, net income should be increased by €9 and € 17 million and shareholders' equity should be decreased by € 14 and € 23 million.

3. *Deferred taxes arising in purchase business combinations*

Under U.S. GAAP, a deferred tax liability or asset is recorded in accordance with the requirements of SFAS 109 for differences between the assigned values and the tax bases of the assets and liabilities recognized in a purchase business combination.

The principal such difference relates to oil and gas properties acquired. Recognition of the deferred tax liability on this basis difference increases the financial reporting basis of the oil and gas properties by the same amount.

As of December 31, 1998, this adjustment relates mainly to the oil and gas properties of Astra acquired to that date. In 1999, apart from the additional oil and gas properties of Astra acquired to that date, the adjustment includes the oil and gas properties of YPF acquired during that period.

Accordingly, under U.S. GAAP, the Company's fixed assets (net of amortization) and deferred tax liability as of December 31, 2000, 1999 and 1998 should be increased by € 2,191, € 2,426 and € 57 million, respectively (see Item 15). Additionally, the period amortization charge should be increased by € 127, € 63 and € 4 million, respectively, and income tax expense for the corresponding periods should be decreased to reflect this change at the statutory tax rate of 35%.

4. *Goodwill*

4.1 Under Spanish GAAP, prior to December 31, 1997 the goodwill arising on business combinations was amortized over its estimated economic life subject to a maximum of 10 years. For U.S. GAAP, Repsol YPF amortized goodwill over the same estimated economic life.

In 1998, the maximum period permitted for amortization of goodwill under Spanish GAAP increased from 10 to 20 years. Accordingly, the Company lengthened the estimated economic life for goodwill arising on certain acquisitions prior to December 31, 1997. For U.S. GAAP, no change was made to the original estimated economic life of the goodwill. As a result of the difference in useful lives, under U.S. GAAP Repsol YPF recorded an additional expense of € 33, € 25 million and € 20 million in 2000, 1999 and 1998, respectively.

Goodwill arising on business combinations consummated from 1998 is being amortized over its estimated life subject to a maximum of 20 years under Spanish GAAP. For these business combinations, there is no difference between the estimated economic life of goodwill for Spanish and U.S. GAAP purposes.

4.2 Under Spanish GAAP, Repsol YPF charged in 1999 against period income the expenses directly related to the acquisition of YPF shares, including fees and commissions. Under U.S. GAAP, these amounts are part of the cost of acquisition.

Accordingly, under U.S. GAAP shareholders' equity should be increased by € 31 and € 33 million as of December 31, 2000 and 1999.

4.3 During 2000, Repsol YPF has finalized the allocation of the purchase price of YPF to the assets acquired and the liabilities assumed at June 1999. As a result of this process, the goodwill initially recorded has increased by € 355 million (see Note 1.d.2).

Under U.S. GAAP, the period during which preacquisition contingencies can be recorded against goodwill may not exceed one year from the consummation of the business combination. A significant part of the adjustments recorded by Repsol YPF during 2000 were based on relevant information which became known in the second half of 2000. Accordingly, under U.S. GAAP net income and shareholders' equity as of December 31, 2000, should be decreased by € 350 million and € 311 million, respectively.

4.4 In June 2000, Repsol YPF launched two exchange tender offers, pursuant to which the Group acquired an additional 31.48% stake in Astra CAPSA and an additional 1.16% stake in YPF (see Notes 1.d.2 and 1.d.3).

Under Spanish GAAP these transactions were accounted for as follows: once the number of new shares to be issued was determined in accordance with the corresponding exchange ratios, additional paid-in capital was recorded for the difference between the underlying book value of the acquired interests and the capital increase. Accordingly, the acquisition cost (which consisted of the capital increase plus additional paid-in capital) coincides with the underlying book value of the interests acquired and no significant goodwill arises.

Under U.S. GAAP, the purchase method would apply to this transaction. Under this method, the excess of the acquisition cost —valued at the full market value of the capital issued by Repsol YPF— over the fair value of the net assets acquired would be treated as goodwill. Accordingly, under U.S. GAAP goodwill and shareholders' equity (paid-in capital) as of December 31, 2000 should be increased by € 240 million, respectively, and net income for the year then ended should be decreased by € 5 million.

*5. Revenue recognition*

Under Spanish GAAP, certain up-front non-refundable fees paid by clients in relation to natural gas and LPG supply contracts are recorded as period income.

Under U.S. GAAP, pursuant to the provisions of SAB No. 101 when such up-front fees do not relate to products delivered or services rendered that represent the culmination of a separate earnings process, the revenue should be deferred over the expected period of performance.

Accordingly, under U.S. GAAP Repsol YPF should record a charge to net income and shareholders' equity for the year ended December 31, 2000, of approximately € 60 million (of which € 47 million correspond to the cumulative effect of the change as of January 1, 2000). Also, the pro forma effect of this change in accounting principle for each year in the four-year period ended December 31, 1999 would be the following:

| | Millions of Euros, except per share amounts | | | |
|---|---|---|---|---|
| | 1999 | 1998 | 1997 | 1996 |
| *Historical U.S. GAAP amounts* | | | | |
| Net income for the year ended December 31, ............. | 1,134 | 875 | 858 | 898 |
| Net income per ADS or share........................ ............ | 1.09 | 0.97 | 0.95 | 0.99 |
| *Pro forma U.S. GAAP amounts* | | | | |
| Net income for the year ended December 31, ............. | 1,124 | 868 | 851 | 891 |
| Net income per ADS or share........................ ............ | 1.08 | 0.97 | 0.95 | 0.99 |

## 6. *Compensation arrangements: stock appreciation rights*

### *6.1 Medium Term Incentive 1998*

Repsol YPF's Compensation and Senior Management Development Committee approved a selected compensation arrangement for senior executives in 1998, and for members of the Board of Directors in 1999 (see Note 25), based on the increase in Repsol YPF's share price.

Under Spanish GAAP, the net premium is being amortized by the straight-line method over 3 years. In 2000, 1999 and 1998, an amount of € 1.92 million was recorded as a Personnel Expense in the Statement of Income for each exercise. No other amounts related to this plan are recorded under Spanish GAAP because the call options are viewed as an economic hedge of the amounts payable to the executives.

Under U.S. GAAP (APB No.25), this arrangement is treated as a compensatory variable plan. The compensation cost is measured as the excess of the exercise price over the quoted market price at each balance sheet date. Therefore, as of December 31, 2000, 1999, and 1998, based on a comparable (adjusted for the 3-for-1 stock split which took place in April 1999) quoted market price of € 17.02, € 23.02 and €15.17 per share, respectively, compensation cost would represent an amount of € 5.4, € 18.7 and € 2.6 million, respectively, of which € (7.1), € 11.6 and € 0.9 million, respectively, would correspond to period expense/(income).

Additionally, the call options should be marked to market through earnings. A valuation based on the Black-Scholes Model as of December 31, 2000, 1999 and 1998 results in a fair value of € 5.2, € 21 and € 6.9 million, respectively, which would represent an interest income/(expense) of € (15.8), € 14.1 and € 1.1 million (before tax), respectively.

According to the differences between Spanish and U.S. GAAP net income should be increased/(decreased) by € (7), € 7 million and € 0.2 million, respectively, for the years ended December 31, 2000, 1999 and 1998. This item has been considered in the Reconciliation Table included above.

*6.2 Medium Term Incentive 2000*

During 2000, Repsol YPF's Compensation and Senior Management Development Committee approved a new medium term incentive (see Note 25), based on the increase in Repsol YPF's share price. As of December 31, 2000, Repsol YPF has not entered into any new derivative instruments in order to hedge the commitments assumed under the incentive.

Under Spanish GAAP, Repsol YPF has recorded the corresponding compensation cost as the excess of the quoted market price over the reference price of the incentive.

Under U.S. GAAP (APB No.25), this arrangement is treated as a compensatory variable plan. The compensation cost is measured as the excess of the exercise price over the quoted market price at each balance sheet date. Accordingly, as of December 31, 2000, there are no significant differences with U.S. GAAP in the accounting treatment followed in respect of this medium term incentive.

*6.3 Medium Term Incentive of Gas Natural*

During 2000, the Board of Directors of Gas Natural approved a medium term incentive (see Note 25), based on the increase in Gas Natural SDG, S.A.'s share price. In order to cover the disbursements that might have to be made, Gas Natural has purchased call options on its own shares which will be settled on maturity.

Under Spanish GAAP, Gas Natural has recorded as a Personnel Expense in the Statement of Income the premium paid for the options.

As already explained, under U.S. GAAP (APB No.25), this arrangement is treated as a compensatory variable plan. The compensation cost would be measured as the excess of the exercise price over the quoted market price at each balance sheet date, and the call options would be marked to market through earnings. As of December 31, 2000, the differences between the accounting treatment under Spanish GAAP and U.S. GAAP are not significant.

*7. Accounting for interest rate swaption*

As described in Note 25, Repsol YPF wrote an option on an interest rate swap (swaption) which reflected the call option embedded within the US$ 725 million of preferred shares issued by Repsol International Capital in 1997. Under Spanish GAAP, the premium received has been recorded as deferred income (Note 14) and is being amortized to income on a straight-line basis over the term of the swaption.

Under U.S. GAAP, written options must be marked-to-market, with the movement in the mark-to-market valuation recorded in the income statement.

Accordingly, had U.S. GAAP been applied, net income for the years ended December 31, 2000, 1999 and 1998 should be increased /(decreased) by € (72), € 56 and € (21) million, respectively.

8. *Costs of start-up activities*

Under Spanish GAAP, Repsol YPF capitalizes certain start-up costs and amortizes them over five years.

Under U.S. GAAP, Statement of Position 98-5 (SOP 98-5) "Reporting on the Costs of Start-Up Activities" issued by the American Institute of Certified Public Accountants, requires the costs of start-up activities and organization costs to be expensed as incurred. SOP 98-5 is effective for fiscal years beginning January 1, 1999.

Accordingly, under U.S. GAAP net income for the years ended December 31, 2000 and 1999, should be decreased by € 82 and € 27 million, respectively.

9. *Costs related to stock issues*

Under Generally Accepted Accounting Principles in Spain, Repsol capitalized the direct expenses relating to the two capital stock issues carried out during 1999 (see Note 11) and is amortizing them over five years. Under U.S. GAAP, direct costs related to the issuance of capital stock must be deducted from the proceeds of the new capital.

As a result of this difference, under U.S. GAAP, net income for the years ended December 31, 2000 and 1999 should be increased by € 37 and € 16 million, respectively, and shareholders' equity as of that dates should be reduced by € 135 and € 172 million, respectively.

10. *Acquisition of Enagás*

When Gas Natural SDG, S.A. (a 47.04% owned subsidiary of Repsol YPF) acquired its original 91% interest in Enagás, it was granted an option to purchase the remaining 9% of Enagás at a fixed price. Accordingly, following the original acquisition Gas Natural recorded a minority interest of 9% with respect to Enagás in its consolidated income statement. Under Spanish GAAP, when Gas Natural finally exercised its option to acquire the remaining 9% of Enagás in 1998, it recorded negative goodwill and released to income as of that date, the amount which Repsol YPF would have realized if it had acquired the 9% interest at the same date as the original 91% stake.

Under U.S. GAAP, the exercise of this option would be treated as the acquisition of a minority interest pursuant to APB No.16. As a result, the negative goodwill arising from the difference between the amount paid and the carrying value of the minority interest would be allocated to fixed assets and recorded at the date that the option was exercised.

Accordingly, had U.S. GAAP been applied instead of Spanish GAAP, shareholder' equity as of December 31, 2000, and 1999 should have been decreased by €22 and € 23 million, respectively.

*11. Share discount paid to employees*

During the 1999 stock issues referred to in Item 9 above, the employees of the Repsol YPF Group acquired a total of 12,000,000 shares. According to the terms of such issues, employees who held the shares until December 31, 1999 were entitled to a special employee discount over the general price which was paid in cash by Repsol YPF at a later date. Under Spanish GAAP, such discount was deducted from the proceeds of the share issues.

Under U.S. GAAP, the discount is charged to the income statement of the period as personnel expense. Accordingly, net income as of December 31, 1999 should be reduced by € 17 million.

*12. Revenues from gas distribution infrastructure*

Under Spanish GAAP, Gas Natural SDG, S.A. has recorded as income for the period the value of gas distribution branches and infrastructure transferred to it by its customers free of charge.

Under U.S. GAAP, the corresponding amounts would be accounted for as deferred revenues which would be credited to income according to the useful life of the assets to which they relate. Accordingly, net income for the years ended December 31, 2000 and 1999 should be (decreased)/increased by € (4) and € 1 million, respectively, and shareholders' equity as of that dates should be decreased by € 15 and € 11 million, respectively.

*13. Repsol Garantizado*

In the July 1999 share issuances, the Group employees resident in Spain were offered two products (the Repsol Garantizado schemes) under which the employee is hedged during a three-year period against a possible decline in the market value of his shares below the initial level. The accounting treatment under Spanish GAAP of these products is described in Note 25.

Under U.S. GAAP, the Repsol Garantizado schemes would be considered a compensatory variable plan. Pursuant to the provisions of the Accounting

Principles Board Opinion (APB) No. 25, the compensation cost would be measured as the difference between the initial reference price and the quoted market price at each balance sheet date, taking into consideration the hedging premiums to be received by Repsol YPF from the employees. The compensation cost as of December 31, 2000 amounts to € 14 million.

Additionally, the forward sale contracts which the Company has entered into (see Note 25) would be marked to market through earnings. The mark-to-market of the forward contracts which remain open at year-end plus the net accumulated effect on contracts already settled as of December 31, 2000 amounts to € 15 million.

Accordingly, under U.S. GAAP net income and shareholders' equity as of December 31, 2000 should be increased by € 1 million.

*14. Translation differences related to disposals*

During 2000, the Repsol YPF Group sold its stake in Repsol Exploration (U.K.) Limited to Kerr-McGee (see Note 1.d.3). Under Spanish GAAP, the accumulated translation differences related to affiliates which are disposed of are reclassified to reserves.

Under U.S. GAAP, upon sale of the investment in a foreign entity, the amount attributable to that entity and accumulated in "Translation differences" must be removed from this caption and must be reported as part of the gain or loss on sale or liquidation of the investment. As a result of this difference, under U.S. GAAP net income for the year ended December 31, 2000, should be increased by € 18 million.

*15. Income taxes*

The accounting rules that are applicable under Spanish GAAP in relation to the recording of income taxes differ from those under U.S. GAAP with respect to when deferred tax assets and liabilities are recognized and, secondly, in the disclosures required.

The principal differences between the Company's accounting policy for deferred tax accounting and U.S. GAAP (SFAS No. 109) are:

- under Spanish GAAP, deferred tax assets arising from tax loss carryforwards are recognized only when their future realization is assured "beyond any reasonable doubt", as opposed to when realization is "more likely than not" under U.S. GAAP.

- under Spanish GAAP, deductible temporary differences that are expected to reverse in more than ten years from the balance sheet date are not recorded as deferred tax assets.

The following is a reconciliation of the income tax provision under Spanish GAAP to that under U.S. GAAP:

| | Millions of Euros | | |
|---|---|---|---|
| | 2000 | 1999 | 1998 |
| Income tax provision under Spanish GAAP …………………...................... | 1,408 | 557 | 397 |
| Tax effect of U.S. GAAP adjustments and deferred taxation under SFAS 109 (1)……………………………………………......... | (110) | (69) | 5 |
| Income tax provisions under U.S. GAAP ……………………….................. | 1,298 | 488 | 402 |

(1) A disclosure of deferred taxes under U.S. GAAP is included in this Item.

Deferred tax assets and liabilities as of December 31, 2000 and 1999 were as follows:

| | Millions of Euros | | | |
|---|---|---|---|---|
| | 2000 | | 1999 | |
| | Deferred Taxes | | Deferred Taxes | |
| **Balance under Spanish GAAP (Note 16):** | Assets | Liabilities | Assets | Liabilities |
| Current ................................................................................................ | 97 | - | 72 | - |
| Noncurrent ........................................................................................... | 611 | 1,018 | 392 | 919 |
| | 708 | 1,018 | 464 | 919 |
| **Adjustments under U.S. GAAP (1)** | | | | |
| Provisions for pension allowances ...................................................................... | 19 | - | 11 | - |
| 1996 Legal restatement of fixed assets ................................................................ | 101 | - | 135 | - |
| Tax deductions carried forward .......................................................................... | 9 | - | 69 | - |
| Costs related to stock issues ………………………………………………… | 47 | - | 60 | - |
| Revenue recognition.................................................................................... | 36 | - | - | - |
| Deferred taxes recorded in purchase business combinations………….............. | - | 2,191 | - | 2,426 |
| Other deferred taxes ............................................................................................ | 79 | 1 | 15 | - |
| **Net deferred taxes under U.S. GAAP** .............................................................. | 999 | 3,210 | 754 | 3,345 |

(1) Noncurrent.

The reconciliation of the above differences between the amounts under Spanish GAAP and U.S. GAAP to the U.S. GAAP shareholders' equity adjustment included in the Reconciliation Table above is as follows:

| | Millions of Euros | |
|---|---|---|
| | 2000 | 1999 |
| Net total adjustments to U.S. GAAP per the foregoing table........................ | 290 | 290 |
| Effect of deferred taxes recorded in purchase business combinations ........................................................................................... | 194 | 67 |
| Minority interest effect ................................................................................. | (31) | (14) |
| Net total U.S. adjustment to shareholders´equity (a) .................................. | 453 | 343 |

(a) As set forth in the Reconciliation Table above.

The deferred tax assets arose mainly from:

| | Millions of Euros | |
|---|---|---|
| | 2000 | 1999 |
| Provisions for internal pension allowances which, under Spanish tax regulations, are not tax-deductible until effectively paid or contributed to an external pension fund | 70 | 55 |
| Provisions for personnel restructuring plans, which become tax-deductible when they are effectively paid | 54 | 21 |
| Accounting basis for bad debt reserves in excess of tax basis | 97 | 72 |
| Tax basis for depreciation of property in excess of accounting basis | 41 | 70 |
| Tax loss carryforwards (1) | 60 | 40 |
| Tax deductions pending to be applied | 9 | 69 |
| 1996 Legal restatement of fixed assets | 101 | 135 |
| Costs related to stock issues | 47 | 60 |
| Revenue recognition | 36 | - |
| Other provisions | 252 | - |
| Other deferred tax assets | 232 | 232 |
| | 999 | 754 |

(1) Due to specific tax regulations for most of the companies qualifying for tax loss carryforwards, there is no time limit for their utilization.

The deferred tax liabilities arose mainly from:

| | Millions of Euros | |
|---|---|---|
| | 2000 | 1999 |
| Accounting basis for depreciation of property in excess of tax basis | 671 | 648 |
| Tax basis for financial expenses in excess of accounting basis as a consequence of hedging operations | 54 | 53 |
| Deferred taxes arising from re-investment of profits in new tangible assets | 89 | 69 |
| Deferred taxes recorded in purchase business combinations | 2,191 | 2,426 |
| Other deferred tax liabilities | 205 | 149 |
| | 3,210 | 3,345 |

## Additional Disclosures Required Under U.S. GAAP

*Pension Plans*

Since 1992, the Company´s accounting policy for pension plans has been in accordance with SFAS No. 87 (see Note 2.l) The following disclosures have been prepared according to the requirements established by SFAS No. 132, effective for fiscal years beginning after December 15, 1997.

Certain employees of the Company (approximately 50 active employees working for Gas Natural as of December 31, 1999) are covered under defined benefit pension plans. Depending on the group of employees, the defined benefits are based either on a lump-sum payment at retirement age representing either 14 months or 60 months of salary, or an annual pension based on 100% of salary at retirement date.

Most of the defined benefit obligation is unfunded. For accounting purposes, net periodic pension costs are determined using the projected unit credit method.

The following is a reconciliation of beginning and ending balances of the benefit obligation:

| Change in benefit obligation | Millions of Euros 2000 | 1999 | 1998 |
|---|---|---|---|
| Projected Benefit Obligation at beginning of year ……………… | 171 | 185 | 175 |
| Service cost ........................................................................... | 1 | 1 | 2 |
| Interest cost ........................................................................... | 6 | 8 | 10 |
| Actuarial gain/(loss) ................................................................ | (11) | 1 | 21 |
| Benefits paid .......................................................................... | (20) | (16) | (23) |
| Settlements (1) ....................................................................... | (125) | (44) | - |
| Projected Benefit Obligation at end of year ................................ | 22 | 135 | 185 |

(1) In 2000 and 1999, Gas Natural SDG and CLH have purchased annuity contracts in order to settle their pension obligations with active and retired employees (see Note 2.l).

The components of net periodic benefit cost for 2000, 1999 and 1998 are as follows:

| Components of net periodic benefit cost | Millions of Euros 2000 | 1999 | 1998 |
|---|---|---|---|
| Service cost ............................................................................................................. | 1 | 1 | 1 |
| Interest cost ............................................................................................................. | 3 | 6 | 9 |
| Amortization of Net (Gain)/Loss ................................................................................ | - | 9 | 18 |
| Net periodic defined benefit pension cost ............................................................... | 4 | 16 | 28 |
| Net periodic defined contribution pension cost and similar obligations .................. | 36 | 28 | 28 |
| Total cost of pension plans and similar obligations (Note 2.l) .................................. | 40 | 44 | 56 |

Up to and including 1999, the amortization of net losses corresponds to a periodic charge to the Consolidated Statements of Income due to a deficit generated in CLH in year 1996 and subsequent years, that was recorded in accordance with SFAS No. 87. Under Spanish GAAP the remaining amount of unrecognized net loss was charged to the 1999 income statement. Under U.S. GAAP that deficit would have been charged to income according to the average remaining service period of active employees. The corresponding effect on net income in 1999 is included under the "Other" caption in the Reconciliation Table. In 2000, CLH has externalized all its pension commitments.

Under U.S. GAAP, the charge to the "Interest Expenses" caption referred to in Note 2.l would be classified under the "Personnel Expenses" caption of the income statement. This classification difference has no impact on net income.

The following is a reconciliation of the accrued pension costs and the projected benefit obligations:

| | Millions of Euros 2000 | 1999 | 1998 |
|---|---|---|---|
| Projected benefit obligation……………………………… | 22 | 135 | 185 |
| Unrecognized net (gains)/loss……………......………… | - | - | (10) |
| Accrued pension cost……………………………….... | 22 | 135 | 175 |

The following actuarial assumptions were used in the last three years:

| | 2000 | 1999 | 1998 |
|---|---|---|---|
| Discount rate………………… | 5% | 4% - 5% | 4% - 5% |
| Salary increase rate…………… | 2.5% | 2.5% - 5% | 2.5% - 5% |

*Fair value of financial instruments and derivative financial instruments*

SFAS No. 107 and No. 119 require that the Company disclose the estimated fair values of its financial instruments. As of December 31, 2000 and 1999, the following methods and assumptions were used by the Group to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

a. Cash and due from banks, temporary cash investments, accounts receivable and payable and short-term debt (see Note 10).

   The carrying amounts reflected in the consolidated financial statements are reasonable estimates of the fair value because of the relatively short period between the origination of the instruments and their expected realization.

b. Investments in affiliates and other noncurrent assets (see Note 6).

   *Equity securities*

   None of the investments in affiliates included under this caption has a quoted market price (except for Bitech Petroleum Corporation, whose market value does not significantly differ from its corresponding book value). For the most important (basically companies engaged in the sale of LPG, the supply, transportation and logistics of gas, the storage and marketing of oil products, and the development of power generation initiatives) a market valuation was made based on the discounted cash flow method applied to the results expected to be obtained by the Repsol YPF Group from these companies, calculated on the basis of current margins. The results of this valuation do not significantly differ from the corresponding book value.

   It has not been practicable to estimate the fair value of € 78 million and € 45 million of investments as of December 31, 2000 and 1999, respectively, classified as “Other” in Note 6 due to the large number of affiliates and the excessive cost involved.

   *Other*

   This caption includes other long-term financial assets. It comprises several items, such as: (i) loans to employees (mainly those granted in connection with the July 1999 share issue, as described in Note 6) and (ii) commercial loans and loans to associated companies. The corresponding interest rates are in line with market conditions for loans of such kind. Therefore, their book value approximates fair value.

c. State financing of investments in exploration.

These are not financial instruments until the feasibility of the exploration activity becomes known. If the exploration is feasible, they become loans. Otherwise, they are treated as subsidies. Due to this feature, the disclosure of their fair value is not applicable.

d. Long-term and short-term loans (see Note 17).

Of total loans, which amounted to € 22,073 and € 18,992 million as of December 31, 2000 and 1999, respectively, approximately € 13,317 million and € 13,377 million, respectively, are variable interest rate loans (see Note 17). Therefore, their fair value equals the book value.

As regards the other loans with fixed interest rates, the fair value is estimated on the basis of the discounted cash flows over the remaining terms of such debt. The discount rates were determined based on market rates available as of December 31, 2000 and 1999 on borrowings with similar credit and maturity characteristics. The related fair value as of December 31, 2000 and 1999 is € 8,304 million and € 5,882 million, respectively.

e. Derivative financial instruments (see Note 25).

The fair value of the derivative instruments is mostly determined based either on independent appraisals supplied by third parties or using market rates for instruments with similar terms and remaining maturities.

f. Refundable deposits (see Note 18).

These are non interest-earning financial instruments related to non-negotiable interest-free deposits received from customers (liability deposits) and that, on receipt, are partially placed with governmental entities. Their maturity depends on if and when the customers request refund of the deposits received. Therefore, this liability would be valued at the amount booked.

Following it is a summary of the carrying amounts under Spanish GAAP and the fair value of the financial instruments as of December 31, 2000 and 1999:

| 2000 | Millions of Euros Carrying Amounts | Fair Value |
|---|---|---|
| **Cash and cash equivalents** | | |
| Cash and due from banks | 361 | 361 |
| Temporary cash investments | 1,697 | 1,697 |
| Accounts receivable | 6,833 | 6,833 |
| Accounts payable | (4,713) | (4,713) |
| Short-term debt | (7,187) | (7,187) |
| **Investments in affiliates and other noncurrent assets** | | |
| Equity securites: | | |
| For which it is practicable to estimate fair value | 340 | 340 |
| For which it is not practicable to estimate fair value | 78 | N/A |
| Loans and other financial instruments | 217 | 217 |
| Deposits | 44 | 44 |
| Other financial instruments | 707 | 707 |
| **State financing of investments in exploration** | (7) | N/A |
| **Long-term debt** | (14,886) | (14,434) |
| **Future contracts on products (buy), short term** | N/A | (8) |
| **Future contracts on products (sell) , short term** | N/A | 2 |
| **Future contracts on products (buy), long-term** | - | 2 |
| **Future contracts on products (sell), long-term** | - | 4 |
| **Swap contracts on products, short-term** | N/A | (3) |
| **Swap contracts on products, long-term** | N/A | 87 |
| **Put options on products, long-term** | N/A | 3 |
| **Forward foreign exchange contracts** | 125 | 125 |
| **Interest rate options** | (62) | (97) |
| **Cross-currency Interest rate swaps** | N/A | (331) |
| **Average interest rate forwards** | N/A | (1) |
| **Forward contracts on Repsol YPF, S.A. shares (sell)** | (5) | (5) |
| **Guarantees provided to third parties (see Note 25)** | N/A | - |

| 1999 | Millions of Euros Carrying Amounts | Fair Value |
|---|---|---|
| **Cash and cash equivalents** | | |
| Cash and due from banks | 334 | 334 |
| Temporary cash investments | 1,373 | 1,373 |
| Accounts receivable | 4,894 | 4,894 |
| Accounts payable | (3,743) | (3,743) |
| Short-term debt | (8,769) | (8,769) |
| **Investments in affiliates and other noncurrent assets** | | |
| Equity securites: | | |
| For which it is practicable to estimate fair value | 62 | 62 |
| For which it is not practicable to estimate fair value | 45 | N/A |
| Loans and other financial instruments | 149 | 149 |
| Deposits | 32 | 32 |
| Other financial instruments | 513 | 513 |
| **State financing of investments in exploration** | (21) | N/A |
| **Long-term debt** | (10,223) | (10,121) |
| **Future contracts on products (buy), short term** | N/A | - |
| **Future contracts on products (sell) , short term** | N/A | (1) |
| **Future contracts on products (buy), long-term** | (2) | (2) |
| **Swap contracts on products, short-term** | N/A | - |
| **Swap contracts on products, long-term** | N/A | 24 |
| **Put options on products, long-term** | N/A | - |
| **Forward foreign exchange contracts** | (55) | (55) |
| **Interest rate options** | (65) | (34) |
| **Cross-currency Interest rate swaps** | N/A | (277) |
| **Forward contracts on Repsol YPF, S.A. shares (sell)** | (10) | (10) |
| **Guarantees provided to third parties** | N/A | - |

*Comprehensive Income*

SFAS 130 defines comprehensive income as a measure of all changes in equity of an enterprise during a period that result from transactions and other economic events of the period other than transactions with owners. Under Spanish GAAP, comprehensive income components are recorded as separate items in shareholders' equity, since comprehensive income caption does not exist.

The following is a Statement of Comprehensive Income for the years ended December 31, 2000, 1999, and 1998.

**Statement of Comprehensive Income**

| | Millions of Euros | | |
|---|---|---|---|
| | 2,000 | 1999 | 1998 |
| Net Income according to U.S. GAAP | 1,911 | 1,134 | 875 |
| Other Comprehensive Income | | | |
| Foreign currency translation adjustments, net of tax | 313 | 208 | (22) |
| Comprehensive Income | 2,224 | 1,342 | 853 |

The table below shows changes in Accumulated Other Comprehensive Income.

***Changes in Accumulated Other Comprehensive Income (*)***

| | (Millions of Euros, net of taxes) | |
|---|---|---|
| | Foreign currency items | Accumulated Other Comprehensive Income |
| Beginning balance as of December, 1999 | 249 | 249 |
| Period change | 313 | 313 |
| Ending balance as of December, 2000 | 562 | 562 |
| Beginning balance as of December, 1998 | 41 | 41 |
| Period change | 208 | 208 |
| Ending balance as of December, 1999 | 249 | 249 |
| Beginning balance as of December, 1997 | 63 | 63 |
| Period change | (22) | (22) |
| Ending balance as of December, 1998 | 41 | 41 |

(*) There is no tax effect on accumulated translation adjustments.

*Valuation and Qualifying Accounts*

| | (Millions of Euros) | | | | |
|---|---|---|---|---|---|
| | Balance at beginning of period | Charged to costs and expenses | Adjustment due to acquisitions and disposals | Write-off of doubtful accounts | Balance at end of period |
| Year Ended December 31, 2000 | | | | | |
| Allowance for doubtful accounts...................... | 435 | 176 | 29 | (6) | 634 |
| Year Ended December 31, 1999 | | | | | |
| Allowance for doubtful accounts...................... | 117 | 63 | 273 | (18) | 435 |
| Year Ended December 31, 1998 | | | | | |
| Allowance for doubtful accounts........................ | 116 | 16 | (2) | (13) | 117 |

*Consolidated statements of cash flows*

Note 27 includes a statement of sources and applications of funds prepared according to Spanish GAAP. Under U.S. GAAP, SFAS No. 95 requires a statement of cash flows to be presented as part of a full set of financial statements.

The consolidated statements of cash flows of the Repsol YPF Group for the years ended December 31, 2000, 1999, and 1998 is as follows:

**REPSOL YPF, S.A. AND COMPANIES COMPOSING THE REPSOL YPF GROUP**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998**
**(Amounts in Millions)**

| | Euros | | |
|---|---|---|---|
| | 2000 | 1999 | 1998 |
| **Cash flows from operating activities (a):** | | | |
| Net income | 2,429 | 1,011 | 875 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation, depletion and amortization | 3,135 | 1,929 | 1,078 |
| Provisions, net | 422 | 112 | 179 |
| Minority interests, net of tax | 488 | 175 | 139 |
| Gain on asset disposals | 7 | (101) | (58) |
| Deferred taxes and other | (179) | 56 | (63) |
| Changes per balance sheet in operating assets and liabilities: | | | |
| Inventories | (725) | (874) | 141 |
| Prepaid expenses | (14) | (28) | 1 |
| Accounts receivable | (1,939) | (1,960) | (402) |
| Current liabilities | 1,792 | 2,077 | 315 |
| Other changes in working capital (b): | | | |
| Consolidation of new companies | (13) | 398 | 25 |
| Translation differences | 92 | 16 | (19) |
| Other non-cash effects | (27) | (130) | (40) |
| | 5,468 | 2,681 | 2,171 |
| **Cash flows from investing activities:** | | | |
| Capital expenditures | (4,002) | (2,630) | (1,723) |
| Proceeds from disposals | 265 | 919 | 226 |
| Investments in affiliates and finacial investments | (1,834) | (14,728) | (415) |
| Deferred expenses and intangible investments | (282) | (353) | (79) |
| | (5,853) | (16,792) | (1,991) |
| **Cash flows from financing activities:** | | | |
| Loan proceeds and other long-term debt | 7,162 | 12,942 | 545 |
| Capital increases | 397 | 5,665 | - |
| Repayment of loans and other non-current liabilities | (1,339) | (3,942) | (837) |
| Changes in current financial assets and liabilities **(b)** | (5,203) | 210 | 646 |
| Subsidies received | 121 | 74 | 92 |
| Minority interest contributions | 16 | 25 | 11 |
| Provisions and other | 41 | (89) | (55) |
| Dividends paid | (783) | (567) | (517) |
| | 412 | 14,318 | (115) |
| Net change in cash and cash equivalents | 27 | 207 | 65 |
| Cash and cash equivalents at the beginning of the year **(c)** | 334 | 127 | 62 |
| Cash and cash equivalents at the end of the year **(c)** | 361 | 334 | 127 |

(a) Interest and income tax payments made during 2000, 1999 and 1998 were as follows:

| | Amounts in Millions Euros | | |
|---|---|---|---|
| | 2000 | 1999 | 1998 |
| Interest | 1,591 | 765 | 297 |
| Income taxes | 846 | 325 | 310 |

(b) As a result of the variations in the consolidated Group (see Notes 1.d), and due to the translation differences recorded in the year, the following non-cash items are included in the accompanying statement of cash flows for the years 2000, 1999 and 1998:

| | Millions of Euros | | |
|---|---|---|---|
| | 2000 | 1999 | 1998 |
| Other changes in operating assets and liabilities: | | | |
| Consolidation of new companies | (13) | 398 | 25 |
| Translation differences | 92 | 16 | (19) |
| Other non-cash changes in operating assets and liabilities | (27) | (130) | (40) |
| | 52 | 284 | (34) |
| Non-cash changes in current financial assets and liabilities | (3,297) | (5,731) | (195) |
| | (3,245) | (5,447) | (229) |

(c) For the purpose of the statement of cash-flows, Repsol YPF treats as cash and cash equivalents the balance of the "Cash on hand and at banks" caption, the related items of which have an original maturity at acquisition of less than 90 days.

*Consolidated statements of changes in shareholders' equity*

As required by U.S. GAAP, the table below sets forth the consolidated statements of changes in shareholders' equity for the years ended December 31, 2000, 1999, and 1998.

**REPSOL YPF, S.A. AND COMPANIES COMPOSING THE REPSOL YPF GROUP**
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**
**FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998**

| | Millions of Euros | | |
|---|---|---|---|
| | 2000 | 1999 | 1998 |
| Shareholders´equity: | | | |
| Balance at beginning of year | 12,526 | 6,043 | 5,557 |
| Capital increases | 397 | 5,665 | - |
| Net income for the period | 2,429 | 1,011 | 875 |
| Dividends | (541) | (414) | (373) |
| Translation difference and other | 332 | 221 | (16) |
| Balance at end of year | 15,143 | 12,526 | 6,043 |

*Acquisitions*

As disclosed in Note 1.d.2), during 1999 Repsol acquired a 97.81% stake in YPF. This acquisition was accounted for using the purchase method of accounting. Accordingly, the purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair values.

The following unaudited consolidated pro forma information is included pursuant to the requirements set forth in the Accounting Principles Board Opinion (APB) No. 16, and shows revenue, net income and earnings per share, as if the companies had combined at the beginning of 1999 and 1998.

| | Year Ended December 31, | |
|---|---|---|
| | 1999 | 1998 |
| Revenues | 27,872 | 24,239 |
| Net income | 1,111 | 667 |
| Net income per share (1) | 0.94 | 0.56 |

(1) Computed considering 1,188 million outstanding shares.

These unaudited pro forma figures include certain adjustments such as additional amortization expense as a result of goodwill and an increased interest expense on acquisition debt.

The pro forma information included above is provided for illustrative purposes only and does not purport to represent what the actual results of operations would have been had the transactions occurred on the respective dates assumed, nor is it necessarily indicative of the future results of operations of the consolidated entities.

With regard to the remaining acquisitions referred to in Note 1.d.3), since the pro forma impact of these acquisitions on revenue, income before extraordinary items and net income would not be materially different from the historical information, no pro forma information has been furnished in respect of them.

**Classification differences and other**

*Extraordinary Income (Expense)*

As described in Note 19, in 2000, 1999, and 1998, under Spanish GAAP the Company recorded as extraordinary results items that under U.S. GAAP would be recorded as operating revenues (expenses).

*Proportional Integration*

In 1999, Gas Natural SDG, S.A., Dubai Marine Ltd., Pluspetrol Energy, S.A., Repsol Occidental Corporation, Gas Argentino, S.A., Metrogás, Dynasol Elastómeros, S.A., Dynasol Elastómeros, S.A. de C.V., Ajax Corporation, Compañía Mega, Profértil, Petrokén Petroquímica Ensenada, S.A., Global Companies LLc., and Refinaria de Petróleos Manguinho were consolidated by the proportional integration method.

In addition to the affiliates referred to above (except for Gas Natural SDG, S.A. which has been consolidated in 2000 by the global integration method pursuant to the shareholders' agreement referred to in Note 1.d.1.), in 2000, BP Trinidad & Tobago, Europe Maghreb Pipeline, Ltd. (EMPL), Metragaz, S.A., Gasoducto Al-Andalus, S.A., Gasoducto Extremadura, S.A., CEG Rio, S.A., Companhia Distribuidora de Gas do Rio de Janeiro, Gas Natural, S.A. ESP and Andina have also been consolidated using this method.

Under U.S. GAAP, these entities would be accounted for under the equity method. The consolidation of these companies by the proportional consolidation method has no effect on net income or shareholders' equity. The effect of the equity method would be to reduce (increase) the following financial statement captions by the following amounts (millions of Euros):

| | **December, 31** | |
|---|---|---|
| | **2000** | **1999** |
| Total fixed and other noncurrent assets | 1,423 | 2,228 |
| Total current assets | 745 | 1,112 |
| Total assets | 2,168 | 3,340 |
| | | |
| Total noncurrent liabilities | 1,357 | 2,267 |
| Total current liabilities | 811 | 1,073 |
| Total liabilities | 2,168 | 3,340 |

| | **Year Ended December, 31** | |
|---|---|---|
| | **2000** | **1999** |
| Operating revenues | 2,638 | 2,603 |
| Operating expenses | 2,307 | 2,151 |
| Net income | - | - |
| | | |
| Cash flow operating activities | 178 | 370 |
| Cash flow investing activities | (271) | (657) |
| Cash flow from financing activities | 102 | 300 |
| Net change in cash and cash equivalents | 9 | 13 |

*Goodwill*

- Under U.S. GAAP, the amortization of goodwill is shown as a deduction before operating income. Under Spanish GAAP, this amount is shown as a deduction after operating income.

- Under U.S. GAAP, all goodwill related to investments accounted for under the equity method is included in the carrying amount of the investment in the equity method investee rather than as part of the separate goodwill balance on the balance sheet.

These classification differences have no impact on net income.

*Consolidation of Eg3, S.A. and Repsol Exploration UK Ltd.*

As described in Note 1.d.3), in the financial statements as of December 31, 2000 and December 31, 1999, Eg3, S.A. and Repsol Exploration UK Ltd., respectively, have been excluded from consolidation since their sale or exchange had been agreed as of each year-end. Under Spanish GAAP, the net worth at each year-end was recorded under the "Temporary Cash Investments" caption (see Note 10) and the transactions performed by these companies through each year-end have been included in the accompanying consolidated statement of income.

According to U.S. GAAP, as of December 31, 2000 and December 31, 1999, Repsol Exploration UK Ltd. and Eg3, S.A. would have been consolidated using the global integration method. The consolidation of these companies by the global integration method has no effect on net income or shareholders' equity. The only effect would be to (reduce) / increase the following financial statement captions by the following amounts (in millions of Euros):

| | **Eg3, S.A. December, 31 2000** | **Repsol U.K December, 31 1999** |
|---|---|---|
| Total fixed and other noncurrent assets ................ | 490 | 291 |
| Total current assets ............................................ | (103) | (136) |
| Total assets ........................................................ | 387 | 155 |
| Total noncurrent liabilities .................................. | 16 | 43 |
| Total current liabilities ........................................ | 371 | 112 |
| Total liabilities .................................................... | 387 | 155 |

**New accounting standards**

In 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No.133, "Accounting for Derivative Instruments and Hedging Activities," which was subsequently amended by SFAS No. 137 and SFAS No. 138. SFAS No. 133 must be applied to all derivative instruments and certain derivative instruments embedded in hybrid instruments and requires that all instruments be recorded in the balance sheet either as an asset or liability measured at its fair value through earnings, with special accounting allowed for certain qualifying hedges.

If the derivative is designated as a hedge, depending on the nature of the hedge, changes in the fair value of derivatives that are considered to be effective, as defined, will either offset the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or will be recorded in other comprehensive income until the hedged item is recorded in earnings. Any portion of a change in a derivative's fair value that is considered to be ineffective, as defined, is immediately recorded in earnings. Any portion of a change in a derivative's fair value that the Company has elected to exclude from its measurement of effectiveness, such as the change in time value of option contracts, is also recorded in earnings.

Repsol YPF will adopt SFAS No. 133 as of January 1, 2001. Due to the adoption of SFAS No. 133, Repsol YPF will recognize in 2001 an after-tax loss of approximately €2.9 million in earnings and an after-tax charge in "Other Comprehensive Income," a component of shareholders' equity, of approximately €5.9 million from the cumulative effect of a change in accounting principle. The adoption will also impact assets and liabilities recorded on the balance sheet.

(30) REPSOL INTERNATIONAL FINANCE, B.V. SUMMARIZED FINANCIAL INFORMATION

Repsol International Finance B.V. has issued guaranteed debt securities which are registered in the United States. Repsol International Finance B.V. is wholly owned by Repsol YPF and the securities referred to above are fully and unconditionally guaranteed by Repsol YPF. Set out below is condensed consolidating financial information in respect of Repsol International Finance B.V.

## Balance sheets as of December 31, 2000 and 1999

### December 31, 2000

| | Millions of Euros | | | | |
|---|---|---|---|---|---|
| **ASSETS** | REPSOL YPF, S.A. | RIF | Rest of companies | Consolidated Adjustments | Total |
| FIXED AND OTHER NONCURRENT ASSETS | | | | | |
| Start-up expenses | 138 | - | - | - | 138 |
| Intangible assets | 12 | - | 1,599 | (106) | 1,505 |
| Property, plant and equipment | 53 | - | 26,645 | 4,491 | 31,189 |
| Holdings in companies carried by the equity method (Note 3) | 22,940 | 896 | 765 | (23,939) | 662 |
| Loans to group companies (Note 4) | - | 8,240 | 636 | (8,876) | - |
| Other financial investments | 744 | 102 | 1,852 | (604) | 2,094 |
| Goodwill | - | - | 631 | 4,102 | 4,733 |
| Deferred expenses | - | 30 | 449 | 2 | 481 |
| Total fixed and other non current assets | 23,887 | 9,268 | 32,577 | (24,930) | 40,802 |
| CURRENT ASSETS | | | | | |
| Inventories | - | - | 2,741 | (81) | 2,660 |
| Accounts receivable | 939 | 87 | 8,434 | (2,561) | 6,899 |
| Short term loans to group companies (Note 4) | 1,471 | 2,431 | 1,209 | (5,111) | - |
| Other financial accounts | 4 | 4 | 1,373 | 677 | 2,058 |
| Total Current Assets | 2,414 | 2,522 | 13,757 | (7,076) | 11,617 |
| **TOTAL ASSETS** | 26,301 | 11,790 | 46,334 | (32,006) | 52,419 |

| | Millions of Euros | | | | |
|---|---|---|---|---|---|
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | REPSOL YPF, S.A. | RIF | Rest of companies | Consolidated Adjustments | Total |
| SHAREHOLDERS' EQUITY (Note 5) | | | | | |
| Capital stock | 1,221 | 280 | 5,952 | (6,232) | 1,221 |
| Paid-in surplus | 6,428 | 284 | - | (284) | 6,428 |
| Reserves in parent company | 1,338 | 61 | 7,298 | (7,359) | 1,338 |
| Reserves in consolidated companies | 1,917 | (24) | 1,243 | 261 | 3,397 |
| Translation differences | 223 | 325 | 977 | (963) | 562 |
| Net income for the year | 2,468 | 121 | 3,672 | (3,832) | 2,429 |
| Interim dividend paid during the year | (232) | - | (867) | 867 | (232) |
| Total Shareholders' equity | 13,363 | 1,047 | 18,275 | (17,542) | 15,143 |
| Provisions | 51 | - | 1,545 | (20) | 1,576 |
| Minority interests | - | - | 451 | 3,071 | 3,522 |
| Non interest bearing liabilities | 293 | 9 | 2,816 | (294) | 2,824 |
| Long-term loans from group companies (Note 4) | 8,351 | - | 1,112 | (9,463) | - |
| Medium-term notes | - | 1,651 | - | - | 1,651 |
| Oher long-term loans | 1,623 | 5,750 | 5,831 | 31 | 13,235 |
| SHORT-TERM LIABILITIES | | | | | |
| Commercial paper (Note 6) | - | 1,676 | - | - | 1,676 |
| Short-term loans from group companies (Note 4) | 384 | 251 | 4,701 | (5,336) | - |
| Other short-term loans | 1,773 | 1,389 | 2,407 | (58) | 5,511 |
| Other current liabilities | 463 | 17 | 9,196 | (2,395) | 7,281 |
| Total Short-term Liabilities | 2,620 | 3,333 | 16,304 | (7,789) | 14,468 |
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | 26,301 | 11,790 | 46,334 | (32,006) | 52,419 |

**December 31, 1999**

| ASSETS | REPSOL YPF, S.A. | RIF | Other | Consolidated Adjustments | Total |
|---|---|---|---|---|---|
| | Millions of Euros | | | | |
| FIXED AND OTHER NONCURRENT ASSETS | | | | | |
| Start-up expenses | 172 | - | - | - | 172 |
| Intangible assets | 8 | - | 981 | (127) | 862 |
| Property, plant and equipment | 33 | - | 21,082 | 4,810 | 25,925 |
| Holdings in companies carried by the equity method (Note 3) | 19,507 | 757 | 580 | (20,171) | 673 |
| Loans to group companies (Note 4) | - | 8,534 | 415 | (8,949) | 0 |
| Other financial investments | 732 | 74 | 1,259 | (800) | 1,265 |
| Goodwill | - | - | 554 | 3,596 | 4,150 |
| Deferred expenses | - | 19 | 364 | 32 | 415 |
| Total fixed and other non current assets | 20,452 | 9,384 | 25,235 | (21,609) | 33,462 |
| CURRENT ASSETS | | | | | |
| Inventories | - | - | 1,944 | (9) | 1,935 |
| Accounts receivable | 540 | 13 | 6,100 | (1,707) | 4,946 |
| Short term loans to group companies (Note 4) | 1,499 | 923 | 465 | (2,887) | - |
| Other financial accounts | 49 | 0 | 1,468 | 190 | 1,707 |
| Total Current Assets | 2,088 | 936 | 9,977 | (4,413) | 8,588 |
| **TOTAL ASSETS** | 22,540 | 10,320 | 35,212 | (26,022) | 42,050 |

| SHAREHOLDERS' EQUITY AND LIABILITIES | REPSOL YPF, S.A. | RIF | Other | Consolidated Adjustments | Total |
|---|---|---|---|---|---|
| | Millions of Euros | | | | |
| SHAREHOLDERS' EQUITY (Note 5) | | | | | |
| Capital stock | 1,188 | 280 | 5,705 | (5,985) | 1,188 |
| Paid-in surplus | 6,064 | 284 | - | (284) | 6,064 |
| Reserves in parent company | 1,393 | 40 | 6,453 | (6,493) | 1,393 |
| Reserves in consolidated companies | 1,507 | (61) | 486 | 879 | 2,811 |
| Translation differences | (68) | 259 | 510 | (452) | 249 |
| Net income for the year | 854 | 58 | 1,283 | (1,184) | 1,011 |
| Interim dividend paid during the year | (190) | - | (480) | 480 | (190) |
| Total Shareholders' equity | 10,748 | 860 | 13,957 | (13,039) | 12,526 |
| Provisions | 29 | - | 1,107 | (37) | 1,099 |
| Minority interests | - | - | 359 | 1,511 | 1,870 |
| Non interest bearing liabilities | 285 | 9 | 2,067 | (287) | 2,074 |
| Long-term loans from group companies (Note 4) | 8,476 | - | 1,649 | (10,125) | - |
| Medium-term notes | - | 298 | - | - | 298 |
| Oher long-term loans | 2,092 | 3,400 | 4,433 | - | 9,925 |
| SHORT-TERM LIABILITIES | | | | | |
| Commercial paper (Note 6) | - | 2,179 | - | - | 2,179 |
| Short-term loans from group companies (Note 4) | 128 | 104 | 1,990 | (2,222) | - |
| Other short-term loans | 456 | 3,433 | 2,716 | (15) | 6,590 |
| Other current liabilities | 326 | 37 | 6,934 | (1,808) | 5,489 |
| Total Short-term Liabilities | 910 | 5,753 | 11,640 | (4,045) | 14,258 |
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | 22,540 | 10,320 | 35,212 | (26,022) | 42,050 |

## Consolidated statements of income for the years ended December 31, 2000, 1999 and 1998:

### 2000

| | Millions of Euros | | | | |
|---|---|---|---|---|---|
| | REPSOL YPF, S.A. | RIF | Rest of companies | Consolidated Adjustments | Total |
| OPERATING REVENUES | | | | | |
| Sales | - | - | 60,374 | (16,331) | 44,043 |
| Other | 171 | 2 | 1,972 | (446) | 1,699 |
| Total Operating Revenues | 171 | 2 | 62,346 | (16,777) | 45,742 |
| OPERATING EXPENSES | | | | | |
| Materials consumed | - | - | (43,865) | 15,970 | (27,895) |
| Personnel expenses | (65) | - | (1,594) | 11 | (1,648) |
| Taxes other than income taxes | - | - | (1,415) | - | (1,415) |
| Outside work, supplies and services | (186) | (14) | (5,235) | 768 | (4,667) |
| Transport and freight | - | - | (1,011) | - | (1,011) |
| Depreciation, depletion and amortization | (52) | (7) | (2,540) | (265) | (2,864) |
| Total Operating Expenses | (303) | (21) | (55,660) | 16,484 | (39,500) |
| OPERATING INCOME | (132) | (19) | 6,686 | (293) | 6,242 |
| INTEREST INCOME (EXPENSE) | | | | | |
| Dividends | - | - | 45 | (40) | 5 |
| Interest income (Note 7) | 87 | 608 | 218 | (364) | 549 |
| Interest expense (Note 7) | (619) | (549) | (1,118) | 473 | (1,813) |
| Other financial income/(expense) (Note 7) | (236) | (9) | 196 | 8 | (41) |
| Total Interest Income (Expense) | (768) | 50 | (659) | 77 | (1,300) |
| EXTRAORDINARY EXPENSE | (22) | - | (583) | 186 | (419) |
| GOODWILL AMORTIZATION | - | - | (50) | (220) | (270) |
| SHARE IN THE INCOME OF COMPANIES CARRIED BY THE EQUITY METHOD | 3,056 | 105 | 50 | (3,139) | 72 |
| **INCOME BEFORE INCOME TAX AND MINORITY INTERESTS** | **2,134** | **136** | **5,444** | **(3,389)** | **4,325** |
| INCOME TAX | 334 | (15) | (1,715) | (12) | (1,408) |
| INCOME ATTRIBUTED TO MINORITY INTERESTS | - | - | (57) | (431) | (488) |
| **NET INCOME** | **2,468** | **121** | **3,672** | **(3,832)** | **2,429** |

## 1999

| | Millions of Euros | | | | |
|---|---|---|---|---|---|
| | REPSOL YPF, S.A. | RIF | Other | Consolidated Adjustments | Total |
| OPERATING REVENUES | | | | | |
| Sales | | | 34,990 | (9,357) | 25,633 |
| Other | 170 | - | 795 | (303) | 662 |
| Total Operating Revenues | 170 | - | 35,785 | (9,660) | 26,295 |
| OPERATING EXPENSES | | | | | |
| Materials consumed | - | - | (25,581) | 9,138 | (16,443) |
| Personnel expenses | (56) | - | (1,207) | (4) | (1,267) |
| Taxes other than income taxes | - | - | (613) | - | (613) |
| Outside work, supplies and services | (130) | (1) | (3,388) | 559 | (2,960) |
| Transport and freight | - | - | (579) | (6) | (585) |
| Depreciation, depletion and amortization | (28) | (2) | (1,702) | (66) | (1,798) |
| Total Operating Expenses | (214) | (3) | (33,070) | 9,621 | (23,666) |
| OPERATING INCOME | (44) | (3) | 2,715 | (39) | 2,629 |
| INTEREST INCOME (EXPENSE) | | | | | |
| Dividends | - | - | 53 | (46) | 7 |
| Interest income (Note 7) | 41 | 262 | 110 | (202) | 211 |
| Interest expense (Note 7) | (313) | (234) | (549) | 174 | (922) |
| Other financial income/(expense) (Note 7) | (132) | (12) | 6 | 116 | (22) |
| Total Interest Income (Expense) | (404) | 16 | (380) | 42 | (726) |
| EXTRAORDINARY EXPENSE | (98) | - | (279) | 290 | (87) |
| GOODWILL AMORTIZATION | - | - | (6) | (126) | (132) |
| SHARE IN THE INCOME OF COMPANIES CARRIED BY THE EQUITY METHOD | 1,199 | 49 | 24 | (1,213) | 59 |
| **INCOME BEFORE INCOME TAX AND MINORITY INTERESTS** | **653** | **62** | **2,074** | **(1,046)** | **1,743** |
| INCOME TAX | 201 | (4) | (750) | (4) | (557) |
| INCOME ATTRIBUTED TO MINORITY INTERESTS | - | - | (41) | (134) | (175) |
| **NET INCOME** | **854** | **58** | **1,283** | **(1,184)** | **1,011** |

## 1998

| | Millions of Euros | | | | |
|---|---|---|---|---|---|
| | REPSOL YPF, S.A. | RIF | Other | Consolidated Adjustments | Total |
| OPERATING REVENUES | | | | | |
| Sales | - | - | 26,755 | (8,182) | 18,573 |
| Other | 155 | - | 578 | (317) | 416 |
| Total Operating Revenues | 155 | - | 27,333 | (8,499) | 18,989 |
| OPERATING EXPENSES | | | | | |
| Materials consumed | - | - | (20,635) | 7,884 | (12,751) |
| Personnel expenses | (44) | - | (929) | 3 | (970) |
| Taxes other than income taxes | - | - | (220) | - | (220) |
| Outside work, supplies and services | (110) | (1) | (2,426) | 588 | (1,949) |
| Transport and freight | - | - | (387) | - | (387) |
| Depreciation, depletion and amortization | (9) | - | (1,072) | 27 | (1,054) |
| Total Operating Expenses | (163) | (1) | (25,669) | 8,502 | (17,331) |
| OPERATING INCOME | (8) | (1) | 1,664 | 3 | 1,658 |
| INTEREST INCOME (EXPENSE) | | | | | |
| Dividends | | | 39 | (34) | 5 |
| Interest income (Note 7) | 39 | 82 | 122 | (122) | 121 |
| Interest expense (Note 7) | (73) | (72) | (383) | 234 | (294) |
| Other financial income/(expense) (Note 7) | 14 | 4 | 45 | (65) | (2) |
| Total Interest Income (Expense) | (20) | 14 | (177) | 13 | (170) |
| EXTRAORDINARY EXPENSE | (279) | - | (3) | 228 | (54) |
| GOODWILL AMORTIZATION | - | - | (12) | (12) | (24) |
| SHARE IN THE INCOME OF COMPANIES CARRIED BY THE EQUITY METHOD | 785 | 11 | 3 | (798) | 1 |
| **INCOME BEFORE INCOME TAX AND MINORITY INTERESTS** | **478** | **24** | **1,475** | **(566)** | **1,411** |
| INCOME TAX | 78 | (4) | (501) | 30 | (397) |
| INCOME ATTRIBUTED TO MINORITY INTERESTS | - | - | (34) | (105) | (139) |
| **NET INCOME** | **556** | **20** | **940** | **(641)** | **875** |

## Consolidated statements of cash flows for the years ended December 31, 2000, 1999 and 1998

### 2000

| | Millions of Euros | | | | |
|---|---|---|---|---|---|
| | Consolidated Repsol YPF, S.A. | Consolidated RIF | Rest of companies | Consolidated Adjustments | Total |
| **Cash flows from operating activities** | | | | | |
| Net income | 2,468 | 121 | 3,672 | (3,832) | 2,429 |
| Adjustments to reconcile net income to cash provided by operating activities: | | | | | |
| Depreciation, depletion and amortization | 52 | 7 | 2,590 | 486 | 3,135 |
| Provisions, net | 27 | - | 588 | (193) | 422 |
| Minority interests, net of tax | - | - | 57 | 431 | 488 |
| Gain on assets disposals | - | - | (45) | 52 | 7 |
| Deferred taxes and other | (1,506) | (63) | (202) | 1,592 | (179) |
| | 1,041 | 65 | 6,660 | (1,464) | 6,302 |
| Changes in operating working capital | (325) | (69) | (945) | 505 | (834) |
| | 716 | (4) | 5,715 | (959) | 5,468 |
| **Cash flows from investing activities** | | | | | |
| Investments | (1,507) | (2,716) | (5,763) | 3,868 | (6,118) |
| Proceeds from disposals | 50 | - | 579 | (364) | 265 |
| | (1,457) | (2,716) | (5,184) | 3,504 | (5,853) |
| **Cash flows from financing activities** | | | | | |
| Loans proceeds and other long-term debt | 6,203 | 4,770 | 1,838 | (5,649) | 7,162 |
| Capital increases | 397 | - | 145 | (145) | 397 |
| Repayment of loans and other non-current liabilities | (7,055) | (3,311) | (1,073) | 10,100 | (1,339) |
| Changes in current financial assets and liabilities | 1,700 | 1,262 | (48) | (8,117) | (5,203) |
| Subsidies, provisions and other | 19 | - | 163 | (4) | 178 |
| Dividends paid | (541) | - | (1,519) | 1,277 | (783) |
| | 723 | 2,721 | (494) | (2,538) | 412 |
| Net change in cash and cash equivalents | (18) | 1 | 37 | 7 | 27 |
| Cash and cash equivalents at the beginning of the year | 18 | - | 330 | (14) | 334 |
| Cash and cash equivalents at the end of the year | - | 1 | 367 | (7) | 361 |

**1999**

| | Millions of Euros | | | | |
|---|---|---|---|---|---|
| | Consolidated Repsol YPF, S.A. | Consolidated RIF | Rest of companies | Consolidated Adjustments | Total |
| **Cash flows from operating activities** | | | | | |
| Net income | 854 | 58 | 1,283 | (1,184) | 1,011 |
| Adjustments to reconcile net income to cash provided by operating activities: | | | | | |
| Depreciation, depletion and amortization | 28 | 2 | 1,708 | 191 | 1,929 |
| Provisions, net | 2 | - | 357 | (247) | 112 |
| Minority interests, net of tax | - | - | 41 | 134 | 175 |
| Gain on assets disposals | (3) | - | 170 | (268) | (101) |
| Deferred taxes and other | (270) | (23) | 343 | 6 | 56 |
| | 611 | 37 | 3,902 | (1,368) | 3,182 |
| Changes in operating working capital | (54) | 1 | (188) | (260) | (501) |
| | 557 | 38 | 3,714 | (1,628) | 2,681 |
| **Cash flows from investing activities** | | | | | |
| Investments | (14,810) | (3,792) | (3,616) | 4,507 | (17,711) |
| Proceeds from disposals | 176 | - | 877 | (134) | 919 |
| | (14,634) | (3,792) | (2,739) | 4,373 | (16,792) |
| **Cash flows from financing activities** | | | | | |
| Loans proceeds and other long-term debt | 19,144 | 6,293 | 1,838 | (14,333) | 12,942 |
| Capital increases | 5,665 | - | 50 | (50) | 5,665 |
| Repayment of loans and other non-current liabilities | (10,460) | (3) | (1,280) | 7,801 | (3,942) |
| Changes in current financial assets and liabilities | 149 | (2,536) | (430) | 3,027 | 210 |
| Subsidies, provisions and other | 11 | - | 30 | (31) | 10 |
| Dividends paid | (414) | - | (961) | 808 | (567) |
| | 14,095 | 3,754 | (753) | (2,778) | 14,318 |
| Net change in cash and cash equivalents | 18 | - | 222 | (33) | 207 |
| Cash and cash equivalents at the beginning of the year | - | - | 108 | 19 | 127 |
| Cash and cash equivalents at the end of the year | 18 | - | 330 | (14) | 334 |

## 1998

| | Millions of Euros | | | | |
|---|---|---|---|---|---|
| | Consolidated Repsol YPF, S.A. | Consolidated RIF | Rest of companies | Consolidated Adjustments | Total |
| **Cash flows from operating activities** | | | | | |
| Net income | 556 | 20 | 940 | (641) | 875 |
| Adjustments to reconcile net income to cash provided by operating activities: | | | | | |
| Depreciation, depletion and amortization | 9 | - | 1,084 | (15) | 1,078 |
| Provisions, net | 29 | - | 147 | 3 | 179 |
| Minority interests, net of tax | - | - | 34 | 105 | 139 |
| Gain on assets disposals | 216 | - | (65) | (209) | (58) |
| Deferred taxes and other | (62) | (4) | 285 | (282) | (63) |
| | 748 | 16 | 2,425 | (1,039) | 2,150 |
| Changes in operating working capital | (367) | (9) | (82) | 479 | 21 |
| | 381 | 7 | 2,343 | (560) | 2,171 |
| **Cash flows from investing activities** | | | | | |
| Investments | (624) | (691) | (2,483) | 1,581 | (2,217) |
| Proceeds from disposals | 561 | - | 331 | (666) | 226 |
| | (63) | (691) | (2,152) | 915 | (1,991) |
| **Cash flows from financing activities** | | | | | |
| Loans proceeds and other long-term debt | 247 | 392 | 2,353 | (2,447) | 545 |
| Capital increases | - | 292 | 109 | (401) | - |
| Repayment of loans and other non-current liabilities | (63) | - | (1,963) | 1,189 | (837) |
| Changes in current financial assets and liabilities | (128) | - | 44 | 730 | 646 |
| Subsidies, provisions and other | (1) | - | 126 | (77) | 48 |
| Dividends paid | (373) | - | (814) | 670 | (517) |
| | (318) | 684 | (145) | (336) | (115) |
| Net change in cash and cash equivalents | - | - | 46 | 19 | 65 |
| Cash and cash equivalents at the beginning of the year | - | - | 62 | - | 62 |
| Cash and cash equivalents at the end of the year | - | - | 108 | 19 | 127 |

**NOTES TO THE SUMMARIZED FINANCIAL INFORMATION OF**

**REPSOL INTERNATIONAL FINANCE, B.V.**

1. General

Repsol International Finance B.V. (the "Company"), legally seated in Rotterdam, is a wholly owned subsidiary of REPSOL YPF, S.A., Madrid, Spain. Companies under control of REPSOL YPF, S.A. are referred to as "group companies".

The company's principal activities consist of investing in and financing of subsidiaries and affiliated companies, and the company is the holder of shares in subsidiaries. Debt securities issued by the company from time to time are fully and unconditionally guaranteed by REPSOL YPF, S.A.

The financial statements of the company and the group companies in which the company has an investment are included in the consolidated annual accounts of REPSOL YPF, S.A. which have been filed at the Chamber of Commerce in Rotterdam, together with the financial statements of the Company.

The company and its subsidiaries cannot be considered as being an economic entity from a financial reporting point of view. Accordingly, no consolidated financial statements have been presented.

The books of the company are maintained in U.S. Dollars, as the majority of its transactions are denominated in this currency. The financial statements of Repsol International Finance B.V. denominated in U.S. Dollars have been expressed in Euros by translating assets and liabilities at the year-end exchange rate, the capital stock and reserves at the historical exchange rate, and the revenues and expenses at the average exchange rate in the period of the underlying transaction. The translation difference is included under "Translation differences" in the accompanying financial statements.

The U.S. Dollar/Euro exchange rates used as December 31, 2000, 1999 and 1998 were US$ 0.94/€1, US$ 1.01/€1 and US$ 1.17/€1, respectively.

2. Accounting principles

   (a) The attached financial information has been prepared in accordance with generally accepted accounting principles in Spain (Spanish GAAP).

   (b) Assets and liabilities are stated at face value unless indicated otherwise.

Assets and liabilities denominated in foreign currencies (other than U.S. Dollars) are translated into U.S. Dollars at the year end exchange rate unless indicated otherwise.

Transactions in foreign currencies (other than U.S. Dollars) are translated at the exchange rate in effect at the time of the transaction. The exchange results are recorded under financial income and expense in the statement of income.

(c) Investments

Companies are carried by the equity method, adjusted in its case, for the unamortized part of the acquisition price representing proved oil and gas reserves. Amortization is based on the depletion of these reserves (on a unit of production basis) and is charged to the income from investments in the statement of income.

3. Holding in companies carried by the equity method.

The detail of the balance of this caption as of December 31, 1999 and 2000 is as follows:

| | Millions of Euros | |
|---|---|---|
| Subsidiary | 1999 | 2000 |
| Repsol (U.K.) Ltd. | 104 | 120 |
| Repsol Chemie Deutschland GmbH | - (1) | - (1) |
| Gaviota RE, S.A. | 2 | 2 |
| Repsol Exploración Sunda B.V. | 27 | 37 |
| Repsol Occidental Corporation | 50 | 47 |
| Repsol LNG Port Spain B.V. | (6) | 12 |
| Repsol Netherlands Finance B.V. | 11 | 32 |
| Repsol Investeringen B.V. | - (1) | - (1) |
| Cormorán Re, S.A. | 1 | 1 |
| Repsol International Capital Ltd. | - (1) | - (1) |
| Astra C.A.P.S.A. | 568 | 645 |
| | 757 | 896 |

(1) Amount lower than €1 million.

Repsol International Capital Limited issued in 1997 US$ 725 million in 7.45% non-cumulative guaranteed preference shares which are registered in the United States. Repsol International Capital Limited is a wholly owned finance subsidiary of Repsol YPF and the securities referred to above are fully and unconditionally guaranteed by Repsol YPF.
The movement in investments is as follows:

| | Millions of Euros | |
|---|---|---|
| | 1999 | 2000 |
| Beginning balance | 618 | 757 |
| Share in the income of companies carried by the equity method | | |
| Repsol (U.K.) Ltd. | 6 | 16 |
| Repsol Exploración Sunda BV | 5 | 8 |
| Repsol LNG Port Spain BV | (3) | 18 |
| Repsol Netherland Finance BV | 10 | 20 |
| Repsol Occidental Corporation | 5 | (5) |
| Astra C.A.P.S.A. (including Caveant, S.A.) | 26 | 48 |
| Dividends: | | |
| Repsol Occidental Corporation, Delaware | (23) | (25) |
| Astra C.A.P.S.A. | - | (9) |
| Adquisitions: | | |
| Astra C.A.P.S.A. | 12 | - |
| Translation Differences: | 101 | 68 |
| Ending balance | 757 | 896 |

Key financial information of the subsidiaries for the years ended December 31, 1999 and 2000 are as follows:

| 1999 | | Millions of euros | | | | |
|---|---|---|---|---|---|---|
| Name and legal seat | Percentaje Ownership | Capital (1) | Reserves (1) | Net Income (1) | Interim Dividends (1) | Unamortized Oil & Gas Reserves |
| Repsol LNG Port Spain BV, Rotterdam | 100 | 0.02 | (2.42) | (3.27) | - | - |
| Repsol International Capital Ltd., Cayman Island (2) | 100 | 634.11 | 89.54 | 50.76 | (53.63) | - |
| Repsol Investeringen BV, Rotterdam | 100 | 0.02 | (0.06) | - | - | - |
| Repsol Netherlands Finance BV, Rotterdam | 66.5 | 0.02 | 0.73 | 15.79 | - | - |
| Gaviota RE, S.A., Luxembourg | 99.83 | 3.61 | (1.80) | - | - | - |
| Cormoran RE, S.A., Luxembourg | 99.6 | 1.50 | (0.02) | 0.02 | - | - |
| Astra C.A.P.S.A. (including Caveant, S.A.), Argentina | 67.87 | 689.18 | 106.26 | 40.71 | - | - |
| Repsol Exploración Sunda BV, Amsterdam | 100 | 0.17 | 12.72 | 4.59 | - | 6.73 |
| Repsol Occidental Corporation, Delaware | 25 | 0.07 | 20.98 | 14.65 | (23.28) | 30.16 |
| Repsol (U.K.) Ltd., London (3) | 99.99 | 144.34 | 0.08 | 2.24 | - | - |

| 2000 | | Millions of euros | | | | |
|---|---|---|---|---|---|---|
| Name and legal seat | Percentaje Ownership | Capital (1) | Reserves (1) | Net Income (1) | Interim Dividends (1) | Unamortized Oil & Gas Reserves |
| Repsol LNG Port Spain BV, Rotterdam | 100 | 0.03 | (6.11) | 17.59 | - | - |
| Repsol International Capital Ltd., Cayman Island (2) | 100 | 773.22 | (0.08) | - | (57.53) | - |
| Repsol Investeringen BV, Rotterdam | 100 | 0.02 | - | - | - | - |
| Repsol Netherlands Finance BV, Rotterdam | 66.5 | 0.02 | 17.68 | 30.18 | - | - |
| Gaviota RE, S.A., Luxembourg | 99.83 | 3.61 | - | - | - | - |
| Cormoran RE, S.A., Luxembourg | 99.6 | 1.50 | - | - | - | - |
| Astra C.A.P.S.A. (including Caveant, S.A.), Argentina | 67.87 | 739.30 | 143.14 | 69.40 | - | - |
| Repsol Exploración Sunda BV, Amsterdam | 100 | 0.17 | 21.95 | 7.63 | - | 6.50 |
| Repsol Occidental Corporation, Delaware | 25 | 0.07 | 20.81 | 23.78 | (24.77) | 26.71 |
| Repsol (U.K.) Ltd., London (3) | 99.99 | 143.37 | (38.62) | 15.67 | - | - |

(1) Shareholders' equity figures relates to 100% of ownership.
(2) Repsol International Capital issued preferred shares in October 1997. This figures relates to preferred shares.

(3) Consolidated information.

## 4. Loans to/from group companies (long-term and short-term)

The loans granted and received from group companies at December 31, 1999 and 2000 are as follows:

| 1999 | Millions of euros | | | | |
|---|---|---|---|---|---|
| | Loans granted | | | Loans received | |
| | L/T | S/T | Interest Receivable | S/T | Interest payable |
| Repsol Argentina, S.A. | - | 23 | - (1) | - | - |
| Gas Natural SDG, S.A. | 19 | - | - (1) | - | - |
| Repsol YPF, S.A. | 8,458 | - | 98 | - | - |
| Gaviota RE, S.A. | - | - | - | 66 | - (1) |
| Corpetrol, S.A. | - | 32 | - (1) | - | - |
| Cormorán RE, S.A. | - | - | - | 38 | - (1) |
| Repsol France | - | 9 | - | - | - |
| Repsol LNG Port Spain BV | 57 | - | - | - | - |
| Repsol YPF Perú BV | - | - | - | 0 | - |
| Repsol Petróleo, S.A. | - | 167 | - (1) | 0 | - |
| Astra C.A.P.S.A. | - | 99 | - (1) | - | - |
| Repsol Exploración S.A. | - | 95 | 1 | - | - |
| Repsol Netherlands Finance, BV | - | 392 | 7 | - | - |
| | 8,534 | 817 | 106 | 104 | 0 |

(1) Amounts lower than €1 millon.

| 2000 | Millions of euros | | | | |
|---|---|---|---|---|---|
| | Loans granted | | | Loans received | |
| | L/T | S/T | Interest Receivable | S/T | Interest payable |
| Eg 3, S.A. | - | 234 | - | - | - |
| Gas Natural SDG, S.A. | 20 | - | - (1) | - | - |
| Repsol YPF, S.A. | 8,180 | - | 183 | - | - |
| Gaviota RE, S.A. | - | - | - | 93 | 1 |
| Corpetrol, S.A. | - | - | - (1) | - | - |
| Cormorán RE, S.A. | - | - | - | 27 | - (1) |
| Repsol France | - | - | - | - | - |
| Repsol LNG Port Spain BV | 40 | - | - | - | - |
| Repsol YPF Perú BV | - | 6 | - | - | - |
| Repsol Petróleo, S.A. | - | 952 | 1 | - | - |
| Astra C.A.P.S.A. | - | 554 | - (1) | - | - |
| Repsol Exploración S.A. | - | 323 | 2 | - | - |
| Repsol Netherlands Finance, BV | - | 75 | 16 | - | - |
| Repsol Overzee Finance BV | - | 85 | - | - | - |
| Repsol (U.K.), Ltd. | - | - | - | 100 | - (1) |
| Greenstone Assurance, Ltd. | - | - | - | 30 | (1) |
| | 8,240 | 2,229 | 202 | 250 | 1 |

| | Loans granted | | | |
|---|---|---|---|---|
| | 1999 | | 2000 | |
| | L/T | S/T | L/T | S/T |
| Average interest rate …………. | 4.31% | 4.89% | 5.11% | 7.04% |

As of december 31, 2000 the maturities of the long term loans granted were as follows:

| Year | Millions of euros |
|---|---|
| 2002 ………………… | 2,662 |
| 2003 ………………… | 849 |
| 2004 ………………… | 1,392 |
| 2005 ………………… | 2,457 |
| Subsequent years……. | 880 |
| | 8,240 |

5. Shareholders' Equity

The movement in shareholder's equity is as follows:

| | Millions of Euros | | | | | | |
|---|---|---|---|---|---|---|---|
| | Capital Stock | Paid in surplus | Reserves in parent company | Reserves in consolidated company | Translation differences | Net income/ (loss) for the year | Total |
| Balance as of December 31, 1998 | 280 | 284 | 23 | (64) | 153 | 20 | 696 |
| Appropriation of result | - | - | 17 | 3 | - | (20) | - |
| Net income | - | - | - | - | - | 58 | 58 |
| Translation differences and other | - | - | - | - | 106 | - | 106 |
| Balance as of December 31, 1999 | 280 | 284 | 40 | (61) | 259 | 58 | 860 |
| Appropriation of result | - | - | 21 | 37 | - | (58) | - |
| Net income | - | - | - | - | - | 121 | 121 |
| Translation differences and other | - | - | - | - | 66 | - | 66 |
| Balance as of December 31, 2000 | 280 | 284 | 61 | (24) | 325 | 121 | 1,047 |

The issued and paid-in capital consists of 662,384 shares with a par value of $1,000 Dutch guilders each. The company is a wholly owned subsidiary of REPSOL YPF, S.A.

The Articles of incorporation provide that the appropriation of income for the year is decided upon at the Annual General Meeting of Shareholders.

Profits can only be distributed if losses incurred in previous years are fully offset.

6. Commercial paper

The company has two commercial paper programs. In December the authorized limit was increased by $1,100 million up to a total amount of $2,500 million. Notes under these programs are non-interest bearing and issued at a discounted value. The difference between the discounted and face value is accounted for as prepaid interest and is included under other receivables and prepayments. As of December 31, 2000 commercial paper notes outstanding amounted 1,676 millions of Euros.

7. Interest income and expense

The details of this caption for the years ended 1998, 1999 and 2000 is as follows:

| | Millions of Euros | | |
|---|---|---|---|
| | 1998 | 1999 | 2000 |
| Interest income from group companies | 82 | 262 | 608 |
| Other | 4 | - | - |
| | 86 | 262 | 608 |
| Interest expenses to group companies | 7 | 4 | 7 |
| Interest on commercial paper | 39 | 82 | 95 |
| Interest on bank loans | 7 | 9 | 24 |
| Interest on medium term notes | 19 | 20 | 69 |
| Interest on bonds | - | 119 | 354 |
| Other | - | 12 | 9 |
| | 72 | 246 | 558 |

8. Forward rate agreements

The Group REPSOL YPF enters into forward foreign exchange contracts as part of its overall strategy to manage its exposure to foreing currency risk (see Note 25). Most of the foreign currency transations are made through Repsol International Finance, B.V. and Repsol Netherland Finance, BV. The premiums or discounts arising on forward foreign exchange contracts (representing the difference between the forward rate and the spot rate at the inception of the contracts) are amortized as interest income or expense over the lives of the contracts. The contracts are revalued at the exchange rate at each balance sheet date, and the exchange differences are recorded as "Interest income (expense)" in the income statement.

The nominal value of these open contracts at December 31, 2000 was a follows:

| December 31, 2000 | | | | |
|---|---|---|---|---|
| Purchase | | | Sales | |
| GBP | 63 million | | EURO | 314 million |
| JPY | 8.000 million | | | |
| USD | 132 million | | | |

The maturity date of most of these contracts occurs in January, 2001.

The fair value of those open foreign exchange contracts as of December 31, 2000 is Euros 4,84 million.

9. U.S. GAAP

There are no significant differences in consolidated net income for each of the three years ended December 31, 2000, 1999 and 1998, and in consolidated shareholders' equity as of December 31, 2000 and 1999, between the corresponding amounts determined under Spanish GAAP and those under U.S. GAAP.

**EXHIBIT 1**

**COMPANIES CONSOLIDATED IN THE REPSOL YPF GROUP**

| | | | | | | Total Percentage Ownership | | Amounts in Millions of Euros | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Name | Country | Parent Company | Other Companies with an Ownership Interest (1) | Line of Business | Consolidation Method | % of Direct Ownership | % of Control | Capital | Reserves | 2,000 Income (Loss) | Interim Dividend | Equity Owned (3) | Investment Value (4) |
| Repsol Petróleo, S.A. | Spain | Repsol YPF, S.A. | Repsol Comercial de Productos Petrolíferos, S.A. | Refining | G.I. | 99.97 | 99.97 | 217.64 | 526.76 | 567.37 | (330.46) | 981.02 | 613.12 |
| Repsol Distribución, S.A. | Spain | Repsol Petróleo, S.A. | Repsol Comercial de Productos Petrolíferos, S.A. | Distribution and marketing of lubricants | G.I. | 99.97 | 100 | 1.51 | 12.78 | 6.53 | - | 20.82 | 1.51 |
| Estasur, S.A. | Spain | Repsol Distribución, S.A. | Repsol Comercial de Productos Petrolíferos, S.A. | Distribution and marketing of lubricants | G.I. | 99.97 | 100 | 0.15 | 1.50 | 0.88 | - | 2.54 | 1.24 |
| Euroboxes, S.A. | Spain | Repsol Distribución, S.A. | Repsol Comercial de Productos Petrolíferos, S.A. | Operation of workshops and other activities | G.I. | 99.94 | 100 | 0.06 | 0.18 | (0.27) | - | (0.03) | 0.01 |
| Repsol Productos Asfálticos, S.A. | Spain | Repsol Petróleo, S.A. | Repsol Comercial de Productos Petrolíferos, S.A. | Distribution and marketing of asphalts | G.I. | 99.97 | 100 | 5.39 | 1.36 | (0.84) | - | 5.91 | 5.49 |
| Repsol Derivados, S.A. | Spain | Repsol Petróleo, S.A. | Repsol Comercial de Productos Petrolíferos, S.A. | Chemical specialities | G.I. | 99.97 | 100 | 1.26 | 8.67 | 8.07 | - | 18.00 | 0.99 |
| Repsol Eléctrica de Distribución, S.A. | Spain | Repsol Petróleo, S.A. | Repsol YPF, S.A. | Electric power distribution and supply | G.I. | 99.97 | 100 | 0.06 | 0.55 | 0.56 | - | 1.17 | 0.06 |
| Asfaltos Españoles, S.A. | Spain | Repsol Petróleo, S.A. | | Asphalts | E.M. | 49.99 | 50 | 8.53 | 8.23 | 2.04 | (2.10) | 8.35 | 10.31 |
| Repsol YPF Trading y Transportes, S.A. (RYTTSA | Spain | Repsol YPF, S.A. | Repsol Petróleo, S.A. | Trading of oil products | G.I. | 100 | 100 | 0.06 | - | 63.47 | - | 63.53 | 0.06 |
| Repsol Overzee Finance, B.V. | The Netherlands | Repsol YPF, S.A. | | Portfolio company | G.I. | 100 | 100 | 0.02 | - | 1.95 | - | 1.97 | 0.02 |
| Repsol Butano, S.A. | Spain | Repsol, S.A. | Repsol Petróleo, S.A. | LPG distribution | G.I. | 100 | 100 | 58.73 | 72.76 | 21.39 | - | 152.88 | 87.05 |
| Repsol Maroc | Morocco | Repsol Butano, S.A. | | Production of synthetic rubber | G.I. | 99.88 | 99.88 | 1.79 | (0.46) | (0.58) | - | 0.75 | 0.05 |
| National Gaz | Morocco | Repsol Maroc | | Marketing of gas | G.I. | 99.86 | 99.98 | 1.79 | 1.77 | 0.33 | - | 3.89 | 5.41 |
| Repsol Comercial de Productos Petrolíferos, S.A. | Spain | Repsol Petróleo, S.A. | Repsol YPF, S.A./PETRONOR | Marketing of oil products | G.I. | 97.04 | 99.75 | 334.76 | 978.03 | (142.40) | - | 1,170.40 | 214.04 |
| Gasóleos y Lubricantes, S.A. (GASOLUBE) | Spain | Repsol Comercial de Productos Petrolíferos, | | Distribution and marketing of oil products | G.I. | 97.04 | 100 | 0.06 | 0.47 | - | - | 0.53 | 0.48 |
| CAMPSARED | Spain | Repsol Comercial de Productos Petrolíferos, S.A | Repsol Petróleo, S.A. | Operation and management of service stations | G.I. | 97.04 | 100 | 8.41 | 18.01 | 29.81 | - | 56.23 | 42.85 |
| Sociedad Catalana de Petrolis, S.A. (PETROCAT | Spain | Repsol Comercial de Productos Petrolíferos, S.A | Repsol Petróleo, S.A. | Distribution and marketing of oil products | E.M. | 43.84 | 45 | 15.12 | (5.01) | (4.37) | - | 2.58 | 3.25 |
| Air Miles España, S.A. | Spain | Repsol Comercial de Productos Petrolíferos, S.A. | | Management of "Travel Club" membership card | E.M. | 21.83 | 22.5 | 0.25 | 0.32 | 0.02 | - | 0.13 | 0.02 |
| Carburants i Derivats, S.A. (CADESA) | Andorra | Repsol Comercial de Productos Petrolíferos, S.A. | | Distribution of oil by-products | E.M. | 32.27 | 33.25 | 0.12 | 0.08 | 0.01 | - | 0.07 | 0.04 |
| Hinia, S.A. | Spain | Repsol Comercial de Productos Petrolíferos, S.A | Repsol Distribución, S.A. | Distribution and marketing of oil products | G.I. | 97.07 | 100 | 0.60 | 2.57 | 0.52 | - | 3.70 | 1.17 |
| Euro 24, S.L. | Spain | Repsol Comercial de Productos Petrolíferos, S.A | Repsol Petróleo, S.A. | Distribution and marketing of oil products | G.I. | 97.04 | 100 | 0.03 | 0.10 | 0.63 | - | 0.76 | 0.17 |
| Noroil, S.A. | Spain | Repsol Comercial de Productos Petrolíferos, S.A | PETRONOR | Distribution and marketing of oil products | G.I. | 67.94 | 70.01 | 1.51 | 1.00 | - | - | 1.76 | 1.06 |
| Solred, S.A. | Spain | Repsol Comercial de Productos Petrolíferos, S.A | Repsol YPF, S.A. | Management of means of payment at serv. stations | G.I. | 97.04 | 100 | 7.28 | 0.91 | 1.89 | - | 10.09 | 7.76 |
| Estación de Servicio San Blas S.L. | Spain | Repsol Comercial de Productos Petrolíferos, S.A. | | Operation of service stations | E.M. | 97.04 | 100 | n/a | n/a | n/a | n/a | n/a | 19.24 |
| Estre, S.A. | Spain | Repsol Comercial de Productos Petrolíferos, S.A. | | Operation of service stations | E.M. | 97.04 | 100 | n/a | n/a | n/a | n/a | n/a | 0.02 |
| Estación de Servicio José Rebuelta Moreno, S.A. | Spain | Repsol Comercial de Productos Petrolíferos, S.A. | | Operation of service stations | E.M. | 97.04 | 100 | n/a | n/a | n/a | n/a | n/a | 0.22 |
| Estación de Servicio Zabala, S.A. | Spain | Repsol Comercial de Productos Petrolíferos, S.A. | | Operation of service stations | E.M. | 97.04 | 100 | n/a | n/a | n/a | n/a | n/a | 0.91 |
| Angel Muñoa, S.L. | Spain | Repsol Comercial de Productos Petrolíferos, S.A. | | Operation of service stations | E.M. | 97.04 | 100 | n/a | n/a | n/a | n/a | n/a | 3.88 |
| Estación de Servicio Puerto Lumbreras, S.A. | Spain | Repsol Comercial de Productos Petrolíferos, S.A. | | Operation of service stations | E.M. | 97.04 | 100 | n/a | n/a | n/a | n/a | n/a | 0.96 |
| Compañía Logística de Hidrocarburos CLH, S.A. | Spain | Repsol YPF, S.A. | PETRONOR | Transport and storage of oil products | G.I. | 59.87 | 61.46 | 84.07 | 479.39 | 117.29 | (97.27) | 358.61 | 516.97 |
| CLH Aviación, S.A. | Spain | CLH | | Transport and storage of oil products | G.I. | 59.87 | 100 | 21.00 | 18.46 | 3.71 | - | 43.16 | 31.70 |
| Petróleos del Norte, S.A. (PETRONOR) | Spain | Repsol YPF, S.A. | CLH | Refining | G.I. | 87.82 | 89.05 | 120.52 | 277.31 | 217.47 | (156.56) | 408.51 | 261.66 |
| Asfalnor, S.A. | Spain | PETRONOR | | Distrib. and marketing of asphalt products | G.I. | 87.82 | 100 | 0.06 | 0.01 | 0.11 | - | 0.19 | * |
| Repsol Exploración, S.A. | Spain | Repsol YPF, S.A. | Repsol Petróleo, S.A. | Oil and gas exploration and production | G.I. | 100 | 100 | 15.43 | 24.49 | 342.17 | (258.43) | 123.66 | 50.63 |
| Repsol Sumatra Exploration & Production, Ltd. | Cayman Islands | Repsol Exploración, S.A. | | Oil and gas exploration and production | G.I. | 100 | 100 | - | 20.52 | 6.57 | - | 27.09 | 0.00 |
| Repsol Exploración Trinidad, S.A. | Spain | Repsol Exploración, S.A. | Repsol YPF, S.A. | Oil and gas exploration and production | G.I. | 100 | 100 | 1.80 | 12.86 | 0.34 | - | 15.00 | 15.01 |
| Repsol YPF Cuba, S.A. | Spain | Repsol Exploración, S.A. | Repsol YPF, S.A. | Oil and gas exploration and production | G.I. | 100 | 100 | 1.94 | (0.64) | (0.32) | - | 0.98 | 0.63 |
| Repsol Exploración Colombia, S.A. | Spain | Repsol Exploración, S.A. | Repsol YPF, S.A. | Oil and gas exploration and production | G.I. | 100 | 100 | 1.94 | (0.64) | (2.10) | - | (0.81) | (0.05) |
| Repsol Exploración Argelia, S.A. | Spain | Repsol Exploración, S.A. | Repsol YPF, S.A. | Oil and gas exploration and production | G.I. | 100 | 100 | 1.92 | 3.86 | 69.69 | - | 75.48 | 37.91 |
| Repsol Exploración Murzuq, S.A. | Spain | Repsol Exploración, S.A. | Repsol YPF, S.A. | Oil and gas exploration and production | G.I. | 100 | 100 | 7.83 | 319.73 | 143.22 | - | 470.78 | 393.19 |
| Repsol Oil Operations AG | Switzerland | Repsol Exploración Murzuq, S.A. | | Oil and gas exploration and production | E.M. | 40 | 40 | 0.07 | 0.05 | 1.54 | - | 0.66 | 0.02 |
| Repsol Inco AG | Switzerland | Repsol Exploración Murzuq, S.A. | | Oil and gas exploration and production | E.M. | 40 | 40 | 0.07 | 0.24 | 0.03 | - | 0.14 | 0.02 |
| Repsol Argentina, S.A. | Argentina | Repsol Exploración, S.A. | | Oil and gas exploration and production | G.I. | 99.69 | 99.69 | 7.04 | 34.85 | 21.71 | - | 63.41 | 7.04 |
| Repsol Exploración Securé, S.A. | Spain | Repsol Exploración, S.A. | Repsol YPF, S.A. | Oil and gas exploration and production | G.I. | 100 | 100 | 1.87 | (0.62) | (5.16) | - | (3.91) | 0.01 |
| Repsol Exploración Peru, S.A. | Spain | Repsol Exploración, S.A. | Repsol YPF, S.A. | Oil and gas exploration and production | G.I. | 100 | 100 | 0.67 | (0.22) | (4.63) | - | (4.18) | (0.17) |
| Repsol Exploración Vietnam, S.A. | Spain | Repsol Exploración, S.A. | Repsol YPF, S.A. | Oil and gas exploration and production | G.I. | 100 | 100 | 0.18 | (0.05) | 3.39 | - | 3.52 | 3.46 |
| Repsol Exploración Kazakhstán, S.A. | Spain | Repsol Exploración, S.A. | Repsol YPF, S.A. | Oil and gas exploration and production | G.I. | 100 | 100 | 0.18 | (0.05) | (0.98) | - | (0.85) | (0.10) |
| Repsol Exploración Tobago, S.A. | Spain | Repsol Exploración, S.A. | Repsol YPF, S.A. | Oil and gas exploration and production | G.I. | 100 | 100 | 0.18 | (0.05) | (4.58) | - | (4.45) | (0.05) |
| Repsol YPF Eléctrica de Brazil, S.A. | Spain | Repsol Exploración, S.A. | Repsol YPF, S.A. | Oil and gas exploration and production | G.I. | 100 | 100 | 0.18 | (0.06) | (1.90) | - | (1.78) | (0.07) |
| Repsol Exploración Azerbaiyan, S.A. | Spain | Repsol Exploración, S.A. | Repsol YPF, S.A. | Oil and gas exploration and production | G.I. | 100 | 100 | 0.06 | (0.01) | (5.00) | - | (4.95) | (0.28) |
| Repsol Java Exploration & Production, Ltd. | Cayman Islands | Repsol Exploración, S.A. | | Oil and gas exploration and production | G.I. | 100 | 100 | - | (19.74) | 7.76 | - | (11.98) | 0.00 |
| Repsol Exploración Venezuela, B.V. | The Netherlands | Repsol Exploración, S.A. | | Oil and gas exploration and production | G.I. | 100 | 100 | 0.03 | (47.61) | (33.33) | - | (80.91) | 0.00 |
| Repsol Exploración Mene Grande, B.V. | The Netherlands | Repsol Exploración Venezuela, B.V. | | Oil and gas exploration and production | G.I. | 100 | 100 | 0.02 | (28.72) | (19.00) | - | (47.70) | (53.26) |
| Repsol Exploración Baralt, B.V. | The Netherlands | Repsol Exploración Venezuela, B.V. | | Oil and gas exploration and production | G.I. | 100 | 100 | 0.02 | (12.47) | (9.33) | - | (21.78) | (17.44) |
| Repsol Exploración Zulia, B.V. | The Netherlands | Repsol Exploración Venezuela, B.V. | | Oil and gas exploration and production | G.I. | 100 | 100 | 0.02 | (6.95) | (5.00) | - | (11.93) | (12.99) |
| Flawin SAFI | Uruguay | Repsol Exploración Venezuela, B.V. | | Oil and gas exploration and production | G.I. | 100 | 100 | 0.11 | n/a | n/a | n/a | n/a | n/a |
| Repsol Exploración Egipto, S.A. | Spain | Repsol Exploración, S.A. | Repsol YPF, S.A. | Oil and gas exploration and production | G.I. | 100 | 100 | 0.07 | 65.32 | 149.25 | - | 214.64 | 41.36 |
| Repsol YPF T & T, S.A. | Spain | Repsol Exploración, S.A. | Gas Natural SDG, S.A. | Portfolio company | G.I. | 82.35 | 100 | 0.06 | 1.25 | (6.59) | - | (5.28) | (14.51) |
| BPRY Caribbean Ventures LLC | USA | Repsol YPF T & T, S.A. | | Portfolio company | P.I. | 8.24 | 10 | n/a | n/a | n/a | n/a | n/a | n/a |
| BP Trinidad & Tobago | Trinidad and Tobago | BPRY Caribbean Ventures LLC | | Oil and gas exploration and production | P.I. | 8.24 | 10 | 223.94 | 29.69 | 215.94 | (164.56) | 30.50 | n/a |
| Dubai Marine Areas, Ltd. (DUMA) | United Kingdom | Repsol Exploración, S.A. | | Oil and gas exploration and production | P.I. | 50 | 50 | 0.02 | 76.05 | 0.85 | - | 38.46 | 14.88 |
| Repsol Exploración Alga, S.A. | Spain | Repsol YPF, S.A. | Repsol Exploración, S.A. | Gas supply and logistics | G.I. | 100 | 100 | 7.04 | 13.34 | 4.86 | - | 25.24 | 5.20 |
| Repsol Investigaciones Petrolíferas, S.A. | Spain | Repsol YPF, S.A. | Repsol Exploración, S.A. | Oil and gas exploration and production | G.I. | 100 | 100 | 210.60 | 206.62 | 45.77 | - | 462.99 | 245.35 |
| Repsol YPF Peru, BV | The Netherlands | Repsol YPF, S.A. | | Portfolio company | G.I. | 91 | 91 | 264.16 | 15.69 | 6.88 | - | 260.93 | 190.27 |
| Grupo Repsol del Peru, S.A. | Peru | Repsol YPF Peru, B.V. | | Portfolio company | G.I. | 91 | 100 | 0.54 | (0.39) | 0.33 | - | 0.48 | 0.54 |
| Refinadores del Peru, S.A. | Peru | Repsol YPF Peru, B.V. | | Portfolio company | G.I. | 71.67 | 78.76 | 176.70 | 9.34 | 4.60 | (9.71) | 142.50 | 140.94 |
| Refinería La Pampilla, S.A. | Peru | Refinadores de Peru, S.A. | | Refining | G.I. | 43.03 | 60.04 | 156.61 | 12.52 | 15.20 | - | 110.66 | 176.80 |
| Repsol YPF Comercial del Peru, S.A. | Peru | Repsol YPF Peru, B.V. | | Refining | G.I. | 90.65 | 99.61 | 94.13 | (30.57) | (6.41) | - | 56.92 | 151.17 |
| Limagás, S.A. | Peru | Repsol YPF Comercial Peru, S.A. | | LPG distributor | E.M. | 27.17 | 29.97 | 3.46 | 0.87 | 0.06 | - | 1.32 | 3.67 |
| Repsol YPF Comercial del Ecuador, S.A. | Ecuador | Repsol YPF, S.A. | | Holding company | G.I. | 100 | 100 | 74.48 | (6.68) | (7.29) | - | 60.51 | 59.58 |
| Combustibles Industriales Oil Trader, S.A. | Ecuador | Repsol YPF Comercial Ecuador, S.A. | | Marketing of oil products | G.I. | 90 | 90 | 0.48 | (0.08) | 0.17 | - | 0.51 | n/a |

**COMPANIES CONSOLIDATED IN THE REPSOL YPF GROUP**

| Name | Country | Parent Company | Other Companies with an Ownership Interest (1) | Line of Business | Consolidation Method | Total Percentage Ownership: % of Direct Ownership | % of Control | Amounts in Millions of Euros: Capital | Reserves | 2,000 Income (Loss) | Interim Dividend | Equity Owned (3) | Investment Value (4) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Duragas, S.A. | Ecuador | Repsol YPF Comercial Ecuador, S.A. | | LPG distributor | G.I. | 75 | 75 | 9.89 | 2.28 | 0.69 | - | 9.64 | 19.5 |
| Autogas, S.A. | Ecuador | Duragas, S.A. | Repsol YPF Comercial Ecuador, S.A. | Marketing of gas | G.I. | 42.31 | 55.01 | 2.10 | 0.61 | (0.08) | - | 1.45 | 0.98 |
| Semapesa | Ecuador | Repsol YFF Comercial Ecuador, S.A. | | Supply of personnel | G.I. | 75 | 75 | 0.00 | 0.72 | 0.26 | - | 0.73 | 0.00 |
| Repsol International Finance B.V. | The Netherlands | Repsol YPF, S.A. | | Finance and holding company | G.I. | 100 | 100 | 379.54 | 419.61 | 50.70 | - | 849.85 | 564.04 |
| Repsol LNG Port of Spain, BV | The Netherlands | Repsol International Finance, B.V. | | Portfolio company | G.I. | 100 | 100 | 0.03 | (6.11) | 17.59 | - | 11.51 | (6.09) |
| Atlantic 1 Holdings, LLC | USA | Repsol LNG Port of Spain, BV | | Portfolio company | E.M. | 20 | 20 | n/a | n/a | n/a | n/a | n/a | n/a |
| Atlantic LNG | Trinidad and Tobago | Atlantic 1 Holdings, LLC | | Gas supply and logistics | E.M. | 20 | 20 | n/a | n/a | n/a | n/a | n/a | n/a |
| Repsol International Capital | Cayman Islands | Repsol International Finance, B.V. | | LPG production plant | G.I. | 100 | 100 | 773.22 | (0.08) | - | (57.53) | 715.61 | 0.88 |
| Repsol Investeringen, BV | The Netherlands | Repsol International Finance, B.V. | | Finance | G.I. | 100 | 100 | 0.02 | | | - | 0.02 | 0.01 |
| Repsol Netherlands Finance, BV | The Netherlands | Repsol International Finance, B.V. | Repsol Investeringen, B.V. | Finance | G.I. | 100 | 100 | 0.02 | 17.68 | 30.18 | - | 47.88 | 0.02 |
| CAVEANT | Argentina | Repsol International Finance, B.V. | Repsol Argentina, S.A. | Finance | G.I. | 100 | 100 | 5.02 | 130.81 | - | - | 135.83 | 103.56 |
| Gaviota RE | Luxembourg | Repsol International Finance, B.V. | Repsol YPF, S.A. | Reinsurance | G.I. | 100 | 100 | 3.61 | - | - | - | 3.61 | 1.93 |
| Cormorán RE | Luxembourg | Repsol International Finance, B.V. | Repsol YPF, S.A. | Reinsurance | G.I. | 100 | 100 | 1.50 | - | - | - | 1.50 | 1.62 |
| Repsol (UK) Ltd. | United Kingdom | Repsol International Finance, B.V. | | Portfolio company | G.I. | 100 | 100 | 143.37 | (38.62) | 15.67 | - | 120.41 | 111.39 |
| Repsol Exploración Sunda, BV | The Netherlands | Repsol International Finance, B.V. | | Oil and gas exploration and production | G.I. | 100 | 100 | 0.17 | 21.95 | 7.63 | - | 29.75 | 27.65 |
| Repsol Occidental Corporation | USA | Repsol International Finance, B.V. | | Oil and gas exploration and production | P.I. | 25 | 25 | 0.07 | 20.81 | 23.78 | (24.77) | 4.97 | 47.36 |
| Astra C.A.P.S.A. | Argentina | Repsol International Finance, B.V. | Repsol YPF, S.A./CAVEANT | Oil and gas exploration and production | G.I. | 99.36 | 99.36 | 739.30 | 143.14 | 69.40 | - | 945.75 | 796.38 |
| A.P.D.C. | Cayman Islands | Astra C.A.P.S.A. | | Oil and gas exploration and production | G.I. | 99.36 | 100 | 32.10 | 4.40 | 3.54 | - | 40.05 | 40.04 |
| Gas Argentino, S.A. (GASA) | Argentina | Astra C.A.P.S.A. | A.P.D.C. | Portfolio company | P.I. | 45.05 | 45.34 | 245.40 | 95.47 | 34.01 | (26.87) | 157.78 | 150.82 |
| Metrogas, S.A. | Argentina | Gas Argentino, S.A. (GASA) | | Gas distribution | P.I. | 31.54 | 45.34 | 606.28 | (11.08) | 57.83 | (48.50) | 423.17 | 423.17 |
| Poligas Luján, S.A. | Argentina | Astra C.A.P.S.A. | | Bottling, transportation and marketing of LPG | G.I. | 50.16 | 50.49 | 0.02 | 0.19 | (0.04) | - | 0.08 | 0.08 |
| Repsol Gas, S.A. | Argentina | Astra C.A.P.S.A. | | Bottling, transportation and marketing of LPG | G.I. | 50.76 | 51.09 | 9.13 | 8.74 | 0.03 | - | 9.15 | 6.73 |
| Gas Austral, S.A. | Argentina | Repsol Gas, S.A. | | Production, bottling and fractionation of gas | E.M. | 25.38 | 50 | 0.01 | 1.18 | 0.02 | - | 0.60 | 0.60 |
| Mejorgas, S.A. | Argentina | Repsol Gas, S.A. | Poligas Luján, S.A. | Marketing of gas products | E.M. | 38.16 | 75.5 | 0.43 | (1.01) | 0.02 | - | (0.42) | (0.25) |
| Algás Patagónica | Argentina | Repsol Gas, S.A. | Poligas Luján, S.A. | Marketing of LPG | E.M. | 50.65 | 99.72 | 76.69 | 281.21 | 13.85 | - | 371.75 | 113.98 |
| Apex Petroleum | USA | Astra C.A.P.S.A. | | Studies and services | G.I. | 99.36 | 100 | 0.21 | (0.37) | 0.60 | - | 0.44 | 0.21 |
| Enerfín, S.A. | Uruguay | Astra C.A.P.S.A. | | Finance | G.I. | 99.36 | 100 | 5.33 | 0.56 | 6.17 | - | 12.05 | 9.72 |
| Astra Evangelista, S.A. | Argentina | Astra C.A.P.S.A. | A.P.D.C. | Engineering and construction | G.I. | 99.36 | 100 | 9.26 | 11.66 | 4.15 | - | 25.06 | 14.60 |
| Inversora Dock Sud, S.A. | Argentina | Astra C.A.P.S.A. | | Portfolio company | E.M. | 42.58 | 42.86 | 100.14 | 77.46 | (1.28) | - | 75.57 | 93.05 |
| Central Dock Sud, S.A. | Argentina | Inversora Dock Sud, S.A. | Astra C.A.P.S.A. | Electric power generation and retailing | E.M. | 39.66 | 52.84 | 9.27 | 185.13 | (1.53) | - | 153.96 | 1.66 |
| Electricidad Argentina, S.A. (EASA) | Argentina | Astra C.A.P.S.A. | | Portfolio company | E.M. | 27.09 | 27.27 | 231.15 | 77.28 | 33.87 | - | 93.34 | 64.59 |
| EDENOR | Argentina | Electricidad Argentina, S.A. | | Electric power | E.M. | 13.82 | 27.27 | 885.83 | 17.94 | 96.19 | (61.14) | 478.80 | 478.80 |
| Astra Producción Petrolera, S.A. | Venezuela | Astra C.A.P.S.A. | | Oil and gas exploration and production | G.I. | 99.36 | 100 | 7.77 | 9.20 | (1.05) | - | 15.93 | 7.80 |
| Pluspetrol Energy, S.A. | Argentina | Astra C.A.P.S.A. | | Oil and gas exploration and production | P.I. | 44.71 | 45 | 46.01 | 33.97 | 22.28 | - | 46.02 | 58.69 |
| Inversora Distribución de Entre Ríos, S.A. (IDI | Argentina | Astra C.A.P.S.A. | | Portfolio company | E.M. | 20.86 | 21 | 0.01 | 167.93 | 1.18 | (2.04) | 35.09 | 17.90 |
| Repsol Química, S.A. | Spain | Repsol YPF, S.A. | Repsol Petróleo, S.A. | Petrochemicals | G.I. | 100 | 100 | 60.46 | 201.93 | (18.93) | - | 243.47 | 242.00 |
| Carbón Black España, S.A. (Carbesa) | Spain | Repsol Química, S.A. | Repsol YPF, S.A. | Petrochemicals | E.M. | 100 | 100 | 0.17 | 0.38 | (0.08) | - | 0.48 | 0.56 |
| Polidux, S.A. | Spain | Repsol Química, S.A. | Repsol YPF, S.A. | Petrochemicals | G.I. | 100 | 100 | 17.43 | (0.31) | (1.27) | - | 15.85 | 15.81 |
| Estirénicos del Cinca, S.A. | Spain | Polidux, S.A. | Repsol YPF, S.A. | Petrochemicals | G.I. | 100 | 100 | n/a | n/a | n/a | n/a | n/a | n/a |
| Repsol Bronderslev A/S | Denmark | Repsol Química, S.A. | | Chemicals | G.I. | 100 | 100 | 3.10 | 0.91 | 1.33 | - | 5.34 | 4.77 |
| Repsol Polívar, SPA | Italy | Repsol Bronderslev, A/S | | Petrochemicals | E.M. | 100 | 100 | 0.47 | (0.21) | 0.24 | - | 0.50 | 0.25 |
| General Química, S.A. | Spain | Repsol Química, S.A. | Repsol Exploración Alga, S.A. | Chemicals | G.I. | 100 | 100 | 3.01 | 37.59 | 1.57 | - | 42.16 | 27.88 |
| Cogeneración Gequisa, S.A. | Spain | General Química, S.A. | | Electricity cogeneration | E.M. | 39 | 39 | 1.80 | 2.20 | (0.28) | - | 1.45 | 1.46 |
| Dynasol Elastómeros, S.A. | Spain | Repsol Química, S.A. | | Production of synthetic rubber | P.I. | 50.01 | 50.01 | 8.40 | 12.53 | 0.84 | - | 10.89 | 8.41 |
| Dynasol Elastómeros, S.A. de C.V. | Mexico | Repsol Química, S.A. | | Production and marketing of chemicals | P.I. | 49.99 | 49.99 | 23.73 | 1.38 | (0.88) | - | 12.11 | 20.56 |
| Dynasol Gestión, S.A. | Spain | Repsol Química, S.A. | | Management of Dynasol Elastómetros | E.M. | 50 | 50 | 0.10 | 0.02 | 0.10 | - | 0.11 | 0.05 |
| Repsol Portugal | Portugal | Repsol YPF, S.A. | Repsol Distribución / Repsol Pdtos. Asfálticos | Marketing of oil products | G.I. | 100 | 100 | 43.49 | 77.94 | (10.34) | - | 111.09 | 108.95 |
| Gespost | Portugal | Repsol Portugal, S.A. | | Marketing of oil products | G.I. | 99.67 | 99.67 | n/a | n/a | n/a | n/a | n/a | 0.03 |
| Repsol Italia | Italy | Repsol YPF, S.A. | Repsol Derivados, S.A. | Marketing of oil products | G.I. | 100 | 100 | 1.77 | 0.09 | 0.32 | - | 2.18 | 1.86 |
| Repsol France | France | Repsol YPF, S.A. | | Marketing of oil products | G.I. | 99.99 | 99.99 | 19.25 | (44.93) | - | - | (25.68) | 0.85 |
| Gas Natural SDG, S.A. | Spain | Repsol YPF, S.A. | Repsol Petróleo, S.A. | Marketing of gas | G.I. | 47.04 | 47.04 | 447.78 | 1,264.05 | 630.45 | - | 1,101.81 | 719.17 |
| Sagane, S.A. | Spain | Gas Natural SDG, S.A. | La Propagadora del Gas, S.A. | Gas supply | G.I. | 47.04 | 100 | 94.96 | (15.60) | 51.99 | - | 131.35 | 42.00 |
| Europe Maghreb Pipeline, Ltd. (EMPL) | United Kingdom | Sagane, S.A. | | Gas transportation | P.I. | 34.15 | 72.6 | 0.09 | 81.85 | 26.90 | - | 79.02 | 74.50 |
| Metragaz, S.A. | Morocco | Sagane, S.A. | | Gas transportation | P.I. | 34.04 | 72.36 | 7.51 | 2.30 | 1.40 | - | 8.11 | 5.67 |
| Enagás, S.A. | Spain | Gas Natural SDG, S.A. | La Propagadora del Gas, S.A. | Gas supply and transportation | G.I. | 47.04 | 100 | 358.71 | 378.37 | 125.15 | - | 862.23 | 279.36 |
| Gasoducto Al-Andalus, S.A. | Spain | Enagás, S.A. | | Gas transportation | P.I. | 31.5 | 66.96 | 35.46 | 2.35 | 6.99 | - | 30.00 | 23.75 |
| Gasoducto Extremadura, S.A. | Spain | Enagás, S.A. | | Gas transportation | P.I. | 23.99 | 51 | 19.08 | (3.50) | 3.04 | - | 9.50 | 9.73 |
| Gas de Euskadi, S.A. | Spain | Enagás, S.A. | | Gas distribution | E.M. | 9.64 | 20.5 | 47.32 | 93.58 | 29.85 | - | 35.00 | 19.62 |
| Iberlink Ibérica, S.A. | Spain | Gas Natural SDG, S.A. | | Studies and projects | G.I. | 35.33 | 75.1 | 0.23 | 0.01 | - | - | 0.18 | 0.91 |
| Kromschroeder, S.A. | Spain | Gas Natural SDG, S.A. | | Production and marketing of gas products | E.M. | 20 | 42.52 | 0.66 | 9.38 | 1.73 | - | 5.00 | 3.55 |
| Gas Castilla y León, S.A. | Spain | Gas Natural SDG, S.A. | La Propagadora del Gas, S.A. | Gas distribution | G.I. | 42.39 | 90.11 | 6.34 | 71.50 | 20.47 | - | 88.59 | 6.29 |
| Gas Castilla La Mancha, S.A. | Spain | Gas Natural SDG, S.A. | | Gas distribution | G.I. | 44.69 | 95 | 6.91 | 10.83 | 0.44 | - | 17.27 | 6.43 |
| Gas Natural Rioja, S.A. | Spain | Gas Natural SDG, S.A. | | Gas distribution | G.I. | 41.16 | 87.5 | 2.70 | 8.01 | 2.83 | - | 11.85 | 2.63 |
| Gas Navarra, S.A. | Spain | Gas Natural SDG, S.A. | | Gas distribution | G.I. | 42.33 | 89.99 | 3.61 | 23.56 | 4.98 | - | 28.93 | 15.61 |
| Gas Galicia SDG, S.A. | Spain | Gas Natural SDG, S.A. | | Gas distribution | G.I. | 29.16 | 62 | 26.68 | 4.88 | (0.53) | - | 19.24 | 22.42 |
| Gas Natural La Coruña, S.A. | Spain | Gas Galicia SDG, S.A. | | Gas distribution | G.I. | 26.54 | 91 | 1.80 | 0.02 | 0.14 | - | 1.78 | 1.64 |
| Gas Aragón, S.A. | Spain | Gas Natural SDG, S.A. | | Marketing of gas | E.M. | 16.46 | 35 | 5.89 | 8.75 | 13.98 | - | 10.02 | 2.95 |
| La Propagadora del Gas, S.A. | Spain | Gas Natural SDG, S.A. | ESESA | Gas distribution | G.I. | 47.04 | 100 | 0.16 | 0.73 | 0.06 | - | 0.95 | 0.29 |
| Gas Natural Informática, S.A. | Spain | Gas Natural SDG, S.A. | La Propagadora del Gas, S.A. | Computer services | G.I. | 47.04 | 100 | 19.95 | 1.39 | 3.13 | - | 24.47 | 19.95 |
| GasNatural Andalucía, S.A. | Spain | Gas Natural SDG, S.A. | La Propagadora del Gas, S.A. | Gas distribution | G.I. | 47.04 | 100 | 12.43 | 23.47 | (4.50) | - | 31.40 | 27.26 |
| Compañía Auxiliar de Industrias Varias, S.A. | Spain | Gas Natural SDG, S.A. | La Propagadora del Gas, S.A. | Services | G.I. | 47.04 | 100 | 0.30 | 1.97 | (0.36) | - | 1.91 | 6.10 |

**COMPANIES CONSOLIDATED IN THE REPSOL YPF GROUP**

| | | | | | | Total Percentage Ownership | | Amounts in Millions of Euros | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Name | Country | Parent Company | Other Companies with an Ownership Interest (1) | Line of Business | Consolidation Method | % of Direct Ownership | % of Control | Capital | Reserves | 2,000 Income (Loss) | Interim Dividend | Equity Owned (3) | Investment Value (4) |
| La Energía, S.A. | Spain | Gas Natural SDG, S.A. | La Propagadora del Gas, S.A. | Cogeneration | G.I. | 47.04 | 100 | 10.67 | 0.70 | (0.29) | - | 11.08 | 10.99 |
| A.E. Sanitaria Vall d' Hebrón | Spain | La Energía, S.A. | | Cogeneration | G.I. | 38.22 | 81.25 | 1.71 | 0.41 | 0.17 | - | 1.86 | 1.39 |
| Gas Natural Servicios SDG, S.A. | Spain | Gas Natural SDG, S.A. | La Propagadora del Gas, S.A. | Services | G.I. | 47.04 | 100 | 0.60 | 5.04 | 2.98 | - | 8.62 | 1.45 |
| Gas Natural Comercializadora, S.A. | Spain | Gas Natural SDG, S.A. | La Propagadora del Gas, S.A. | Marketing of gas | G.I. | 47.04 | 100 | 0.60 | - | 10.38 | - | 10.98 | 0.60 |
| Gas Natural Extremadura, S.A. | Spain | Gas Natural SDG, S.A. | La Propagadora del Gas, S.A. | Gas distribution | G.I. | 47.04 | 100 | 0.06 | - | (0.01) | - | 0.05 | 0.37 |
| Holding Gas Natural, S.A. | Spain | Gas Natural SDG, S.A. | La Propagadora del Gas, S.A. | Finance | G.I. | 47.04 | 100 | 0.30 | 0.15 | - | - | 0.45 | 0.30 |
| Gas Natural Electricidad SDG, S.A. | Spain | Gas Natural SDG, S.A. | La Propagadora del Gas, S.A. | Electricity | G.I. | 47.04 | 100 | 0.06 | (0.01) | (0.01) | - | 0.04 | 0.06 |
| Gas Natural Trading SDG, S.A. | Spain | Gas Natural SDG, S.A. | La Propagadora del Gas, S.A. | Trading of gas | G.I. | 47.04 | 100 | 0.06 | - | - | - | 0.06 | 0.06 |
| Desarrollo del Cable, S.A. | Spain | Gas Natural SDG, S.A. | La Propagadora del Gas, S.A. | Communications cable | G.I. | 47.04 | 100 | 21.10 | 4.57 | 6.25 | - | 31.92 | 21.10 |
| Equipos y Servicios, S.A. (ESESA) | Spain | Gas Natural SDG, S.A. | La Propagadora del Gas, S.A. | Services | G.I. | 47.04 | 100 | 0.12 | 1.74 | (0.08) | - | 1.78 | 0.29 |
| Gas Natural Cantabria SDG, S.A. | Spain | Gas Natural SDG, S.A. | La Propagadora del Gas, S.A. | Gas distribution | G.I. | 42.53 | 90.41 | 3.17 | 26.86 | 3.75 | - | 30.54 | 5.76 |
| Gas Natural Murcia SDG, S.A. | Spain | Gas Natural SDG, S.A. | La Propagadora del Gas, S.A. | Gas distribution | G.I. | 46.74 | 99.36 | 1.44 | 2.55 | (0.80) | - | 3.17 | 2.88 |
| Compañía Española de Gas, S.A. (CEGAS) | Spain | Gas Natural SDG, S.A. | La Propagadora del Gas, S.A. | Gas distribution | G.I. | 42.53 | 90.42 | 11.08 | 56.12 | 1.20 | - | 61.85 | 20.18 |
| Gas Natural Aprovisionamientos SDG, S.A. | Spain | Gas Natural SDG, S.A. | Sagane, S.A. | Gas supply | G.I. | 47.04 | 100 | 0.60 | - | 0.01 | - | 0.61 | 0.60 |
| Gas Natural Finance, BV | The Netherlands | Gas Natural SDG, S.A. | | Portfolio company | G.I. | 47.04 | 100 | 0.02 | 0.06 | 0.33 | - | 0.41 | 0.02 |
| CEG Río, S.A. | Brazil | Gas Natural SDG, S.A. | | Marketing of gas | P.I. | 11.82 | 25.13 | 16.31 | (5.30) | 1.99 | - | 3.27 | 48.01 |
| Companhia Distribuidora de Gas do Río de Janei | Brazil | Gas Natural SDG, S.A. | | Marketing of gas | P.I. | 8.89 | 18.9 | 142.36 | (85.61) | 26.84 | - | 15.80 | 130.85 |
| Gas Natural do Brazil | Brazil | Gas Natural SDG, S.A. | | Marketing of gas | G.I. | 47.04 | 100 | 0.60 | - | - | - | 0.60 | 0.60 |
| Gas Natural São Paulo Sul, S.A. | Brazil | Gas Natural, SDG, S.A. | | Gas distribution | G.I. | 47.04 | 99.99 | 329.59 | (38.39) | 0.54 | - | 291.71 | 329.59 |
| Gas Natural International, Ltd. | Ireland | Gas Natural SDG, S.A. | La Propagadora del Gas, S.A. | Portfolio company | G.I. | 47.04 | 100 | 25.36 | 23.65 | 31.00 | - | 80.01 | 25.36 |
| Gas Natural Internacional SDG, S.A. | Spain | Gas Natural SDG, S.A. | La Propagadora del Gas, S.A. | Portfolio company | G.I. | 47.04 | 100 | 299.00 | 52.52 | 2.48 | - | 354.00 | 322.96 |
| Manra, S.A. | Argentina | Gas Natural Internacional, SDG, S.A. | La Propagadora del Gas, S.A. | Portfolio company | G.I. | 47.04 | 100 | 8.85 | (3.45) | 4.87 | (2.03) | 8.24 | 31.07 |
| Invergas, S.A. | Argentina | Gas Natural Internacional, SDG, S.A. | Manra, S.A. | Portfolio company | G.I. | 33.87 | 72 | 42.09 | 43.32 | 23.35 | (9.74) | 71.29 | 39.17 |
| Gas Natural Ban, S.A. | Argentina | Invergas, S.A. | Gas Natural Argentina SDG, S.A. | Gas distribution | G.I. | 23.71 | 70 | 185.85 | 152.44 | 62.62 | (19.17) | 267.22 | 189.40 |
| Gas Natural Argentina SDG, S.A. | Argentina | Gas Natural Internacional, SDG, S.A. | | Portfolio company | G.I. | 33.87 | 72 | 104.27 | (31.96) | 8.74 | (3.64) | 55.74 | 72.96 |
| Gas Natural Mexico, S.A. de CV | Mexico | Gas Natural Internacional, SDG, S.A. | Gas Natural SDG, S.A. | Gas distribution | G.I. | 47.04 | 100 | 256.05 | (47.80) | (16.86) | - | 191.39 | 198.48 |
| DF Gas, S.A. de C.V. | Mexico | Gas Natural Mexico, S.A. de CV | Sistemas Admón. y Servicios, S.A. de CV | Portfolio company | G.I. | 47.04 | 100 | 43.43 | (0.91) | (0.01) | - | 42.51 | 31.22 |
| Servicios de Energía de Mexico, S.A. de CV | Mexico | Gas Natural Mexico, S.A. | DF Gas, S.A. de C.V. | Portfolio company | G.I. | 47.04 | 100 | 126.72 | (10.10) | 0.43 | - | 117.05 | 114.66 |
| Comercializadora Metrogas | | Servicios de Energía de Mexico, S.A. de CV | Gas Natural Mexico, S.A. de CV | Gas distribution | G.I. | 47.04 | 100 | 42.35 | (4.85) | (2.94) | - | 34.56 | 55.04 |
| Adm. Servicios Energía Mexico, S.A. De | Mexico | Servicios de Energía de Mexico, S.A. de CV | Gas Natural Mexico, S.A. de CV | Services | G.I. | 47.04 | 100 | 0.01 | (0.02) | (0.52) | - | (0.53) | 0.01 |
| Energía y Confort Admón. de Personal, S.A. | Mexico | Gas Natural Mexico, S.A. de CV | | Services | G.I. | 47.04 | 100 | 0.01 | - | - | - | 0.01 | 0.01 |
| Gas Natural Servicios, S.A. de C.V. | Mexico | Gas Natural Mexico, S.A. de CV | | Services | G.I. | 47.02 | 99.95 | 0.45 | (0.01) | - | - | 0.44 | 0.44 |
| Sistemas Administración y Servicios, S.A. de CV | Mexico | Gas Natural Internacional, SDG, S.A. | Gas Natural SDG, S.A. | Services | G.I. | 47.04 | 100 | 0.01 | 0.04 | 0.07 | - | 0.12 | 0.01 |
| Serviconfort Argentina, S.A. | Argentina | Gas Natural Internacional, SDG, S.A. | | Gas installations | G.I. | 33.87 | 72 | 2.09 | 0.07 | 0.06 | - | 1.60 | 1.54 |
| Serviconfort Colombia | Colombia | Gas Natural Internacional, SDG, S.A. | | Services | G.I. | 34.34 | 73 | 0.22 | - | 0.09 | - | 0.23 | 0.16 |
| Transportadora Colombiana de Gas, S.A. | Colombia | Gas Natural Internacional, SDG, S.A. | Gas Natural, S.A. ESP | Gas transportation | G.I. | 36.48 | 77.56 | 0.27 | (0.07) | 0.17 | - | 0.29 | 0.19 |
| Gas Natural, S.A. ESP | Colombia | Gas Natural Internacional, SDG, S.A. | | Gas distribution | P.I. | 20.88 | 44.38 | 19.87 | 165.29 | 12.60 | - | 87.77 | 143.43 |
| Gas Natural Cundiboyacense, S.A. ESP | Colombia | Gas Natural, S.A. ESP | | Gas distribution | P.I. | 36.43 | 77.45 | 1.13 | 0.07 | 0.19 | - | 1.08 | 0.46 |
| Gasoriente, S.A. ESP | Colombia | Gas Natural, S.A. ESP | | Gas distribution | P.I. | 25.64 | 54.5 | 7.12 | 36.75 | 4.30 | - | 26.25 | 31.05 |
| Gases de Barrancabermeja, S.A. ESP | Colombia | Gasoriente, S.A. ESP | | Gas distribution | P.I. | 25.64 | 99.99 | 1.16 | 5.56 | 0.03 | - | 6.75 | 3.78 |
| Gas Natural Latinoamericana | Spain | Gas Natural Internacional, SDG, S.A. | La Propagadora del Gas, S.A. | Portfolio company | G.I. | 47.04 | 100 | 0.60 | - | (0.16) | - | 0.44 | 0.66 |
| YPF, S.A. | Argentina | Repsol YPF, S.A. | | Oil and gas exploration and production | G.I. | 98.99 | 98.99 | 3,760.15 | 3,765.26 | 1,432.05 | - | 8,866.99 | 14,295.09 |
| YPF International, Ltd. | Cayman Islands | YPF, S.A. | | Portfolio company | G.I. | 98.99 | 100 | 2,241.70 | (344.38) | 3.73 | - | 1,901.05 | 1,900.52 |
| YPF South Sokang, Ltd. | USA | YPF International, Ltd. | | Oil and gas exploration and production | G.I. | 98.99 | 100 | - | - | - | - | 0.00 | 0.00 |
| YPF Trading, Ltd. | Cayman Islands | YPF International, Ltd. | | Financial investments | G.I. | 98.99 | 100 | 0.05 | 0.32 | 3.97 | - | 4.34 | 4.26 |
| YPF Energy Holdings N.V. | Netherl. Antilles | YPF International, Ltd. | | Portfolio company | G.I. | 98.99 | 100 | 456.01 | (83.40) | (111.95) | - | 260.65 | 260.65 |
| YPF Java Baratlaut, B.V. | The Netherlands | YPF Energy Holding N.V. | | Production contracts | G.I. | 98.99 | 100 | 142.95 | (13.10) | (45.38) | - | 84.47 | 84.47 |
| YPF Maxus SE Sumatra | The Netherlands | YPF Energy Holding N.V. | | Production contracts | G.I. | 98.99 | 100 | 384.00 | (68.39) | (73.71) | - | 241.91 | 241.91 |
| YPF Blora, Ltd. | USA | YPF International, Ltd. | | Oil and gas exploration and production | G.I. | 98.99 | 100 | - | (3.30) | (0.64) | - | (3.94) | (3.94) |
| YPF Ecuador Inc. | Cayman Islands | YPF International, Ltd. | | Oil and gas exploration and production | G.I. | 98.99 | 100 | 309.44 | 66.15 | 33.13 | - | 408.71 | 408.71 |
| Greenstone Assurance, Ltd. | Bermuda Islands | YPF International, Ltd. | | Insurance | G.I. | 98.99 | 100 | 17.90 | 9.69 | 11.40 | - | 38.99 | 39.20 |
| YPF Downstream International Alliance | Cayman Islands | YPF International, Ltd. | | Marketing of oil products | G.I. | 98.99 | 100 | 0.11 | - | - | - | 0.11 | 0.11 |
| Andina Corporation | Cayman Islands | YPF International, Ltd. | | Finance | P.I. | 40.09 | 40.5 | 233.55 | 47.87 | 7.36 | - | 116.96 | 117.06 |
| Andina, S.A. | Bolivia | Andina Corporation | | Oil and gas exploration and production | P.I. | 20.05 | 40.5 | 223.69 | 199.62 | 16.30 | - | 219.80 | 89.02 |
| YPF Malasya, Ltd. | USA | YPF International, Ltd. | | Oil and gas exploration and production | G.I. | 98.99 | 100 | - | (1.70) | (1.28) | - | (2.98) | (2.98) |
| YPF Holdings Inc. | USA | YPF International, Ltd. | | Portfolio company | G.I. | 98.99 | 100 | 454.94 | (381.13) | 9.05 | - | 82.87 | 82.87 |
| CLH Holdings | USA | YPF Holdings Inc. | | Finance | G.I. | 98.99 | 100 | (29.83) | (63.80) | (11.61) | - | (105.24) | (105.24) |
| Chemical Land Holding Inc. | USA | CLH Holdings | | | G.I. | 98.99 | 100 | (29.83) | (63.80) | (11.61) | - | (105.24) | (105.24) |
| Maxus Energy Corporation | USA | YPF Holdings Inc. | | Oil and gas exploration and production | G.I. | 98.99 | 100 | 454.52 | (218.90) | 54.64 | - | 290.26 | 290.16 |
| Maxus US Exploration Co. | USA | Maxus Energy Corporation | | Oil and gas exploration and production | G.I. | 98.99 | 100 | 2.02 | (25.25) | (8.20) | - | (31.42) | (31.53) |
| Midgard Energy Co. | USA | Maxus Energy Corporation | | Oil and gas exploration and production | G.I. | 98.99 | 100 | 264.91 | (67.96) | (36.22) | - | 160.74 | 160.84 |
| YPF Distribution Co. | USA | YPF Holdings Inc. | | Marketing of oil products | G.I. | 98.99 | 100 | 30.25 | 1.38 | 8.42 | - | 40.05 | 40.16 |
| Global Companies LLc. | USA | YPF Distribution Co. | | Marketing of oil products | P.I. | 50.48 | 51 | - | 35.96 | 8.69 | - | 22.77 | 22.90 |
| Chelsea Sandwich Llc. | USA | YPF Distribution Co. | | Oil and gas storage and distribution | P.I. | 50.48 | 51 | n.a | n.a | n.a | n.a | n.a | n.a |
| Global Montello Group Llc. | USA | YPF Distribution Co. | | Marketing of oil products | P.I. | 48.51 | 49 | n.a | n.a | n.a | n.a | n.a | n.a |
| Maxus Bolivia Inc. | Cayman Islands | YPF International, Ltd. | | Oil and gas exploration and production | G.I. | 98.99 | 100 | 98.32 | 23.75 | 33.02 | - | 155.09 | 157.01 |
| Maxus Venezuela, S.A. | Venezuela | YPF International, Ltd. | | Oil and gas exploration and production | G.I. | 98.99 | 100 | 1.17 | (3.73) | - | - | (2.56) | (2.56) |
| Maxus Guarapiche, Ltd. | Cayman Islands | YPF International, Ltd. | | Oil and gas exploration and production | G.I. | 98.99 | 100 | 29.08 | (42.39) | (37.49) | - | (50.81) | (50.92) |
| Maxus Guyana, Ltd. | USA | YPF International, Ltd. | | Oil and gas exploration and production | G.I. | 98.99 | 100 | - | (1.28) | (0.64) | - | (1.92) | (2.02) |
| Maxus Venezuela, Ltd. | Cayman Islands | YPF International, Ltd. | | Oil and gas exploration and production | G.I. | 98.99 | 100 | 185.24 | (34.30) | 19.28 | - | 170.22 | 170.11 |
| Maxus Algeria, Ltd. | USA | YPF International, Ltd. | | Oil and gas exploration and production | G.I. | 98.99 | 100 | - | (3.62) | - | - | (3.62) | (3.52) |

## COMPANIES CONSOLIDATED IN THE REPSOL YPF GROUP

| Name | Country | Parent Company | Other Companies with an Ownership Interest [1] | Line of Business | Consolidation Method | Total Percentage Ownership: % of Direct Ownership | Total Percentage Ownership: % of Control | Amounts in Millions of Euros: Capital | Reserves | 2,000 Income (Loss) | Interim Dividend | Equity Owned [3] | Investment Value [4] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| YPF Colombia Ltd. | USA | YPF International, Ltd. | | Oil and gas exploration and production | G.I. | 98.99 | 100 | - | (1.92) | 2.02 | - | 0.11 | 0.11 |
| Compañía Mega | Argentina | YPF, S.A. | | Gas fractionation | P.I. | 37.62 | 38 | 216.68 | - | - | - | 82.34 | 82.34 |
| YPF Gas, S.A. | Argentina | YPF, S.A. | OPESSA | Marketing of oil and gas | G.I. | 98.99 | 100 | 76.27 | 18.32 | 0.53 | - | 95.12 | 95.12 |
| Comsergas | Argentina | YPF Gas | | Gas cylinder repair | G.I. | 61.37 | 62 | 2.18 | 0.23 | (0.18) | - | 1.39 | 1.37 |
| Operadora de Estaciones de Servicio, S.A. OPES | Argentina | YPF, S.A. | YPF Gas, S.A. | Marketing of oil and gas | G.I. | 98.99 | 100 | 151.90 | (7.14) | 9.80 | - | 154.56 | 154.56 |
| Oiltanking Ebytem, S.A. | Argentina | YPF, S.A. | | Oil and gas transportation and storage | E.M. | 29.7 | 30 | 12.46 | 1.52 | 5.43 | - | 5.83 | 2.66 |
| A&C Pipeline Holding | Cayman Islands | YPF, S.A. | | Finance | G.I. | 53.45 | 54 | 1.07 | - | - | - | 0.58 | 0.53 |
| Oleoducto Trasandino Argentino | Argentina | A&C Pipeline Holding | | Oil pipeline construction and operation | E.M. | 53.45 | 54 | 52.89 | 4.34 | 13.90 | - | 71.12 | 38.45 |
| Oleoducto Trasandino Chile | Chile | A&C Pipeline Holding | | Oil pipeline construction and operation | E.M. | 53.45 | 54 | 53.00 | 10.93 | 15.72 | - | 79.65 | 42.61 |
| Petroken Petroquímica Ensenada, S.A. | Argentina | YPF, S.A. | | Manufacturing and marketing of petrochemicals | P.I. | 49.5 | 50 | 110.78 | 10.86 | 4.69 | - | 63.17 | 63.17 |
| Petroquímica Bahía Blanca SAIC | Argentina | YPF, S.A. | | Manufacturing and marketing of petrochemicals | E.M. | 26.63 | 26.9 | 55.98 | 175.12 | 45.66 | - | 74.45 | 74.46 |
| Polisur | Argentina | YPF, S.A. | | Manufacturing and marketing of petrochemicals | E.M. | 29.7 | 30 | 97.06 | (33.87) | (47.36) | - | 4.75 | 4.79 |
| Profertil | Argentina | YPF, S.A. | | Manufacture and sale of gas products | P.I. | 49.5 | 50 | 337.45 | - | (2.13) | - | 167.66 | 168.73 |
| YPF Brazil, S.A. | Brazil | YPF, S.A. | OPESSA | Oil and gas exploitation and marketing | G.I. | 98.99 | 100 | 170.54 | (20.88) | (28.65) | - | 121.01 | 121.01 |
| Dispal P. Paulina | Brazil | YPF Brazil, S.A. | | Operation and administration consulting services | G.I. | 98.98 | 99.99 | 2.16 | (1.43) | (3.07) | - | (2.35) | (2.09) |
| 5254 Participacões | Brazil | YPF Brazil, S.A. | | Marketing of oil products | G.I. | 98.99 | 100 | 0.32 | 1.22 | (0.82) | - | 0.72 | 0.77 |
| Refinería de Petróleos Manguinhos | Brazil | YPF Brazil, S.A. | | Oil and gas exploration and production | P.I. | 30.4 | 30.71 | 11.13 | 45.98 | 17.57 | - | 22.94 | 22.94 |
| Wall Petróleo, S.A. | Brazil | Refinería Petróleos Manguinhos | | Marketing of oil products | P.I. | 30.4 | 30.71 | 16.60 | 0.15 | (0.87) | - | 15.88 | 15.59 |
| Wall Química, S.A. | Brazil | Refinería Petróleos Manguinhos | Wall Petróleo, S.A. | Marketing of oil products | P.I. | 30.4 | 30.71 | 3.12 | (0.80) | 0.16 | - | 2.48 | 2.49 |
| Wall Postos, S.A. | Brazil | Wall Petróleo, S.A. | Refinería Petróleos Manguinhos | Operation of service stations | P.I. | 30.4 | 30.71 | 12.70 | (2.13) | (1.27) | - | 9.30 | 9.39 |
| YPF Chile, S.A. | Chile | YPF, S.A. | OPESSA | Administration of YPF's investments in Chile | G.I. | 98.99 | 100 | 104.07 | 22.16 | 16.19 | - | 142.42 | 142.42 |
| Petróleos Transandinos YPF, S.A. | Chile | YPF Chile, S.A. | YPF, S.A. / OPESSA | Oil and gas exploration and production | G.I. | 98.99 | 100 | 55.82 | 0.21 | 6.14 | - | 62.16 | 62.74 |
| Refinerías del Norte, S.A. (RefiningR) | Argentina | YPF, S.A. | Astra C.A.P.S.A. | Refining and marketing of oil products | E.M. | 50.56 | 51 | 97.58 | 28.72 | 9.84 | - | 69.43 | 69.09 |
| Terminales Marítimas Patagónicas, S.A. | Argentina | YPF, S.A. | Astra C.A.P.S.A. | Logistics of oil by-products | E.M. | 32.83 | 33.15 | 15.30 | 16.08 | 14.32 | - | 15.15 | 12.47 |
| Oleoductos del Valle, S.A. (OLDELVAL) | Argentina | YPF, S.A. | Astra C.A.P.S.A. | Logistics of oil by-products | E.M. | 36.65 | 37 | 117.25 | 26.52 | 36.67 | (22.92) | 58.28 | 38.57 |

Consolidation method

G.I.: Global integration
P.I.: Proportional integration
E.M.: Equity method
n/a Not available

(*) Amount less than 10,000 Euros.
(1) Other Group companies with ownership interests, albeit smaller than that of the parent company in the company's capital stock.
(2) Latest information available as of December 31, 1999.
(3) Reflects the percentage owned by related parent company.
(4) Relates to the value of the net investment.