Ordinary General Shareholders' Meeting

31th May 2011

Translation of the
original in Spanish.
In case of any discrepancy,
the Spanish version prevails.

Index

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Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Repsol YPF Group (see notes 3 and 38). In the event of a discrepancy, the Spanish-language version prevails.

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
Repsol YPF, S.A.:

We have audited the consolidated financial statements of Repsol YPF, S.A. and Subsidiaries ("the Repsol YPF Group"), which comprise the consolidated balance sheet at December 31, 2011, and the related consolidated income statement, consolidated statement of recognised income and expenses, consolidated statement of changes in equity, consolidated cash flow statement and notes to the consolidated financial statements for the year then ended. As indicated in note 3 to the accompanying consolidated financial statements, the directors are responsible for the preparation of the Repsol YPF Group's consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group. Our responsibility is to express an opinion on the consolidated financial statements taken as a whole based on our audit work performed in accordance with the audit regulations in force in Spain, which require examination, by means of selective tests, of the evidence supporting the consolidated financial statements and evaluation of whether their presentation, the accounting principles and policies applied and the estimates made comply with the applicable regulatory financial reporting framework.

In our opinion, the accompanying consolidated financial statements for 2011 present fairly, in all material respects, the consolidated equity and consolidated financial position of Repsol YPF, S.A. and Subsidiaries at December 31, 2011, and the consolidated results of their operations and their consolidated cash flows for the year then ended, in conformity with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group.

The accompanying consolidated management report for 2011 contains the explanations which the directors of Repsol YPF, S.A. consider appropriate about the situation of the Repsol YPF Group, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated management report is consistent with that contained in the consolidated financial statements for 2011. Our work as auditors was confined to checking the consolidated management report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Repsol YPF, S.A. and Subsidiaries.

DELOITTE, S.L.
Registered in ROAC under no. S0692

Jorge Izquierdo Mazón
28 February 2012

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª, C.I.F.: B-79104469.
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2011

Consolidated Financial Statements

Consolidated Management Report

Annual Report on Corporate Governance

Consolidated Financial Statements

Repsol YPF, s.a: and investees comprising the Repsol YPF Group
Consolidated balance sheets at December 31, 2011 and 2010

Millions of euros

ASSETS	Note	31 / 12 / 11	31 / 12 / 10
Intangible Assets:		7,783	7,453
a. Goodwill	5	4,645	4,617
b. Other intangible assets	6	3,138	2,836
Property, plant and equipment	7	36,759	33,585
Investment property	8	24	26
Investments accounted for using the equity method	10	699	585
Non-current financial assets	12	2,450	1,789
Deferred tax assets	24	2,569	1,993
Other non-current assets	12	344	322
NON-CURRENT ASSETS		**50,628**	**45,753**
Non-current assets held for sale	11	258	340
Inventories	13	7,278	5,837
Trade and other receivables		9,222	8,398
a. Trade receivables	14	6,555	5,795
b. Other receivables	14	2,147	2,234
c. Income tax assets	14	520	369
Other current assets	12	220	171
Other current financial assets	12	674	684
Cash and cash equivalents	12	2,677	6,448
CURRENT ASSETS		**20,329**	**21,878**
TOTAL ASSETS		**70,957**	**67,631**

Notes 1 to 38 are an integral part of these consolidated balance sheets.

Repsol YPF, s.a : and investees comprising the Repsol YPF Group
Consolidated Balance Sheets at December 31, 2011 and 2010

Millions of euros

LIABILITIES AND EQUITY	Note	31 / 12 / 11	31 / 12 / 10
Issued share capital		1,221	1,221
Share premium		6,428	6,428
Reserves		247	247
Treasury shares and own equity investments		(2,572)	–
Retained earnings and other reserves		17,186	13,309
Profit attributable to the equity holders of the parent		2,193	4,693
Dividends		(635)	(641)
EQUITY	**15**	**24,068**	**25,257**
Financial assets available for sale		(4)	6
Hedge transactions		(181)	(131)
Translation differences		(345)	(992)
ADJUSTMENTS FOR CHANGES IN VALUE	**15**	**(530)**	**(1,117)**
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**15**	**23,538**	**24,140**
MINORITY INTERESTS	**15**	**3,505**	**1,846**
TOTAL EQUITY		**27,043**	**25,986**
Grants	16	118	110
Non-current provisions for contingencies and expenses	17	3,826	3,772
Non-current financial liabilities	19	15,345	14,940
a. Bank borrowings, bonds and other securities		15,137	14,805
b. Other financial liabilities		208	135
Deferred tax liabilities	24	3,839	3,387
Other non-current liabilities	22	3,682	3,663
NON-CURRENT LIABILITIES		**26,810**	**25,872**
Liabilities related to non-current assets held for sale	11	32	153
Current provisions	17	452	404
Current financial liabilities:	19	4,985	4,362
a. Bank borrowings, bonds and other securities		4,902	4,224
b. Other financial liabilities		83	138
Trade payables and other payables:		11,635	10,854
a. Trade payables	23	4,757	4,539
b. Other payables	23	6,522	5,550
c. Income tax liabilities	23	356	765
CURRENT LIABILITIES		**17,104**	**15,773**
TOTAL EQUITY AND LIABILITIES		**70,957**	**67,631**

Notes 1 to 38 are an integral part of these consolidated balance sheets.

Repsol YPF, s.a. and investees comprising the Repsol YPF Group
Consolidated income statements
for the years ended December 31, 2011 and 2010

Millions of euros

	Note	31 / 12 / 11	31 / 12 / 10
Sales		60,122	53,663
Services rendered and other income		1,380	1,872
Changes in inventories of finished goods and work in progress inventories		1,004	517
Income from reversal of impairment losses and gains on disposal of non-current assets		208	3,188
Allocation of grants on non-financial assets and other grants	16	17	15
Other operating income		1,001	1,175
OPERATING REVENUE	26	**63,732**	**60,430**
Supplies		(42,904)	(36,184)
Personnel expenses		(2,579)	(2,411)
Other operating expenses		(9,740)	(9,916)
Depreciation and amortization of non-current assets		(3,519)	(3,947)
Impairment losses recognised and losses on disposal of non-current assets		(185)	(351)
OPERATING EXPENSES	26	**(58,927)**	**(52,809)**
OPERATING INCOME		**4,805**	**7,621**
Finance income		261	159
Finance expenses		(1,035)	(1,086)
Changes in the fair value of financial instruments		76	(255)
Net exchange gains/ (losses)		(125)	173
Impairment and gains/ (losses) on disposal of financial instruments		1	1
FINANCIAL RESULT	27	**(822)**	**(1,008)**
Share of results of companies accounted for using the equity method - net of taxes	10	75	76
NET INCOME BEFORE TAX		**4,058**	**6,689**
Income tax	24	(1,514)	(1,742)
CONSOLIDATED NET INCOME FOR THE YEAR		**2,544**	**4,947**
Net income attributable to minority interests		(351)	(254)
NET INCOME ATTRIBUTABLE TO THE PARENT		**2,193**	**4,693**
EARNINGS PER SHARE ATTRIBUTABLE TO THE PARENT			
Basic (euros)	15	1.80	3.84
Diluted (euros)		1.80	3.84

Notes 1 to 38 are an integral part of these consolidated income statements

Consolidated Statements of Recognised Income and Expense
for the years ended December 31, 2011 and 2010

Millions of euros

	31 / 12 / 11	31 / 12 / 10
CONSOLIDATED NET INCOME FOR THE YEAR (FROM THE CONSOLIDATED INCOME STATEMENT)	**2,544**	**4,947**
INCOME AND EXPENSES RECOGNISED DIRECTLY IN EQUITY:		
From measurement of financial assets available for sale	(14)	6
From cash flow hedges	(124)	(73)
Translation differences	527	811
From actuarial gains and losses and other adjustments	(17)	(15)
Entities accounted for using the equity method	(3)	(25)
Tax effect	24	(96)
TOTAL	**393**	**608**
AMOUNTS TRANSFERRED TO THE CONSOLIDATED INCOME STATEMENT		
From measurement of financial assets available for sale	–	(1)
From cash flow hedges	77	93
Translation differences	3	(172)
Tax effect	(20)	(25)
TOTAL	**60**	**(105)**
TOTAL RECOGNISED INCOME/ (EXPENSE)	**2,997**	**5,450**
a. Attributable to the parent company	2,481	5,128
b. Attributable to minority interests	516	322

Notes 1 to 38 are an integral part of these consolidated statements of recognized income and expense

Repsol YPF, s.a and investees comprising the Repsol YPF Group
Consolidated statements of changes in equity
for the years ended December 31, 2011 and 2010

Millions of euros

	Equity attributable to equity holders of the parent							
	Capital and reserves							
	Issued share capital	Share premiun and reserves	Treasury shares and own equity instruments	Net income for the year attributable to equity holders of the parent	Adjustments for changes in value	Total equity attributable to equity holders of the parent	Minority interests	Total equity
Closing balance at 12/31/2009	1,221	18,775	–	1,559	(1,604)	19,951	1,440	21,391
Restatements	–	–	–	–	–	–	–	–
Restated opening balance	1,221	18,775	–	1,559	(1,604)	19,951	1,440	21,391
Total recognised income/ (expense)	–	(8)	–	4,693	443	5,128	322	5,450
Transactions with shareholders or owners								
Dividend payments	–	(1,160)	–	–	–	(1,160)	(225)	(1,385)
Transactions with treasury shares or own equity (net)	–	–	–	–	–	–	–	–
Changes in the scope of consolidation	–	180	–	–	44	224	312	536
Other changes in equity								
Equity-settled transactions	–	1,559	–	(1,559)	–	–	–	–
Other changes	–	(3)	–	–	–	(3)	(3)	(6)
Closing balance at 12/31/2010	1,221	19,343	–	4,693	(1,117)	24,140	1,846	25,986
Restatements	–	–	–	–	–	–	–	–
Restated opening balance	1,221	19,343	–	4,693	(1,117)	24,140	1,846	25,986
Total recognised income/ (expense)	–	(10)	–	2,193	298	2,481	516	2,997
Transactions with shareholders or owners								
Dividend payments	–	(1,276)	–	–	–	(1,276)	(404)	(1,680)
Transactions with treasury shares or own equity instruments (net)	–	(12)	(2,572)	–	–	(2,584)	–	(2,584)
Changes in the scope of consolidation	–	478	–	–	312	790	1,537	2,327
Other changes in equity								
Transfers between equity accounts	–	4,707	–	(4,693)	(24)	(10)	10	–
Other changes in equity	–	(4)	–	–	1	(3)	–	(3)
Closing balance at 12/31/2011	1,221	23,226	(2,572)	2,193	(530)	23,538	3,505	27,043

Notes 1 to 38 are an integral part of these consolidated statements of changes in equity.

Repsol YPF, s.a and investees comprising the Repsol YPF Group
Consolidated Cash Flow Statements
for the years ended December 31, 2011 and 2010

Millions of euros

	Notes	31 / 12 / 2011	31 / 12 / 10
Net income before tax	28	4,058	6,689
Adjustments to net income		4,382	2,507
Depreciation and amortization of assets	6 and 7	3,519	3,947
Other adjustments to results (net)		863	(1,440)
Changes in working capital		(2,239)	(1,693)
Other cash flows from operating activities		(2,081)	(1,861)
Dividends received		64	72
Income tax received / (paid)		(1,784)	(1,627)
Other proceeds from / (payments for) operating activities		(361)	(306)
Cash flows from operating activities		4,120	5,642
Payments for investing activities:	5-8 and 30	(6,255)	(5,106)
Group companies, associates and business units		(275)	(41)
Property, plant and equipment, intangible assets and investment properties		(5,516)	(4,858)
Other financial assets		(282)	(207)
Other assets		(182)	–
Proceeds from divestments:	31	949	4,571
Group companies, associates and business units		396	4,230
Property, plant and equipment, intangible assets and investment properties		116	171
Other financial assets		437	170
Other cash flows		2	(27)
Cash flows used in investing activities		(5,304)	(562)
Proceeds from/ (payments for) equity instruments	15	(2,557)	–
Acquisition		(2,703)	–
Disposal		146	–
Disposals in ownership interests in subsidiaries without loss of control	31	1,888	489
Proceeds from / (payments for) financial liabilities	19	857	488
Issues		11,337	11,200
Return and redemption		(10,480)	(10,712)
Payments for dividends and payments on other equity instruments	15	(1,686)	(806)
Other cash flows from financing activities		(1,005)	(1,141)
Interest payments		(948)	(962)
Other proceeds from/ (payments for) financing activities		(57)	(179)
Cash flows used in financing activities		(2,503)	(970)
Effect of changes in exchange rates		(84)	30
Net increase / (decrease) in cash and cash equivalents		(3,771)	4,140
Cash and cash equivalents at the beginning of the year	12	6,448	2,308
Cash and cash equivalents at the end of the year	12	2,677	6,448
Components of cash and cash equivalents at the end of the year		31/12/11	31/12/10
(+) Cash and banks		1,303	2,120
(+) Other financial assets		1,374	4,328
Total cash and cash equivalents at the end of the year		2,677	6,448

Notes 1 to 38 are an integral part of these consolidated statements of cash flow.

Repsol YPF, S.A. and investees comprising the Repsol YPF, S.A. Group Notes to the 2011 Consolidated Financial Statements

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1

General information

Repsol YPF, S.A. and the investees comprising the Repsol YPF Group (hereinafter "Repsol YPF," the "Repsol YPF Group" or the "Group") constitute an integrated group of oil and gas companies which commenced operations in 1987. The main companies comprising the Group are listed in Appendix I.

The Repsol YPF Group is engaged in all the activities relating to the oil and gas industry, including exploration, development and production of crude oil and natural gas, the transportation of oil products, liquid petroleum gas (LPG) and natural gas, refining, the production of a wide range of oil products and the retailing of oil products, oil derivatives, petrochemicals, LPG and natural gas, as well as the generation, transportation, distribution and retailing of electricity. The Group conducts its activities in a number of countries, primarily Spain and Argentina.

The corporate name of the parent of the Group of companies that prepares and files these Financial Statements is Repsol YPF, S.A.

Repsol YPF, S.A. is registered at the Madrid Commercial Register in volume 3893, page 175, sheet no. M-65289, entry no. 63°. Its Tax Identification Number (C.I.F.) is A-78/374725 and its National Classification of Economic Activities Number (C.N.A.E.) is 742.

Its registered office is in Madrid, at Paseo de la Castellana, 278, where the Shareholder Information Office is also located, the telephone number of which is 900.100.100.

Repsol YPF, S.A. is a private-law entity incorporated in accordance with Spanish legislation, which is subject to the Companies Act (Ley de Sociedades de Capital) approved by Legislative Royal Decree 1/2010 of July 2, and all other legislation related to listed companies.

Repsol YPF, S.A.'s shares are represented by the book entry method and are fully admitted to trading on the Spanish stock exchanges (Madrid, Barcelona, Bilbao and Valencia), and the Buenos Aires stock exchange *("Bolsa de Comercio de Buenos Aires")*.

Repsol YPF, S.A.'s shares were traded in the form of American Depositary Shares (ADSs) on the New York Stock Exchange (NYSE) until March 4, 2011. On March 9, 2011, the ADS program began to trade on the OTCQX market.

These consolidated Financial Statements for 2011, which were prepared by the Board of Directors of Repsol YPF, S.A. at a meeting held on February 28, 2012, and the Financial Statements of the investees will be submitted for approval by the shareholders at the respective General Shareholders´ Meetings, with no modifications expected.

The consolidated Financial Statements for 2010 were approved at the General Shareholders´ Meeting of Repsol YPF, S.A. held on April 15, 2011.

2

Regulatory framework

The activities of Repsol YPF S.A. and its main subsidiaries are subject to extensive regulation, whose main aspects are described below .

Spain

Spain currently has legislation which implements liberalization of the oil industry, a manifestation of which is the Hydrocarbons Sector Law 34/1998 of October 7, which has been amended by several provisions, including the Law 12/2007 of July 7, and implemented through numerous royal decrees and ministerial orders. This Law establishes the criteria for allocating powers among the Spanish Government and regional administrations.

The Spanish National Energy Commission *("Comisión Nacional de Energía" or "CNE" for its acronym in Spanish)* is a public agency of the Ministry of Industry, Tourism and Commerce, with power as regulatory authority, which is in charge of ensuring effective competition, objectivity and transparency in the electricity and liquid and gaseous hydrocarbons markets, seeking the benefit of all market participants, including consumers.

Law 2/2011, of March 4, 2011, the Sustainable Economy Act, published in the State Official Gazette (Boletin Oficial del Estado or "BOE" for its acronym in Spanish) on March 5, 2011, amends Hydrocarbon Act extending the powers of the National Energy Commisssion towards operation of energy systems and in relation with competition matters.

The Act amends CNE function 14 on authorization of acquisitions of shares by companies and function 15 on CNE powers in competition matters thus CNE will have now the power to issue binding reports on files regarding mergers and acquisitions of companies that develop activities in the energy sector, according to article 17.2 c) of Law 15/2007, the Defensa de la Competencia Act.

Sector regulations establish and ascribe specific treatment to the so-called "main" and "dominant" operators. Royal Decree-Law 5/2005, of March 11, obliges the Spanish National Energy Commission (CNC) to publish a list of main and dominant operators in each market or sector.

Dominant operators are defined as those commanding a share of more than 10% of the corresponding benchmark market.

A main operator, on the other hand, is any operator ranked among the top five players by market share in the following markets or sectors: (i) the generation and supply of electric power within the Iberian Electricity Market (MIBEL); (ii) the production and distribution of fuels; (iii) the production and supply of liquid petroleum gas; (iv) the production and supply of natural gas; (v) wireless telephony; and (vi) fixed telephony.

Designation as a dominant operator, as far as prevailing legislation is concerned, simply implies certain regulatory restrictions in the electricity sector, specifically in relation to the generation of primary energy, importing of electricity into the MIBEL and acting as a representative agent of the special regime in the market.

However, the definition of main operators is, on the other hand, significant. Article 34 of the Royal Decree-Law 6/2000, of June 23, following the amendments introduced by Law 14/2000 of December 29, establishes a series of limitations related to the acquisition of voting rights in the equity of companies qualifying as main operators and serving on their boards of directors. Specifically, article 34 stipulates that any natural or legal person holding a 3% or higher equity interest in two or more companies qualifying as main operators in the same market, cannot exercise the voting rights in excess of this ownership threshold in more than one company. It further stipulates that such persons cannot appoint members of the governing bodies of another main operator either directly or indirectly.

Royal Decree-Law 6/2009 definitively repealed supplementary provision twenty-seven of Law 55/1999 (amended by Law 62/2003), which stipulated prior administrative authorization for the acquisition by public entities or entities majority-owned or controlled by public entities of shareholdings of 3% or more in energy companies (the so-called "energy golden share"). This rule had been questioned by the European Court of Justice in a ruling handed down on February 14, 2008.

Liquid hydrocarbons, oil and petroleum derivatives

In Spain, hydrocarbon deposits and underground storages existing on Spanish territory and in the territorial marine subsoil and ocean bottoms which are under Spanish sovereignty are considered public properties.

Also some of the activities falling within the scope of Law 34/1998 may be subject to authorizations, permits and/or concessions. Article 19 of Law 25/2009, of December 22, which amends several pieces of legislation for their adaption to the Law on free access to service activities and its exercise; modifies the Hydrocarbon Act, Law 34/1998 of October 7, implying, among other aspects, the elimination of the need to obtain authorization prior to acting as natural gas supplier, LPG wholesaler, bulk LPG retailer or petroleum product wholesaler, further establishing the obligation that interested parties must make a responsibility statement and issue notification prior to commencing its business operations. In addition, direct natural gas consumers are obliged to report the start of its business operations.

Construction and operation of refining, transportation and fixed storage facilities are subject to prior authorization, the granting of which requires meeting the relevant technical, financial, environmental and safety requirements.

Third parties may access transportation and fixed storage facilities of oil products, such as the facilities of Compañía Logística de Hidrocarburos S.A. ("CLH"), on conditions agreed on an objective and non-discriminatory basis. However, the Spanish Government has the discretion to establish access tolls for mainland territories and for those areas of the Spanish territory where alternative transport or storage facilities do not exist or are insufficient. As of the date of this annual report, the Spanish Government has not exercised this discretion.

Pursuant to Royal Decree Law 6/2000, no physical or legal person may hold, directly or indirectly, ownership of more than 25% of the capital stock of CLH. This same Royal Decree further provides that the aggregate ownership interest in CLH of entities with refining capacity in Spain may not exceed 45% of CLH's capital.

Petroleum derivative prices have been liberalized, with the exception of LPG, which is subject, in some cases, to maximum retail prices. Prices of bulk LPG and LPG sold in bottles that are less than 8 kilograms or more than 20 kilograms have been liberalized.

By means of Ministerial Order ITC/2608/2009, of September 28, the Spanish Government updated the system for setting the quarterly maximum before-tax sales price for bottled LPG, affecting containers holding 8kilograms or more but less than 20kilograms, with the exception of containers of LPG blends for use as fuel, by modifying the formula for automatically setting the maximum sales prices indicated in the abovementioned order in an effort to uphold consumer interests in the face of international price volatility. Specifically, the changes introduced in the abovementioned Ministerial Order consist of introducing two new concepts to the formula: (i) a 0.25 weighting factor which means that price changes will only incorporate the 25% of the increase or decrease in international prices of reference; and (ii) a threshold of 2% for implementing the price revision mechanism so that prices are only increased or decreased if international prices increase or decrease by more than this threshold.

The retail marketing of LPG cylinders may be carried out freely by any natural or legal person.

Natural gas

Law 12/2007 of July 2, which amended Law 34/1998 on the hydrocarbon sector and incorporated into Spanish Law the European Parliament Directive 2003/55, incorporates measures for achieving a completely liberalized market which will be the basis for greater competition, price reduction and improvement in the quality of service to the end-user.

This legislation establishes the framework for eliminating the tariff system and creates the role of the supplier of last resort with ultimate liability for supplying customers lacking sufficient bargaining power. Moreover, these suppliers are subject to a price cap ("last resort tariff"), which is set by Spain's Ministry of Industry, Tourism and Commerce. Royal Decree 104/2010, of February 5, regulates the start-up of last resort supply in the natural gas segment; while the Ministerial Order ITC/1506/2010 establishes the methodology for calculating this last resort tariff.

Business operations in the natural gas sector can be classified into: (i) regulated activities, essentially the transport (including storage, regasification and transport per se) and distribution of natural gas; and (ii) deregulated activities: production, acquisition and retailing of natural gas. The first ones require prior administrative authorization, their remuneration is regulated and are subject to specific obligations. On the contrary, the latter activities are not regulated and are therefore not subject to administrative intervention.

Prevailing legislation stipulates functional unbundling (separation) obligations which imply accounting unbundling, in order to prevent cross subsidies and increase toll royalty and tariff calculation transparency, legal unbundling, by means of separate companies, and also separation of regulated activities by requiring them to operate independently of the other companies in their consolidated groups.

In accordance with European Union directives (Directive 2003/55/EC, of June 26, and Directive 98/30/EC, of June 22), the distribution of natural gas is fully deregulated in Spain, which means that all Spanish consumers are qualified and are accordingly free to choose their natural gas provider since January 1, 2003. Sector deregulation was substantially reinforced by the elimination since July 1, 2008 of the regulated tariff supply by the distribution companies, which meant that all consumers are required to participate in the deregulated market.

The construction, operation, modification and closing of basic network and carrier network facilities require prior government authorizations.

Enagás, S.A., the Natural Gas System Operator, is responsible for the coordinating and ensuring that the system works properly. Law 12/2007 limits equity ownership interests in Enagás, S.A. to 5%, caps voting rights at 3% as a general rule, although this cap falls to 1% in the case of companies carrying out business activities related to the gas sector and; in any case, the aggregate ownership interest of shareholders whose business activities relate to the gas sector cannot exceed 40%.

Since January 1, 2003, no company or group of companies acting in the natural gas sector can collectively provide natural gas for consumption in Spain in an amount in excess of 70% of domestic consumption. The Spanish Government is authorized to modify that percentage based on changes in the sector and the sector's business structure.

In 2011, amendments to the Hydrocarbon Act were sent to the "Cortes Generales" (the Spanish Parliament). The purpose of the amendments is to incorporate into Spanish law Directive 2009/73/EC of the European Parliament and of the Council, of July 13, 2009, concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC.

Minimum safety stock

Royal Decree 1766/2007, partially amending Royal Decree 1716/2004, regulates the obligation to maintain a minimum stock in the oil and natural gas sectors, the obligation to diversify the natural gas provisions and the activities of the Corporation of Strategic Reserves of Petroleum Products (CORES).

The minimum safety stock requirement imposed on wholesalers in 2011 was equivalent to 92 days of sales calculated on the prior 12-month sales. Repsol YPF was obliged to directly maintain a stock corresponding to 50 days of sales, while the remaining stocks required to make up the difference with the abovementioned safety stock requirement are held by CORES on behalf of the various operators.

This obligation was temporarily reduced by virtue of resolution passed by the Spanish Government on June 24, 2011 (published in a Resolution issued by the Secretary of State for Energy on June 24, 2011), which released 2,274,000 million barrels of the safety stocks held by the parties bound by this requirement for a period of 30 days as a result of the 'Libya Collective Action' of the International Energy Agency. Subsequently, upon conclusion of the collective action, and by means of Ministerial Order ITC/3190/2011, of November 18, the minimum oil stock obligation was re-established on the terms and conditions laid down in Royal Decree 1716/2004, of July 23, 2004, with effect from midnight on June 1, 2012.

Spanish legislation does not require these reserves to be handled, measured or stored in any specific manner; indeed any products accounted for by the operators as part of their inventories in the ordinary course of their business operations qualify as strategic reserves to this end. Compliance with the safety stock rules implies regular reporting that minimum levels are held; however, the operators subject to these rules are free to use the inventories held for this purpose so long as the total balance does not fall below the minimum threshold.

Electricity sector regulation in Spain

The deregulation of the Spanish electricity sector began in 1997 with the passage of the Electricity Sector Act (Law 54/1997, of November 27), incorporating into Spanish law Directive 96/92/EC concerning common rules for the internal market of electricity, establishing the rules for sector deregulation across the European Union countries, and subsequent enacting regulations, noteworthy, among which are the Royal Decree 1955/2000, of December 1, that regulates power transmission, distribution, marketing and supply, and the procedures for authorization of electric power facilities, and Royal Decree 2019/1997, of December 26, organizing and regulating the Electricity Production Market. The Electricity Act was later amended by Law 17/2007, of July 4. Meanwhile, Royal Decree 661/2007, of May 25, amended the rules governing the production of electricity under the so-called special regime.

Business operations in the Spanish electricity sector can be classified into: (i) regulated activities – power transport and distribution; and (ii) deregulated activities – power generation and retailing.

The first ones require prior administrative authorization, their remuneration is regulated and are subject to specific obligations. In contrast, the second activities are not regulated and are therefore not subject to intervention by the authorities. The retail business in particular is based on the principles of freedom contracting and customer freedom to choose supplier. As a deregulated business, retail prices of electricity are established freely between the parties.

The electric power generation business comprises the generation of electric power under the called 'ordinary' and 'special' regimes. The latter regime is intended to stimulate the generation of power from renewable sources and cogeneration by establishing a specific and more attractive remuneration regime (Spanish Royal Decree 661/2007), whereas electricity generated under the ordinary regime is remunerated on the basis of market prices.

Spanish Royal Decree Law 1/2012, of January 27, 2012, eliminates the financial incentives for new special regime generation plants under special regime and for ordinary regime plants using technology akin to the technologies governed by the special regime. It further suppresses the process of remuneration based on pre-allocation auctions that entitled producers to the subsidized feed-in tariffs. These measures affect: (i) all generation facilities appropriate for coverage by the special electric power generation regime which, as of the date of effectiveness of Royal Decree Law 1/2012, had not yet qualified for inclusion in the pre-allocation remuneration register or on the special remuneration register in place for photovoltaic facilities; and (ii) ordinary regime facilities using technology akin to the special regime technologies which, as of the date of effectiveness of the Royal Decree Law 1/2012, had not obtained government authorization from the Spain's General Directorate of Energy Policy and Mining. The provisions of this new legislation will not apply to facilities which have obtained government approval to make substantial plant changes prior to the date of effectiveness of this Royal Decree Law.

Installation of new generation facilities is deemed a deregulated activity, notwithstanding the pertinent administrative authorizations. Facilities with installed capacity of under 50 MW which fall into one of the categories itemized in the Electricity Act (co-generation installations and those producing power from a renewable primary source) are deemed Special Regime facilities. These facilities can choose between selling the power they produce to the network-owning distributor at a pre-defined feed-in tariff or selling the electricity produced freely to the market through a system managed by the market operator at the price established by this organized market (exchange mechanism) plus certain applicable incentives and/or premiums.

Companies engaged in regulated business activities according to the Law, must have as exclusive object the development of such activities and cannot develop deregulated activities. However, group companies within a consolidated group can engage in regulated and deregulated business activities so long as they are carried on by separate group companies.

The electricity system has been in deficit in recent years, a situation which has led to the accumulation of an annual tariff deficit or shortfall, which has had to be financed by the power utilities companies. To remedy this situation, Royal Decree-Law 6/2009, of April 30, established a series of measures designed to address the tariff deficit, creating a state-guaranteed securitization fund, as well as the introduction of a "social voucher" (an electricity tariff discount for household consumers meeting certain social, usage and income criteria which is to be financed by the power generators).

In Spain, the main duty of Spain's Technical System Operator, Red Eléctrica de España, S.A. (REE), is to ensure power supply security and the correct functioning of the generation and transmission system. Spanish Law 17/2007 limits the interests in REE at 3% of share capital or voting rights with a general extent; this limit falls to 1% in the case of parties engaged in electricity sector business activities. Moreover and, in any case, the aggregate shareholding interests held by companies that participate in the electricity sector business cannot exceed 40%.

In 2011, the Spanish government sent the amendments to the Electricity Sector Act (Law 54/1997) to the "Cortes Generales" (the Spanish Parliament). The purpose of the amendments is to incorporate into Spanish law Directive 2009/72/EC of the European Parliament and of the Council, of July 13, 2009, concerning common rules for the internal power market and repealing Directive 2003/54/EC.

Other legislative regulation approved in 2011

The aforementioned Sustainable Economy Act (Spanish Law 2/2011), in addition to the legislative amendments outlined above, establishes binding guidelines for energy infrastructure planning under a criteria designed to contribute to the creation of a safe, cost-effective, economically-sustainable and environmentally-friendly energy system. It further establishes measures for reducing greenhouse gas emissions and foresee the creation of a fund for the purchase of carbon credits and, in general a broad spectrum of measures affecting nearly all segments of the energy sector.

Spanish Law 14/2011 regarding Science, Technology and Innovation is intended to provide the research and development system with the legal framework it was seeking and to address the significant challenges outlined by the scientific development. This legislation provides new support mechanisms and enhanced instruments to the system agents with the objective of making them gradually more efficient and effective.

Law 22/2011, regarding Wastes and Contaminated Land, incorporates into Spanish law Directive 2008/98/EC of the European Parliament and of the Council, of November 19, 2008, which establishes the new legal framework for the treatment of waste within the European Union.

Spanish Law 25/2011 partially amends the Companies Act, incorporating Directive 2007/36/EC of the European Parliament and Council of July 11, regarding the exercise of certain shareholders rights in listed companies. The Directive stipulates the elimination of the voting right restrictions, the promotion of the electronic participation in general shareholder meetings and equal treatment of shareholders no matter which European country they reside in. This law establishes especial provisions in relation with the General Meeting of listed companies.

With respect to the audit sector, Royal Legislative Decree 1/2011 approved the consolidated text of the Audit Act, giving effect to the provisions established in final provision number two of Law 12/2010, as subsequently developed by Royal Decree 1517/2011, by which the regulation is approved.

Argentina

The Argentine oil and gas industry is regulated by Argentine Law No. 17,319 (hereinafter "Hydrocarbons Law"), which was approved in 1967 and amended in 2007 by Law No. 26,197. The Hydrocarbons Law establishes the legal framework governing the oil and gas exploration and production. It is also regulated by Law No. 24,076 (thereafter "Natural Gas Law"), approved in 1992, which establishes the basis for the deregulation of the natural gas transport and distribution industry. The Argentine government, through the Energy Secretariat, issues complementary regulations. Argentine Law No. 26,197 granted significant powers to the provincial authorities, including the power to supervise and control exploration permits and production concessions and the power to manage the application of investment-related legal and contractual obligations, among others.

Exploration and Production

The regulatory framework of the 17,319 Law was established on the assumption that the reservoirs of hydrocarbons were national properties and Yacimientos Petrolíferos Fiscales Sociedad del Estado, YPF, S.A.'s predecessor, was responsible for their operation under a different framework than private companies.

In 1992, Law No. 24,145 (referred to as the "YPF Privatization Law,") regulated the privatization of YPF and initiated a process for the transfer of hydrocarbon reservoirs from the Argentine Government to Provinces, in whose territories they were located. The YPF Privatization Law established that the exploration licenses and exploration concessions in force at the time this Law was passed would be transferred on expiration of the corresponding legal and/or contractual terms.

The YPF Privatization Law awarded YPF 24 exploration licenses and 50 exploration concessions and other transportation concessions. The Hydrocarbons Law limits the number and total surface area of the exploration licenses or exploration concessions which an entity may hold.

In October 2004, the Argentine Congress enacted Law No. 25,943 creating a new state-owned energy company, Energía Argentina S.A., ("ENARSA."). The corporate purpose of ENARSA is the study, exploration and exploitation of solid, liquid or gas hydrocarbon deposits, the transport, storage, distribution and commercialization of these products and their derivatives products, as well as the transportation and distribution of natural gas, and the generation, transportation, distribution and sale of electricity. This Law granted ENARSA all exploration concessions with respect to offshore areas located beyond 12 nautical miles from the coastline up to the outer boundary of the continental shelf that were vacant at the time the Law went into effect in November 2004.

In October 2006, Law No. 26,154 created an incentive regime aimed at encouraging hydrocarbons exploration and operation and which applies to new exploration permits awarded in respect of offshore areas. Interested parties must go into partnership with ENARSA in order to avail themselves of the numerous benefits of this regime.

In accordance with the current legal system (new Article 124 of the Argentine Constitution, Decree 546/2003, Law No. 26,197) oil and gas regulation (both legislative and regulatory) falls under the jurisdiction of the National Government, whereas the application of the Hydrocarbons Law and its supplementary regulations will correspond to the Provinces or to the State, depending on where the fields are located. Nevertheless, the powers granted to the provincial authorities must be exercised under the framework of the Hydrocarbons Law and complementary regulations.

According to the Hydrocarbons Law, oil and gas exploration and production activities must be carried on through exploration permits, production concessions, operating concessions or partnership agreements. Under the Hydrocarbons Law, the use of land not covered by existing exploration permits or production concessions can be authorized by the Energy Secretariat or the competent provincial authorities.

Oil and gas production concessions are granted for terms of 25 years and can be extended for periods of up to 10 years. Upon expiration, the oil and gas wells and maintenance and production equipment revert to the Province where the related field is located or to the Argentine government, depending on the different cases.

Some of the production concessions held by YPF expire in 2017. YPF has reached specific agreements with the provincial authorities of Neuquén and Mendoza to renew these concessions until 2026 and 2027.

Pursuant to Energy Secretariat Resolution 324/2006, holders of oil and gas exploration permits and concessions are required to submit proven reserves reports, certified by external auditors.

In November 2008, by virtue of the Decree of the National Executive Power No. 2,014/2008, the program "Petróleo Plus" was set up and aimed to increase the production and stocks through new prospecting and exploitation investments. To this end, it establishes a system of tax incentives for those exploitation companies that increase their production and stocks within the provisions of the program. By Note 707/2012, issued by the Argentine Secretariat of Energy in February 2012, YPF was notified that the benefits granted under the Petróleo Plus program are temporarily suspended, this suspension being also applicable to new applications already filed by YPF with the Secretariat of Energy.

Secretariat of Energy Resolution 24/2008, amended by Resolution 1,031/2008, created an incentive program for the production of natural gas called "Gas Plus," designed with the objective of stimulating the production of natural gas deriving from new reserve findings, new fields, as well as the production of tight gas, etc. The natural gas produced under this program is carved out from the 2007-2011 Agreement (described in the Market Regulation section below) and therefore its commercial price is not subject to the price conditions provided for in the Natural Gas Producer Agreement 2007-2011.

Transport and Distribution of Natural Gas

The Natural Gas Law passed in June 1992 mandated the privatization of the company operator Gas del Estado Sociedad del Estado and established the regulatory framework governing the transport and distribution of natural gas, while also providing for the deregulation of natural gas prices. It also designated natural gas transport and distribution activities as national public services.

The regulatory framework applicable to the transport and distribution of natural gas establishes an open access system under which producers such as YPF have open access to the transport capacity available in the transport and distribution systems on a non-discriminatory basis.

Argentina has built cross-border gas pipelines to enable natural gas producers to export their output. However, in recent years, the Argentine authorities have adopted a series of measures to restrict natural gas exports from Argentina, including orders to supply the domestic market (Fuel Undersecretariat Ruling 27/04 and Resolution 265/04) that implements an export cutoff scheme of natural gas; Resolution 659/04, establishes a Program for Rationalizing Gas and the Use of Transport Capacity; and Resolution 752/05, creates a Permanent Additional Injection mechanism.

Oil refining and transport of liquid hydrocarbons

Crude oil refining activities are subject to authorization by the Argentine Government, and to compliance with national, provincial and municipal safety and environmental regulations. Oil companies must be registered in the registry of oil companies held by the Secretariat of Energy.

Decree 2,014/2008 created the "Refino Plus" program designed to encourage the production of diesel and petrol fuels. The decree entitles refineries that undertake construction of a new refinery, add capacity at an existing refinery and/or convert existing refineries to

receive export credits. By Note 707/2012 complemented by Note 800/2012, both issued by the Argentine Secretariat of Energy in February 2012, YPF was notified that the benefits granted under the Refino Plus program are temporarily suspended, this suspension being also applicable to new applications already filed by YPF with the Secretariat of Energy.

The Hydrocarbons Law authorizes the Executive National Power of the Argentine Government to grant 35-year concessions for the transport of oil, gas and derivative products, subject to presentation of the pertinent competitive tenders. Law 26,197 vested Argentina's provincial governments with the same power. Holders of operating concessions are entitled to receive a concession for transporting their production of oil, gas and derivatives thereof. The terms of these transport concessions can be extended for an additional period of 10 years.

Transport concession holders are obliged to transport third-party hydrocarbons on non-discriminatory terms, although this obligation applies only to oil and gas producers with excess of capacity.

Liquefied Petroleum Gas (LPG)

Law No. 26,020 establishes the basic regulatory framework for the industry and marketing of LPG. The authority established the volumes and sales prices of LPG through various resolutions. In October 2008 Argentina's Secretariat of Energy ratified the Stability Agreement of LPG prices in the local market. The validity of the pact has been extended to December 31, 2011.

Market regulation

The Hydrocarbons Law authorizes the Executive National Power of the Argentine Government to regulate the Argentine oil and gas markets and prohibits the export of crude oil during periods in which the authorities determine domestic production to be insufficient to satisfy domestic demand. In the event of restrictions on the export of crude oil and derivatives or the free circulation of natural gas, the oil deregulation decrees entitle producers, refiners and operators to receive a price at least equal to the price of similar grades of imported crude oil and derivatives in the case of oil, and no less than 35% of international price of crude *Arabian Light Oil* in the Case of Natural Gas, quoted in cubic meters.

A significant number of rules concerning a broad range of issues affect the various markets, noteworthy among which are Energy Secretariat Resolution 1,102/04 regarding the creation of a register of fuel and hydrocarbon supply points, Energy Secretariat Resolution 1,104/04 regulating creation of a bulk sales price information module and Decree 652/02 enacting a gasoil supply stability regime for public bus transportation companies, a subsidy regime which has been regularly renewed by the Transportation Secretariat in the form of successive resolutions.

On this subject, on January 26, 2012, the Secretary for Domestic Commerce issued Resolution 6/2012, wereby (i) order five oil companies, including YPF (Note 35), to sell diesel oil to the public bus transportation companies at a price no higher than the retail price charged in its service station located in general terms nearest to the delivery point to the transportation company, while maintaining both historic volumes and delivery conditions; and (ii) it created a price monitoring scheme of both the retail and the bulk markets to be implemented by the Argentine anti-trust authority, (the CNDC by its Argentine acronym). YPF plans to appeal the resolution.

By the enactment of several rules, the Fuels Undersecretariat restored a record system for the hydrocarbons and derivatives exports and set forth some obligations concerning supply to the local market, including the obligation to import some products as allowances for export, when necessary to meet internal demand. On October 11, 2006, the Secretariat of Internal Commerce demanded refining companies and/or wholesalers and/or retailers that they must satisfy the fuel-oil demand in the whole territory of Argentina to meet market growth.

Resolution No. 394/07 of November 16 increased the taxes on crude and derivative exports in Argentina. According to the new scheme when the export price is fixed over the reference price (60.9 dollars/barrel), the producer shall have the right to collect US$42 per barrel and the rest up to the reference price shall be withheld by the Argentine Government as an export tax. In the event that the export price is under the international reference price, but above US$45 per barrel, a 45% withholding shall apply. In the event that the export price is under US$45 per barrel, the withholding percentage shall be fixed within 90 days' term. This same method shall apply to the exports of other oil products and lubricants using different reference prices, withholding percentages and prices allowed for producers, depending on the cases.

As already indicated, the natural gas sector has been the subject of intense regulatory activity which has taken the form of resolutions establishing a number of mechanisms for restricting exports and prioritizing the domestic market.

On June 14, 2007 the Resolution No. 599/07 of the Secretariat of Energy passed a proposal in agreement with the natural gas producers concerning the supply of natural gas to the domestic market for the period 2007 to 2011 ("2007-2011 Agreement"). YPF signed the agreement. On January 5, 2012, the Secretariat of Energy published Resolution 172 in its Official Gazette extending the allocation rules and criteria established by means of Resolution 599/07 until such time as the latter are replaced by new regulations.

Resolution 127/2008 issued by Argentina's Ministry for the Economy increased the export duties levied on natural gas exports from 45% to 100% establishing the basis for the calculation of the value of the natural gas at the highest price provided for by contract to an Argentine natural gas importer.

In December 2008, Executive Decree 2,067/2008 created a trust fund for financing imports of natural gas into the national gas pipeline network, when required by the home market demand and established the mechanisms for making contributions to the fund. This was subsequently further developed by Resolution 1982, of November 14, 2011, which fine-tuned the load unit prices and increased the services included in the scope, such as residential services, gas processing and the electric power generation plants. These developments primarily affect the operations of certain companies under joint control by YPF, particularly Mega, which have lodged appeals against the abovementioned resolution.

In 2011, Decree 1722 re-established the requirement that all foreign currency generated from exports made by producers of crude oil and its derivatives, natural gas and liquefied gases and by companies whose core business is mining, should be entered into and traded in the Exchange Market, with effect from October 26, 2011 and in conformity with the provisions of article 1 of Decree No. 2,581/1964. From that day on, the foreign currency equivalent of exports of these national products up to their FOB or CIF values, depending on the case, must be brought into the country and traded on the Exchange Market within the deadlines established by the applicable law.

On January 5, 2012, the Argentine tax authorities (AFIP for the organism's acronym in Spanish) issued General Resolution No. 3,252, establishing a reporting mechanism, taking the form of a preliminary sworn statement (DJAI for its acronym in Spanish), which must be followed prior to issuance of the Order Receipt, the Purchase Order or any equivalent document used for arranging foreign purchases.

Venezuela

The Constitution of the Bolivarian Republic of Venezuela stipulates that the mines and oil and gas fields, irrespective of their nature, located on national territory, under the territorial sea, in the exclusive economic zone or on the continental platform, belong to the Republic, are public-domain goods and are, therefore, inalienable and imprescriptible.

By virtue of organic law and to protect national interests, the Venezuelan State has reserved the Venezuelan oil and gas activities for itself. For reasons of economic and political sovereignty and for national strategic purposes, the State holds all of the shares of Petróleos de Venezuela, S.A. (or the entity that may be set up to run the oil and gas industry).

Exploration and Production

Venezuela's Hydrocarbons Organic Law regulates all matters regarding the exploration, operation, refining, industrialization, transportation, storage, sale and conservation of hydrocarbons, including related refined products and the works required to perform these activities.

Activities relating to exploration for hydrocarbon fields, the extraction of hydrocarbons in their natural form, and their collection, transportation and initial storage are called primary activities.

The performance of primary activities is reserved to the State, either conducted directly by the National Executive Power or by wholly-owned State companies. The State may also conduct these activities through companies whose decision-making it ultimately controls by means of holding a majority equity interest (over 50%); these are called mixed-ownership enterprises. The companies dedicated to the performance of primary activities are known as operating companies.

The incorporation of mixed-ownership companies and the terms governing the performance of primary activities require prior approval from the National Assembly. Any subsequent amendment to these terms also requires the National Assembly approval. Accordingly, mixed-ownership enterprises are governed by law and specifically by the terms and conditions established by the Agreement approval of the National Assembly. These companies are also subject to the rules established in the Code of Commerce and other applicable regulations. Mixed-ownership enterprises can be functioning for a maximum term of 25 years; this term can be extended for a period agreed upon by the parties of no more than 15 years.

The State is entitled to a thirty per cent (30%) participation in the hydrocarbon volumes extracted from any of its fields, notwithstanding the companies' requirement to pay all other

applicable taxes. In this respect it is worth highlighting the fact that in April 2011, Venezuela issued a decree law amending the so-called Special Contribution from Extraordinary Oil Prices in force in Venezuela since 2008. This tax entailed a significant payment obligation when average monthly international crude oil prices were higher than US$70 per barrel. The amended text attempts to make the tax surcharge compatible with the strategy of stimulating new exploration and production investments. The main amendments are:

i. Higher tax rates for existing exploitations;

ii. A more favorable tax treatment for new developments or projects intended to boost production by exempting them from having to pay this contribution until the mixed-ownership enterprise recovers the value of the corresponding investments.

The sale and marketing of natural hydrocarbons and of any derivative products indicated by the National Executive Power by Decree, may only be performed by wholly-owned State companies. As a result, the mixed-ownership enterprises that engage in primary activities may only sell the natural hydrocarbons they produce to companies that are wholly-owned by the State.

Based on the foregoing, and respect to the activities performed by Repsol in Venezuela, its worth noting the following:

On June 20, 2006, the Popular's Power for Energy and Petroleum Ministry (MPPPM for its acronym in Spanish) approved the incorporation of Mixed Enterprise Petroquiriquire, S.A., in which Repsol has a 40% ownership interest, while Corporación Venezuela del Petróleo, S.A. (CVP), a PDVSA subsidiary, holds a 60% stake. On September 2, 2009, Venezuela's National Assembly authorized Petroquiriquire, S.A. to pursue exploration and exploitation activities in Barúa-Motatán as part of its corporate purpose as mixed enterprise.

On February 10, 2010, the MPPPM awarded the operating concession for Carabobo 1 to the consortium incorporated by Repsol (11%), Petronas (11%), OVL (11%) and Indoil (7%), for a combined equity interest of 40%, and CVP, with a 60% stake. The Decree creating the Mixed Enterprise Petrocarabobo, S.A. and the MENPET Resolution delimiting its geographic area were published in the Official Gazette of the Bolivarian Republic of Venezuela on May 7, 2010.

On January 21, 2011, was incorporated Carabobo Ingeniería y Construcciones, S.A., the holding company held by the Class B Shareholders (Repsol 27.5%; Petronas 27.5%; OVL 27.5% and Indoil 17.5%), in order to comply with and perform the delegated management activities stipulated in article 4.1 and Appendix K of the Mixed-Ownership Enterprise Agreement.

Non-associated Natural Gas

Pursuant to the Organic Gaseous Hydrocarbons Law, the following activities may be carried out by the State either directly or through state-owned entities or by private national or foreign bodies, with or without state ownership: (i) activities consisting of exploration for non-associated gaseous hydrocarbons and operation of these fields; (ii) the extraction, storage and use of the non-associated natural gas found at these fields and the gas produced in association with oil or other fossil fuels; and (iii) the processing, industrialization, transportation, distribution and domestic and foreign trading of such gas.

The abovementioned legislation similarly encompasses liquid hydrocarbons and the non-hydrocarbonated components of the gaseous hydrocarbons as well as the gas deriving from the oil refining process.

Activities to be carried out by private national or foreign bodies, with or without state ownership, does require a license or permit and must be associated with specific projects or uses linked to national development objectives.

A single party may not simultaneously perform or control in a given region two or more production, transportation or distribution activities.

Based on the foregoing, and respect to the activities performed by Repsol in Venezuela, its worth noting the following:

On June 20, 2006, the MPPPM agreed to grant a Non-Associated Natural Gas Operating License to Quiriquire Gas, S.A., a company jointly owned by Repsol (60%) and PDVSA GAS, S.A. (40%). The Gas License was granted in March 2007.

On February 2, 2006, was published Resolution No. 011 granting a License for the Exploration and Operation of Non-Associated Gaseous Hydrocarbons in the Cardón IV area, located in the Gulf of Venezuela, to Cardón IV, S.A., a Company jointly owned by Repsol YPF Venezuela Gas, S.A (50%) and Eni Venezuela B.V. (50%). On November 1, 2008, Eni and Repsol signed a joint operating agreement ("JOA"). A preliminary agreement was signed with PDVSA GAS, S.A. on November 1, 2011 forming the basis for negotiations with respect to a 25-year Gas Supply Agreement with possibility of making exports. An agreement was ultimately signed off on December 23, 2011.

Bolivia

The Bolivian oil and gas industry is regulated by Law No. 3,058 of May 19, 2005 (the "Hydrocarbons Law").

On May 1, 2006 Supreme Decree 28,701 (the "Nationalization Decree") was published, which nationalized the country's oil and gas and transferred the ownership and control thereof to the Bolivian state company Yacimientos Petrolíferos Fiscales Bolivianos (YPFB). Furthermore, the shares required to enable YPFB to control at least 50% plus one vote in different companies, among them Empresa Petrolera Andina, S.A., currently known as YPFB Andina S.A. (YPFB Andina), were nationalized.

As a result, Repsol signed a shareholders' agreement that stipulates, among other provisions: (a) a two-year period of joint operation of YPFB Andina, during which time Repsol is entitled to appoint some executives in certain business areas; (b) mutual right of first refusal over any share sale; (c) certain "Mutually Agreed Decisions" to be taken jointly by the management and boards of Repsol and YPFB.

The joint operation period outlined in (a) above has terminated and therefor the "Appointment of Executive Personnel" clause applies. This clause stipulates that as minority shareholder, Repsol is entitled to propose the persons to be nominated by the Board to certain positions.

At the date of authorizing the accompanying Financial Statements for issue, the shareholders of YPFB Andina had agreed in an Extraordinary General Meeting held on September 19, 2011 to amend three articles: article 45 governing the composition and selection of the Board, article 61 regarding directors and executives incompatibilities and article 63 regarding executive and business management functions.

Operating contracts

According to the Hydrocarbons Law and the Nationalization Decree, Repsol YPF E&P Bolivia S.A. and its subsidiary YPFB Andina S.A. signed with YPFB the Operating Contracts establishing the conditions for the prospecting and production of hydrocarbons in Bolivia, effective as of May 2, 2007.

In compliance with the terms laid down in the Operating Contracts, on May 8, 2009, Repsol YPF E&P Bolivia S.A. signed the pertinent natural gas and liquid Hydrocarbon Delivery Agreements (Delivery Agreements) with YPFB for the various operating areas in which it operates, as well as the Payment Method Agreement, which regulate the terms of Operating Contract Holder Remuneration.

In relation with these Operating Contracts, significant legislation was issued in 2008 and 2009 which had the effect of: (i) setting the conditions and parameters for the recognition and approval by YPFB of the Recoverable Costs within the framework of the Operating Contracts; (ii) amending the regulations governing the settlement of royalties and investments with the Bolivian Treasury to conform with the terms of the Operating Contracts; and (iii) regulating the tendering, contracting and purchase of materials, works, goods and/or services by Operating Contract Holders.

Further, in compliance with what is established in Ministerial Order 101/2009, the amended Development Plan corresponding the Operating Contract governing the Caipipendi Area, and the Margarita and Huacaya Fields was presented. This Development Plan was approved by YPFB on March 8, 2010.

In respect of the Delivery Agreements, Ministerial Order 088/2010 of March 25, established that the allocation of the hydrocarbons produced to be made by YPFB will be formulated by field and market in accordance with the volumes committed to in the Delivery Agreements signed with YPFB. The order of priority for allocation of natural gas is: (1) Internal Market; (2) Export Markets, in the chronological order in which YPFB entered into the various Natural Gas Purchase Agreements; and for liquid hydrocarbons, the priority order is: (1) Internal Market; (2) Export Market.

At the date of these Financial Statements, the reconciliation of the Holder Remuneration calculation with YPFB was still pending.

Bolivian Constitution

Bolivia enacted its new Constitution on February 7, 2009, stipulating in relation to the oil and gas sector, among other matters, that:

(i) Hydrocarbons are the inalienable and imprescriptible property of Bolivians; (ii) by virtue of belonging to the Bolivian people, securities evidencing a residual ownership interest in Bolivia's natural resources may not be listed and traded on securities markets or used to securitize or pledge financial transactions; (iii) YPFB is the sole entity authorized to control and manage the oil and gas productive and commercial chain; (iv) YPFB may not transfer its rights and obligations; YPFB is authorized to enter into service agreements with Bolivian and foreign public, mixed or private entities for the execution of certain production chain activities on YPFB's behalf in exchange for compensation or a service fee; (v) YPFB may incorporate mixed economy associations or companies for the execution of hydrocarbon-related activities, in which YPFB must hold a mandatory interest of no less than 51% in these entities' total share capital.

It is management's understanding that the new Constitution will require enactment of a series of additional laws and regulations.

Ecuador

In accordance with the Constitution of 2008 and the Hydrocarbons Law of Ecuador, the nation's hydrocarbon fields and the associated substances are the inalienable, imprescriptible and unattachable property of the State. The State explores and operates the oil and gas fields directly through Petroecuador. Petroecuador, in turn, can perform this activity sub-contracting with third parties. It is also possible to incorporate mixed-ownership enterprises between local companies and renowned expert foreign companies that are legally established in Ecuador.

The contractual hydrocarbon exploration and exploitation legal arrangements include, among others, the following:

i. Hydrocarbon exploration and exploitation share agreements under which the right to explore and exploit oil and gas reserves within the area of the contract, is delegated in the contractor, which bears all exploration, development and production investments, including the related risks. Once production starts, the contractor is entitled to a share of production in the contract area valued at the oil and gas sales prices set for in the contract area; this constitutes the contractor's gross revenue which is then reduced by the corresponding deductions.

ii. Hydrocarbon exploration and exploitation service agreements under which the contractor is obliged to use its own financial resources to perform the related exploration and exploitation activities, investing the capital and using the equipment and technology required to this end. When there are, or the service provider discovers, commercially viable hydrocarbon reserves, it is entitled to payment of a set price per net barrel of oil produced and delivered to the State. This price, which constitutes the contractor's gross revenue, is contractually stipulated based on estimated depreciation schedules, cost/expense schedules and a reasonable profit in light of the risk incurred.

In accordance with the provisions set down in the amended legislation of the Hydrocarbons Law and the Internal Tax Regime Law, of July 27, 2010, the agreements for the exploration and exploitation of hydrocarbons under the various contractual forms must be modified to reflect the amended hydrocarbons exploration and exploitation services agreement model provided for in article 16 of the Hydrocarbons Law.

On March 12, 2009, Repsol YPF Ecuador, S.A. (Sucursal Ecuador), as the operator of Block 16, signed an amended investment agreement which had the effect of extending the exploitation term at Block 16 from January 31, 2012 to December 31, 2018, although, it required, within a year, to negotiate and sign a service agreement contract that replaced the investment agreement. That agreement was signed on November 23, 2010. The amended agreement transformed the former contract into a hydrocarbons (crude oil) exploration and exploitation service agreement covering Block 16 in the Ecuadorian Amazon region. The agreement was filed with the Hydrocarbons Register on December 23, 2010 and took effect on January 1, 2011.

In addition, on January 22, 2011, Repsol signed an agreement with the Ecuadorian State amending the services agreement covering the Tivacuno Block. This contract was filed with the Hydrocarbons Register on February 21, 2011.

In accordance with article 408 of the Ecuadorian Constitution of 2008, the State is entitled to a portion of the profits deriving from the nation's oil and gas resources in an amount that will not be less than the earnings of the operator.

Other countries

Repsol YPF's operations are subject to an extensive variety of legislation and regulatory frameworks in the other countries in which it operates. All aspects of the activities performed, including, inter alia, land occupancy, production rates, royalties, price-setting, environmental protection, export rates, exchange rates, etc., are covered by such legislation and regulatory frameworks. The terms of the concessions, licenses, permits and agreements governing the Group's interests vary from one country to another. These concessions, licenses, permits and agreements are generally awarded or jointly carried out with government bodies or state companies and occasionally with private sector organizations.

3 Basis of presentation and accounting policies

3.1 Basis of presentation

The accompanying consolidated Financial Statements are presented in millions of euros and were prepared from the accounting records of Repsol YPF, S.A. and its investees. They are presented in accordance with the International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) as well as the IFRSs adopted by the European Union (EU) as of December 31, 2011. The IFRSs approved by the EU differ in some aspects to the IFRSs published by the IASB; however these differences do not have an impact on the Group's consolidated Financial Statements for the years presented. The Financial Statements present fairly the Group's consolidated equity and financial position at December 31, 2011, and the consolidated results of its operations, the changes in consolidated equity and the consolidated cash flows in the year then ended.

The preparation of the consolidated Financial Statements in accordance with IFRS, which is the responsibility of the Board of Directors of the Group's parent company, makes it necessary to make certain accounting estimates and for the directors to use their judgment when applying the Standards. The most complex areas, the areas in which the directors' judgment is most required and the areas in which significant assumptions or estimates have to be made are detailed in Note 4 (Accounting Estimates and Judgments).

3.2 New standards issued

a. Below is a list of the standards, interpretations and amendments thereof, in keeping with the International Financial Reporting Standards adopted by the European Union, that are mandatorily applicable to the Group's consolidated Financial Statements for the first time in 2011:

- IAS 24 revised *Related Party Disclosures.*
- Amendments to IAS 32 *Classification of Rights Issues.*
- Amendments to IFRS 1 *Limited Exemption from Comparative IFRS 7 disclosures for First-time Adopters.*
- Improvements to IFRSs 2008-2010.
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments.*
- Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirements.*

IAS 24 revised changes the definition of related party and additionally, allows the inclusion of simplified disclosure requirements for entities considered related parties only by the fact that a government entity holds controlled shareholding, jointly controlled shareholding or significantly influenced shareholding.

Application of the above-listed standards, interpretations and amendments has not had a significant impact on the Group's 2011 consolidated Financial Statements.

b. The standards, interpretations and amendments that have been published by the IASB and adopted by the European Union and will be effective in later periods, are the following:

Mandatory application in 2012:

- Amendments to IFRS 7 *Disclosures: Transfers of Financial Assets.*

Application of the above-listed amendments is not expected to have a significant impact on the Group's Consolidated Financial Statements.

c. At the date of authorizing these Financial Statements for issue, the standards, interpretations and amendments that have been published by the IASB but not yet adopted by the European Union, are the following:

Mandatory application in 2012:

- Amendments to IFRS 1 *Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters.*
- Amendments to IAS 12 *Deferred Tax: Recovery of Underlying Assets.*

Mandatory application in 2013:

- IFRS 10 *Consolidated Financial Statements.*
- IFRS 11 *Joint Arrangements.*
- IFRS 12 *Disclosure of Interests in Other Entities.*
- IFRS 13 *Fair Value Measurement.*
- IAS 27 revised *Separate Financial Statements.*
- IAS 28 revised *Investments in Associates and Joint Ventures.*
- Amendments to IAS 1 *Presentation of Items of Other Comprehensive Income.*
- Amendments to IAS 19 *Employee Benefits.*
- Amendments to IFRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities.*
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine.*

Mandatory application in 2014:

- Amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities.*

Mandatory application in 2015:

- IFRS 9 - *Financial Instruments* [1].

In relation with IFRS 11 *Joint Arrangements,* because the Group currently uses the proportionate method of consolidation provided for in the prevailing IAS 31, the Company is in the process of analyzing all its joint arrangements in order to determine and document their proper classification as either joint operations or joint ventures, in keeping with IFRS 11 criteria. The recognition of transactions under the new standard will not affect the Group's consolidated equity or net income. As a result, the application of this new standard will require the balance sheet and income statement reclassification of the amounts currently integrated proporcionate to the participation in joint arrangements, which under IFRS 11 criteria will be classified as *joint ventures,* to the headings corresponding to the equity method of accounting.

In respect of the other standards and amendments itemized in the current section C), the Group is currently analyzing the impact their application may have on the consolidated Financial Statements.

3.3 Accounting Policies

3.3.1 Basis of consolidation

Repsol YPF´s consolidated Financial Statements include the investments in all their subsidiaries, associates and joint ventures.

All the subsidiaries over which Repsol YPF exercises direct or indirect control were fully consolidated. Control is the power to govern the financial and operating policies of a company so as to obtain benefits from its activities. Control is, in general but not exclusively, presumed to exist when the parent owns directly or indirectly more than half of the voting power of the investee.

The share of the minority interests in the equity and profit of the Repsol YPF Group's consolidated subsidiaries is presented under "Minority interests" within Equity in the consolidated balance sheet and "Net income attributable to minority interests" in the consolidated income statement, respectively.

Joint ventures are proportionately consolidated and, accordingly, the consolidated Financial Statements include the assets, liabilities, expenses and income of these companies only in proportion to Repsol YPF Group's ownership interest in their capital. Joint ventures are those over which there is shared control and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

The assets, liabilities, income and expenses corresponding to the joint ventures are presented in the consolidated Balance Sheet and consolidated Income Statement in accordance with their specific nature.

[1] This constitutes phase one of the three-phase project for the replacement of the prevailing IAS 39: "*Financial Instruments - Recognition and Measurement.* Following the recent amendment issued by the IASB, the mandatory effective date for IFRS 9 has been deferred from January 1, 2013 to January 1, 2015.

In the case of either non-monetary contributions to a joint controlled entity in exchange for an equity interest, either in the case of sales of assets to a joint controlled entity, the Group only recognizes that portion of the gain or loss that is attributable to the interests of the other venturers.

Associates are accounted for using the equity method. These are companies over which the investor has significant influence but does not exercise effective or joint control. Significant influence is the power to affect financial and operating decisions of a company and is presumed to exist when the investor holds an interest of 20% or more. The equity method involves recognizing under "Investments accounted for using the equity method" in the Consolidated Balance Sheet, the net assets and goodwill, if applicable, of these companies only in proportion to the ownership interest in their capital. The net profit or loss obtained each year through these companies is reflected, only in proportion to the ownership interest in their capital, in the Consolidated Income Statement as "Share of results of companies accounted for using the equity method, net of taxes."

Losses incurred by an associate attributable to the investor that exceed the latter's interest in the associate are not recognized, unless the Group is obliged to cover them.

Appendix I contains a list of the main consolidated subsidiaries, associates and joint ventures in which Repsol YPF, S.A. has direct and indirect ownership interests, which were included in the scope of consolidation, as well as the changes in the consolidation scope in 2010 and 2011.

The balances, transactions and profits between the fully consolidated companies were eliminated on consolidation. All balances, transactions and profits derived from transactions between the proportionately consolidated companies and other Group companies were eliminated in the proportion of its effective integration. The profit or loss on transactions between Group companies and associates was eliminated in proportion to the Group's percentage of ownership of these companies.

The accounting policies and procedures used by the Group companies were standardized with those of the parent for the purpose of presenting the consolidated Financial Statements using uniform measurement bases.

The Financial Statements of the investees whose functional currency differs from the presentation currency (Note 3.3.4) are translated as follows:

- The assets and liabilities in each of the balance sheets presented are translated at the exchange rates prevailing on the balance sheet date.
- Income and expense items making up each income statement heading are translated at the exchange rate on the transaction date. For practical reasons, the Group generally applies the average exchange rate for the period in which the transactions were completed.
- Any exchange differences arising as a result of the foregoing are recognized as a separate component of "Adjustments for changes in value" of equity called "Translation Differences."

On the disposal of a company whose functional currency is not the euro, or in the event of partial disposals resulting in loss of control, the exchange differences posted as a component of equity relating to that company are recognized in the income statement when the gain or loss on disposal is recognized. This accounting treatment also applies to partial disposals resulting in the loss of joint control or significant influence.

On the partial disposal of a subsidiary that includes a foreign operation that it does not result in the loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in equity is re-attributed to the non-controlling interests in that foreign operation. In any other partial disposal of a foreign operation, joint venture or significant influence only the proportionate share of the cumulative amount of the exchange differences recognized in equity corresponding to the reduction in the Group's ownership interest is reclassified to profit or loss.

The exchange rates against the euro of the main currencies used by the Group companies at December 31, 2011 and 2010 were as follows:

	12/31/2011		12/31/2010	
	Year end rate	Cumulative Average Rate	Year end rate	Cumulative Average Rate
American Dollar	1.29	1.39	1.34	1.33
Argentine Peso	5.54	5.72	5.29	5.16
Brazilian Real	2.43	2.33	2.23	2.33

3.3.2 Current/Non-current classification

In the accompanying consolidated balance sheet, assets and liabilities maturing within 12 months are classified as current items and those maturing within more than 12 months as non-current items.

3.3.3 Offsetting of balances and transactions

As a general rule, in the consolidated Financial Statements neither assets and liabilities nor income and expenses are offset, except (i) when offsetting is required or permitted by a given standard or interpretation and (ii) when offsetting better reflects the substance of the transaction.

In this respect, revenue and expenses arising on transactions in which the Group has an unconditional and legally-enforceable right to set-off and intends to settle on a net basis or to realize the asset and settle the liability simultaneously are presented at their net amount in the income statement.

3.3.4 Functional currency and foreign currency transactions

a. Functional currency

The items included in these consolidated Financial Statements relating to the Group companies are measured using their functional currency, which is the currency in the main economic environment in which they operate. The consolidated Financial Statements are presented in euros, which is the Repsol YPF Group's functional and presentation currency.

b. Foreign currency

Transactions in currencies other than the functional currency of an entity are deemed to be "foreign currency transactions" and are translated to the functional currency by applying the exchange rates prevailing at the date of the transaction. At each year end, the foreign currency monetary items on the balance sheet are measured at the exchange rate prevailing at that date and the exchange rate differences arising from such measurement are recorded as "Net exchange gains/(losses)" within "Financial result" in the consolidated income statement in the year incurred. This does not apply to the accounting treatment of monetary items that qualify as hedging instruments (section 3.3.24 of this Note).

3.3.5 Goodwill

Goodwill represents the excess of the cost of a business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities that meet the pertinent recognition criteria at the date of acquisition. Goodwill is recognized as an asset at the acquisition date.

In the event of a shortfall, the value of the assets, liabilities and contingent liabilities acquired must be re-assessed. If after this re-assessment the shortfall continues to exist, it is recognized in profit or loss under "Other operating income" in the consolidated income statement.

Goodwill is not amortized and is subsequently measured at cost less any accumulated impairment losses (section 3.3.10 below).

3.3.6 Other intangible assets

The Repsol YPF Group initially recognizes intangible assets at acquisition or production cost, except in the case of the emission allowances received for no consideration as described in section b) below. This cost is amortized on a straight-line basis over the assets' useful lives, except for the assets with indefinite useful lives described below, which are not amortized but are tested for impairment at least annually, and whenever indicators of impairment are detected. At each balance sheet date, these assets are measured at cost less accumulated amortization and any accumulated impairment losses.

The main intangible assets of the Repsol YPF Group are as follows:

a. Leasehold assignment, surface and other rights

This heading primarily includes the costs associated with the various forms of agreements for acquiring service station association rights, reflagging rights and image rights of publicity and the associated exclusive supply agreements. This heading also includes other usufruct and surface rights. These costs are amortized over the related contract terms, which range from 5 to 50 years.

b. Carbon emission allowances

Emission allowances are recognized as an intangible asset and are measured at acquisition cost.

Allowances received for no consideration under the National Emission Allowance Assignment Plan, are initially recognized at the market price prevailing at the beginning of the year in which they are issued, and a balancing item is recognized as a grant for the same amount under deferred income. As the corresponding tons of CO_2 are issued, the deferred income is reclassified to profit or loss.

These allowances are not amortized as their carrying amount equals their residual value and, therefore, the depreciable basis is zero, as their value is constant until delivery to the authorities; the allowances may be sold anytime. Emission allowances are subject to an annual impairment test (section 3.3.10. below). The fair value of the emission allowances is measured based on the average market price on European Union Allowances Exchange for the last trading session of the year provided by the ECX-European Climate Exchange.

The Group records an expense under "Other operating expenses" in the income statement for the CO_2 emissions released during the year, recognizing a provision calculated based on the tons of CO_2 emitted, measured at: (i) their carrying amount in the case of the allowances of which the Group is in possession at year end; and (ii) the closing list price in the case of allowances of which it is not in possession at year end.

When the emissions allowances for the CO_2 tons emitted are delivered to the authorities, the intangible assets as well as their corresponding provision are derecognized from the balance sheet without any effect on the income statement.

When carbon emission allowances are actively managed to take advantage of market trading opportunities (note 35), the corresponding allowances are classified as trading inventories.

c. Other intangible assets

This heading primarily includes the following items:

i. Concessions and others: these are initially recognized at acquisition cost if they are acquired directly from a government or other public sector body, or at the fair value attributable to the concession in question if they are acquired as part of a business combination. They are subsequently measured at acquisition cost less accumulated amortization and impairment loss, if any. These concessions are amortized on a straight-line basis over the term of the concession agreements.

These concessions include contracts for the supply of public services under which the operator has the right to charge tariffs that are established directly with the service's users, although the competent authorities regulate or control either the tar ffs or the users to which service must be provided; moreover, the State retains the residual value in the assets at the end of the term of the arrangement. These concessions are initially recognized at fair value.

This heading also includes power distribution concessions in Spain which are not subject to legal or any other limits. Because these intangible assets are considered to have indefinite useful lives they are not amortized but they are tested for impairment at least annually.

ii. Exploration permits acquisition costs: the costs incurring to acquire stakes in exploration permits for a given period of time are capitalized under this heading at their purchase price. During the exploration and evaluation phases, these costs are not amortized, although they are tested for impairment at least once a year and whenever indications of impairment are detected, in accordance with the guidelines set forth in IFRS 6 *Exploration for and Evaluation of Mineral Resources*. Any impairment losses detected are recognized – or reversed - in profit or loss in accordance with the general rules established in IAS 36 *Impairment of Assets*. Once the exploration and evaluation phase is completed, if no reserves are found, the amounts previously capitalized are recognized as an expense in the consolidated income statement. If the exploration work yields positive results, giving rise to commercially exploitable wells, the costs are reclassified to "Investments in areas with reserves" (Note 3.3.7 c) at their carrying amount when this determination is made.

iii. Development costs are capitalized only if all the conditions stipulated in the applicable accounting standard are met. The Group research costs incurred by the Group are expensed in the Income Statement.

iv. Other costs, including those relating to software and industrial property, are amortized on a straight-line basis over their useful lives (which range between 3 and 20 years).

Trademarks and analogous intangible assets internally developed by the Group are not capitalized; and the related expenses are recognized in the consolidated income statement in the period in which they are incurred.

3.3.7 Property, plant and equipment

The Repsol YPF Group uses the cost model by which items of property, plant and equipment are measured initially at acquisition cost.

a. Cost

The cost of property, plant and equipment includes their acquisition cost, all the costs directly related to the location of assets, making them operational and the present value of the expected disbursements necessary for any costs of dismantling and removing the item or restoring the site on which it is located, when such obligations are incurred under certain conditions. Subsequent changes to the measurement of the dismantling obligations and related liabilities resulting from changes in the estimated cash flows and/or in the discount rate are added to or deducted from the asset's carrying amount in the period in which they are incurred, except where the lower corrected value of the liability is greater than the carrying amount of the associated asset, in which case the surplus is recognized in the income statement.

Borrowing costs that are directly attributable to the acquisition or construction of assets that require more than one year to be ready for use are capitalized as part of the cost of these assets, in accordance with the limits established in the applicable accounting rules.

Personnel expenses and other operating expenses directly attributable to the construction of the asset are also capitalized.

The costs of expansion, modernization or improvements leading to increased productivity, capacity or efficiency or to a lengthening of the useful lives of the assets are capitalized, as long as the general capitalization criteria are met.

Repair, upkeep and maintenance expenses are recognized in the income statement as incurred. Furthermore, certain facilities require periodic reviews. In this respect, the assets subject to replacement are recognized specifically and are depreciated over the average term remaining until the next repairs are carried out.

This heading also includes investments relating to oil and gas exploration and production activities (section c below) and the cost of assets held under finance leases (section 3.3.21 below).

b. Depreciation

Property, plant and equipment, other than those items relating to oil and gas exploration and production activities (section c below), are depreciated using the straight-line method on the basis of the acquisition cost of the assets less their estimated residual value, over the years of estimated useful life of the assets. Estimated useful life of the main assets clasified as Property, Plant and Equipment are as follows:

Years of Estimated Useful Life [2]	
Buildings and other structures	20–50
Machinery and plant:	
Machinery, fixtures and tools [1]	8–40
Furniture	9–15
Specialized complex plants:	
Units	8–25
Storage tanks	20–40
Pipelines and networks	12–25
Gas and electricity infrastructure and distribution facilities	12–40
Transport equipment	5–25

(1)In addition, the Group holds an indirect interest, via Gas Natural Fenosa, in hydro-powered generation assets whose depreciation period can be as high as 100 years, where not held under concession, depending on their estimated useful lives.

(2)The years of estimated useful life disclosed in the table above are those resulting from the update of the useful lives of some of the PP&E assets, as disclosed in Note 4 *Accounting Estimates and Judgments* performed in 2011.

Depreciation of these assets starts when the assets become available for use.

Land is classified separately from the buildings or facilities that might be located on it and is deemed to have an indefinite useful life. Therefore, it is not depreciated.

c. Recognition of oil and gas exploration and production transactions

Repsol YPF recognizes oil and gas exploration and production transactions using accounting polices based on the "successful-efforts" method, whereby the accounting treatment of the various costs incurred is as follows:

i. The costs incurred in the acquisition of new interests in areas with proved and unproved reserves (including bonds, legal costs, etc.) are capitalized as incurred under "Investments in areas with reserves" associated with proved reserves or unproved reserves, as appropriate.

ii. *Exploration costs* (geological and geophysical expenditures, expenditures associated with the maintenance of unproved reserves and other expenditures relating to exploration work), excluding exploratory drilling expenditures, are expensed as incurred.

iii. *Exploratory drilling costs,* including those relating to stratigraphic exploration wells, are recognized as assets under the heading "Other exploration costs" until it is determined whether proved reserves justifying their commercial development have been found. If no proved reserves are found, the capitalized drilling costs are charged to income. However, if as a result of exploratory drilling, including stratigraphic exploratory wells, reserves are found that cannot be classified as proved, their recognition depends on the following:

- If the area requires additional investments before production can commence, the drilling costs remain capitalized only during the period in which the following conditions are met: (i) the amount of proved reserves found justifies the completion of a productive well if the required investment is made; and (ii) the drilling of additional exploratory or stratigraphic wells is underway or planned for the near future. If either of the aforementioned conditions is not met, the drilling costs or the cost of the stratigraphic wells are charged to income.
- In all other circumstances, the existence of reserves that can be classified as proved have to be determined within one year from the completion of the prospection work. Otherwise, the related drilling costs are charged to income.

Costs incurred in exploratory drilling work that has yielded a commercially exploitable reserve find are reclassified to "Investments in areas with reserves." Wells are classified as "commercially exploitable" only if they are expected to generate a volume of reserves that justifies their commercial development on the basis of the conditions prevailing when recognized (e.g. prices, costs, production techniques, regulatory framework, etc.).

iv. Development expenditure incurred in lifting proved reserves and in processing and storing oil and gas (including costs incurred in drilling relating to productive wells and dry wells under development, oil rigs, recovery improvement systems, etc.) are recognized as assets under "Investments in areas with reserves."

v. Future field abandonment and dismantling costs (environmental, safety, etc.) are estimated, on a field-by-field basis, and are capitalized at their present value when they are initially recognized under "Investments in areas with reserves" in assets in the balance sheet, within "Non-Current Provisions." This capitalization is recorded against the corresponding provision.

The investments capitalized as described above are depreciated as follows:

i. Investments in the acquisition of proved reserves are depreciated over the estimated commercial life of the field on the basis of the production for the period as a proportion of the proved reserves of the field at the beginning of the depreciation period.

ii. Investments relating to unproved reserves or fields under evaluation are not depreciated. These investments are tested for impairment at least once a year and whenever indications of impairment are detected. Any impairment losses detected are recognized – or reversed – in profit or loss in accordance with the general rules established in IAS 36 Impairment of Assets.

iii. Cost incurred in drilling work and subsequent investments to develop and lift oil and gas reserves are depreciated over the estimated commercial life of the field on the basis of the production for the period as a proportion of the proved reserves of the field at the beginning of the depreciation period.

The changes in estimated reserves are considered on a prospective basis in calculating depreciation.

At each balance sheet date or whenever there are indications that the assets might have become impaired, their recoverable amount (see section 3.3.10. of this Note) is compared to their carrying amount. Any impairment loss or reversal arising as a result of this comparison is recognized under "Impairment losses and losses on disposal of non-current assets" or, if applicable, "Income from reversal of impairment losses and gains on disposal of non-current assets" on the consolidated income statement (section 3.3.10. of this Note and Notes 7, 9 and 25).

d. Environmental property, plant and equipment

Property, plant and equipment of an environmental nature, the purpose of which is to minimize environmental impact and to protect and improve the environment, are identified on the basis of the nature of the business activities carried on, based on the Group's technical criteria, which are based on the guidelines relating to these matters issued by the American Petroleum Institute (API).

Environmental property, plant and equipment and the related accumulated depreciation are recognized in the balance sheet together with other property, plant and equipment, classified by their nature for accounting purposes.

Their cost, depreciation methods and the valuation adjustments to be performed are determined in accordance with the rules relating to these non-current asset items, as explained in sections 3.3.7.a) to 3.3.7.c) of this Note.

3.3.8 Investment property

Investment property are those assets (buildings, land) held either to earn rentals or for capital appreciation or both. These assets are not used by the Group's in the production or supply of goods or services or for administrative purposes. Repsol YPF recognizes investment property using the cost model, applying the same policies as for items of property, plant and equipment (sections 3.3.7a) and 3.3.7.b) above).

3.3.9 Non-current assets and liabilities held for sale and discontinued operations

The Group classifies a non-current asset (or group of assets) as held for sale if the carrying amount of the asset(s) and associated liabilities will be recovered through a sale transaction rather than through continuing use.

This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. The sale should be expected to be completed within one year from the date of classification.

These assets or group of assets are presented at the lower of carrying amount and fair value less costs to sell and are not depreciated as long as they are classified as held for sale or form part of a group of assets classified as held for sale.

In addition, the Group classifies as discontinued operations any component (a cash-generating unit or a group of cash-generating units) that represents a separate major line of business or geographical area of operations, or has been sold or disposed of by other means, or that qualifies for classification as held for sale.

Non-current assets held for sale are presented in the consolidated balance sheet separately from other assets under the heading "Non-current assets held for sale," while the liabilities associated with assets qualifying for this classification are presented under "Liabilities related to non-current assets held for sale" described in the previous paragraphs. The after-tax profits or losses generated by discontinued operations are presented in a single heading "Net income for the year from discontinued operations".

3.3.10 Impairment of property, plant and equipment, intangible assets and goodwill

In order to ascertain whether its assets have become impaired, the Group compares their carrying amount with their recoverable amount at the balance sheet date (section 3.3.25 below), or more frequently if there are indications that the assets might have become impaired. For that purpose, assets are grouped into cash-generating units (CGUs), to the extent that such assets, when individually considered, do not generate cash inflows that are independent of the cash inflows from other assets or CGUs. The grouping of assets into CGUs implies the use of professional judgment.

To perform this test, goodwill acquired on a business combination is allocated among the cash-generating units or groups of cash-generating units (CGUs) that benefit from the synergies of the business combination and the recoverable amount thereof is estimated by discounting the estimated future cash flows of each unit.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a rate that reflects the weighted average cost of capital employed, which is different for each country and business.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount, and an impairment loss is recognized as an expense under "Impairment losses recognized and losses on disposal of non-current assets" in the consolidated income statement.

An impairment loss is recognized, first applied, as a reduction of the carrying amount of related goodwill allocated to the cash-generating unit. Any impairment losses in excess of the carrying amount of goodwill is then allocated to the assets comprising the CGU on a pro-rata basis of their carrying amount.

The basis for future depreciation or amortization will take into account the reduction in the value of the asset as a result of any accumulated impairment losses.

On the occurrence of new events, or changes in existing circumstances, which prove that an impairment loss recognized on a prior date could have disappeared or decreased, a new estimate of the recoverable value of the corresponding asset is developed, to determine whether it is applicable to reverse the impairment losses recognized in previous periods.

In the event of a reversal, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined in case no impairment loss had been recognized for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognized under "Income from reversal of impairment losses and gains on disposals of non-current assets" in the consolidated income statement. An impairment loss recognized for goodwill cannot be reversed in subsequent periods.

3.3.11 Current and non-current financial assets

The Group classifies its investments when they are initially recognized and reviews their classification at each balance sheet date. The assets are classified on the basis of the purpose for which they were acquired.

This category has, in turn, the following sub-categories:

a. Financial assets at fair value with changes through profit or loss

a.1. Financial assets held for trading: this category comprises derivatives not designated as hedging instruments.

a.2. Other financial assets at fair value with changes in profit and loss: this category comprises those financial assets acquired for trading or sale in the short-term which are not derivatives.

b. Financial assets available for sale

Financial assets available for sale are financial assets that have either been designated as available for sale or have not been classified in any other financial asset category.

c. Loans and receivables

There are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group delivers goods or provides services or financing to a third party and are assets which it does not intend to sell immediately or in the near term.

d. Held to maturity investments

Held to maturity investments are financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold from the date of purchase to the date of maturity.

A financial asset is initially recognized at fair value (section 3.3.24 of this Note). Transaction costs that are directly attributable to the acquisition or issuance of a financial asset are capitalized upon initial recognition of the asset, except in relation to assets designated as financial assets at fair value through profit or loss.

Subsequent to initial recognition, all financial assets, except for "Loans and receivables" and "Held to maturity investments" are measured at fair value. Equity investments in unlisted companies whose fair value cannot be measured reliably are measured at cost.

In the case of "Other financial assets at fair value with changes in profit and loss," gains and losses from changes in fair value are recognized in the net profit or loss for the year. In the case of "Financial assets available for sale," the gains and losses from changes in fair value are recognized directly in equity until the asset is disposed of or it is determined that it has become impaired, at which time the cumulative gains or losses previously recognized in equity are recognized in the profit or loss for the year.

"Loans and receivables" and "Held to maturity investments" are measured at amortized cost, and the accrued interest income is recognized in profit or loss using the effective interest rate method.

An impairment loss on financial assets at amortized cost is recognized when there is objective evidence that the Group will not be capable of collecting all the related amounts under the original terms of the accounts receivable.

The amount of the impairment loss is recognized in the consolidated income statement as the difference between the carrying amount and the present value of the future cash flows discounted at the effective interest rate. The carrying amount of the asset is reduced through an allowance account.

If, in subsequent periods, the value of the financial asset is recovered, the previously recognized impairment loss shall be reversed. The reversal shall not exceed the carrying amount the financial asset prior to the initial recognition of the impairment loss. The amount of the reversal shall be recognized in the income statement for the period.

Finally, an account receivable is considered uncollectible when situations similar to the following occur: dissolution of a company, lack of assets with which to settle the debts or a legal ruling.

Financial assets are initially recognized at face value whenever the effect of not discounting the related cash flows is not significant. Subsequent measurement of these assets is also done at face value.

The Group derecognizes financial assets when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition.

3.3.12 Inventories

Inventories acquired for our own use are stated at the lower of cost and net realizable value. Cost (basically the average cost) includes acquisition costs (less trade discounts, rebates and other similar items), transformation and other costs which have been incurred in bringing the inventories to their present location and condition.

In the case of refinery products, the costs are allocated to income in proportion to the selling price of the related products (isomargin method) due to the existing difficulty to recognize the conversion costs of every product.

The Group assesses the net realizable value of the inventories at the end of each period and recognizes in income the appropriate valuation adjustment if the inventories are overstated. When the circumstances that previously caused the impairment no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed.

Net realizable value is the estimated selling price at year end less the estimated costs of completion and costs to be incurred in marketing, selling and distribution.

In the case of commodities and similar products, it is not necessary to write down their carrying amount below cost so long as management expects that the finished products in which they are to be incorporated will be sold above cost.

Commodities inventories for trading are measured at fair value less costs to sell and changes in fair value are recognized in income. These transactions do not represent a significant volume of the Group's inventories (Note 13).

3.3.13 Cash and cash equivalents

Repsol YPF classifies under "Cash and cash equivalents" liquid financial assets, deposits or financial assets that can be converted into a known amount of cash within three months and that are subject to an insignificant risk of changes in value.

3.3.14 Earnings per share

Basic earnings per share are calculated by dividing the profit for the period attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the period taking into account, where appropriate, any treasury shares held by the Group (Notes 15.1 and 15.4).

3.3.15 Financial liabilities

Financial liabilities are initially recognized at fair value less the transaction costs incurred. Except for derivatives, subsequent to initial recognition, the Group measures its financial liabilities at amortized cost, as none of its financial liabilities are classified as held-for-trading. Any difference between the financing received (net of transaction costs) and repayment value is recognized in the consolidated income statement over the life of the debt instrument in question, using the effective interest rate method.

Preference shares, which are detailed in Note 19 correspond to this liability category. They are initially recognized at fair value net of issuing costs and are subsequently measured at amortized cost, unless they form part of a hedging transaction in which case the criteria set forth in section 3.3.24. of this Note applies.

Trade payables and other payables are financial liabilities which do not bear explicit interest and which, are recognized at face value, when the effect of not discounting them is not material.

The Group derecognizes financial liabilities when the obligations are cancelled or expire.

3.3.16 Provisions

In accordance with prevailing accounting standards, the Group makes a distinction between:

a. Provisions: present obligations, either legal or assumed by the Group, arising from past events, the settlement of which is expected to give rise to an outflow of resources the amount and timing of which are uncertain; and

b. Contingent liabilities: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group, or present obligations arising from past events, the amount of which cannot be measured with sufficient reliability or whose cancellation is not likely to give rise to an outflow of resources embodying future economic benefits.

These provisions are recognized when the liability or obligation giving rise to the indemnity or payment arises, to the extent that its amount can be reliably estimated and it is probable that the commitment will have to be settled.

When a contract qualifies as onerous, the related present liabilities are recognized in the consolidated financial statements as provisions.

Contingent liabilities are not recognized in the consolidated financial statements. Notwithstanding the above, whenever it is deemed possible that settlement of such a liability will give rise to an outflow of resources, the existence of these liabilities is disclosed (Note 34).

3.3.17 Share-based payments

In 2011, Repsol Group approved two share-based employee payment schemes: (i) the 2011-2012 share acquisition plan, which is targeted at the Group's entire workforce; and (ii) a share delivery program for beneficiaries of the multi-year bonus schemes (detailed disclosures on both plans are provided in note 18.d)).

The estimated cost of the shares to be delivered under the plan described in point (ii) above is recognized under the captions "Personnel expenses" and "Retained earnings and other reserves" to the extent that the plan beneficiaries' rights to receive the shares vest.

3.3.18 Pensions and other similar obligations

a. Defined contribution plans

Repsol YPF has recognized defined contribution pension plans for certain employee groups; directly or indirectly through Group subsidiary YPF and Gas Natural Fenosa (Note 18).

The annual cost of these plans is recognized under "Personnel expenses" in the consolidated income statement.

b. Defined benefit plans

Repsol YPF's defined benefit plans are mostly held through Gas Natural Fenosa. The benefits to which the employees are entitled at the date of their retirement are recognized in the income statement as follows:

i. The current service cost (the increase in the present value of the defined benefit obligation resulting from employee service in the current period), under "Personnel expenses."

ii. The interest cost (the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement), under "Financial costs."

iii. The return on plan assets and changes in the value thereof, less any costs of administering the plan and less any tax payable by the plan itself, under "Financial costs."

The liability recognized with respect to defined contribution pension plans is the present value of the obligation at the balance sheet date less the fair value of plan assets, net of adjustments for past service costs. The obligation under defined benefit plans is calculated annually by independent actuaries in accordance with the projected credit unit method.

Any actuarial gains or losses arising as a result of changes in the actuarial assumptions used are recognized directly in equity under the heading "Reserves."

3.3.19 Grants

a. Grants related to assets

These are grants related to non-current assets and are measured at either: (i) the amount granted or nominal value; or (ii) the fair value of the assets received, if they have been transferred for no consideration. They are classified as deferred income when it is certain that they will be received.

Among other grants, this heading includes the government grants received by Gas Natural Fenosa pursuant to the agreements in place with Spain's Regional Governments for building power and gas infrastructure in towns and other gas and power related investments for which all the conditions established to them have been met; they are measured at the amount granted.

These grants are recognized in profit or loss on straight line basis over the useful life of the assets they are financing. The consolidated Financial Statements present the assets and the grants received separately.

b. Grants related to income

These are grants are those not related to non-current assets that become receivable by the entity and are recognized as income for the period in which they become receivable.

3.3.20 Deferred income

Deferred income relates mainly to income from the assignment of gas transmission pipeline usage rights, the income relating to the natural gas distribution network relocation to be borne by third parties and the net amounts received each year for new connections to the gas or power grids. This income is credited to income on a straight-line basis over the depreciation period of the related non-current assets, which ranges from 20 to 50 years.

This heading also includes the amounts associated with CO_2 allowances received for no consideration (section 3.3.6 b) within this Note).

3.3.21 Leases

Determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

In this category, a distinction can be drawn between:

a. Finance leases

Leases are classified as finance leases whenever the lessor transfers substantially all the risks and rewards of ownership to the lessee. The ownership of the asset may or may not be transferred at the end of the lease term.

When the consolidated companies act as the lessee in finance leases, they present the cost of the leased assets in the consolidated balance sheet, based on the nature of the leased asset, and, simultaneously, recognize a financial liability for the same amount, which will be the lower of the fair value of the leased or the fair value of non-contingent amounts and not related to the provision of services payable to the lessor including, where appropriate, the price of exercising the purchase option, when the exercise thereof is expected with certainty at the beginning of the lease. These assets are depreciated according to criteria applied to the items of property, plant and equipment that are owned or are depreciated over the lease term, whichever is lower, provided there is no reasonable certainty that the lessee shall be granted the ownership at the end of the lease term.

The finance cost derived from the discounted financial liability is allocated to the periods during the lease term through use of a constant interest rate on the remaining financial liability. The resulting finance expense is charged to the heading "Financial result" in the consolidated income statement.

b. Operating leases

Leases in which the ownership of the leased asset and substantially all the risks and rewards incidental to ownership of the leased assets remain with the lessor are classified as operating leases.

Lease costs are recognized under "Other operating expense" in the consolidated income statement as incurred.

When the Group acts as lessor, the resulting income is recognized under "Other operating income" in the consolidated income statement, as accrued.

3.3.22 Income tax

Repsol YPF recognizes in the income statement for the year the accrued tax on the companies' income, which is calculated taking into account the differences between the timing of recognition for accounting purposes and tax purposes of the transactions and other events in the current year recognized in the financial statements, giving rise to temporary differences and, therefore, to the recognition of certain deferred tax assets and liabilities in the balance sheet. These amounts are recognized by applying to the temporary differences the tax rate that is expected to apply in the period when the asset is realized or the liability is settled.

Deferred tax liabilities are recognized for all taxable temporary differences, unless the temporary difference arises from the initial recognition of goodwill for which amortization is not deductible for tax purposes or unless the exception to the deferred tax liabilities is applicable in cases of taxable temporary differences related to investments in subsidiaries, branches and associates.

Deferred tax assets recognized for temporary differences and other deferred tax assets (tax losses and tax deductions carry forwards) are recognized when it is considered probable that the consolidated companies will have sufficient taxable profits in the future against which the deferred tax asset can be utilized. Additionally, deferred tax assets recognized for temporary differences can only be recorded to the extent that they will reverse in the near future.

The accrued income tax expense includes both the deferred income tax expense and the current income tax expense, which is taken to be the amount payable (or refundable) in relation to the taxable net income for the year (see Note 24).

"Income tax" in the accompanying consolidated income statement includes both the accrued income tax expense and the net provisions recognized in the year for income tax contingencies.

Current and deferred taxes are recognized outside profit or loss account if they related to items that are recognized outside profit or loss account. Those entries related to items recognized under "Adjustments for changes in value" are recognized under that heading and those recognized directly in equity are recognized within the equity heading in which the impact of the transaction was recognized.

3.3.23 Revenue and expense recognition

Revenues are measured at the fair value of the consideration received or receivable and represents the amounts receivable for the goods and services provided in the normal course of business, net of discounts and any amounts received on account of third parties, such as the Valued Added Tax.

In sales in which the Group acts as agent, the Group does not recognize all the income and expenses associated with the transaction, recognizing as revenue only the margin received or pending to receive.

In order to minimize transport costs and optimize the Group's logistics chain, the Group arranges swaps of oil products of similar nature with other companies in a number of geographical locations. The related agreements include clauses to adjust through an amount of economic consideration the value of the products swapped on the basis of the technical specifications thereof and the delivery and receiving points for the goods. These transactions are not recognized in the income statement as separate purchases and sales.

Sales of goods are recognized when substantially all the risks and rewards have been transferred. Revenue associated with the rendering of services is also recognized by reference to the stage of completion of the transaction at the balance sheet date, provided the outcome of the transaction can be estimated reliably. Interest income is accrued on a time proportion basis, by reference to the principal outstanding and the effective interest rate applicable. Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.

An expense is recognized when there is a reduction of an asset, or an increase in a liability, which can be measured reliably.

As a result of the legislation on oil and gas retailing in force in the countries in which the Group operates, Repsol YPF reflects as both revenue and expenses the excise and analogous duties levied specifically on consumption related to the production and/or sale of oil and gas products.

Work relating to water management, atmospheric protection, waste management, remediation of soil and subsoil water and the development of environmental management systems are deemed to be environmental expenses and they are recognized for accounting purposes in accordance with the criteria indicated above.

3.3.24 Financial derivatives

The Group arranges derivatives to hedge its exposure to financial and commercial risks due to interest rate and exchange rate fluctuations and to changes in the prices of certain commodities. All financial derivative instruments are initially recognized at fair value at the contract date and are subsequently measured at fair value. The derivatives are recognized as an asset when their fair value is positive and as a liability when it is negative. The differences in fair value are recognized in the income statement, except for specific hedge accounting treatment, where applicable.

For the assessment of financial derivative instruments, in case these are available, quotation market prices at the close of the balance sheet are used. This is the case of the futures contracts.

In the absence of quotation market prices for financial derivative instruments contracted, their fair value is estimated discounting the associated future cash flows according to the interest, exchange rates, credit differentials, volatility, and forward price trends in force on the close of the balance sheet. This assessment method has been applied to the following instruments:

- Mixed currency and interest swaps
- Interest rate swaps
- Forward exchange rate contracts
- Swaps on crude oil prices and products
- Interest rate options
- Crude oil price options

Although the Group applies common assessment market techniques, some changes in the measurement models or in the hypotheses applied therein could lead to different assessments of said instruments than these recognized in the balance sheet, income statement and/or equity.

The Group designates certain derivatives as:

a. Fair value hedges

These are hedges of the exposure to changes in the fair value of an asset or a liability recognized for accounting purposes, an unrecognized firm commitment or an identified portion of the aforementioned asset, liability or firm commitment that can be attributed to a particular risk and might affect the profit for the period.

The changes in the fair value of hedging derivatives that are designated as effective fair value hedges are recognized in the income statement, together with any change in the fair value of the hedged items attributable to the hedged risk.

b. Cash flow hedges

These are hedges of the exposure to changes in cash flows that: (i) are attributed to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction and that (ii) could affect profit or loss for the year.

The effective portion of changes in the fair value of hedging instruments is recognized in equity. The gain or loss relating to the ineffective portion is recognized in the income statement. The cumulative gains or losses recognized in equity are transferred to net profit or loss for the year, in the period in which the hedged items affect the income statement.

c. Hedges of net investment

These are hedges of the exposure to foreign exchange rate changes in relation to investments in the net assets of foreign operations.

Hedges of net investments in a foreign operation are accounted for in a similar way to cash flow hedges, although the exchange rate differences resulting from these transactions are recognized in "Translation differences" under equity in the accompanying consolidated balance sheet.

The cumulative amount of the exchange differences are derecognized from equity, and recognized in the income statement, when the foreign operation is sold or disposed of in any other way.

For the three types of hedges described above, the Group documents at the inception of the transaction the hedging relationship between the hedging instrument and the hedged items, and the risk management objective and strategy for undertaking the hedge. The Group also documents their assessment, both at the inception of the hedge and subsequently. The derivatives used in hedging transactions are highly effective.

Hedge accounting is discontinued when the hedging instrument expires, is sold or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognized in equity is retained in equity until the forecasted transaction occurs.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value with unrealized gains or losses reported in the consolidated income statement.

Long-term oil and gas sale and purchase commitments are analyzed with the aim to determine whether these are in line with the provisions or marketing needs of the normal activity of the Group or whether, on the contrary, these are derivatives and should be recognized in accordance with the criteria set forth in IAS 39.

3.3.25 Methodology for estimating recoverable amount

The recoverable amount of assets is generally estimated on the basis of their value in use, calculated on the basis of future expected cash flows derived from the use of the assets.

In the assessment of the value in use, cash flow forecasts based on the best income and expense estimates available of the CGUs using sector forecasts, past results and future expectations of business evolution and market development are utilized. Among the most sensitive aspects included in the forecasts used in all the CGUs, inflation, GDP growth, exchange rates, the purchase and sale prices of hydrocarbons, operating expenses and capital expeditures are highlighted.

The valuation of Exploration & Production assets is based on cash flow projections for a period that covers the economically productive useful lives of the oil and gas fields, limited by the contractual expiration of the operating permits, agreements or contracts. The key valuation assumptions used in this business segment and the general principles to determine those assumptions are summarized below:

a. Oil and gas sales prices. The international price benchmarks used by the Group include Brent, WTI and HH (Henry Hub). In those countries where international listed prices do not mirror local market circumstances, the prices modeled take into consideration the local market prices. For example, in the case of the natural gas market in Argentina, average selling (realization) prices is the benchmark used. Year one of the projections is based on the annual budgets approved by Repsol YPF's Executive Committee. After year one, prices are projected on the basis of price trends elaborated according to internal reports on the global energy environment that not only take into account in-house forecasts but also consider the "consensus" built from a mixture of consultancy opinions, investment banking estimates and future listed market prices. Prices are consistent with those used by the Group to make investing decisions. Lastly, if the productive lives of the respective fields are longer than the period covered by the corporate price projections, prices are extrapolated in line with operating expenses and capital expenditures.

b. Reserves and production schedules. Production schedules are estimated on the basis of the development plans in place for each productive field. These schedules are then used to estimate proven and unproven reserves. Proven oil and gas reserves estimates are prepared on the basis of the oil and gas reserves reporting and disclosure requirements and framework established by the Securities Exchange Commission (SEC) and the criteria established by the Society of Petroleum Engineers' Petroleum Resource Management System (PRMS-SPE). Unproved reserves are similarly estimated using PRMS criteria and guidelines and are weighted for the risk factors associated with each class of exploration and production assets.

c. Inflation and other macroeconomic variables. The key economic indicators are inflation, GDP growth and exchange rates. The Group's annual budgets and the Business Plan contained a macroeconomic framework for all of the countries where the Group has business operations. This data is elaborated on the basis of internal reports about global economic environment which reflect in-house estimates as well as updated external information of relevance (from consultants and specialized organisms).

d. Operating expenses and capital expenditures. These are calculated in year one on the basis of the Group's budgets and thereafter according to the development plans of the assets. An escalation factor of 2.3%, in line with the forecast for long-term US dollar inflation, was used for the purposes of performing the impairment test in 2011.

The cash flows of the refining and marketing businesses are estimated on the basis of the projected sales trends, unit contribution margins, fixed costs and investment or divestment flows, the investments needed to maintain business volumes, in line with the assumptions modeled in each business' specific strategic plans. However, cash inflows and outflows relating to planned restructurings or productivity enhancements are not considered. The cash flows projection period is generally a five-year period, extrapolating the flows of the fifth year for subsequent years without applying any growth rate.

These estimated net cash flows are discounted to present value using the specific cost of capital to each asset based on the currency in which its cash flows are denominated and the risks associated with the cash flows, including country risk. Repsol YPF discounts projected cash flows using individual pre-tax weighted average costs of capital (WACC) for each country and business. These rates are reviewed at least once a year. The discount rates are intended to reflect current market assessments of the time value of money and the risks specific to the asset. As a result, the discount rates take into consideration: country risk, the interest rate risk associated with the exchange rate and business risk. To ensure that the calculations are consistent and are not duplicated, the cash flow projections do not take into consideration risks that have already been built into the discount rates used. In determining its WACC, the Group uses average sector leverage as a reasonable proxy for the optimal capital structure, to which end it monitors leverage rates at comparable oil and gas companies during the last five years.

The rates used in 2011 and 2010 for the various businesses are in the following ranges:

	2011	2010
Upstream	7.6% - 14.6%	7.7% - 19.7%
Downstream	4.6% - 14.2%	4.2% - 15.7%

For those Cash Generating Units (CGUs) which contains goodwill and/or other intangible assets with indefinite useful lives, Repsol YPF analyzes whether reasonably possible changes in the key assumptions used to determine their recoverable amounts would have a material impact on the financial statements. For CGUs for which the recoverable amount exceeds the unit's carrying amount by a significant margin, it is assumed that these 'reasonably possible changes' would not have a material impact. For CGUs for which the margin is below the case explained before, the Group performs a sensitivity analysis in order to quantify changes in the recoverable amounts of these CGUs as a result of changes in key assumptions deemed reasonably possible (see Note 5).

4 Accounting estimates and judgments

The preparation of financial statements in accordance with generally accepted accounting principles makes it necessary to make assumptions and estimates that affect the amounts of the assets and liabilities recognized, the presentation of contingent assets and liabilities at year end and the income and expenses recognized during the year. The actual results could differ depending on the estimates made.

Coinciding with the start-up of the expansion and upgrade made at the Cartagena and Petronor refineries, the Group conducted a review of the useful lives of the assets in the Repsol YPF Group's refining and chemicals complexes located in Spain and Portugal. The technical appraisals performed indicated a longer estimated useful life for the main productive facilities at these industrial complexes than the ones initially estimated. As a result of the longer estimated useful lives, the annual depreciation rates of these items of property, plant and equipment have been reduced (Note 3.3.7.b). The change in accounting estimate implied a €130 million reduction of the depreciation charge in 2011. This change in accounting estimate will have an i mpact on the Group's income statement until 2039, when the cumulative impact on the income statement of the change in useful life estimates will become virtually neutral. The main facilities affected by the change in accounting estimate are the following:

Specialized complex plants:	Prior to change in estimate	After change in estimate
Years of useful life		
Units	8 - 15	8 - 25
Storage tanks	20 - 30	20 - 40
Pipelines and networks	12 - 18	12 - 25

The accounting policies and areas which require the highest degree of judgment and estimates in the preparation of the consolidated financial statements are: (i) crude oil and natural gas reserves; (ii) provisions for litigation and other contingencies; (iii) the calculation of income tax and deferred tax assets; (iv) impairment test of assets (Note 3.3.10 and 3.3.25), and (v) derivative financial instruments (Note 3.3.24).

Crude oil and gas reserves

The Estimation of crude oil and gas reserves is an integral part of the Company's decision making process. The volume of crude oil and gas reserves is used to calculate the depreciation using unit production ratios and to assess the recoverability of the investments in exploration and production assets (Notes 7 and 9).

Repsol YPF prepares its estimates and assumptions in relation to crude oil and gas reserves taking into account the guidelines and the conceptual framework of the definition of proved reserves established for the oil and gas industry by the U.S. Securities and Exchange Commission (SEC) and the criteria set by the Petroleum Rerserves Management System of the Society of Petroleum Engineers (PRMS.SPE). The SEC approved amendments to its reporting requirements applicable to oil and gas exploration and production companies that became effective on January 1, 2010 and which were applied to calculate reserve volumes at December 31, 2009. The application of these amendments had no significant impact on the Group's reserve volumes at that date.

Provisions for litigation and other contingencies

The final cost of settling claims, grievances and lawsuits could vary due to estimates based on differing interpretations of the rules, opinions and final assessments of the amount of the damages. Therefore, any change in circumstances relating to contingencies of this nature could have a material effect on the amount of the provision for contingencies recognized.

Repsol YPF makes judgments and estimates in recording costs and establishing provisions for environmental clean-up and remediation costs which are based on current information regarding costs and expected plans for remediation. For environmental provisions, costs can differ from estimates because of changes in laws and regulations, discovery and analysis of site conditions and changes in clean-up technology. Therefore, any change in the factors or circumstances related to provisions of this nature, as well as changes in laws and regulations could, as a consequence, have a significant effect on the provisions recognized for these costs (Note 34).

Calculation of income tax and deferred tax assets

The appropriate assessment of the income tax expense is dependent on several factors, including estimates of the timing and realization of deferred tax assets and the timing of income tax payments. Actual collections and payments may differ materially from these estimates as a result of changes in tax laws as well as unanticipated future transactions impacting the Company's tax balances.

5 Goodwill

The breakdown,of goodwill, by company, at year end 2011 and 2010 is as follows:

Millions of euros	2011	2010
Gas Natural Fenosa Group companies	2,108	2,146
YPF, S.A.	1,861	1,802
Repsol Portuguesa, S.A.	154	154
Repsol Gas Portugal, S.A.	118	118
EESS de Repsol Comercial P.P, S.A.	97	95
Empresas Lipigas, S.A.	87	94
Other companies	220	208
	4,645	**4,617**

The changes in 2011 and 2010 in this line item in the accompanying consolidated balance sheet were as follows:

Millions of euros	2011	2010
Balance at begining of the period	4,617	4,733
Additions	17	6
Changes in the scope of consolidation	(28)	(285)
Translation differences	61	189
Write-downs	–	(10)
Reclasifications and other changes	(22)	(16)
BALANCE AT END OF THE PERIOD	**4,645**	**4,617**

In 2011, 'Additions' subheading includes €10 million related to the goodwill generated by Repsol Nuevas Energías U.K. business combination (see Note 30).

In addition, 'Changes in the scope of consolidation' subheading includes the derecognition related to the EUFER assets swap (see Note 30) in the amount of €20 million. 'Reclassifications and other changes' subheading includes the transfer to 'Non-current assets held for sale' of the investments in the Guatemalan electricity distributors held through Gas Natural Fenosa (see Note 11) in the amount of €21 million. Both figures are stated at the Group's proportionate interest in Gas Natural Fenosa.

In 2010 the 'Changes in the scope of consolidation' subheading included the derecognition of €291 million of goodwill associated with Alberto Pascualini Refap, S.A., which was sold during the year (Note 31).

The breakdown of the gross goodwill and accumulated impairment losses at December 31, 2011 and 2010 is as follows:

Millions of euros	2011	2010
Gross goodwill	4,671	4,643
Accumulated impairment losses (Note 9)	(26)	(26)
Net goodwill	4,645	4,617

Testing goodwill for impairment

The breakdown of goodwill at December 31, 2011 and 2010 by operating segment is as follows:

Millions of euros	2011	2010
Upstream (1)	87	85
Downstream (2)	589	584
YPF	1,861	1,802
Upstream	1,270	1,230
Downstream	591	572
Gas and electricity (3)	2,108	2,146
TOTAL	**4,645**	**4,617**

(1) Corresponds primarily to the CGU comprising the Group's exploration and production net assets in Venezuela.

(2) Corresponds to a total of 17 CGUs; the most significant individual CGU accounts for 20% of the segment.

(3) At December 31, 2011 and 2010 includes €1,763 million and €1,809 million respectively, corresponding to the goodwill recognized by Gas Natural Fenosa, due to its own participation in its Group companies.

Repsol YPF considers that, based on current knowledge, the reasonably foreseeable changes in key assumptions for determining fair value, on which the determination of the recoverable amounts was based, will not have any material impact on the Group's 2011 or 2010 Financial Statements.

6 Other intangible assets

The breakdown of the intangible assets and the related accumulated amortization at December 31, 2011 and 2010, and of the changes therein is as follows:

Millions of euros	Leasehold, Assignment Surface and Usufruct Rights	Flagging Costs	Exclusive Supply Contracts	Emission Allowances	Computer Software	Other Intangible Assets	TOTAL
COST							
Balance at January 1, 2010	639	208	177	258	463	1,542	3,287
Additions [1]	43	7	13	8	59	119	249
Disposals and derecognitions	(21)	(20)	(103)	(4)	(4)	(21)	(173)
Translation differences	18	3	–	–	7	63	91
Changes in the scope of the consolidation [2]	1	–	–	4	–	(28)	(23)
Reclassifications and other changes [3][4]	19	4	(5)	(11)	(14)	1,317	1,310
Balance at December 31, 2010	699	202	82	255	511	2,992	4,741
Additions [1]	5	7	17	9	86	478	602
Disposals and derecognitions	(12)	(13)	(7)	(2)	(46)	(5)	(85)
Translation differences	11	–	–	–	1	16	28
Changes in the scope of the consolidation [2]	1	–	–	–	(1)	128	128
Reclassifications and other changes [3][4]	8	(1)	(5)	(70)	19	(31)	(80)
Balance at December 31, 2011	712	195	87	192	570	3,578	5,334
ACCUMULATED AMORTIZATION AND IMPAIRMENT LOSSES							
Balance at January 1, 2010	(272)	(154)	(144)	(45)	(297)	(290)	(1,202)
Depreciation charge for the year	(31)	(16)	(9)	–	(67)	(116)	(239)
Disposals and derecognitions	17	15	104	–	3	15	154
Impairment losses (recognised) / reversed	(1)	–	–	5	–	–	4
Translation differences	(10)	(2)	–	–	(5)	(16)	(33)
Changes in the scope of the consolidation	–	–	–	–	–	17	17
Reclassifications and other changes [3][4]	(46)	–	–	39	11	(610)	(606)
Balance at December 31, 2010	(343)	(157)	(49)	(1)	(355)	(1,000)	(1,905)
Depreciation charge for the year	(31)	(15)	(9)	–	(69)	(146)	(270)
Disposals and derecognitions	7	5	6	–	47	–	65
Impairment losses (recognised) / reversed	1	–	–	(110)	–	–	(109)
Translation differences	(7)	–	–	–	–	(9)	(16)
Changes in the scope of the consolidation	–	–	–	–	1	(1)	–
Reclassifications and other changes [3][4]	2	8	(1)	35	(18)	13	39
Balance at December 31, 2011	(371)	(159)	(53)	(76)	(394)	(1,143)	(2,196)
Carrying amount at December 31, 2010	**356**	**45**	**33**	**254**	**156**	**1,992**	**2,836**
Carrying amount at December 31, 2011	**341**	**36**	**34**	**116**	**176**	**2,435**	**3,138**

[1] Additions in 2011 and 2010 came from the direct acquisition of assets.

[2] See notes 11 y 30.

[3] In 2011, the column headed "Emission Allowances" included €244 million corresponding to CO_2 allowances allocated for no consideration in 2011 under Spain's National Allocation Plan and the derecognition of the liability corresponded to allowances consumed as a result of emissions made during 2010 in the amount of €179 million. In 2010, the same column included €211 million corresponding to CO_2 allowances allocated for no consideration for 2010 under Spain's National Allocation Plan and the derecognition of the liability corresponding to 2009 in the amount of €178 million.

[4] In 2010, the column headed "Other Intangible Assets" primarily included a reclassification of assets pertaining to service concession arrangements in the net amount of €463 million (€989 million of cost net of accumulated amortization in the amount of €524 million) from "Property, plant and equipment" (€519 million) and "Grants" (€56 million).

"Other intangible assets" primarily includes:

a. Gas supply contracts and other contractual rights acquired as a result of the business combination between Gas Natural and Unión Fenosa, in the amount of €584 and €625 million in 2011 and 2010 respectively, which includes basically.

b. Assets in the amount of €619 and €626 million at year end 2011 and 2010 respectively, related to service concession arrangements under which the operator has the right to charge an established tariff directly to the services users, although the competent authorities regulate or control either the tariffs or the users to which service must be provided; moreover, the state retains the residual interest in the assets at the end of the term of the arrangement (see Note 3.3.1).

   These assets correspond primarily to transport concession agreements covering crude oil, gas and derivative products in Argentina, obtained as a result of application of the Privatization Law (Note 2), as well as concession agreements under which Gas Natural Fenosa participates in the gas transport and distribution businesses in Argentina, Brazil and Italy. The terms of these concessions range from 11 to 35 years and can be extended for additional terms ranging from 10 to 30 years. At the end of the concessions terms, the assets attached to the concessions revert to the corresponding governments and do not give rise to any collection rights whatsoever on the part of YPF or Gas Natural Fenosa.

   In 2011 and 2010 the income from the construction services or the improvement of infrastructures amounted to €28 and €21 million, respectively; these amounts are recognized under the line item "Other operating income" and "Other operating expenses."

c. Power distribution concessions which the Group holds through the Gas Natural Fenosa Group in the amount of €213 million at year end 2011 and €242 million at year end 2010.

d. The costs of acquiring interests in exploration permits in the amounts of €606 and €282 million at year end 2011 and 2010, respectively. The investments recognized in 2011 totaled €313 million (2010: €72 million). The main investment recognized in 2011, in the amount of €216 million, corresponds to the acquisition of 70% of the blocks at 'North Slope' (Alaska) from the companies 70 & 148, Llc. and GMT Exploration Llc, through Repsol Group subsidiary E&P USA, Inc. In 2011 the Group also invested €52 million to acquire rights over blocks in Kurdistan.

e. A €110 million prepayment made in 2011 to acquire exploratory rights in Angola.

Intangible assets include €206 million of assets with indefinite useful lives at December 31, 2011 (€207 million at year end 2010). These assets are not amortized but they are tested at least annually for impairment and relate primarily to the power distribution concessions held by the Group in Spain through Gas Natural Fenosa, as described above (Note 3.3.6 c).

The leasehold assignment, surface and usufruct rights, the reflagging costs and image rights, the exclusive supply contracts, as well as the administrative concessions and the costs of acquiring interests in exploration permits are legal rights whose ownership is conditioned upon the terms of the originating contract, as described in section 3.3.6 of Note 3.

At year end 2010 and also in 2011, intangible assets included €97 million of assets acquired under finance leases and related specifically to service station association rights.

The Group recognized research and development expenses in the consolidated income statement in the amount of €82 million in 2011 (€71 million in 2010).

7 Property, plant and equipment

The breakdown of "Property, plant and equipment" and of the related accumulated depreciation and accumulated impairment losses at December 31, 2011 and 2010, and of the changes therein is as follows:

Millions of euros	Land, Buildings and Other Structures	Machinery and plant	Investments in areas with reserves	Other exploration costs	Transport Equipment	Other tangible assets	Assets in the course of construction	TOTAL
COST								
Balance at January 1, 2010	2,565	24,681	30,002	2,480	1,569	1,680	3,934	66,911
Additions	24	246	1,537	486	15	120	2,181	4,609
Disposals and derecognitions	(17)	(118)	(3)	(2)	(6)	(75)	(23)	(244)
Translation differences	72	663	2,295	145	51	71	60	3,357
Change in the scope of the consolidation [5]	(39)	(661)	(146)	(272)	1	(11)	(124)	(1,252)
Reclassifications and other changes [1][2]	168	557	378	(500)	394	21	(1,330)	(312)
Balance at December 31, 2010	2,773	25,368	34,063	2,337	2,024	1,806	4,698	73,069
Additions	19	240	1,984	625	12	91	2,443	5,414
Disposals and derecognitions	(10)	(78)	(3)	(118)	(10)	(24)	(10)	(253)
Translation differences	29	221	1,286	49	5	18	58	1,666
Change in the scope of the consolidation [5]	(3)	133	–	(1)	(2)	(17)	18	128
Reclassifications and other changes [1][2]	221	3,496	583	(730)	16	120	(3,922)	(216)
Balance at December 31, 2011	3,029	29,380	37,913	2,162	2,045	1,994	3,285	79,808
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES								
Balance at January 1, 2010	(728)	(11,861)	(19,378)	(1,232)	(650)	(1,162)	–	(35,011)
Depreciation charge for the year	(67)	(1,190)	(2,042)	(263)	(67)	(79)	–	(3,708)
Disposals and derecognitions	9	91	3	–	5	67	–	175
Impairment losses (recognised) / reversed [3]	(4)	(46)	(83)	(82)	–	(11)	–	(226)
Translation differences	(21)	(284)	(1,472)	(60)	(37)	(44)	–	(1,918)
Change in the scope of the consolidation	9	273	61	99	–	4	–	446
Reclassifications and other changes [1]	2	123	191	118	351	(27)	–	758
Balance at December 31, 2010	(800)	(12,894)	(22,720)	(1,420)	(398)	(1,252)	–	(39,484)
Depreciation charge for the year	(67)	(1,040)	(1,768)	(201)	(92)	(81)	–	(3,249)
Disposals and derecognitions	7	67	–	117	10	16	–	217
Impairment losses (recognised) / reversed [3]	–	1	7	–	–	12	–	20
Translation differences	(9)	(119)	(855)	(21)	(4)	(6)	–	(1,014)
Change in the scope of the consolidation	1	(36)	–	–	1	15	–	(19)
Reclassifications and other changes [1][2]	(21)	50	121	373	(5)	(38)	–	480
Balance at December 31, 2011	(889)	(13,971)	(25,215)	(1,152)	(488)	(1,334)	–	(43,049)
Carrying amount at December 31, 2010	**1,973**	**12,474**	**11,343**	**917**	**1,626**	**554**	**4,698**	**33,585**
Carrying amount at December 31, 2011[4]	**2,140**	**15,409**	**12,698**	**1,010**	**1,557**	**660**	**3,285**	**36,759**

[1] In 2011, this heading includes €3,184 million corresponding to the expansion and upgrade performed at the Cartagena refinery which has been transferred from "Assets in the course of construction" to "Machinery and plant" as a result of their start up in 2011. It also includes transfers to "Non-current assets held for sale" amounting to €209 million corresponding primarily to assets held through Gas Natural Fenosa which were sold in 2011 and related to its gas supply points in the region of Madrid, its Guatemalan power distribution companies and the Arrúbal combined cycle power generation plant (Notes 11 and 31). In 2010, "Reclassifications and other changes" included €177 million of reclassifications to "Non-current assets held for sale" related to the Plana del Vent combined cycle plant and the Enel Unión Fenosa Renovables assets to be spun out to Enel Green Power, all of which are held through Gas Natural Fenosa. Also in 2010, the investment in BBG (€47 million) was transferred to "Non-current assets held for sale."

[2] In 2010, "Reclassifications and other changes" included the derecognition of €539 million of assets associated with service concession arrangements which must be recognized as intangible assets under IFRIC 12 (see Note 6). In addition, within this subheading, the column headed "Transport equipment" included €856 million corresponding to the addition of four new methane ships acquired under finance lease arrangements (see Note 22).

[3] See Note 9.

[4] At December 31, 2011, accumulated impairment charges totaled €215 million.

[5] See Note 30 "Business Combinations" and Note 31 "Divestments."

In 2011, the main additions were made in Argentina (€2,092 million), Spain (€2,040 million), Brazil (€247 million), United States (€234 million), the rest of Central and South America (€631 million) and Portugal (€42 million). In 2010, the main additions were made in Spain (€1,932 million), Argentina (€1,516 million), Brazil (€442 million), the rest of Central and South America (€465 million), Libya (€83 million), the United States (€63 million) and Canada (€49 million).

The amounts corresponding to non-depreciable assets, that is, land and assets in the course of construction, amount, respectively to €766 million and €3,285 million at December 31, 2011 and €790 million and €4,698 million at December 31, 2010, respectively. The amounts related to land are included within the heading "Land, buildings and other structures" on the previous table.

Property, plant and equipment, included fully depreciated items for an amount of €12,147 million and €11,533 million at December 31, 2011 and 2010, respectively.

Repsol YPF capitalizes financial costs as part of the cost of the assets as described in section 3.3 of Note 3. In 2011 and 2010, the average capitalization cost was 4.87% and 3.76% and the amount of such financial expenses capitalized was €139 million and €143 million, respectively. Such amounts are recorded under the "Financial costs" line item in the consolidated income statement.

Within the heading "Property, plant and equipment" there are some investments carried out by the Group in public concessions, in an amount of €158 million and €150 million at December 31, 2011 and 2010, respectively; these concessions shall revert to the State within a term ranging from 2011 and 2054.

In 2011 and 2010 this heading includes €2,894 million and €2,869 million, respectively, of assets acquired under finance leases. Among the assets purchased under finance leases during these periods we highlight the methane ships purchased for the transport of the LNG in the amount of €1,482 million and €1,561 million in 2011 and 2010, respectively, as well as gas pipelines and other assets for the transport of natural gas in North America and Canada, which amounted to €1,388 million and €1,287 million December 31, 2011 and 2010, respectively (Note 22).

In accordance with industry practices, Repsol YPF insures its assets and operations worldwide. Among the risks insured are damages to property, plant and equipment, together with the subsequent interruptions in its business that such damages may cause. The Group believes that the current coverage level is, in general, appropriate for the risks inherent to its business.

8 Investment property

The changes in "Investment property" in 2011 and 2010 were as follows:

Millions of euros	Cost	Accumulated Depreciation and Impairment Losses	TOTAL
Balance at January 1, 2010	41	(6)	**35**
Disposals and derecognitions	(2)	1	**(1)**
Depreciation charge for the year and other changes	2	(10)	**(8)**
Balance at December 31, 2010	41	(15)	**26**
Disposals and derecognitions	(1)	–	**(1)**
Depreciation charge for the year and other changes	4	(5)	**(1)**
Balance at December 31, 2011	44	(20)	**24**

The market value at December 31, 2011 and 2010 of the assets comprised in this line item amounts to €94 million and €99 million, respectively.

The income recognized in 2011 and 2010 from investment properties amounted to less than €1 million in each period.

9 Impairment of assets

Repsol YPF Group reviews the carrying amounts of intangible assets, property, plant and equipment and other non-current assets whenever there are indications that the assets might have become impaired, and at least annually, to determine whether those assets have incurred an impairment loss. These reviews are performed in accordance with the general principles established in Note 3.3.10.

In 2011 the Group recognized net impairment losses on non-current assets in the amount of €96 million (see Note 26). This figure includes a €110 million impairment loss on CO_2 emission allowances (see Note 35), which effect was offset, almost in full, by the gain resulting from the transfer to the income statement of the deferred income recognized in connection with emission allowances allocated free of charge under Spain's National Allocation Plan.

In 2011, the Group reversed €55 million of impairment losses recognized in prior years on exploration and production assets in Brazil and Ecuador due to favorable trends in the key business parameters.

Additionally, in 2011 the Group recognized impairment losses in the amount of €11 million on exploration assets in Spain due to a reduction of the original expected value of the Poseidón facility as an underground gas storage facility. Lastly, the Group recognized impairments losses totaling €18 million in the chemicals business following the optimization of the Group's productive capacity in Portugal.

In May 2010, Repsol YPF formally informed the National Iranian Oil Company (NIOC) and Shell of its decision to terminate its participation in the integrated natural gas liquefaction project in Iran (Persian LNG). As a result, the Group recognized €85 million of impairment charges in connection with the assets capitalized as part of this project, of which €52 million corresponded to assets of the Upstream segment, while the remaining €33 million belonged to the LNG segment.

In 2010, the Group recognized an impairment loss of €81 million in connection with exploration assets in an area of Libya due to uncertainties surrounding the exploitation terms of the associated resources.

In addition, in 2010 the Group recognized impairment charges in connection with several assets associated with the Chemicals business, in the aggregate amount of €14 million, following the optimization of the Group's productive capacity in Spain.

10 Investments accounted for using the equity method

The most significant investments in associates, which were accounted for using the equity method, at December 31, 2011 and 2010, were as follows:

Millions of euros	2011	2010
Perú LNG Company LLC	219	193
Petrocarabobo	86	43
Transportadora de Gas del Perú, S.A.	62	50
Atlantic 4 Company of Trinidad & Tobago	48	44
Atlantic LNG Company of Trinidad & Tobago	43	45
Dynasol Elastómeros, S.A. de C.V.	41	37
Guará, B.V.	40	18
Oleoducto de Crudos Pesados (OCP), LTD	37	30
Transierra, S.A.	27	24
Compañía Logística de Hidrocarburos CLH, S.A.	20	19
Other entities accounted for using the equity method	76	82
	699	**585**

Appendix I lists the most significant Group companies consolidated using the equity method of consolidation.

The changes in 2011 and 2010 in this heading in the accompanying consolidated balance sheet were as follows:

Millions of euros	2011	2010
BALANCE AT BEGINNING OF YEAR	**585**	**531**
Additions	26	2
Disposals	–	(23)
Changes in the scope of consolidation	(3)	(13)
Result of companies accounted for using the equity method	75	76
Dividends distributed	(64)	(72)
Translation differences	19	43
Reclassifications and other changes	61	41
BALANCE AT END OF YEAR	**699**	**585**

The main addition made in 2011 was a €20 million investment in Guará, B.V.

In 2010, "Disposals" related to the sale of a 5% interest in CLH to BBK and the sale by Gas Natural Fenosa of its investment in Gas de Aragón (Note 31).

The breakdown in 2011 and 2010 of the Group's share in the profits or losses of the most significant companies accounted for using the equity method is as follows:

Millions of euros	2011	2010
Atlantic LNG Company of Trinidad & Tobago	25	29
Compañía Logística de Hidrocarburos CLH, S.A.	16	24
Atlantic 4 Company of Trinidad & Tobago	16	19
Other entities accounted for using the equity method	18	4
	75	**76**

The following companies over which the Group has significant management influence, given that the Group has sufficient representation on the Board of Directors, despite holding an interest of less than 20%, were accounted for using the equity method:

Company	% of owner ship
Sistemas Energético Mas Garullo [1]	18.00%
Gasoducto Oriental, S.A.	16.66%
Regasificadora del Noroeste, S.A. [1]	10.50%
CLH	10.00%
Transportadora de Gas del Perú, S.A.	10.00%
Gasoducto del Pacífico (Argentina), S.A.	10.00%

[1] Investees held through the Gas Natural Fenosa Group.

The following table provides the key balances of the Repsol YPF Group associates, calculated in accordance with the group's respective shareholding percentage at December 31, 2011 and 2010 (Appendix I):

Millions of euros	2011	2010
Total Assets	1,964	1,953
Total Equity	699	585
Revenues	902	667
Net income for the period	75	76

11 Non-current assets and liabilities held for sale

The main balance sheet line items classified as assets held for sale and related liabilities at December 31, 2011 and 2010 were as follows:

Millions of euros	2011	2010
Goodwill	–	20
Property, plant and equipment and other intangible assets	187	280
Other non-current assets	43	22
Current assets	28	18
	258	**340**
Non-current liabilities	19	59
Current liabilities	13	94
	32	**153**
	226	**187**

On December 29, 2011, Repsol Exploración Karabashky B.V. acquired 100% of Eurotek, a company that operates hydrocarbon exploration and production licenses in the Khanty-Mansiysk and Yamal-Nenets regions of the Russian Federation. The company was acquired to two subsidiaries of MDM Bank (Selena and Nord Estate Management). This acquisition is part of an agreement signed in December 2011 between Repsol and Alliance Oil concerning the governance of a joint venture created to serve as both companies' growth platform in the Russian Federation. Alliance Oil has incorporated a new joint venture called AR Oil and Gaz, B.V. (hereinafter "AROG"), which at December 31, 2011, in accordance with the transaction milestones, was 100%-owned by Alliance Oil. Repsol's investment in this joint venture was contingent upon the prior acquisition by it of Eurotek. Under the framework of the agreement, Repsol will contribute 100% of Eurotek to AROG, as part of a schedule of contributions that, once complete, will give Alliance Oil a 51% ownership interest in the joint venture, while Repsol will end up with a 49% ownership interest.

The transaction entailed a total outlay of US$234 million (€182 million) which took the form of: (i) a €34 million payment to the seller; (ii) a €141 million loan by Repsol Exploración Karabashky to Eurotek to cancel the liabilities assumed by the company prior to the date of acquisition; and (iii) a €7 million contribution to an escrow account paid in advance for licenses to be sold to the seller at a later date and which will be given back to Eurotek after the sale. As from the date of acquisition, this company has been classified as a non-current asset held for sale and will be carried as such until it is contributed to the joint venture in accordance with the stipulated transaction timeline.

On April 8, 2010, Repsol YPF and Enagás signed an agreement for the sale by Repsol YPF to Enagás of its 82% interest in the Gaviota underground storage facility for €87 million. Of this amount, €16 million were conditional upon the approval by the Ministry of Industry, Tourism and Trade, to the facility's capacity expansion plans. In 2010, the Group received a €70 million advance payment on this sale; this amount was recognized under proceeds from disposals in the accompanying consolidated cash flow statement. This transaction closed on October 3, 2011, having obtained all required permits for a final amount of €79 million (see Note 31), amounting the derecognition of assets net of associated liabilities in this heading amounted to €51 million.

On June 30, 2011, Gas Natural Fenosa agreed to sell approximately 245,000 gas supply customers (in addition to the 300,000 supply points sold to Grupo Madrileña Red de Gas, as disclosed in Note 31) and associated contracts in the Madrid region for a total of €11 million. This transaction is subject to obtaining the pertinent authorizations. These assets have been classified as non-current assets held for sale since the date the agreement was reached. The amounts in millions of euros are stated at the Group's proportionate interest in Gas Natural Fenosa.

In July 2010, Gas Natural Fenosa agreed to sell Grupo Alpiq the Plana de Vent 400MW combined cycle plant for a total of €60 million. At December 31, 2010, the assets for which the sale was agreed, were classified as non-current assets held for sale. Having secured all the required permits, the sale was closed on April 1, 2011. It did not have any impact on the consolidated income statement. In addition, Alpiq will acquire an exclusive usage and operating right over another 400 MW facility for a two-year term. At the end of this term, Alpiq will have the right to purchase the facility for a total of €59 million, in line with the market value of this option. The amounts in millions of euros are stated at the Group's proportionate interest in Gas Natural Fenosa.

In August 2010, Gas Natural Fenosa and Enel Green Power agreed to terminate the renewable energy venture held by both parties until that time through Enel Unión Fenosa Renovables, S.A. (EUFER), a company in which each held a 50% interest. At December 31, 2010, €55 million of the assets net of the associated liabilities that were recognized in Gas Natural Fenosa's consolidated balance sheet, that would be yield to Enel Green Power, were classified as non-current assets and associated liabilities held for sale. Having secured all required permits, the transaction was closed on May 27, 2011. As a result of this transaction, each of the shareholders received approximately half of the assets and liabilities associated to the former renewable energy business (see Note 30). The amounts in millions of euros are stated at the Group's proportionate interest in Gas Natural Fenosa.

In February 2010, the Group sold 100% of Termobarrancas and the exploration and exploitation license for the Barrancas area to PDVSA; at year end 2009 the investment in this company was classified to this heading in light of the sale-purchase and cession agreements already entered into with PDVSA and PDVSA GAS, respectively. Upon closing this transaction, €132 million was derecognized from this heading.

In December 2009, Gas Natural Fenosa agreed the sale of its dual gas and power supply business in 38 Madrid municipalities. This business supplied residential customers, retail premises and small and medium companies (SMEs) from the shared services structure in this region. This sale was closed in April 2010 once all the necessary permits had been obtained, resulting in the derecognition from this heading of €163 million of assets and €36 million of liabilities (proportionate to Repsol YPF Group's interest in Gas Natural Fenosa) (see Note 31).

In December 2009, Gas Natural Fenosa agreed the sale of several combined cycle power generation operators in Mexico, with combined generating capacity of 2,233 MW, and the Gasoducto del Río gas pipeline. This sale was closed in June 2010 once all the necessary permits had been obtained from the Mexican authorities, resulting in the derecognition from this heading of €431 million of assets and €126 million of liabilities (proportionate to Repsol YPF Group's interest in Gas Natural Fenosa) (see Note 31).

12 Current and non-current financial assets

The breakdown of the different concepts that are included on the balance sheet is as follows:

Millions of euros	2011	2010
Non-current financial assets	2,450	1,789
Non-currents derivatives on trading transactions [1]	–	2
Other current financial assets	674	684
Currents derivatives on trading transactions [2]	68	40
Cash and cash equivalents	2,677	6,448
	5,869	**8,963**

[1] Classified under the heading "Other non-current assets".

[2] Classified under the heading "Other receivables".

The detail, by type of assets, of the Group's financial assets at December 31, 2011 and 2010, is as follows:

							December 31, 2011
			Carrying amount				
Nature/category	Financial assets held for trading	Other financial assets at fair value through profit or loss	Financial assets available for sale	Loans and receivables	Held to maturity investments	Hedging derivatives	Total
Equity instruments	–	–	128	–	–	–	128
Derivatives	–	–	–	–	–	–	–
Other financial assets	–	65	–	2,212	45	–	2,322
Long term/non-current	–	**65**	**128**	**2,212**	**45**	–	**2,450**
Derivatives	176	–	–	–	–	58	234
Other financial assets [1]	–	84	–	463	2,638	–	3,185
Short term/current	**176**	**84**	–	**463**	**2,638**	**58**	**3,419**
Total	**176**	**149**	**128**	**2,675**	**2,683**	**58**	**5,869**

							December 31, 2010
			Carrying amount				
Nature/category	Financial assets held for trading	Other financial assets at fair value through profit or loss	Financial assets available for sale	Loans and receivables	Held to maturity investments	Hedging derivatives	Total
Equity instruments	–	–	150	–	–	–	150
Derivatives	2	–	–	–	–	–	2
Other financial assets	–	64	–	1,509	66	–	1,639
Long term/non-current	**2**	**64**	**150**	**1,509**	**66**	**–**	**1,791**
Derivatives	37	–	–	–	–	71	108
Other financial assets [1]	–	346	–	601	6,117	–	7,064
Short term/current	**37**	**346**	**–**	**601**	**6,117**	**71**	**7,172**
Total	**39**	**410**	**150**	**2,110**	**6,183**	**71**	**8,963**

[1] Under the headings "Other non-current assets", and in the headings "Trade receivables" and "Other receivables" from the balance sheet include in 2011 an amount of €344 million classified under long term and €8,634 million classified under short-term and in 2010 an amount of €320 million classified under long term and €7,989 million classified under short term, arising out of commercial receivables not included in the breakdown of the financial assets in the previous table.

The classification of the financial assets recognized in the financial statements at fair value, by fair value calculation method level hierarchy, is as follows:

	Level 1		Level 2		Level 3		Total	
Millions of euros	2011	2010	2011	2010	2011	2010	2011	2010
Financial assets held for trading	23	8	153	31	–	–	176	39
Other financial assets at fair value through profit and loss	149	410	–	–	–	–	149	410
Financial assets available for sale [1]	57	71	–	–	–	–	57	71
Hedging derivatives	–	–	58	71	–	–	58	71
Total	**229**	**489**	**211**	**102**	**–**	**–**	**440**	**591**

Level 1:Valuations based on a quoted price in an active market for an identical instrument which basically refer to investment funds hold by the Group.

Level 2:Valuations based on a quoted price in an active market for similar financial assets or based on other valuation techniques that rely on observable market inputs.

Level 3:Valuations based on inputs that are not directly observable in the market.

[1]Excludes €71 million and €79 million in 2011 and 2010, respectively, corresponding to equity investments in companies that are measured at acquisition cost under IAS 39 (Note 3.3.11. - Current and non-current financial assets).

The composition of current and non-current financial assets by category is as follows:

12.1 Financial assets held for trading

Derivatives not designated as hedging instruments are included within this category (see Note 21).

12.2 Other financial assets at fair value through profit or loss

Financial assets measure at fair value through profit or loss in the years 2011 and 2010 mainly correspond to collective mutual funds and additionally they include the amount of €36 million in 2011 for the investment in debt securities.

12.3 Financial assets available for sale

These mainly correspond to minority equity interests in companies over which the Group does not have management influence.

The movement of financial assets available for sale during the years ended December 31, 2011 and 2010 is the following:

Millions of euros	2011	2010
Balance at beginning of year	**150**	**173**
Additions	12	1
Disposals	(4)	(39)
Adjustments to fair value	(16)	8
Changes in the scope of consolidation	(6)	(1)
Reclassifications and other changes	(8)	8
Balance at end of year	**128**	**150**

In 2010, Gas Natural Fenosa sold 5% of Indra, an interest which had been reclassified to this heading from 'Non-current assets held for sale' in July 2009. The sale amounted to €38 million, generating a before-tax gain of €1 million. The amounts in millions of euros are stated at the Group's proportionate interest in Gas Natural Fenosa.

'Adjustments to fair value' in the table above correspond primarily to the investment in Alliance Oil Company (a company which absorbed the former West Siberian Resources) generating a loss of €13 million in 2011 and a gain of €11 million in 2010.

12.4 Loans and receivables

The fair value of the loans and receivables of the Group is detailed in the following table:

Millions of euros	Carrying amount		Fair value	
	2011	**2010**	**2011**	**2010**
Non-current	2,212	1,509	2,432	1,689
Current	463	601	463	601
	2,675	**2,110**	**2,895**	**2,290**

The non-current balance includes loans extended to Petersen Group as a result of the sale of interest in YPF (Note 31). The balance outstanding at year-end 2011 and 2010 with Peterson Group stood at €1,542 million and €940 million, respectively. These amounts include principal and interest accrued at year-end. The first of these loans, granted in 2008 at a face value of US$1,016 million (€785 million) accrues interest at an annual rate of 8.12% until May 2013 when principal repayments begin, falling to 7% thereafter. The second loan, granted in 2011 at a face value of US$626 million (€484 million) accrues interest at an annual rate of 7.40% until November 2016 when principal repayments begin, falling to 6.50% thereafter.

This heading also included financing extended by Gas Natural Fenosa to the Group Company Contour Global amounting to €77 million (stated in proportion to the Group's interest in Gas Natural Fenosa) in connection with the sale of the Arrúbal (La Rioja province) combined cycle power generation plant in 2011. This loan is secured by the shares in this Company and other assets, accrues interest at market rates and it falls due in 2021.

Additionally, non-current loans and receivables also include €34 million corresponding to the concessions classified as financial assets in accordance with IFRIC 12 Service Concession Agreements which the Group holds through its investment in Gas Natural Fenosa in 2011 and 2010.

Current and non-current loans include the loans granted to consolidated companies in the amount not eliminated in the consolidation process of €310 and €324 million in 2011 and 2010, respectively. The 2011 those loans included impairment provisions amounting to €21 million.

Current loans and receivables includes €370 and €526 million at year end 2011 and 2010, respectively, in relation with the Group's share of the funding of the electricity tariff deficit through Gas Natural Fenosa. In 2011, eleven debts issuances of Spanish's tariff deficit securitization fund (FADE for its acronym in Spanish) were made (see Note 31). The figures stated correspond to the Repsol Group's proportionate interest in Gas Natural Fenosa.

The return accrued on the financial assets disclosed in the table above (without considering financing of the shortfall in regulated electricity tariff settlements) was equivalent to an average interest rate of 7.53% in 2011 and of 7.65% in 2010.

The maturity of non-current loans and receivables is the following:

Due date	**2011**	**2010**
Millions of euros		
2012	–	38
2013	124	68
2014	80	75
2015	76	69
2016	103	69
Subsequent years	1,829	1,190
	2,212	**1,509**

12.5 Held to maturity investments

The breakdown of the face value of the held to maturity investments at December 31, 2011 and 2010 is as follows:

Millions of euros	**2011**	**2010**
Non-current financial assets	45	66
Current financial assets	8	4
Cash equivalents	1,327	3,993
Cash on hand and at banks	1,303	2,120
	2,683	**6,183**

The fair value of the financial held to maturity investments is the same as their face value.

Financial investments are mainly from placements in banks and collateral deposits. These financial investments have accrued an average interest of 1.90% and 1.22% in 2011 and 2010, respectively.

At December 31, 2011, the Group directly held Argentine debt securities maturing between 2017 and 2024 in the amount of €2 million.

The non-current financial assets held-to-maturity mature as follows:

Due date	**2011**	**2010**
Millions of euros		
2012	–	26
2013	22	14
2014	5	3
2015	3	3
2016	3	3
Subsequent years	12	17
	45	**66**

13 Inventories

The "Inventories" composition at December 31, 2011 and 2010 is as follows:

Millions of euros	**At December 31, 2011**
Crude oil and natural gas	2,459
Finished and semi-finished goods	4,197
Supplies and other inventories	622
	7,278
	At December 31, 2010
Crude oil and natural gas	2,323
Finished and semi-finished goods	2,984
Supplies and other inventories	530
	5,837

In 2011 the Group recognizes net expenses of €33 million and in 2010 the Group recognized net gains of €4 million, in the line item "Changes in inventories of finished goods and work in progress inventories" as a result of the measurement of inventories of finished goods and raw materials at the lower of cost and net realizable value.

In relation with raw materials, in 2010 the Group recognized a net expense of €9 million under the "Supplies" heading relating to the measurement of raw materials at the lower of cost and net realizable value. In 2011 the amount registered by the Group under this line item was lower than €1 million.

At December 31, 2011 and 2010, the balance of inventories at fair value less costs to sell amounted to €229 million and €242 million, respectively, and the effect of their measurement at market value represented an expense of €51 million in 2011 and a gain of €6 million in 2010.

The Repsol YPF Group complies, both at December 31, 2011 and December 31, 2010, with the legal requirements regarding minimum safety stocks established under prevailing legislation (See Note 2) through its Spanish Group companies.

14 Trade and other receivables

The breakdown of this heading at December 31, 2011 and 2010 was the following:

Millions of euros	**2011**	**2010**
Trade receivables for sales and services	6,959	6,084
Doubtful accounts provision	(404)	(289)
Trade receivables	**6,555**	**5,795**
Other trade creditors and other receivables [1][2]	1,248	1,508
Debtors from personnel transactions	101	53
Receivables from public bodies	730	633
Derivatives held for traiding [3]	68	40
Other receivables	**2,147**	**2,234**
Income tax assets	**520**	**369**
Trade and other receivables	**9,222**	**8,398**

[1] At December 31, 2010 this heading of the Financial Statements corresponding to the year 2010 included an additional amount of €171 million (a total balance of €1,679 million) which for comparative purposes, have been classified in "Other current assets" in the balance sheet and which relate mainly to accruals.

[2] The Group has recognized an impairment provision of €132 million as a result of the temporary revocation by the Argentine authorities of the tax benefits granted under the country's "Petróleo Plus" program (see Note 2).

[3] This heading includes the items outlined in Note 12.

The changes in the provision for doubtful accounts in 2011 and 2010 were as follows:

Millions of euros	**2011**	**2010**
Balance at beginnig of the year	289	395
Impairment losses recognized/ (reversed)	64	70
Change in the scope of consolidation	(1)	–
Translation differences	2	22
Reclassifications and other movements	50	(198)
Balance at end of the year	**404**	**289**

15 Equity

15.1 Share capital

The share capital at December 31, 2011 and 2010 consisted of 1,220,863,463 fully subscribed and paid up shares of 1 euro par value each, represented by book entries, and all listed on the Spanish stock exchanges and Buenos Aires Stock Exchange.

On February 22, 2011, the Company officially filed to delist its ADSs from the New York Stock Exchange (NYSE). Repsol's ADSs ceased trading on that exchange on March 4, 2011. On the basis of the application filed by the Company with the US Securities and Exchange Commission on March 7, 2011, the ADSs were officially deregistered in June 2011.

The Company continues to operate an ADS program; the ADSs which began trading on the OTCQX market on March 9, 2011.

Repsol YPF's Articles of Association limit the maximum number of votes that any single shareholder or companies belonging to the same group may cast at the General Meeting at 10% of the voting stock. In accordance with prevailing corporate law applicable to listed companies, this cap was rendered null and void on July 1, 2011. The Company plans to eliminate this clause at its next General Meeting as part of broader Corporate Governance reform proposal.

Since Repsol YPF's shares are represented by the book entry method, it is not possible to ascertain its precise shareholder structure. As a result, the figures provided in the table below reflect the information known by the Company at December 31, 2011 on the basis of the latest reports provided by Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U.(Iberclear, Spain's central clearing house) and the information submitted to Spain's securities market regulator (the CNMV for its acronym in Spanish) by the shareholders:

Shareholder	**% total over share capital**
CaixaBank	12.84
Sacyr Vallehermoso, S.A. [1]	10.01
Petróleos Mexicanos [2]	9.49

[1] Sacyr Vallehermoso, S.A. holds its stake through Sacyr Vallehermoso Participaciones Mobiliarias, S.L.

[2] Petróleos Mexicanos (Pemex) holds its stake through Pemex Internacional España, S.A., PMI Holdings, B.V. and through several swap instruments (equity swaps) with certain financial entities that enable Pemex to exercise the economic and political rights of a percentage of up to 9.49% of the share capital of the Company.

On August 29, 2011, Sacyr Vallehermoso, S.A., and Petróleos Mexicanos and P.M.I. Holdings, B.V., (the "Pemex Group") signed a shareholder agreement which was notified to the Company and the CNMV in accordance with applicable law. According to information disclosed publicly by both of these shareholders, Sacyr Vallehermoso, S.A. and the Pemex Group signed another agreement on January 31, 2012 which has the effect of an early termination of the above shareholder agreement.

At December 31, 2011, the following Group companies' shares were publicly listed:

Company	Number of listed shares	% of share capital listed	Stock exchanges	Year-end market price	Average last quarter	Currency
Repsol YPF, S.A.	1,220,863,463	100%	Spanish stock exchanges (Madrid. Barcelona. Bilbao. Valencia)	23.74	21.20	euros
			Buenos Aires Stock Exchange	142.00	137.54	pesos
Gas Natural SDG, S.A.	991,672,139	100%	Spanish stock exchanges (Madrid. Barcelona. Bilbao. Valencia)	13.27	12.77	euros
YPF	393,312,793	100%	Buenos Aires Stock Exchange	167.55	164.74	pesos
			New York Stock Exchange (NYSE)	34.68	35.60	dollars
Refinería La Pampilla, S.A.	721,280,000	100%	Lima Stock Exchange	0.89	0.83	soles
Compañía Logística de Hidrocarburos, CLH	1,779,049	2.54%				
Serie A	90,000	100.00%	Spanish stock exchanges (Madrid. Barcelona. Bilbao. Valencia)	25.34	27.78	euros
Serie D	1,689,049	100.00%				

15.2 Share premium

The share premium at December 31, 2011 and 2010 amounted to €6,428 million. The Spanish Capital Companies Law expressly permits the use of the share premium account balance to increase capital and does not establish any specific restrictions as to its use.

15.3 Reserves

Legal reserve

Under the Spanish Capital Companies Law, 10% of net income for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

Revaluation Reserve

The balance of "Revaluation Reserve" (Royal Decree-Law 7/1996 of June 7) can be used, free of tax, to offset losses (both prior years' accumulated losses, current year losses or losses which might arise in the future), and to increase capital. From January 1, 2007, the balance of this account can be taken to unrestricted reserves, provided that the monetary surplus has been realized. The surplus will be deemed to have been realized in respect of the portion on which depreciation has been taken for accounting purposes or when the revalued assets have been transferred or derecognized. The distribution of these reserves would give rise to entitlement to a dividend double taxation tax credit. If this balance were used in a manner other than as exposed it would be subject to taxation.

Other reserves

It includes mainly the transition to IFRS reserve, which comprises the adjustments related to the differences between the previous accounting principles and the IFRS, from events and transactions before the transition date to IFRS (January 1, 2004) and all the results created and not distributed as dividends, which had not been recognized in any of the different reserves previously mentioned.

15.4 Treasury shares and own equity instruments.

The ordinary Annual Shareholders' Meeting held on April 30, 2010, authorized the Board of Directors to make the derivative acquisition of Repsol YPF's shares, via sale-purchase, swap or any other onerous transaction, directly or through subsidiaries, up to a maximum number of shares so that the sum of those acquired plus treasury shares already held by Repsol YPF, S.A. and any of its subsidiaries does not exceed 10% of the parent company's share capital, for a price or consideration that shall not be less than the par value of the shares and not more than its quoted price on the stock exchange.

The authorization is valid for 5 years from the date of the General Shareholders' Meeting and nullifies the equivalent resolution ratified at the ordinary General Shareholders' Meeting held on May 14, 2009.

In 2011, the Group acquired a total of 6,685,499 treasury shares representing 0.55% of the parent's company share capital. These shares had a par value of 1 euro per share, representing the total amount of €125 million. These shares were sold during the year for a pre-tax amount of €140 million. These transactions gave rise to a €15 million gain which was recognized under "other reserves".

Moreover, in execution of the Share Acquisition Plan approved at the ordinary General Meeting held on April 15, 2011, the Company has acquired a total of 298,117 shares representing 0.024% of share capital at a cost of €6.6 million. These shares have been delivered to employees of the Repsol YPF Group under the employee share-based payment scheme detailed in Note 18.

In addition, on December 20, 2011, the Company acquired 122,086,346 treasury shares of 1 euro par value each, representing 10% of its share capital, in furtherance of the resolution unanimously adopted by the Board of Directors on 18 December The decision was adopted after receiving news that the creditor banks of Sacyr Vallehermoso had decided not to renew the credit facility previously awarded in order to acquire 20% of Repsol YPF, or would condition its partial refinancing upon the sale of 10% of its shares in the company. This package was acquired at a price of €21.066 per share for a total of €2,572 million.

At December 31, 2011, the treasury shares held by Repsol YPF and/or other companies within the Group, represented 10% of its share capital, At December 31, 2010, neither Repsol YPF, nor any of its subsidiaries held any shares of the parent company.

15.5 Adjustments for changes in value

This heading includes:

Financial assets available for sale

It comprises the profits and losses, net of the related tax effect, corresponding to changes in the fair value of non-monetary assets classified within the category of financial assets available for sale.

Hedging transactions

It comprises the effective part, net of the related tax effect, of changes in the fair value of derivative instruments defined as cash flow hedges (section 3.3.24 of Note 3 and Note 21).

Translation differences

This item corresponds to exchange differences recognized in equity as a result of the consolidation process described in Note 3.3.1, and the measurement at fair value of the financial instruments assigned as net investment hedges in foreign transactions (see note 21) in accordance to the method described under section 3.3.24 of Note 3.

The movement in adjustments for changes in value is presented in the consolidated statement of recognized income and expenses by item and before the corresponding tax effect. The tax effects of the changes set out in the 2011 and 2010 statements of recognized income and expense are broken out in the following table:

Millions of euros	Recognised in Equity		Transferred to the Income Statement		TOTAL	
	2011	2010	2011	2010	2011	2010
Measurement of financial assets available for sale	4	(1)	–	–	4	(1)
Cash flow hedges	24	19	(20)	(25)	4	(6)
Translation differences	(9)	(120)	–	–	(9)	(120)
Actuarial gains and losses and other adjustments	5	6	–	–	5	6
	24	(96)	(20)	(25)	4	(121)

15.6 Dividends

The breakdown of the dividends paid by Repsol YPF, S.A. in 2011 and 2010 are as follows:

	December 31, 2011			December 31, 2010		
	% Nominal	Euros per share	Amount [1]	% Nominal	Euros per share	Amount [2]
Ordinary shares	105.0%	1.050	1,282	42.5%	0.425	519
Remaining shares (without vote, recovery, etc.)	–	–	–	–	–	–
Total dividends paid	**105.0%**	**1.050**	**1,282**	**42.5%**	**0.425**	**519**
a) Dividends charged to results	105.0%	1.050	1,282	42.5%	0.425	519
b) Dividends charged to reserves or share premium	–	–	–	–	–	–
c) Dividends in kind	–	–	–	–	–	–

[1] This amount corresponds to the interim dividend (paid on January 13, 2011) and final (paid on July 7,2011) against 2010 profit.

[2] This balance corresponds to final dividends against 2009 paid on July 8, 2010.

The interim dividends in 2011 and 2010 correspond to the gross per share dividends distributed by Repsol YPF, S.A. against the profits of each year. In 2011 the interim dividend amounted to €635 million (€0.5775 per share before tax, paid on January 10, 2012 for each of the Company's outstanding shares with dividend rights) and in 2010 the interim dividend amounted to €641 million (€0.525 per share before tax).

The final (complementary) dividend from 2010 profits, approved by Repsol YPF, S.A.'s shareholders at the General Meeting held on April 15, 2011, totaled €641 million (€0.525 per share before tax).

At the date of authorizing these Financial Statements for issue, the Company's Board of Directors had agreed to submit a new remuneration scheme to its shareholders for approval at the next General Meeting. Under the new scheme, the Company would offer its shareholders the choice of receiving their remuneration in the form of Repsol YPF, S.A. paid-up shares (scrip dividend), without limiting the possibility of receiving their remuneration in cash.

The scheme would be implemented through a scrip issue (a paid-up capital increase) which would be subject to shareholder approval. In this case, the Board would be empowered to execute the capital increase any time within a year from the date of the General Meeting. The plan is to undertake the capital increase at around the same time as the Company traditionally pays its final (complementary) dividend.

Through this increase in share capital, each of the Company's shareholders would receive one free bonus share right for every Repsol YPF, S.A. share they hold. These rights would then be traded on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges.

Depending on the alternative chosen, each shareholder would either receive new-issue shares or a sum of cash obtained by selling their free bonus share rights back to the Company (the Company having committed to buying them back at a set price) or on the market (in which case the consideration obtained would vary in line with the trading price of bonus share rights).

The Company expects the per share remuneration in 2011 to be approximately 10% higher than that paid against 2010 earnings.

The bonus share issue would not entail any fees and commissions for shareholders subscribing for the new-issue shares. The Company would assume all the costs implied by the share issue (issuance, subscription, admission to trading, etc.). Notwithstanding the foregoing, the entities participating in Iberclear at which the shares are deposited may establish, in accordance with prevailing legislation, fees and commissions payable by shareholders for the administration and processing of any bonus share rights buy and sell orders.

15.7 Earnings per share

Earnings per share at December 31, 2011 and 2010 is detailed below:

	2011	2010
Net income attributable to the parent company (millions of euros)	2,193	4,693
Weighted average number of shares outstanding (millions of shares)	1,216	1,221

EARNINGS PER SHARE ATTRIBUTED TO THE PARENT (EUROS)	2011	2010
Basic	1.80	3.84
Diluted	1.80	3.84

15.8 Minority interests

The equity attributable to minority interests at year end 2011 and 2010 relates basically to the following companies:

Millions of euros	2011	2010
YPF, S.A. [1]	2,762	1,149
Gas Natural Fenosa group companies [2]	494	478
Refinería La Pampilla, S.A.	134	98
Petronor, S.A.	100	96
Other companies	15	25
TOTAL	**3,505**	**1,846**

[1] The increase reflects the sale of interest in YPF during 2011 (see Note 31).

[2] This heading includes preference shares issued by Unión Fenosa Preferentes, S.A., part of the Gas Natural Fenosa Group, with a face value of €225 and €226 million at December 31, 2011 and 2010 respectively (proportionate to Repsol YPF Group's interest in Gas Natural Fenosa).

16 Grants

The grants recognized in the consolidated balance sheet in the amounts of €118 million at year end 2011 and €110 million at year end 2010 correspond mainly to subsidies for the construction of gas or electrical infrastructure (€64 million at year end 2011 and €80 million at year end 2010).

Revenues in relation to non-financial assets grants are transferred to the income statement under the heading "Allocations of grants on non-financial assets and other grants." Meanwhile, grants related to income are recognized in the income statement under the heading "Other operating income" and amounted to €72 million in 2011 (€227 million in 2010).

17 Current and non-current provisions

The breakdown of provisions at year end and the changes in this heading in 2011 and 2010 are as follows:

Current and non-current provisions for contingencies and expenses

Millions of euros	Provisions for pensions [4]	Provision for field dismantling costs	Provisions for contracts	Environment	CO_2 Emissions	Other provisions	TOTAL
BALANCE AT JANUARY 1, 2010	**243**	**1,138**	**392**	**222**	**180**	**1,204**	3,379
Period provisions charged to results [1]	23	96	99	75	179	563	**1,035**
Reversals of provisions with a credit to results [2]	(2)	(1)	–	(3)	(1)	(135)	**(142)**
Provisions released due to payment	(24)	(29)	(43)	(50)	–	(160)	**(306)**
Changes in the scope of consolidation [3]	(21)	(8)	(5)	–	4	(2)	**(32)**
Translation differences	15	76	29	14	–	39	**173**
Reclassifications and other changes [4]	23	161	(55)	(4)	(180)	124	**69**
BALANCE AT DECEMBER 31, 2010	**257**	**1,433**	**417**	**254**	**182**	**1,633**	4,176
Period provisions charged to results [1]	15	94	50	82	94	200	**535**
Reversals of provisions with a credit to results [2]	(1)	(4)	(73)	(3)	–	(107)	**(188)**
Provisions released due to payment	(27)	(41)	(96)	(80)	(2)	(115)	**(361)**
Changes in the scope of consolidation [3]	(1)	–	–	–	–	–	**(1)**
Translation differences	1	64	4	7	–	12	**88**
Reclassifications and other changes [4]	11	298	–	(5)	(179)	(96)	**29**
BALANCE AT DECEMBER 31, 2011	**255**	**1,844**	**302**	**255**	**95**	**1,527**	4,278

[1] Includes €186 and €199 million in relation with discounting provisions to the present value in 2011 and 2010 respectively.

[2] Includes the cancellation of provisions for certain items recognized by Group companies in several countries, due to changes in the circumstances that had given rise to their initial recognition.

[3] Column headed "Provision for field dismantling costs" includes €333 and 178 million in 2011 and 2010 respectively corresponding to additions to property, plant and equipment and the provision made for field dismantling charges. In addition, 'Other provisions' in 2011 in the table above reflects the reclassification to 'Trade payables' of €355 million following the agreement reached between Gas Natural Fenosa and Sonatrach resolving their dispute over the price applicable to the gas supply agreements with Sagane, S.A., a Gas Natural Fenosa Group company (see Note 34), which has been settled This liability has been settled. The figures stated correspond to the Group's proportionate interest in Gas Natural Fenosa. In 2011 this heading also includes additions as a result of risks associated with foreign transactions (Note 24).

[4] See Note 18.

"Other provisions" includes the provisions recognized to cover liabilities deriving principally from tax claims and legal and arbitration proceedings. Additional information is disclosed in Note 24 "Tax Situation" and Note 34 "Contingent liabilities and obligations".

The next table provides an estimate of when the Group is likely to have the settlement timetable of provisioned contingencies and expenses recognized at the end of the reporting period. Nevertheless, due to the nature of the risks provisioned, these timing assessments are subject to uncertainty and changes that are beyond the Group's control. As a result, this schedule could change in the future according to the circumstances underpinning the estimates.

Millions of euros	Less than one year	One to five years	More than five years and/or undetermined	TOTAL
Provisions for pensions	3	88	164	**255**
Provisions for field dismantling costs	46	605	1,193	**1,844**
Provision for contracts	2	230	70	**302**
Environment	105	115	36	**256**
CO_2 Emissions	95	–	–	**95**
Other	201	743	582	**1,526**
TOTAL	**452**	**1,781**	**2,045**	4,278

18 Pension plans and other personnel obligations

a. Defined contribution pension plans

Repsol YPF has defined contribution plans for certain employees in Spain, which conform to current legislation. The main features of these plans are as follows:

i. They are mixed plans to cover retirement, disability and death of the participants

ii. The sponsor (Repsol YPF) undertakes to make monthly contributions of certain percentages of serving employees' salaries to external pension funds.

YPF and other subsidiaries outside Spain also have a defined contribution pension plan for their employees and directors of its main companies, in which the company contributes basically the same amount as the participant up to a stipulated ceiling.

Also, the Gas Natural Fenosa Group has defined contribution pension plans for certain employees.

The annual cost charged to "Personnel expenses" in the consolidated income statement in relation to the defined contribution plans detailed above amounted to €52 million in 2011 and 2010.

Executives of the Repsol Group in Spain are beneficiaries of an executive pension plan that complements the standard pension plan denominated "Plan de previsión de Directivos" (Management remuneration plan) which covers the participant retirement, disability and death. Repsol YPF makes defined contributions based on a percentage of participants' salaries. The plan guarantees a fixed return equivalent to 125% of the prior year national consumer price index. The plan is instrumented through collective insurances that cover pension obligations, subscribed with an insurance entity. Premiums paid under these policies finance and externalize the Group's commitments in respect of ordinary contributions, as well as the fixed return mentioned above. The officer (or his/her beneficiaries) becomes entitled to receive the plan benefits in the event of retirement, death or total permanent disability, and under certain other circumstances defined in the plan rules. The cost of this plan recognized under "Personnel expenses" in the 2011 and 2010 consolidated income statement was €3 million and €4 million, respectively.

b. Defined benefit pension plans

Repsol YPF, primarily through Gas Natural Fenosa and YPF Holdings, a subsidiary of YPF, has arranged defined benefit pension plans for certain employee groups in Spain, Brazil, Colombia and the United States, among other countries. The breakdown of the provisions recognized in connection with these plans is as follows:

	2011	2010
Spain (see b.1)	107	109
Colombia (see b.2)	85	81
Brazil (see b.3)	18	17
United States (see b.4)	33	30
Other	12	20
TOTAL	**255**	**257**

b.1 At December 31, 2011 and 2010, the Group maintained, through Gas Natural Fenosa, the following commitments for certain employee groups in Spain:

- Pensions for retirees, disabled employees, widows and orphans in certain employee groups.
- Commitments to top up defined benefit pensions for inactive personnel of the former Unión Fenosa Group retiring before November 2002 and a residual portion of serving employees.
- Retirement and life insurance cover for certain employee groups.
- Gas bill discounts for serving and retired personnel.
- Electricity for serving and retired personnel.
- Commitments through official retirement age to employees opting for early retirement schemes and early retirement schemes.

- Salary supplements and social security contributions for a group of early retirees until ordinary retirement age.
- Healthcare coverage and other benefits.

b.2 At December 31, 2011 and 2010 the Group had the following commitments to certain groups of employees in Colombia:

- Pension commitments to retired employees.
- Electricity for active and retired personnel.
- Healthcare insurance and other post-retirement benefits

b.3 At December 31, 2011 and 2010, Repsol YPF maintained, through its interest in Gas Natural Fenosa, the following commitments for certain employee groups in Brazil:

- A post-employment defined benefit plan providing cover for retirement, workplace death, disability pensions, and general amounts.
- Post-employment healthcare insurance.
- Other post-employment defined benefit plans guaranteeing temporary pensions, life insurance and general amounts depending on years of service.

b.4 At year end 2011, YPF Holdings, a YPF subsidiary, maintains a non-contributory pension plan for executives, key management personnel, as well as former employees who worked at some of the Group companies of this subsidiary. Additionally, this company provides medical insurance benefits, life insurance benefits and other employee benefits to certain of its employees who retire early; the company also pays benefits for health and risk of death to disabled employees and benefits for risk of death to retired executives.

Additionally, USA Holdings, Inc., grants medical service benefits, life insurance and other welfare benefits to some of its retired employees.

The breakdown of the main provisions for pension and other similar commitments recognized in the accompanying consolidated balance sheet by country, and the changes in the present value of the related commitments and the fair value of the plan assets, is as follows:

	2011				2010			
Present value of plan commitments	**Spain**	**Colombia**	**Brazil**	**U.S.**	**Spain**	**Colombia**	**Brazil**	**U.S.**
At January 1	362	81	52	30	361	67	73	20
Changes to consolidation scope [1]	–	–	–	–	1	–	(41)	–
Annual service cost	1	–	–	–	1	–	1	1
Interest expense	14	6	5	2	16	6	6	1
Actuarial gains and losses	(13)	9	8	4	(1)	8	11	4
Benefits paid	(27)	(10)	(4)	(4)	(29)	(10)	(4)	(2)
Transfers and cancellations	3	(3)	–	1	12	–	–	3
Currency translation differences	–	2	(5)	–	–	10	6	3
At December 31	340	85	56	33	362	81	52	30
Fair value of plan assets								
At January 1	253	–	35	–	244	–	52	–
Changes to consolidation scope (1)	–	–	–	–	1	–	(27)	–
Expected return	10	–	4	–	11	–	5	2
Contributions	3	–	2	–	11	–	–	1
Actuarial gains and losses	(13)	–	4	–	2	–	2	(3)
Benefits paid	(20)	–	(3)	–	(29)	–	(3)	–
Other movements	–	–	–	–	13	–	–	–
Currency translation differences	–	–	(4)	–	–	–	6	–
At December 31	233	–	38	–	253	–	35	–
Provision for pensions and similar commitments	**107**	**85**	**18**	**33**	**109**	**81**	**17**	**30**

[1] In 2009, the Group had defined benefit pension plans through its investment in REFAP in Brazil; however this investment was sold in December 2010.

The amounts recognized in the consolidated income statement for all the above-listed pension plans are the following:

	2011				2010			
	Spain	**Colombia**	**Brazil**	**U.S.**	**Spain**	**Colombia**	**Brazil**	**U.S.**
Annual service cost	1	–	–	–	1	–	1	1
Interest expense	14	6	5	2	16	6	6	1
Expected return on plan assets	(9)	–	(4)	–	(11)	–	(5)	(2)
Income statement charge	6	6	1	2	6	6	2	–

The accumulated balance of actuarial gains and losses, net of tax, recognized directly in equity was a net loss of €12 million and € 11 million in 2011 and 2010 respectivly.

The pension plans outlined above are primarily invested in bonds, and to a lesser extent, other securities and real estate assets.

The actual return on plan assets held through Gas Natural Fenosa Group companies in 2011, corresponding to Spain and Brazil, was €14 million and €16 million respectively.

The actuarial assumptions used were the following:

	2011				2010			
	Spain	**Colombia**	**Brazil**	**U.S.**	**Spain**	**Colombia**	**Brazil**	**U.S.**
Discount rate [1]	3.1% a 4.9%	7.80%	11.40%	5.61% a 3.4%	2.3% a 5%	8.00%	6.80% - 7.70%	5.54% a 4.65%
Expected return on plan assets [1]	3.1% a 4.9%	7.80%	12.80%	N / A	2.3% a 5%	8.00%	6.80% - 6.10%	N / A
Assumed salary growth [1]	3.00%	2.75%	7.60%	N / A	3.00%	2.70%	6.6% - 2.24%	N / A
Assumed pension growth [1]	2.50%	2.75%	5.50%	N / A	2.50%	2.70%	0.00%	N / A
Inflation rate [1]	2.50%	2.75%	5.50%	N / A	2.50%	2.70%	4.50% - 4%	N / A
Mortality table	PERMF 2000	RV08	AT-83/ PERMF 2000		PERMF 2000	ISS 1980/89 – RV08	AT-83/ AT 2000	

[1] Anual

c. Medium and long-term incentive plans

The company has implemented a loyalty building program aimed at senior executives and other persons occupying positions of responsibility in the Group, consisting of medium/long-term incentives as part of their benefit package. The purpose of this program is to strengthen the identification of executives and managers with shareholders' interests, based on the company's medium and long-term earnings sustainability as well as the compliance with the strategic business plan targets, while at the same time facilitating the retention by the Group of key personnel.

The President of the Company is not a recipient of any plan of the incentives available to date, although in his current compensation package, the level of success of each program at expiration serves as reference to determine the multi-annual compensation corresponding to each period, which is credited in the following period.

At year end, the 2008-2011, 2009-2012 and 2010-2013 and 2011-2014 incentive programs were in force, although it is important to point out that the first of these plans (2008-2011) was closed, as originally stipulated, on December 31, 2011 and its beneficiaries will their bonuses, if any, during the first quarter of 2012.

The four plans of this type in force (2008-2011, 2009-2012, 2010-2013 and 2011-2014 incentive plans) are independent of each other but their main characteristics are the same. All four are specific pluri-annual remuneration plans covering the stated years. Each plan is tied to the Group attaining a series of strategic objectives. Fulfillment of the respective objectives entitles the beneficiaries of each plan to receive an amount of variable remuneration at medium term in the first quarter of the year following the last year of the plan. However, in each case, receipt of this incentive payment is tied to the beneficiary remaining in the Group's employ until December 31 of the last year of the plan, except in the special cases envisaged in the terms and conditions of the related plan.

In all cases, the pluri-annual incentive payment, if received, will consist of an amount determined at the time the incentive is granted, to which a first variable coefficient will be applied on the basis of the extent to which the objectives set are achieved, which will be then multiplied by a second variable coefficient tied to the beneficiary's average individual performance under the Target Management scheme during the years used for benchmarking under each incentive program; these results are in turn used to determine performance-based pay.

None of these plans involves the delivery of shares or options and the incentive payments are not tied to the value of Repsol YPF shares, even though the beneficiaries of these plans may also be entitled to simultaneously participate in the payment plans disclosed in Note 18.d) i).

To reflect the commitments assumed under these incentive plans, the Group recognized a charge of €21 and €25 million in the 2011 and 2010 consolidated income statement, respectively. At year end 2011, the Group had recognized provisions totaling €56 million to meet its obligations under all the aforementioned plans (€50 million at year end 2010).

d. Share-based payment plans

Two Repsol YPF, S.A. share-based payment plans proposals were approved at the Company's General Meeting on April 15, 2011:

i. The first plan (the so-called "Plan for Delivery of Shares to Beneficiaries of the Pluri-annual Remuneration Programs") includes a "payment" of shares to its beneficiaries, contingent upon certain investment and length of service requirements.

This plan, which is divided into five cycles (2011-2014, 2012-2015, 2013-2016, 2014-2017 and 2015-2018), is targeted to Executive Directors, the rest of the executives and Group employees that are named beneficiaries of certain of the pluri-annual remuneration plans currently in effect, and allows the beneficiaries that wishes to do so, (the "Participants") the possibility of invest in up to 50% of the pre-tax pluri-annual bonus payment received in year one of each cycle in Repsol YPF, S.A. shares. Such investments must be made no later than May 31 of each calendar year, following receipt of the corresponding pluri-annual bonus payment (Initial Investment).

The Participants in each of the Plan Cycles will be entitled to receive one Repsol YPF, S.A. share for every three purchased in the Initial Investment corresponding to each cycle, as long as all the shares acquired in the Initial Investment are held by the beneficiary for a three-year period (Vesting Period).

A total of 350 employees took part in the first cycle (2011-2014), acquiring a total of 227,498 shares at an average price of €23.5357 per share, which implies that the Group is committed to delivering 75,710 shares to those employees who comply with the Plan requirements after the three-year Vesting Period ends. As a result of this Plan, at December 31, 2011, the Group had recognized an expense of €0.23 million under "Personnel expenses" with a counterbalancing entry under "Retained earnings and other reserves" in equity.

ii. The second share-based payment plan, called the "2011-2012 Share Acquisition Plan," is targeted at Repsol YPF Group executives and staff in Spain and is designed to enable interested beneficiaries to receive up to €12,000 of their annual remuneration in 2011 and 2012 in the form of Company shares at the close price on the continuous market of the Spanish stock exchanges on the date of delivery to the beneficiaries (established monthly). As disclosed in Note 15.4, in 2011 the Group acquired 298,117 treasury shares for a total of €6.6 million for delivery to employees. These shares represented 0.024% of the share capital of the parent company.

The shares to be delivered under both plans may be sourced from Repsol YPF's directly or indirectly held treasury shares, new-issued shares or from third party entities with whom the Group has entered into agreements to guarantee coverage of the commitments assumed.

19 Financial liabilities

This Note discloses the categories of financial liabilities included in the balance sheet line-items outlined below.

Millions of euros	2011	2010
Non-current financial liabilities	15,345	14,940
Non-current derivatives on trading transactions (1)	3	1
Current financial liabilities	4,985	4,362
Current derivatives on trading transactions (1)	42	115
	20,375	**19,418**

(1) Derivatives on trading transactions are recognized under "Other non-current liabilities" and "Other payables" in the consolidated balance sheet.

Following is a breakdown of the financial liabilities acquired, most of which are secured with a personal guarantee, at December 31, 2011 and 2010:

	December 31, 2011				
	Financial liabilities held for trading	**Financial liabilities at amortized cost**	**Hedging drivatives**	**Total**	**Fair value**
Bank borrowings	–	4,806	–	4,806	4,819
Bonds and other securities (1)	–	10,331	–	10,331	10,476
Derivatives	6	–	203	209	209
Long-term debts/ non-current fianancial liabilities	**6**	**15,137**	**203**	**15,346**	**15,504**
Bank borrowings	–	2,896	–	2,896	2,901
Bonds and other securities	–	2,006	–	2,006	2,007
Derivatives	115		12	127	127
Short-term debts/current financial liabilities	**115**	**4,902**	**12**	**5,029**	**5,035**
TOTAL	**121**	**20,039**	**215**	**20,375**	**20,539**

	December 31, 2010				
	Financial liabilities held for trading	**Financial liabilities at amortized cost**	**Hedging drivatives**	**Total**	**Fair value**
Bank borrowings	–	4,716	–	4,716	4,776
Bonds and other securities (1)	–	10,089	–	10,089	10,228
Derivatives	6	–	130	136	136
Long-term debts/ non-current fianancial liabilities	**6**	**14,805**	**130**	**14,941**	**15,140**
Bank borrowings	–	1,872	–	1,872	1,872
Bonds and other securities(2)	–	2,352	–	2,352	2,366
Derivatives	219	–	34	253	253
Short-term debts/current financial liabilities	**219**	**4,224**	**34**	**4,477**	**4,491**
TOTAL	**225**	**19,029**	**164**	**19,418**	**19,631**

(1) Includes preference shares amounting to €3,179 million and €3,205 million at December 31, 2011 and 2010, respectively.

(2) Includes preference shares amounting to €543 million at December 31, 2010. On February 8, 2011, the Group redeemed 100% of the preference shares issued by Repsol International Capital, which were listed on the New York Stock Exchange - NYSE (Note 1).

At year end 2011 and 2010, the accompanying consolidated Financial Statements include amounts corresponding to finance leases measured using the amortized cost method (see Note 22.1) which are recognized under "Other non-current liabilities" (€2,864 million at year end 2011 and €2,852 million at year end 2010) and "Other payables" (€223 million at year end 2011 and 2010).

The classification of the financial liabilities recognized in the financial statements at fair value, by fair value calculation method level hierarchy, is as follows:

	Level 1		Level 2		Level 3		Total	
Millions of euros	2011	2010	2011	2010	2011	2010	2011	2010
Financial liabilities held for trading	16	60	105	165	–	–	121	225
Hedging derivatives	–	–	215	164	–	–	215	164
TOTAL	**16**	**60**	**320**	**329**	**–**	**–**	**336**	**389**

Level 1: Valuations based on a quoted price in an active market for an identical instrument.

Level 2: Valuations based on a quoted price in an active market for similar financial assets or based on other valuation techniques that rely on observable market inputs.

Level 3: Valuations based on inputs that are not directly observable in the market

Disclosure of maturities relevant to Repsol YPF's funding at December 31, 2011 and 2010 is provided in paragraph 20.1.2 of the Note 20, concerning liquidity risk.

The breakdown of average balances outstanding and cost by instrument is as follows:

	2011		2010	
	Average volume	Average cost	Average volume	Average cost
Bank borrowings	6,456	3.67%	6,695	3.63%
Preference shares	3,229	3.70%	3,698	3.46%
Obligations	8,474	4.43%	8,695	4.34%
	18,160	**4.03%**	**19,088**	**3.92%**

The chart below discloses issues, buybacks and repayments of debt securities (recognized under current and non-current "Bonds and other securities") in 2011 and 2010:

	Balance at 31/12/2010	(+) Issuances	(-) Repurchases or reimbursement	(+/-) exchange rate and other adjustment	Balance at 31/12/2011
Bonds and other debt securities issued in the European union with prospectus	11,453	5,325	(4,912)	(30)	11,836
Bonds and other debt instruments issued in the European union without prospectus	–	–	–	–	–
Bonds and other debt securities issued outside European union	988	130	(602)	(15)	501
TOTAL	**12,441**	**5,455**	**(5,514)**	**(45)**	**12,337**

	Balance at 31/12/2009	(+) Issuances	(-) Repurchases or reimbursement	(+/-) exchange rate and other adjustment	Balance at 31/12/2010
Bonds and other debt securities issued in the European union with prospectus	10,697	4,597	(3,804)	(37)	11,453
Bonds and other debt instruments issued in the European union without prospectus	2	–	(2)	–	–
Bonds and other debt securities issued outside European union	852	101	(18)	53	988
TOTAL	**11,551**	**4,698**	**(3,824)**	**16**	**12,441**

The Group, through Repsol International Finance B.V. ("RIF"), holds a medium term note program *Euro 10,000,000,000 Guaranteed Euro Medium Term Note (EMTN)*, registered with the Luxembourg *Commission de Surveillance du Secteur Financier* on October 27, 2011 and up to a maximum amount of €10 billion. On December 12, 2011, the Group issued €850 million bonds under this program; the bonds of 4.250% fixed interest rate, due four years and two months after the issuance date and are traded on the Luxembourg Stock Exchange.

In addition, the Group, through its subsidiary Repsol International Finance, B.V. (RIF), holds a Euro Commercial Paper (ECP) Program, arranged on March 26, 2010, up to a maximum amount of € 1.5 billion which is guaranteed by Repsol YPF S.A. The ECP Program was increased to €2 billion on November 12, 2010. During 2011, RIF issued €3,456 million and US$54 million under this Program. The balance outstanding of the issuances under this program stood at €707 million at December 31, 2011 (€1,432 million at December 31, 2010).

On February 8, 2011, the US$725 million of "Series A" *preference shares* issued by Repsol International Capital LTD. and guaranteed by Repsol YPF S.A. were redeemed.

Gas Natural Fenosa, holds a €300 million Euro Commercial Paper (ECP) program, arranged on March 23, 2010. The issuer is one of its group companies, Unión Fenosa Finance B.V. In 2011, a total amount of €626 million of commercial paper under this program was issued. The drawn balance under this program stood at €80 and €108 million at December 31, 2011 and 2010, respectively, leaving an undrawn balance of €220 million and €193 million, respectively. Gas Natural Fenosa also renewed its €300 million corporate Promissory Notes program in July 2011. At December, 31 2011 it had issued €20 million under this shelf program. The amounts in millions of euros are stated at the Group's proportionate interest in Gas Natural Fenosa.

Gas Natural Fenosa also holds an *European Medium Term Notes* (EMTN) program that following the latest extension of November 2011, could issue up to a maximum amount of €3.6 billion. Under this program, on January 25 and May 10, 2011, Gas Natural Fenosa issued bonds in the euromarket for €180 million and €150 million, respectively. At December 31, 2011, the amount drwan under this program stood at €2,415 million (€2,096 million at year end 2010). The amounts in millions of euros are stated at the Group's proportionate interest in Gas Natural Fenosa.

In June 2011, YPF issued 300 million Argentine pesos (€51 million) of 18-month maturity bonds in the Argentine bond market.

In May 2011, Gas Natural Fenosa, through its subsidiary Gas Natural México, S.A. de C.V., registered a 3,001 million Mexican peso (€163 million) security program (*certificados bursatiles*) in the Mexican Stock Exchange. A total of 1,200 million Mexican pesos (€66 million) of four and seven year paper, secured by Gas Natural SDG, S.A., has been issued under this program. The amounts in millions of euros are stated at the Group's proportionate interest in Gas Natural Fenosa.

On March 24, 2010, Gas Natural SDG signed a €1,205 million loan agreement with 18 banks in a "Club Deal" arrangement. The loan is divided into two tranches: €301 million of 3-year maturity and €904 million of 5-year maturity. The amounts in millions of euros are stated at the Group's proportionate interest in Gas Natural Fenosa.

A bond issued by Repsol International Finance B.V. and guaranteed by Repsol YPF S.A. and carried at €943 million matured on May 5, 2010.

The table below discloses the amounts guaranteed by the Group in 2011 and 2010 for issues, buybacks and redemptions undertaken by associates, joint ventures (at the percentage not consolidated) and non-Group companies:

	Balance at 31/12/2010	(+) Granted	(-) Cancelled	(+/-) Exchange rate and other adjustment	Balance at 31/12/2011
Issues of securities representing debt guaranteed by the group (guaranteed amount)	30	–	–	1	31

	Balance at 31/12/2009	(+) Granted	(-) Cancelled	(+/-) Exchange rate and other adjustment	Balance at 31/12/2010
Issues of securities representing debt guaranteed by the group (guaranteed amount)	28	–	–	2	30

In general, the financial debt agreements include the early maturity clauses customary in agreements of this nature.

Bond issues, representing ordinary debt, of Repsol International Finance, B.V. and guaranteed by Repsol YPF, S.A., face value of €5,486 millions, contain clauses whereby Repsol YPF undertakes to pay interest when due and liabilities at maturity (cross-default provisions) and to not constitute charges or guarantees on Repsol YPF, S.A. assets for this issue or in future issues of debt securities. In the event of default, the trustee, at its sole discretion or at the request of the holders of at least one-fifth of the debentures, or by means of an extraordinary resolution, can declare all the aforementioned debentures issues due and payable. In addition, the holders of the bonds issued in March 2009 and December 2011 may choose to have their bonds redeemed upon a change of control at Repsol YPF provided such change in control results in, if and only if Repsol YPF's credit ratings fall below investment grade status as a result of the change of control.

Additionally, in relation to certain marketable debentures totaling €185 million (relating to a face value of US$170 million and 300 million of argentine pesos), YPF, S.A. agreed to certain covenants, including among others, cross-default clauses, and not to create any liens or charges on its assets in excess of 15% of total consolidated assets of YPF and its affiliates. In the event of breach of any of these covenants, the trustee, or bondholders holding between 10% and 25% of the total nominal value of the debentures outstanding, depending on the covenant breached, may declare immediately due and payable the principal and accrued interest on all the debentures.

Moreover, Gas Natural Fenosa group has €447 million of bank debt that is subject to compliance with certain covenants. Most of the debt in question is debt contracted by the former Unión Fenosa group and borrowings taken on by Latin American subsidiaries without recourse to the parent. Elsewhere, certain investment projects have been financed specifically with loans pledged with these projects' equity. The outstanding balance on this project financing at year end 2011 amounted to €244 million. The amounts in millions of euros are stated at the Group's proportionate interest in Gas Natural Fenosa.

At the date of authorizing the accompanying Financial Statements for issue, the Repsol Group was not in breach of any of its financial obligations or of any other obligation that could trigger the early repayment of any of its financial commitments.

Preference shares

In October 1997 the Repsol YPF Group, through its subsidiary Repsol International Capital, issued preference shares of this company amounting to US$725 million under the following terms:

Dividend	:	7.45%, payable quarterly.
Term	:	perpetual, with the option for the issuer of early redemption from the fifth year onwards at face value.
Guarantee	:	subordinated Repsol YPF, S.A. guarantee.
Remuneration	:	payment of preference dividends is conditional upon the obtainment of a consolidated profit or upon the payment of dividends on common shares. If no dividend accrues, there is no subsequent obligation to pay it.

The 100% of the preference shares, which were listed on the NYSE, redeemed on February 8, 2011. The securities were redeemed for US$25 per preference share plus the balance of dividends accrued and unpaid between December 31, 2010 and the date of cancellation, which totaled US$0.20 for every preference share redeemed. The carrying amount of these preference shares at December 31, 2010 was €543 million.

In May and December 2001, Repsol International Capital issued two new series of preference shares amounting to €1 billion and €2 billion, respectively, under the following terms:

Dividend	:	variable at a rate of 3-month Euribor with a minimum of 4% APR and a maximum of 7% APR for the first 10 years, and Euribor plus 3.5% from the tenth year onwards. The dividend is payable quarterly.
Term	:	perpetual, with the option for the issuer of early redemption from the tenth year onwards at face value.
Guarantee	:	subordinated Repsol YPF, S.A. guarantee.
Remuneration	:	preference, non-cumulative dividends, conditional upon the obtainment of a consolidated profit or upon the payment of dividends on common shares.

The carrying amount of the foregoing instruments at December 31, 2011 and 2010 amounted to €3,000 and 3,025 million and, respectively, recorded under the item "Bank borrowings, bonds and other securities" within non-current financial liabilities in the accompanying consolidated balance sheets.

In addition, the Gas Natural Fenosa group, through Unión Fenosa Financial Services USA, has preference shares outstanding for a nominal amount of €183 million. The carrying amount of these preference shares at year end 2011 was €179 million (€180 million at year end 2010) and was recognized under "Bank borrowings, bonds and other securities" within non-current financial liabilities in the accompanying consolidated balance sheets. The amounts in millions of euros are figures proportional for the Group taking into account the percentage of participation by Repsol in Gas Natural Fenosa.

20 Financial risk and capital management

20.1 Financial risk management

The Group businesses expose the financial statements to a series of financial risks: market risk, credit risk and liquidity risk. Repsol YPF has in place a risk management structure and systems that enable it to identify, measure and control the risks to which the Group is exposed.

20.1.1 Market Risk

Market risk is the potential loss faced due to adverse movements in market variables. The Group is exposed to several types of market risks: exchange rate risk, interest rate risk and commodity risk.

The Company monitors exposure to market risk through ongoing sensitivity analysis. These strategies are complemented with other risk management measures when required by the nature of the risk exposure.

For each of the market risk factors detailed below, there is a table depicting the sensitivity of Group profit and equity (within the headings comprising "Adjustments for changes in value") to the main risks to which its financial instruments are exposed, in accordance with the requirements stipulated in IFRS 7 *Financial instruments: disclosures.*

This sensitive analysis uses variations on significant risk factors based on its historical performance. The estimates made depict the impact of favorable and adverse changes. The impact on profit and/or equity is estimated as a function of the financial instruments held by the Group at each year end.

a. Exchange rate risk

The Group's profit and equity are exposed to fluctuations in the rates of exchange of the currencies in which it transacts. The Group's most significant foreign currency exposure is to the US dollar.

Repsol YPF obtains part of its financing in dollars, either directly or indirectly through the use of foreign exchange derivatives (see Note 21).

The sensitivity of net profit and equity to exchange rate risk, via appreciation or depreciation and based on the financial instruments held by the Group at year end, is illustrated below:

Effect of fluctuations in the euro against the dollar:

	Currency apreciation(+)/ depreciation (-)	2011	2010
Impact on profit after tax	5%	(2)	5
	-5%	2	(6)
Impact on equity	5%	98	(30)
	-5%	(109)	33

In addition, a 5% appreciation of the US dollar against the Brazilian real or the Argentine peso at December 31, 2011 would have resulted in an approximate variation in profit after tax, for a decrease of €5 million and an increase of €50 million, respectively, whereas in 2010 these appreciation assumptions would have yielded profit decrease of €4 million, and an increase of €53 million, respectively.

Meanwhile, a 5% appreciation of the euro against the Brazilian real or the Argentine peso in 2011 would have resulted in a decrease in equity of €0.7million and an increase of €0,1 million, respectively, compared to decreases of €0,9 million and €1,5 million, respectively, in 2010.

b. Interest rate risk:

Fluctuations in interest rates can affect interest income and expense through financial assets and liabilities with variable interest rates; which can also impact the fair value of financial assets and liabilities with a fixed interest rate.

Repsol YPF occasionally enters into interest rate derivative transactions to mitigate the risk of changes in its finance costs or in the fair value of its debt. Generally, these derivatives are designated as hedging instruments for accounting purposes (Note 21).

At year end 2011, the net debt balance, (note 20.2) including preference shares, at fixed rates was €9,468 million (2010: €9,917 million), equivalent to 64% of total net debt including preference shares (2010: 90%).

The sensitivity of net profit and equity to fluctuations in interest rates, based on the financial instruments held by the Group at year end, is illustrated in the following table:

	Increase (+)/ decrease (-) in interest rate (basis points)	2011	2010
Impact in profit after tax	+50	(27)	(5)
	-50	26	5
Impact on equity	+50	48	20
	-50	(51)	(21)

c. Commodity price risk:

As a result of its trade operations and activities, the Group's results are exposed to volatility in the prices of oil, natural gas and their derivative products.

Repsol YPF enters into derivative transactions to mitigate its exposure to price risk. These derivatives provide an economic hedge of the Group's results, although not always designated as hedging instruments for accounting purposes (see Note 21).

The impact of a 10% increase or decrease in crude and oil product prices on net profit, based on the financial instruments held by the Group at year end 2011 and 2010, is illustrated in the following table:

	Increase(+)/ decrease (-)	2011	2010
Impact on profit after tax	+10%	(55)	(85)
	-10%	59	85

20.1.2 Liquidity Risk

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

In accordance with its conservative financial policy, Repsol YPF held sufficient cash, other liquid cash equivalents and undrawn credit lines which cover 49% of total gross debt and 41% if preference shares are included. The Group had €5,482 and €5,690 million in undrawn credit lines at year end 2011 and 2010, respectively.

The tables below present an analysis on the maturities of the financial liabilities existing at December 31, 2011 and 2010:

	December 31, 2011						
	Maturity date						
Millions of euros	2012	2013	2014	2015	2016	Subsequent year	TOTAL
Trade payables	4,757	–	–	–	–	–	4,757
Other payables	6,522	–	–	–	–	–	6,522
Loan and other financial debts [1]	5,305	3,014	3,534	1,753	1,721	3,917	19,244
Preference shares [1] [2]	164	343	156	156	152	3,000	3,970
Derivatives [3]	104	28	56	15	10	65	278

	December 31, 2010						
	Maturity date						
Millions of euros	2011	2012	2013	2014	2015	Subsequent year	TOTAL
Trade payables	4,539	–	–	–	–	–	4,539
Other payables	5,550	–	–	–	–	–	5,550
Loan and other financial debts [1]	4,071	2,157	2,703	3,140	1,631	4,099	17,801
Preference shares [1] [2]	632	137	310	130	130	3,000	4,339
Derivatives [3]	40	20	11	33	4	15	123

NOTE: The amounts shown are the contractual undiscounted cash flows; therefore, they differ from the amounts included on the consolidated balance sheet.

[1] Corresponding to future maturities of the amounts recognized under the headings "Non-Current financial liabilities" and "Current financial liabilities" including future interest or dividends associated with these financial liabilities.

[2] The preference shares issued are perpetual, redeemable only at the choice of the issuer. The dollar-denominated preference shares issued by Repsol International Capital were redeemed on February 8, 2011 (see Note 19). The above schedule for 2011 as same as 2010 is underpinned by the assumption that the preference shares will be redeemed after 2016. The column "Subsequent years" includes only the face value of the instruments. The assumptions made are conventional and must not be interpreted as forecasts of the decisions the Group shall take in the future.

[3] The contractual maturities of the derivatives included under this heading are outlined in Note 21.

20.1.3 Credit Risk

Credit risk is defined as the possibility of a third party not complying with his contractual obligations, thus creating losses for the Group.

Credit risk in the Group is measured and controlled in relation to the customer or individual third party. The Group has its own systems for the permanent credit evaluation of all its debtors and the determination of risk limits with respect to third parties, in line with best practices.

The exposure of the Group to credit risk is mainly attributable to commercial debts from trading transactions, whose amounts are shown on the consolidated balance sheet net of allowances for doubtful accounts and any other impairment provisions (see Note 14) for an amount of €8,147 million and €7,471 million, respectively at December 31, 2011 and 2010.

The allowances for doubtful accounts are measured by the following criteria:

- The seniority of the debt
- The existence of bankruptcy proceedings
- The analysis of the capacity of the customer to return the credit granted.

The allowances for doubtful accounts and any other impairment provisions on trade and other current and non-current receivables are shown at December 31, 2011 and 2010 in Note 14. These allowances represent the best estimates of the Group for the losses incurred in relation to its accounts receivable.

The maximum exposure to credit risk of the Group, according to the type of financial instruments and without excluding the amounts covered by guarantees and other arrangements mentioned below, is detailed below at December 31, 2011 and 2010:

Maximum exposure			
Millions of euros	**Note**	**2011**	**2010**
Commercial debts	14	8,683	7,760
Derivatives	12	234	110
Cash and cash equivalents	12	2,677	6,448
Other non-current financial assets	12	2,343	1,639
Other current financial assets [1]	12	138	90

[1] This balance excludes €370 million at December 31, 2011 corresponding to the funding of the electricity tariff deficit, to which the Group is exposed through its shareholding in Gas Natural Fenosa (€526 million at year end 2010).

The credit risk affecting liquid funds, derivatives and other financial instruments is limited because the counterparties are bank or insurance entities carrying high and duly documented credit ratings in accordance with the market conventions regulating these kinds of financial transactions. Likewise, the vast majority of the accounts receivable neither due nor provisioned have a high credit quality according to the valuations of the Group, based on the solvency analysis and the payment habits of each customer.

The Group's credit risk on trade receivables is not significantly concentrated as it is spread out among a large number of customers and other counterparties. The maximum net exposure to a third party, including official bodies and public sector entities, does not exceed 6%, and no single private client accumulates risk exposure of more than 1%.

As a general rule, the Group establishes a bank guarantee issued by the financial entities as the most suitable instrument of protection from credit risk. In some cases, the Group has contracted insurance credit policies whereby this transfers partially to third parties the credit risk related to the business activity of some of their businesses.

Effective third party guarantees extended to the Group amounted to €3,732 million at December 31, 2011 and €3,219 million at December 31, 2010. Of this amount, commercial debts at December 31, 2011 and 2010 covered by guarantees amounted to €973 million and €1,009 million, respectively.

During 2011, the Group executed guarantees received for an amount of €14 million. During 2010 this figure was €23 million.

The following table discloses the aging of the non-provisioned due debt:

Due date	**2011**	**2010**
Millions of euros		
Not due debt	6,835	6,539
Due debt 0-30 days	570	269
Due debt 31-180 days	410	402
Due debt for more than 180 days [1]	332	261
TOTAL	**8,147**	**7,471**

[1] Mainly corresponds to guaranteed debt or debt with official bodies and public entities

Impaired financial assets are disclosed in Note 12 and 14, broken out based on its financial or operational nature.

20.2 Capital Management

Repsol YPF, as an essential part of its strategy, has committed to a policy of financial prudence. The financial structure targeted is defined by this commitment of solvency and the aim to maximize shareholder returns, by optimizing the cost of capital.

Determination of the Group's target capital structure takes into consideration two leverage ratios, specifically the ratio of net debt (including preference shares, as appropriate) and the capital employed, that includes the net debt, including preference shares, plus the equity:

Net Debt / Capital Employed

Net Debt including Preference Shares / Capital Employed

Calculation of these leverage ratios takes into account the following considerations:

- Preference shares are factored into the process of monitoring the Group's leverage ratios on account of their significant weight in the Group's capital structure; however the fact that they are perpetual securities equates them to equity instruments in terms of solvency analysis and creditor claims (see Note 19).
- The leverage ratios used net debt concept instead of gross debt in order to factor in the mitigating impact of financial investments. In keeping with its conservative financial policy, Repsol YPF held sufficient cash, other liquid cash equivalents and undrawn credit lines which cover 49% of total gross debt and 41% if preference shares are included. As a result, these ratios provide a better picture of Group solvency when factoring in net debt rather than gross debt.

The breakdown of the calculations of these leverage ratios, based on the following consolidated balance sheet headings at year end 2011 and 2010, is as follows:

Millons of euros	**2011**	**2010**
Non-current financial liabilities	15,345	14,940
Preference shares	3,179	3,205
Other non-current fianancial liabilities	12,166	11,735
Current financial liabilities	4,985	4,362
Preference shares	–	543
Other current financial liabilities	4,985	3,819
Non-current financial assets	(2,450)	(1,789)
Less Financial assets available for sale (Note 12)	128	150
Other current financial assets [1]	(304)	(158)
Cash and cash equivalent	(2,677)	(6,448)
Interest rate hedges (Note 21)	(185)	(85)
Net debt incluying preference shares [2]	14,842	10,972
Equity	27,043	25,986
Capital employed	41,885	36,958
Net debt incluying preference shares / Capital employed	**35.4%**	**29.7%**
Less preference shares	(3,179)	(3,748)
Net debt	11,663	7,224
Net debt / Capital employed	**27.8%**	**19.5%**

[1] Excludes €370 million in 2011 recognized under "Other current financial assets" in the consolidated balance sheet, corresponding to the funding of the tariff deficit in the regulated electricity segment, to which the Group is exposed through its shareholding in Gas Natural Fenosa (€526 million in 2010).

[2] Excludes €3,087 million of current and non-current finance leases in 2011 (€3,075 million in 2010). (see Note 22.1).

The trends in these leverage ratios are monitored systematically. Similarly, leverage projections are a key, and restrictive, input into Group investment decision-making and dividend policy. At year end 2011, the ratio of net debt to capital employed stood at 27.8% (year end 2010 ratio at 19.5%), while the ratio of net debt including preference shares to capital employed stood at 35.4% year-end 2010 ratio at 29.7%). The increase in these leverage ratios in 2011 has been influenced significantly by the purchase of treasury shares held at year end (see Note 15.4).

21 Derivative transactions

During 2011 the Repsol YPF Group carried out the following types of hedging transactions:

1. Fair value hedges of assets or liabilities
2. Cash flow hedges
3. Hedges of net investments in foreign operations

In addition, the Repsol YPF Group performed other transactions with derivative instruments in 2011 and 2010 that do not qualify as accounting hedges.

The table below reflects the impact on the balance sheet of derivative instruments at December 31, 2011 and 2010 as a result of changes in their fair value since their origination:

Millions of euros					December 31, 2011
Clasification	**Non-current Assets**	**Current Assest**	**Non-current Liabilities**	**Current Liabilities**	**Fair Value**
Hedge derivative instruments	**–**	**58**	**(203)**	**(12)**	**(157)**
Fair value	**–**	**53**	**–**	**–**	**53**
Interest rate	–	–	–	–	–
Exchange rate	–	53	–	–	53
Cash Flow:	**–**	**5**	**(171)**	**(12)**	**(178)**
Interest rate	–	–	(171)	(10)	(181)
Exchange rate	–	4	–	–	4
Commodities prices	–	1	–	(2)	(1)
Net Investment	**–**	**–**	**(32)**	**–**	**(32)**
Other derivatives instruments	**–**	**176**	**(6)**	**(115)**	**55**
TOTAL (1)	**–**	**234**	**(209)**	**(127)**	**(102)**

Millions of euros					December 31, 2010
Clasification	**Non-current Assets**	**Current Assest**	**Non-current Liabilities**	**Current Liabilities**	**Fair Value**
Hedge derivative instruments	**–**	**71**	**(130)**	**(34)**	**(93)**
Fair value	**–**	**67**	**–**	**(11)**	**56**
Interest rate	–	43	–	–	43
Exchange rate	–	24	–	(11)	13
Cash Flow:	**–**	**4**	**(103)**	**(23)**	**(122)**
Interest rate	–	–	(99)	(18)	(117)
Exchange and interest rate	–	–	(4)	–	(4)
Exchange rate	–	2	–	–	2
Commodities prices	–	2	–	(5)	(3)
Net Investment	**–**	**–**	**(27)**	**–**	**(27)**
Other derivatives instruments	**2**	**37**	**(6)**	**(219)**	**(186)**
TOTAL (1)	**2**	**108**	**(136)**	**(253)**	**(279)**

(1) Includes, in 2011 and 2012, derivatives with a negative measurement of €185 and 85 million in respect of interest rates, respectively.

The breakdown of the impact of the fair value restatement of derivatives on consolidated profit before tax and on consolidated equity is as follows:

	2011			2010		
Millions of euros	**Operating income**	**Financial result**	**Adjustment for changes in value**	**Operating income**	**Financial result**	**Adjustment for changes in value**
Fair value hedges	(7)	26	–	10	(30)	–
Cash Flow hedges	(9)	(67)	(47)	(12)	(81)	20
Hedge of a net investment	–	–	(12)	–	–	(302)
Other transactions	(128)	46	–	(96)	(205)	–
TOTAL (1)	**(144)**	**5**	**(59)**	**(98)**	**(316)**	**(282)**

(1) The financial impacts recognized in the income statement presented in the schedule above do not include any impact due to ineffectiveness of financial instruments designated as accounting hedges.

In addition to the effects disclosed in the table above, in 2011 and 2010, negative translation differences of €57 and of €11 million, respectively, which had been generated on hedges of the Group's net investment in YPF, corresponding to the shares in YPF sold during the year, were transferred to "Retained earnings and other reserves".

There follows a detailed disclosure of the Group's derivatives at year end 2011 and 2010, including their fair values, maturity schedules and the related notional amounts.

21.1 Fair value hedges of assets or liabilities

These are hedges of the exposure to changes in the fair value of an asset or a liability recognized for accounting purposes, an unrecognized firm commitment or an identified portion of the aforementioned asset, liability or firm commitment that can be attributed to a particular risk and might affect the net income for the period.

The transactions outstanding at December 31, 2011 and 2010 are as follows:

								December 31, 2011
	Maturity							
Millions of euros	**2012**	**2013**	**2014**	**2015**	**2016**	**Subs.**	**Total**	**Fair value**
Exchange and interest rate:								
Cross-currency interest rate swaps	1	–	–	–	–	–	1	–
Exchange rate:								
USD (a)	1,163	3	–	–	–	–	1,166	53
BRL	3	–	–	–	–	–	3	–
MAD	2	–	–	–	–	–	2	–
								53

								December 31, 2010
	Maturity							
Millions of euros	2011	2012	2013	2014	2015	Subs.	TOTAL	Fair Value
Interest rate:								
Collar (EUR) (b)	2,000	–	–	–	–	–	2,000	43
Exchanges rate and interest rate:								
Cross-currency interest rate swaps	2	1	–	–	–	–	3	–
Exchages rate:								
USD (a)	1,461	–	–	–	–	–	1,461	13
EUR	27	–	–	–	–	–	27	–
BRL	10	–	–	–	–	–	10	–
MAD	2	–	–	–	–	–	2	–
								56

a. Swaps in USD

At December 31, 2011, this balance includes hedges linked to the acquisition of LNG transportation tankers under finance leases (see Note 22) for a notional amount of US$1,426 million (€1,057 million) with a positive fair value of €45 million at the end of the reporting period.

The other instruments outstanding, whose net fair value at December 31, 2011 stood at €8 million, correspond mainly to hedges arranged by the Group through its investment in Gas Natural Fenosa.

b. Interest rate collar

In May 2001 Repsol YPF arranged a zero-cost interest rate swap option on a notional amount of €1,000 million, tied to the preference shares issued on that date (see Note 19). By virtue of these interest rate swap options, the final cost for Repsol YPF of this preference share issue in the first ten years was established at a floating interest rate of 3-month EURIBOR, linked to the quarterly settlement periods of the underlying instrument; the first such maturity date was October 1, 2001 and the last was June 30, 2011.

Also, in April 2002, effective June 30, 2002, Repsol YPF arranged a zero-cost interest rate swap option on a notional amount of €1,000 million tied to the €2,000 million preference share issue issued in December 2001 (see Note 19). By these purchase and sale transactions on interest options, of the total sum of the €2,000 million corresponding to the issue of preference shares in December 2001, €1,000 million were referenced at a floating rate of 3 months EURIBOR, for the period of maturity from September 30, 2002 to December 31, 2011.

21.2 Cash flow hedges

These are hedges of the exposure to variability in cash flows that: (i) is attributed to a particular risk associated with a recognized asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecasted transaction; and (ii) could affect profit or loss.

The breakdown of the most significant transactions is as follows:

								December 31,2011
	Maturity							
Millions of euros	2012	2013	2014	2015	2016	Subs.	TOTAL	Fair Value
Interest rate:								
Swaps (EUR)	1,004	17	196	1	1	1,008	2,227	(50)
Swaps (USD)	61	8	8	8	338	46	469	(131)
Swaps (MXN)	4	4	20	–	–	–	28	–
Collar (EUR)	4	1	–	–	1		6	–
Exchage rate:								
USD	113	–	–	–	–	–	113	4
BRL	13	–	–	–	–	–	13	–
Commodity price [(1)]:								
EUR	74	1	–	–	–	–	75	(1)
USD	11	–	–	–	–	–	11	–
								(178)

[(1)] These correspond to natural gas and electricity price swaps arranged by Gas Natural Fenosa

								December 31,2010
	Maturity							
Millions of euros	2011	2012	2013	2014	2015	Subs.	TOTAL	Fair Value
Interest rate:								
Swaps (EUR)	777	812	4	3	1	8	1,605	(49)
Swaps (USD)	11	62	11	12	12	329	437	(68)
Swaps (ARS)	3	–	–	–	–	–	3	–
Swaps (MXN)	5	5	4	–	–	–	14	–
Collar (EUR)	1	4	1	1	–	1	8	–
Exchange and interest rate:								
Cross-currency IRS	2	3	3	3	4	7	22	(4)
Exchange rate:								
USD	86	1	–	–	–	–	87	2
Commodity prices [(1)]:								
EUR	52	–	–	–	–	–	52	(1)
USD	26	–	–	–	–	–	26	(2)
								(122)

[(1)] These correspond to natural gas and electricity price swaps arranged by Gas Natural Fenosa.

In June 2011, the Group arranged a series of interest rate swaps with a notional value of €1,000 million related to the preference shares issued in 2001 through Repsol International Capital, Ltd (see Note 19). By virtue of this instrument, the Group pays a weighted average interest rate of 2.26% and receives 3-month EURIBOR. At December 31, 2011, the fair value of these swaps was €37 million negative.

The Group holds an interest rate swap with a notional amount of €750 million which was arranged to hedge debt issued by its financing subsidiary Repsol International Finance B.V (see Note 19). Under this swap, the Group pays a fixed rate of 4.23% and receives 3-month EURIBOR. The fair value of this instrument at year end 2011 implied a loss of €5 million (a loss of €29 million at year end 2010).

At both year ends, the Group also held interest rate swaps taken out to hedge the financing arranged to fund the investment in the LNG project in Canaport, Canada. Under this swap, the Group pays a weighted average fixed rate of 5.28% and receives 3-month LIBOR. At year end 2011 the notional amount hedged was €328 million while the fair value of the instrument implied a loss of €115 million (€60 million at year end 2010).

The other outstanding instruments at both balance sheet dates correspond primarily to hedges arranged by the Group through its shareholding in Gas Natural Fenosa.

In 2007 the cash flow hedge provided by two interest rate swaps for a notional amount of €674 million associated with a preference share issue was discontinued as the hedges were no longer effective. The cumulative loss deferred in "Adjustments for changes in value" in respect of this instrument amounted to €33 million at December 31, 2011 (€36 million at year end 2010). In 2011 and 2010, a loss €3 million was transferred from "Adjustments for changes in value" to the consolidated income statement.

21.3 Hedges of a net investment

These instruments hedge the foreign currency risk arising from net investments in foreign operations.

Repsol YPF has arranged forward currency purchase and sale contract as part of its global strategy of management exposure to foreign currency exposure via its foreign investments.

The most significant derivative transactions in existence at December 31, 2011 and 2010 are the following:

	December 31, 2011							
	Maturity							
Millions of euros	2012	2013	2014	2015	2016	Subs.	TOTAL	Fair value
Cross currency IRSS								
Fixed to fixed contract/notional amount (EUR)	–	–	158	–	–	–	158	(32)
								(32)

	December 31, 2010							
	Maturity							
Millions of euros	2011	2012	2013	2014	2015	Subs.	TOTAL	Fair Value
Cross currency IRSS								
Fixed to fixed contract/notional amount (EUR)	–	–	–	158	–	–	158	(27)
								(27)

Additionally, in 2011 the Group arranged swaps which were settled in full during the year and which generated translation losses totaling €7 million.

In addition, in 2010 the Group arranged several hedges of net investments, which were arranged and settled during the year. The decline in the fair value of these derivatives between the date they were arranged and the date they were settled amounted to a net loss of €239 million which was recognized within "Adjustments for changes in value."

At December 31, 2009, the Group had arranged cross-currency interest rate swaps (CCIRSs) to hedge currency risk on its foreign investments with a notional value of €500 million. Of this balance, €342 million was settled in 2010; the change in the fair value of the notional amount settled, which was recognized under translation losses in 2010, was €44 million.

21.4 Other derivative transactions

Additionally, Repsol YPF has arranged a series of derivatives to manage its exposure to interest rate, foreign exchange and price risk that do not qualified as accounting hedges under IAS 39.

a. Interest rate contracts

	December 31, 2010							
	Maturity							
Millions of euros	2011	2012	2013	2014	2015	Subs.	TOTAL	Fair value
Floting to fixed IRSS: Contract/notional amount (EUR)	32	–	–	–	–	–	32	(2)
Interest rate collar (EUR)	5	–	–	–	–	–	5	–

b. Exchange and Interest Rate

	December 31, 2011							
	Maturity							
Millions of euros	2012	2013	2014	2015	2016	Subs.	TOTAL	Fair value
Floting to fixed IRSs Contract/notional amount (JPY)	–	–	–	–	–	67	67	(4)

	December 31, 2010							
	Maturity							
Millions of euros	2011	2012	2013	2014	2015	Subs.	TOTAL	Fair value
Floting to fixed IRSs Contract/notional amount (JPY)	–	–	–	–	–	67	67	(6)

At December 31, 2009, the Group held cross-currency interest rate swaps (CCIRSs) on a notional amount of €300 million, due 2010, for which accounting as a hedge net investment was discontinued in February 2008; these instruments have been treated as derivatives held for trading since that date. When hedge accounting was discontinued, their fair value amounted to €130 million and this balance was recognized as an asset on the balance sheet, with a balancing entry under the heading "Adjustments for changes in value". The fair value of these instruments increased by €21 million in 2010 and this gain was recognized as a financial expense for the year.

c. Exchange rate contracts

Repsol YPF has arranged other forward contracts as part of its global strategy of managing exposure to foreign currency risk.

	December 31, 2011							
	Maturity							
Millions of euros	2012	2013	2014	2015	2016	Subs.	TOTAL	Fair value
USD/Euro	5,381	–	–	–	–	–	5,381	110
Euro/USD	2,623	–	–	–	–	–	2,623	(59)
Euro/RUB	144	–	–	–	–	–	144	–
CLP/USD	133	–	–	–	–	–	133	(2)
USD/PEN	115	–	–	–	–	–	115	–
CAD/USD	17	–	–	–	–	–	17	–
USD/BRL	12	–	–	–	–	–	12	–
Euro/GBP	3	–	–	–	–	–	3	–
USD/NOK	3	–	–	–	–	–	3	–
USD/RUB	2	–	–	–	–	–	2	–

	December 31, 2010							
	Maturity							
Millions of euros	2011	2012	2013	2014	2015	Subs.	TOTAL	Fair value
USD/Euro	1,317	–	–	–	–	–	1,317	(12)
Euro/USD	1,555	–	–	–	–	–	1,555	(68)
CLP/USD	111	–	–	–	–	–	111	3
USD/PEN	111	–	–	–	–	–	111	–
USD/BRL	328	–	–	–	–	–	328	(4)
CAD/USD	18	–	–	–	–	–	18	–
Euro/NOK	3	–	–	–	–	–	3	–
USD/NOK	2	–	–	–	–	–	2	–

d. Future contracts on commodities

The risk associated with future physical crude oil and other oil product purchase or sale transactions is hedged through the arrangement of derivative instruments, primarily futures and swaps.

The commodity hedges outstanding at December 31, 2011 and 2010 are as follows:

	December 31, 2011							
	Maturity							
Millions of euros	2012	2013	2014	2015	2016	Subs.	TOTAL	Fair value
Purchase contracts								
BRENT (000 barrels)	1,777	–	–	–	–	–	1,777	–
WTI (000 barrels)	1,498	–	–	–	–	–	1,498	1
NYMEX HHO (000 gallons)	14,616	–	–	–	–	–	14,616	–
IPE GO (000 tons)	442	–	–	–	–	–	442	(4)
RBOB (000 gallons)	3,066	–	–	–	–	–	3,066	–
Physical NYMEX (000 MBTU)	1,820	–	–	–	–	–	1,820	–
Physical Dom South (000 MBTU)	5,145	–	–	–	–	–	5,145	3
SOJA (000 Pounds)	37,620	–	–	–	–	–	37,620	1
ETHANOL (000 gallons)	522	–	–	–	–	–	522	–
Sale contracts								
BRENT (000 barrels)	2,967	–	–	–	–	–	2,967	2
WTI (000 barrels)	2,108	–	–	–	–	–	2,108	(11)
NYMEX HHO (000 gallons)	49,602	–	–	–	–	–	49,602	–
IPE GO (000 tons)	606	–	–	–	–	–	606	7
RBOB (000 gallons)	16,506	–	–	–	–	–	16,506	–
ETHANOL (000 gallons)	522	–	–	–	–	–	522	–
SOJA (000 Pounds)	11,040	–	–	–	–	–	11,040	–
Physical Fixed Price (000 MBTU)	8,277	–	–	–	–	–	8,277	(1)
Physical Algonquin CityGate (000 MBTU)	39,710	–	–	–	–	–	39,710	1
Physical Tetco M (000 MBTU)	555	–	–	–	–	–	555	–
Physical NYMEX (000 MBTU)	11,807	–	–	–	–	–	11,807	–
Physical Tenn Z6 (000 MBTU)	7,470	–	–	–	–	–	7,470	1
Physical Chicago AVG (000 MBTU)	1,330	–	–	–	–	–	1,330	1
Options								
Call (000 barrels)	7,927	–	–	–	–	–	7,927	(6)
Put (000 barrels)	1,089	–	–	–	–	–	1,089	–
Swaps								
WTI (000 barrels)	1,050	–	–	–	–	–	1,050	(2)
BRENT (000 barrels)	6,883	–	–	–	–	–	6,883	22
DUBAI (000 barrels)	100	–	–	–	–	–	100	–
JET (000 tons)	309	–	–	–	–	–	309	(1)
GO (000 tons)	506	–	–	–	–	–	506	–
Fuel Oil (000 tons)	1,030	–	68	–	–	–	1,097	1
Propane (000 tons)	73	–	–	–	–	–	73	3
Gasoline (000 tons)	108	–	–	–	–	–	108	–
Nafta (000 tons)	60	–	–	–	–	–	60	–
Tetco M Basis Swaps (000 MBTU)	143	–	–	–	–	–	143	–
Henry Hub Index Swap (000 MBTU)	3,100	–	–	–	–	–	3,100	1
Henry Hub Swing Swap (000 MBTU)	1,163	–	–	–	–	–	1,163	–
Henry Hub Futures (000 MBTU)	3,710	–	–	–	–	–	3,710	–
AGT NG Basis	200	–	–	–	–	–	200	–

	December 31, 2010							
	Maturity							
Millions of euros	2011	2012	2013	2014	2015	Subs.	TOTAL	Fair value
Purchase contracts								
BRENT (000 barrels)	3,646	–	–	–	–	–	3,646	5
WTI (000 barrels)	1,998	–	–	–	–	–	1,998	6
NYMEX HHO (000 gallons)	60	–	–	–	–	–	60	–
IPE GO (000 tons)	757	1	–	–	–	–	758	32
RBOB (000 gallons)	463	–	–	–	–	–	463	2
Physical Inventory MTM (000 MBTU)	1,362	–	–	–	–	–	1,362	–
Sale contracts								
BRENT (000 barrels)	6,294	–	–	–	–	–	6,294	(18)
WTI (000 barrels)	4,412	–	–	–	–	–	4,412	(14)
NYMEX HHO (000 gallons)	1,270	–	–	–	–	–	1,270	(3)
IPE GO (000 tons)	1,207	–	–	–	–	–	1,207	(55)
RBOB (000 gallons)	523	–	–	–	–	–	523	(1)
Physical Fixed Price (000 MMBTU)	900	–	–	–	–	–	900	–
Physical Algonquin CityGate (000 MMBTU)	1,077	–	–	–	–	–	1,077	–
Physical Tetco M3 (000 MMBTU)	13,165	535	–	–	–	–	13,700	2
Physical NGI Index.Avg (000 MMBTU)	1,162	–	–	–	–	–	1,162	–
Physical NYMEX (000 MMBTU)	24,049	4,500	–	–	–	–	28,549	(10)
Physical Tenn Z6 (000 MMBTU)	7,300	7,300	–	–	–	–	14,600	2
Swaps								
BRENT (000 barrels)	17,080	–	–	–	–	–	17,080	(35)
JET (000 tons)	81	–	–	–	–	–	81	(1)
GO (000 tons)	327	–	–	–	–	–	327	(2)
Fuel Oil (000 tons)	196	–	–	–	–	–	196	–
Propane (000 tons)	58	–	–	–	–	–	58	–
Nafta (000 tons)	20	–	–	–	–	–	20	–
Tetco M3 Basis Swaps (000 MMBTU)	41,130	6,370	–	–	–	–	47,500	(10)
Henry Hub Basis Swap (000MMBTU)	8,370	–	–	–	–	–	8,370	–
Henry Hub Index Swap (000 MMBTU)	8,370	–	–	–	–	–	8,370	–
Henry Hub Swing Swap (000 MMBTU)	700	–	–	–	–	–	700	–
Henry Hub Futures (000 MMBTU)	1,810	–	–	–	–	–	1,810	3

At year end 2011, “Other receivables” includes €4 million (2010: €2 million) corresponding to the fair value of commodity purchase agreements measured in accordance with IAS 39, as detailed in Note 3.3.24.

e. CO2 emission allowance derivatives

The Group arranges emission allowance future contracts and swaps (EUAs and CERs) which are measured at fair value under IAS 39 with a view to minimizing the cost of the Group’s emissions each year. The fair value of these instruments at both year ends implied a liability of €5 and €1 million, in 2011 and 2010, respectively.

22 Other non-current liabilities

"Other non-current liabilities” includes the following items:

Millons of euros	2011	2010
Obligations under finance leases	2,864	2,852
Guarantees and deposits	230	236
Deferred income	203	193
Derivatives from comercials operations (Note 21)	3	1
Others	382	381
	3,682	**3,663**

22.1 Obligations under finance leases

The breakdown of the amounts payable under finance leases at December 31, 2011 and 2010 is as follows:

	Lease payments		Present value of minimun lease payments	
Millons of euros	2011	2010	2011	2010
Within one year	300	301	223	223
Between two and five years, both included	1,207	1,169	732	735
After six year	4,652	5,030	2,132	2,117
	6,159	6,500	3,087	3,075
Less:				
Future finance expenses	(3,072)	(3,425)		
	3,087	3,075		
Recognised as:				
Non-current obligations under finance leases			2,864	2,852
Current obligations under finance leases			223	223
			3,087	**3,075**

The effective average interest rate on obligations under finance leases at December 31, 2011 was 7.25% (2010: 6.25 %).

The principal liabilities shown in this heading are as follows:

- On May 15, 2006 the Group signed an agreement with Emera Brunswick Pipeline Company, Ltd. for the transportation of natural gas through a pipeline that connects the Canaport plant with the US border. The agreement has an initial term of 25 years (renewable for up to an additional 30 years). It came into effect in July 2009. At December 31, 2011 and 2010, the amount recognized in this heading was US$504 million (€390 million) and US$510 million (€382 million), respectively.
- In addition, on April 21, 2006 the Group signed an agreement with Maritimes & North East Pipeline for the transportation of Canadian natural gas from the Canadian border to Dracut for an initial term of 25 years (renewable for up to an additional 30 years). The agreement became effective in March 2009, the corresponding liability recognized in this heading at year end 2011 and 2010 amounted to US$1,269 million (€981 million) and US$1,297 million (€970 million), respectively.
- Moreover, the Group has a fleet of LNG transportation tankers acquired under finance lease arrangements amounting to €1,482 million at December 31, 2011 (1,599 million at year end 2010). The characteristics of these tanker leases are outlined below.

In December 2007 Repsol YPF (50%) and Gas Natural Fenosa (50%) jointly acquired a 138,000 m^3 methane ship under a 25-year time-charter arrangement. The agreement can be extended for consecutive 5-year periods and represents a combined investment of €164 million, a figure which corresponds to the present value of installment commitments.

In 2009 Repsol YPF (50%) and Gas Natural Fenosa (50%) jointly acquired a 138,000 m^3 methane ship under a 20-year time-charter arrangement. The agreement can be extended for consecutive 5-year periods and represents a combined investment of €142 million, a figure which corresponds to the present value of installment commitments.

In 2010, four methane ships purchased for the transport of LNG in Peru were recognized amounting to €818 million. The Barcelona Knutsen, Sevilla Knutsen and Valencia Knutsen tankers, which have a capacity of 173,410 m^3 , were purchased under a 20-year time-charter arrangement. The agreement can be extended for consecutive 5-year periods. The Castillo de Santiesteban tanker, with a capacity of 173,600 m^3 was likewise acquired under a 20-year time-charter agreement with a purchase option upon expiration.

Finance leases at year end 2010 also include seven other methane tankers acquired prior to 2006 for the transport of LNG, which mature between 2022 and 2029. Four of these tankers are owned by Gas Natural Fenosa and the other three by Repsol YPF.

22.2 Guarantees and deposits

This heading includes, among others, deposits received by Repsol Butano, S.A. from the users of gas bottles in accordance with applicable legal regulations. These amounts are refundable when the corresponding contracts are canceled.

23 Trade payables and other payables

In 2011 and 2010 Repsol YPF had the following accounts payable classified under "Trade payables and other payables":

Millons of euros	2011	2010
Trade payables	4,757	4,539
Obligations under finance leases (Note 22.1)	223	223
Tax Payables	1,099	982
Derivative financial instruments	42	115
Others	5,158	4,230
Other payables	6,522	5,550
Income tax liabilities	356	765
TOTAL	**11,635**	**10,854**

The fair value of these current items does not differ significantly from their carrying amount.

Information regarding deferrals of payments settled with suppliers. Additional Provision Three "Disclosure requirements" of Law 15/2010, of July 5.

As required under additional provision three of Law 15/2010, of July 5, 2010, and in accordance with consultation No. 7/2011 of the ICAC (acronym for the Audit and Accounting Institute) Newsletter No. 88, the required disclosures on the deferrals of payments to trade suppliers are presented.

The information regarding deferrals of payments settled with suppliers in 2011 in accordance with additional provision three, "Disclosure requirements," of the aforementioned legislation is as follows:

Millions of euros	Amount	%
Within the maximum legal term	11,752	99%
Other	112	1%
Total payments during the year	11,864	
Weighted average term by which payments were deferred over the legal period estipulated (days)	24	
Payments which at the year-end were outstanding by more than maximum legal term	8	

Applying the criteria issued by the Spanish ICAC with respect to the comparative information to be disclosed in the second year of effectiveness of the Resolution in the notes to the annual financial statements regarding the deferral of payments to suppliers, the Group has included in the 2011 Financial Statements only the information for 2010 corresponding to the amounts pending payment to suppliers at the end of the reporting period that were outstanding by more than the legally provided term; it therefore differs from the 2011 disclosures which comply with the Resolution requirements in full.

As set out above, the balance of trade payables owed by Spanish companies at December 31, 2010 that were outstanding by more than the term permitted under Law 15/2010 of July 5, was €5 million.

24 Tax situation

Income tax

In view of the geographical dispersion and markedly international nature of the business activities carried on by the companies comprising the Repsol YPF Group, the Group is subject to various different tax and income tax jurisdictions.

a. In Spain

Most of the entities resident in Spain pay income tax under the special consolidation regime. Under this regime, the companies in the Consolidated Tax Group jointly determine the Group's taxable profit and tax charge, which is allocated among the companies in the Tax Group in accordance with the criteria established by the Spanish Accounting and Audit Institute (ICAC) for the recognition and determination of the individual tax charge.

Repsol YPF, S.A. is the parent of Consolidated Tax Group 6/80, which includes all the companies resident in Spain that are directly or indirectly at least 75% owned by the parent and that meet certain requirements. This Group consists of 47 companies in 2011, of which the main companies in terms of volume of business are as follows: Repsol YPF, S.A., Repsol Petróleo, S.A., Repsol YPF Trading y Transporte, S.A., Repsol Química, S.A., Repsol Butano, S.A., Repsol Exploración, S.A. and Repsol Comercial de Productos Petrolíferos, S.A.

Petróleos del Norte, S.A. ("Petronor") is the parent of Consolidated Tax Group 02/01/B, which includes another two companies that paid income taxes under the Vizcaya Corporation Tax regulations.

Additionally, the consolidated financial statements include, through proportional consolidation, all the corporation tax items of the Gas Natural Fenosa Group. This Group is also taxed for corporation tax purposes under the special consolidated tax regime in Consolidated Tax Group 59/93, of which Gas Natural SDG, S.A. is the parent. The main companies of this Tax Group, in terms of volume of business, are the following: Gas Natural SDG, S.A., Gas Natural Distribución SDG, S.A., Gas Comercial Comercializadora, S.A., Gas Natural Aprovisionamientos, S.A. and Unión Fenosa Distribución, S.A. and Gas Natural S.U.R. SDG, S.A.

Lastly, the other companies resident in Spain and not included in either of the aforementioned Tax Groups file individual corporation tax returns.

The Spanish companies, whether they pay tax on an individual or consolidated basis, apply the standard rate of 30%, with the exception of Repsol Investigaciones Petrolíferas, S.A., which is taxed individually at a rate of 35% under the Special Oil and Gas Regime, and the Petronor Group, which pays tax at 28% under the Vizcaya Corporation Tax regulations.

b. In Argentina

The Group companies resident in Argentina are liable to individual corporate income tax returns at a rate of 35% profit for the year.

Additionally, they calculate the minimum presumed income tax by applying the current tax rate of 1% of the computable assets at the balance sheet date, which may supplement the regular income tax. The tax obligation for each year will coincide with the higher of the two taxes. However, if the minimum presumed income tax exceeds the regular income tax, this excess can be computed as a prepayment of the amount by which the regular income tax exceeds the minimum presumed income tax in the following ten years.

c. In the other countries

The other Group companies are taxed in each of the countries in which they operate by applying the prevailing income tax rate to their profit or loss for the year. In addition, minimum presumed income taxes supplementing the regular income tax are recognized in certain countries.

On the other side, the Group companies resident in Spain and Argentina that carry on a portion of their business activities in other countries are subject to the income tax in force in those countries on the portion of their profit or loss obtained there. This is the case of the branches of the Spanish companies that carry on oil and gas exploration and production activities in other companies (such as Libya, Algeria, Peru or Ecuador).

The (nominal) income tax rates applicable in the main jurisdictions where the Group operates are as follows:

- Libya: 65%
- Algeria: 30-38% plus the Tax on Extraordinary Income (TPE)
- Trinidad and Tobago: 35% (gas), 55% and 57.25% (oil)
- United States: 35%
- Brazil: 34%
- Ecuador: 24%
- Peru: 30%
- Bolivia: 25%
- Venezuela: 34% (gas) y 50% (oil)
- The Netherlands: 25%
- Portugal: 29%

Income tax expense for accounting purposes

The breakdown of the income tax expense for accounting purposes in 2011 and 2010, calculated on the basis of the criteria indicated in section 3.3.22 of Note 3, Accounting Policies, is as follows:

2011

Millions of euros	Spanish companies	Argentine companies	Other companies	TOTAL
Accounting profit before tax and before share of results of companies accounted for using the equity method	**1,439**	**1,275**	**1,269**	**3,983**
Adjustment to accounting profit				
Non-temporary differences	(14)[1]	139	(150)	(25)
Temporary differences	(323)	41	(179)	(461)
Taxable profit	1,102	1,455	940[2]	3,497
Tax charge	332	513	514	1,359
Tax credits	(180)	–	–	(180)
Current tax payable	152	513	514	1,179
Adjustment to current tax and foreign taxes	490	(42)	24	472
Total current income tax expense	**642**	**471**	**538**	**1,651**
Deferred tax for the year	97	(13)	36	120
Other adjustments to the income tax expense	(274)	39	(22)	(257)
Total deferred tax expense	**(177)**	**26**	**14**	**(137)**
Total income tax expense	**465**	**497**	**552**	**1,514**

[1] Corresponds primarily to dividends received from other Group companies that are included in taxable profit for Spanish income tax purposes. This heading also includes items which form part of taxable profit that were recognized in equity.

[2] This reflects the net sum of taxable profits and tax losses from various tax jurisdictions.

2010

Millions of euros	Spanish companies	Argentine companies	Other companies	TOTAL
Accounting profit before tax and before share of results of companies accounted for using the equity method	**1,641**	**1,416**	**3,556**	**6,613**
Adjustment to accounting profit				
Non-temporary differences	2,210[1]	292	(2,976)[2]	(474)
Temporary differences	(317)	344	109	136
Taxable profit	3,534	2,052	689[3]	6,275
Tax charge	1,060	723	533	2,316
Tax credits	(913)	–	–	(913)
Current tax payable	147	723	533	1,403
Adjustment to current tax and foreign taxes	539	(6)	(22)	511
Total current income tax expense	**686**	**717**	**511**	**1,914**
Deferred tax for the year	93	(119)	(139)	(165)
Other adjustments to the income tax expense	170	(58)	(119)	(7)
Total deferred tax expense	**263**	**(177)**	**(258)**	**(172)**
Total income tax expense	**949**	**540**	**253**	**1,742**

[1] Corresponds primarily to dividends received from other Group companies that are included in taxable profit for Spanish Income Tax purposes.

[2] Corresponds primarily to the results from the capital increase carried out in in Repsol Brasil, S.A.

[3] This reflects the net sum of taxable profits and tax losses in various tax jurisdictions.

The breakdown of the deferred tax assets and liabilities recognized in the consolidated balance sheet is as follows:

Millons of euros	2011	2010	Variation
Deferred tax assets			
Bad debt impairment provision	68	57	11
Provisions for staff cost	113	118	(5)
Provisions for contingencies	185	209	(24)
Other provisions	411	297	114
Differences in amortisation/depreciation	445	315	130
Tax assets	1,109	715	394
Other deferred tax assest	238	282	(44)
	2,569	**1,993**	**576**
Deferred tax liabilities			
Tax incentives	(12)	(12)	–
Deferred gains	(102)	(82)	(20)
Difference in amortisation	(1,507)	(1,124)	(383)
Functional currency	(717)	(651)	(66)
Goodwill acquired in bussines combinations allocated to assets	(1,130)	(1,231)	101
Other deferred tax liabilities	(371)	(287)	(84)
	(3,839)	**(3,387)**	**(452)**

The accumulated balance of deferred taxes in relation to items charged directly to equity in 2011 and 2010 was €27 million and €95 million, respectively.

The Group did not recognize deferred tax assets in the amount of €596 million in 2011 corresponding mainly to unused tax losses carried forward and unused tax credits, as they did not meet the IFRS recognition criteria (€583 million in 2010). More specifically, in both years these unrecognized amounts correspond mostly (over 90%) to tax losses which the Group does not expect to be able to offset against tax profits within the timeframes allowed under prevailing tax law in the various jurisdictions in which they were generated, which for the most part range between 18 and 20 years.

The Group has not recorded deferred tax liabilities in the amount of €120 million and €119 million, in 2011 and 2010, respectively, as it corresponds to taxable temporary differences related to investments in subsidiaries, branches and associated companies that meet the requirements established in IFRS to apply the recognition exception.

Other tax related disclosures

Deductions taken in 2011 amounted to €180 million, arising from the mechanics to avoid double taxation, both domestically and internationally.

Judicial and administrative decisions have been taken both in this period and in previous periods, leading to tax consequences contrary to the Group's expectations.

Repsol YPF considers that it has acted lawfully in these matters at all times and that its actions are based on reasonable interpretations of the applicable legislation and, therefore, it has filed the appropriate appeals to defend its interests and those of its shareholders.

However, in view of the uncertainty concerning the materialization of the existing tax risks associated with lawsuits and other tax contingencies, at year end the Group had accrued provisions under "Other provisions" (Note 17) that are deemed adequate to cover previously mentioned tax risks. The amount recognized in the consolidated balance sheet in this respect at December 31, 2011 is €837 million (€588 million at year end 2010).

The accrued provisions associated with tax lawsuits in process relate to a large number of cases, none of which, individually, represents a material percentage of the overall provision.

25 Joint ventures

The most significant jointly controlled entities in which the Group participates at December 31, 2011 are:

Companies	% of ownership
Quiriquire Gas, S.A. [1]	60.00%
Repsol Sinopec Brasil, S.A. [1] [2]	60.00%
Profertil, S.A.	50.00%
Refinería del Norte, S.A. (Refinor)	50.00%
Repsol Gas Natural LNG, S.L. [3]	50.00%
YPFB Andina, S.A. (former Empresa Petrolera Andina)	48.92%
Empresas Lipigas, S.A.	45.00%
Pluspetrol Energy, S.A.	45.00%
Petroquiriquire, S.A.	40.00%
Compañía Mega	38.00%
Grupo Gas Natural SDG, S.A.	30.01%
BPRY Caribbean Ventures LLC	30.00%
Atlantic LNG 2/3 Company of Trinidad & Tobago	25.00%
Bahía de Bizkaia Electricidad, S.L.	25.00%
Occidental de Colombia LLC (former R. Occidental Corporation)	25.00%

(1) The Group considers that its investments in Quiriquire Gas, S.A. and Repsol Sinopec Brasil, S.A. constitute joint control arrangements on the basis of existing contracts that stipulate that certain strategic decisions of both financial and operating nature require the unanimous consent of all the venturers sharing control.

(2) The Group's ownership interest following the capital increase fully suscribed by Sinopec on December 28, 2010 (Note 31).

(3) In addition, the Group holds an interest through Gas Natural SDG (which holds the remaining 50%).

The breakdown of the consolidated amounts included under the main headings of Repsol YPF consolidated Financial Statements as a result of the proportionate consolidation of the joint ventures at December 31, 2011 and 2010, is as follows:

Millons of euros	2011	2010
Current assets	8,275	7,354
Non-current assest	14,520	14,025
Current liabilities	(4,395)	(3,186)
Non-current liabilities	(8,205)	(8,941)
Operating income	9,890	10,428
Operating expenses	(7,836)	(8,557)
Other incomes	203	321
Other expenses	(1,162)	(1,364)
Net income atributable to the parent	**1,095**	**828**

Additionally, at December 31, 2011, the Group had interests in the jointly controlled assets and operations listed in Appendix II, as a result of which, it obtains income and incurs in expenses on the basis of its respective percentage ownership interests.

26 Operating revenues and expenses

Sales

This heading includes excise tax and similar taxes levied on the production and/or sale of oil and gas products amounting to €5,390 million in 2011 and €7,234 million in 2010.

Income and expenses from impairment losses and gains and losses on disposal of non-current assets

Income includes the following items:

Millions of euros	2011	2010
Income from release of impairment provisions (Note 9)	64	31
Gains on disposal of non-current assets	144	3,157
TOTAL	**208**	**3,188**

The gains on the disposal of non-current assets in 2011 correspond mainly to the sale of 300,000 gas distribution points in Madrid by Gas Natural Fenosa (€84 million), the sale of the Gaviota underground storage facility (€28 million) and the sale of Repsol's liquid petroleum gas distribution business in Brazil (€11 million) (Note 31).

In 2010 "Gains on disposal of non-current assets" related primarily to gains recognized in connection with the strategic agreement entered into with Sinopec in Brazil (€2,847 million), to the sale of the 5% ownership interest in CLH (€133 million), and to the sale of natural gas distribution assets in Madrid area (€114 million) (Note 31).

"Impairment losses recognized and losses on disposal of non-current assets" include the following items:

Millions of euros	2011	2010
Impairment losses recognized (Note 9)	160	252
Losses on disposal of non-current assets	25	99
TOTAL	**185**	**351**

Supplies

This heading includes the following items:

Millions of euros	2011	2010
Purchases	43,191	37,276
Changes in inventory	(287)	(1,092)
TOTAL SUPPLIES	**42,904**	**36,184**

The heading Purchases includes excise tax and similar taxes levied on the production and/or sale of oil and gas products disclosed in "Sales" section of this note.

Personnel expenses

This heading includes the following items:

Millions of euros	2011	2010
Salaries and others [1]	1,952	1,836
Social security expenses	627	575
TOTAL PERSONNEL EXPENSES	**2,579**	**2,411**

[1] The 2011 balance includes income of €8 million corresponding to the reversal of the provision recognized in prior years in respect of the "Plan de previsión de Directivos" (Management remuneration plan) (Note 18) in relation to a payment received from insurance entities in 2011.

Repsol YPF Group employed a total of 46,575 people at December 31, 2011, geographically distributed as follows: Spain (20,134 employees), Argentina (15,119 employees), Rest of Latin America (8,063 employees) and rest of the world (3,258 employees). Average headcount in 2011 was 45,095 employees (2010: 42,322).

At December 31, 2011, Upstream and Downstream business Repsol and its corporate areas (note 29) has a total of 578 handicapped employees in Spain, 400 of which were hired directly, while the remaining 178 persons were employed through alternative hiring arrangements (3.20% of headcount using legal computation methods).

In compliance with Organic Law 3/2007, dated March 22, which promotes true equality between men and women, published in the BOE (Official State Gazette) issued on March 23, 2007, the following tables reflect the Group's total headcount distributed by professional categories and gender at year end 2011 and 2010.

	2011		2010	
Number of employees	Men	Women	Men	Women
Managers	598	125	546	106
Senior line personnel	2,755	695	2,688	624
Other line personnel	14,119	5,407	13,705	4,906
Operating staff (manual workers, administrative)	16,580	6,296	14,656	6,067
	34,052	**12,523**	**31,595**	**11,703**

Other operating expenses

This heading includes the following items:

Millions of euros	2011	2010
Taxes other than income tax	2,169	2,461
External services	5,551	5,368
Transport and freight costs	1,133	1,189
Other expenses	887	898
	9,740	**9,916**

Exploration costs amounted to €494 and €502 million in 2011 and 2010, of which €238 and €281 million, respectively, are recognized in the heading "Depreciation and amortization."

27 Financial income and expenses

The breakdown of income and expenses from operations in the periods 2011 and 2010 is as follows:

Millions of euros	2011	2010
Interest income	249	149
Borrowing costs	(782)	(800)
Net interest expense (including preference shares)	**(533)**	**(651)**
Due to interest rate	(30)	(26)
Change in fair value of financial instruments	(30)	(26)
Due to exchange rate	(17)	(39)
Change in fair value of financial instruments	108	(212)
Exchange differences	(125)	173
Other positions	(3)	(17)
Change in fair value of financial instruments	(3)	(17)
Net gains / (losses) from financial instruments exposure [1]	**(50)**	**(82)**
Impact of discounting provisions to present value	**(147)**	**(191)**
Capitalised interest [2]	**155**	**143**
Leases	(204)	(196)
Impairment and gains (losses) on disposal of financial instruments	1	1
Other income	12	10
Other expenses	(56)	(42)
Other financial expenses	**(247)**	**(227)**
FINANCIAL RESULT	**(822)**	**(1,008)**

[1] This heading includes exchange gains and losses generated by the measurement and settlement of foreign-currency monetary items (Section 3.3.4 of note 3) as well as the gains and losses recognized as a result of the measurement and settlement of derivatives.

[2] Capitalized interest is recognized in the consolidated income statement under "Finance expenses."

28 Cash flows from operating activities

The breakdown of this heading in 2011 and 2010 is as follows:

Millions of euros	Notes	2011	2010
Net income before tax		**4,058**	**6,689**
Adjustments to net income		**4,382**	**2,507**
Depreciation and amortization of assets	6 AND 7	3,519	3,947
Net changes in operating provisions	17	475	937
Gains (losses) on sale of non-commercial assets	31	(119)	(3,058)
Financial Result	27	822	1,008
After-tax share of results of companies accounted for using the equity method	10	**(75)**	(76)
Other adjustments (net)		(240)	(251)
Change in working capital		**(2,239)**	**(1,693)**
Other cash flows from/(used in) operating activities:		**(2,081)**	**(1,861)**
Dividends received		64	72
Income tax received / (paid)		(1,784)	(1,627)
Other proceeds from / (payments for) from operating activities		(361)	(306)
Cash Flow from operating activities		**4,120**	**5,642**

29 Segment reporting

The segment reporting disclosed by the Group in this section is presented in accordance with the disclosure requirements of IFRS 8 *Operating segments*, which was applied by the Group for the first time in 2009.

The organizational structure of the Group and its various operating segments is based on the activities from which the Group may earn revenue or incur in expenses. On the basis of this Board-approved structure, the Group's management team (Repsol YPF's Executive Committee) analyzes the main operating and financial indicators in order to make decisions about segment resource allocation and to assess how the Company is performing. The Group has not aggregated any operating segments for presentation purposes.

This organizational structure is oriented to support the company's growth projects, as well as to establish the basis for future developments. The main lines of this structure are as follows:

- Three integrated strategic businesses:
  - Upstream, corresponding to oil and gas exploration and production operations, except for YPF;
  - LNG, corresponding to midstream (liquefaction, transport and regasification) natural gas operations and marketing of natural gas and liquid natural gas, except for YPF;
  - Downstream, corresponding to refining, sales activities for oil products, chemicals and LPG, except for YPF.
- Two participations in strategic companies:
  - YPF, which includes the operations of YPF, S.A. and its group companies in all the businesses mentioned above; and
  - Gas Natural Fenosa, corresponding to the sales activities for natural gas and power generation, distribution and sale of electricity.

The table below details the Repsol YPF Group's main income statement headings broken down into the operating segments defined above:

Operating Revenue Millions of euros	Operating revenue external		Operating revenue inter-segment		Total operating revenue	
Segments	**31 / 12 / 11**	**31 / 12 / 10**	**31 / 12 / 11**	**31 / 12 / 10**	**31 / 12 / 11**	**31 / 12 / 10**
Upstream	2,945	5,863	766	1,050	3,711	6,913
LNG	2,396	1,144	262	188	2,658	1,332
Downstream	41,035	36,285	150	78	41,185	36,363
YPF	10,998	10,973	107	129	11,105	11,102
Gas Natural Fenosa	6,349	6,020	215	141	6,564	6,161
Corporation	9	145	415	328	424	473
(-)Inter-segment adjustments and eliminations of operating income [1]		–	(1,915)	(1,914)	(1,915)	(1,914)
TOTAL	**63,732**	**60,430**	**–**	**–**	**63,732**	**60,430**

[1] These correspond primarily to the elimination of commercial transactions between segments.

Operating income		Millions of euros
Segments	**31 / 12 / 11**	**31 / 12 / 10**
Upstream	1,413	4,113
LNG	386	105
Downstream	1,207	1,304
YPF	1,231	1,453
Gas Natural Fenosa	887	881
Corporation	(319)	(235)
Total Operating income pertaining to the reported segments	**4,805**	**7,621**
(+/-) Results not assigned (Financial result)	(822)	(1,008)
(+/-) Other results (Share of results of companies accounted for using the equity method)	75	76
Income tax	(1,514)	(1,742)
CONSOLIDATED NET INCOME FOR THE YEAR	**2,544**	**4,947**

The breakdown of other significant balance sheet headings relating to each activity at December 31, 2011 and 2010 is as follows:

Millions of euros	Upstream	LNG	Downstream	YPF	Gas Natural Fenosa	Corporation and Adjustments	TOTAL
2011							
Total assets [1] [2]	11,025	4,425	19,806	14,037	12,968	8,696	70,957
Investments accounted for using the equity method participation	256	310	73	31	29	–	699
Depreciation and amortization of non current assets	(809)	(168)	(511)	(1,447)	(526)	(58)	(3,519)
Profit (loss) from impairment of assets	36	–	(103)	(3)	(25)	(1)	(96)
Operating investments [3]	1,813	18	1,712	2,182	582	165	6,472
Profit (loss) from entities accounted for using the equity method	4	45	21	3	2	–	75

Millions of euros	Upstream	LNG	Downstream	YPF	Gas Natural Fenosa	Corporation and Adjustments	TOTAL
2010							
Total assets [1] [2]	9,351	4,238	17,524	12,446	13,344	10,728	67,631
Investments accounted for using the equity method participation	172	282	69	35	27	–	585
Depreciation and amortization of non current assets	(1,005)	(149)	(659)	(1,558)	(516)	(60)	(3,947)
Profit (loss) from impairment of assets	(168)	(34)	(36)	12	1	4	(221)
Operating investments [3]	1,119	82	1,612	1,537	463	86	4,899
Profit (loss) from entities accounted for using the equity method	10	31	28	5	2	–	76

[1] Includes in every segment, the amount of the investments accounted for using the equity method

[2] "Corporation and adjustments" column includes financial assets amounting to €5,303 million and €8,246 million, in 2011 and 2010, respectively.

[3] Include the investments accrued during the period. Does not include investments in 'Other financial assets'

The breakdown of the main key figures by geographical area is as follows:

	Operating revenue		Operating income		Operating investments		Assets	
Millions of euros	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Upstream	**3,711**	**6,913**	**1,413**	**4,113**	**1,813**	**1,119**	**11,025**	**9,351**
North American and Brazil	983	3,747	419	2,911	745	515	3,632	3,081
North Africa	303	1,019	99	642	57	97	881	978
Rest of the world	2,510	2,209	895	560	1,011	507	6,512	5,292
Adjustments	(85)	(62)	–	–	–	–	–	–
LNG	**2,658**	**1,332**	**386**	**105**	**18**	**82**	**4,425**	**4,238**
Downstream	**41,185**	**36,363**	**1,207**	**1,304**	**1,712**	**1,612**	**19,806**	**17,524**
Europe	39,889	33,624	1,012	1,182	1,637	1,473	18,331	16,290
Rest of the world	4,111	4,735	195	122	75	139	1,475	1,234
Adjustments	(2,815)	(1,996)	–	–	–	–	–	–
YPF [1]	**11,105**	**11,102**	**1,231**	**1,453**	**2,182**	**1,537**	**14,037**	**12,446**
Gas Natural Fenosa	**6,564**	**6,161**	**887**	**881**	**582**	**463**	**12,968**	**13,344**
Corporation and other adjustments	**(1,491)**	**(1,441)**	**(319)**	**(235)**	**165**	**86**	**8,696**	**10,728**
TOTAL	**63,732**	**60,430**	**4,805**	**7,621**	**6,472**	**4,899**	**70,957**	**67,631**

[1] The YPF figures were generated primarily in Argentina.

Also, the composition of revenue (comprising "Sales" and "Services rendered and other income" line items in the attached consolidated income statements), by geographic area based on destination market, is as follows:

Millions of euros	**2011**	**2010**
Spain	29,037	25,976
European Union	5,593	5,693
OECD Countries	6,766	3,024
Argentina	9,634	9,202
Other countries	10,472	11,640
TOTAL	**61,502**	**55,535**

30 Business combinations and increases in ownership interests in subsidiaries without change in control

Repsol YPF prepares its consolidated Financial Statements including the investments in all its subsidiaries, affiliated companies and joint ventures. Appendix I of the consolidated Financial Statements details the most significant subsidiaries, affiliated companies and joint ventures, held directly or indirectly by Repsol YPF, S.A., which were included in the scope of consolidation during 2011 and 2010. The main business combinations made in 2011 and 2010 are detailed below.

2011 Acquisitions

In April 2011, Repsol Sinopec Brasil, S.A., through its affiliate, Repsol Sinopec Brasil, B.V. (hereinafter "Repsol Sinopec Brasil"), acquired from Petrobras a 10% shareholding in Agri Development, B.V. (hereinafter "Agri"), a company whose core business is the lease of oil and gas operating assets. Repsol Sinopec Brasil also acquired a 10% of the borrowings owed by Agri to Braspetro Oil Services Company to finance its business operations. This transaction implied a total outlay of US$44 million (€31 million). The breakdown of the net assets acquired in this business combination, stated on the basis of the Group's 60% interest in Repsol Sinopec Brasil, is shown below:

Millions of euros	Fair value	Carrying amount at the acquiree
Current assets	3	3
Non-current assets [1]	54	29
TOTAL ASSETS	**57**	**32**
Current liabilities	–	–
Non-current liabilities	5	–
TOTAL LIABILITIES	**5**	–
NET ASSET	**52**	**32**
Cash consideration paid in the business combination	31	
Gain net of the related tax effect	21	

[1] The acquiree's most significant non-current assets are a floating production unit (FPSO) and offloading vessels (*X-mas trees*).

This business combination gave rise to a gain, net of the related tax effect, of US$29 million (€21 million). The abovementioned gain was recognized following the re-assessment of the assets acquired and liabilities assumed at the acquisition date and a review of the methods used to measure the amounts recognized. The net income contributed by this company to the consolidated financial statements since the acquisition date amounts to €23 million. Had the acquisition taken place on January 1, 2011, it is estimated that the additional contribution to consolidated revenue and net consolidated income for the year would have been less than €1 million.

In June 2011, Repsol acquired 100% of British company Sea Energy Renewables, later renamed Repsol Nuevas Energías U.K., a company dedicated to the development of offshore wind farms in Scotland. Through this acquisition, Repsol obtained the rights to develop three offshore wind farms on the Scottish coast. In addition, Repsol reached an agreement with EDP Renovaveis for the joint development of two of these facilities, the 1,500 MW Moray Firth wind farm and the 905 MW Inch Cape wind farm. The Group's ownership interests in these wind farms after this transaction are 33% and 51%, respectively. Further, Repsol owns 25% of the Beatrice wind farm, in which the company Scottish and Southern Renewables owning the remaining 75%. These projects gave Repsol the right to develop, build and operate a total of 1,190 MW in the UK. The agreements provide the possibility of incorporating Gas Natural Fenosa into the project. This transaction implied an investment of €46 million (£41 million). The breakdown of the net assets acquired and the corresponding goodwill is the following:

Millions of euros	Fair Value	Carrying amount at the acquiree
Current assets	4	3
Non-current assets	44	4
TOTAL ASSETS	**48**	**7**
Current liabilities	2	2
Non-current liabilities	10	–
TOTAL LIABILITIES	**12**	**2**
NET ASSETS	**36**	**5**
Business combination costs	46	
Goodwill	10	

At the date of authorizing the accompanying consolidated Financial Statements for issue, this business combination has been accounted for on a provisional basis. Following the purchase price allocation process with respect to the acquisition-date carrying amounts of the net assets acquired, the main assets and liabilities restated to fair value correspond to the rights to operate the wind farms recognized as intangible assets and the deferred tax liabilities corresponding to the mentioned fair value restatements for the amount estimated not to be deductible.

The net loss contributed by this company to the consolidated income statement since the acquisition date amounted to €2 million. If the acquisition had taken place on January 1, 2011, it is estimated that the additional contribution to consolidated revenue and net income for the year would not have been significant.

In may 2011, the assets and liabilities swap pursuant to the agreement reached in August 2010 between Gas Natural Fenosa and Enel Green Power to terminate the renewable energy joint venture held through Enel Unión Fenosa Renovables, S.A. (EUFER), a company in which each held a 50% interest, was consummated. As a result of this transaction, Gas Natural Fenosa acquired approximately one-half of the business and the corresponding assets and liabilities of EUFER, having transferred the corresponding human and other resources required for the performance of the renewable power generation business, so that this transaction has been accounted for as a business combination and not an asset acquisition. The cost of this business combination net of the debt assumed coincides with the fair value, as appraised by third parties engaged specifically to value the transaction. The breakdown of the net assets acquired (proportionate to Repsol Group's interest in Gas Natural Fenosa) is shown below:

Millions of euros	Fair Value	Carrying amount at the acquiree
Current assets	18	18
Non-current assets	262	210
TOTAL ASSETS	**280**	**228**
Minority interest	2	2
Current liabilities	27	23
Non-current liabilities	166	165
TOTAL LIABILITIES AND MINORITY	**195**	**190**
NET ASSETS	**85**	**38**
Business combination costs	86	
Goodwill	1	

This business combination has been accounted for on a provisional basis. The impact on net income in 2011 was not significant. Had the acquisition taken place on January 1, 2011, it is estimated that the additional contribution to consolidated revenue and net income for the year would not have been significant. The main outcome of the purchase price allocation process was the revaluation of the fair value of intangible assets, corresponding to the permits to operate the assets received, mainly wind farms.

In addition, through its investment in Gas Natural Fenosa, the Group undertook other acquisitions in 2011 as detailed below (all amounts proportionate to Repsol Group's interest in Gas Natural Fenosa):

- In September 2011, Gas Natural Fenosa signed a purchase agreement for ACS's direct and indirect interests in five wind farms in Spain with aggregate capacity of 95.5 MW for €20 million, increasing its interest in Explotaciones Eólicas Sierra de Utrera, S.L. from 50% to 75% and in Energías Ambientales EASA, S.A. from 33.3% to 100%. Had the acquisition taken place on January 1, 2011, it is estimated that the additional contribution to consolidated revenue and net income for the year would have been €4 million and €1 million, respectively.
- In December 2011, Gas Natural Fenosa suscribed the acquisition from Gamesa Energía of 100% of Sistemas Energéticos Alto de Seixal, S.A. (a sole shareholder company), which operates a 30 MW wind farm, for €3 million;
- In December 2011, Gas Natural Fenosa signed the purchase agreement for the acquisition of 100% Favellato Reti, S.R.L., an Italian company, whose core business is the distribution of natural gas in several Italian provinces, for €3 million.

These business combinations have been accounted for on a provisional basis as the 12-month period from the acquisition date has not been completed yet.

2010 Acquisitions

With effective date February 1, 2010, the productive area Barúa-Motatán located in the Lake Maracaibo basin was incorporated as an asset to be operated by mixed-ownership company Petroquiriquire, S.A. In 2009, Venezuela's National Assembly published in the official Gazette of the Bolivarian Republic its approval of the activities of Petroquiriquire, S.A., in which Repsol YPF holds a 40% interest, in the production area Barúa-Motatán.

This transaction gave effect to the credit notes amounting to US$173 million (€131 million) received as part of the process of migrating the operating agreements over to the mixed companies and canceled an account receivable from PDVSA amounting to US$34 million (€26 million). The related amount corresponds entirely to property, plant and equipment acquired in connection with this allocation. No goodwill was generated as a result of the transaction.

The net profit contributed in 2010 by the incorporation of the Barúa-Motatán production activities since the date of acquisition amounted to US$36 million (€28 million).

On February 10, 2010, the MENPET awarded the concession of the area of Carabobo 1 to the consortium led by Repsol (11%), and its partners Petronas (11%), OVL (11%), and Indoil (7%). The Venezuelan CVP will maintain its 60% ownership interest. The area will be managed by the mixed-ownership company Petrocarabobo, S.A. This project consists in developing, in conjunction with PDVSA, the heavy crude oil reserves of the blocks Carabobo 1 North and Carabobo 1 Center, located in the Orinoco oil belt. The profit recognized in 2010 in relation with this company was less than €1 million.

31 Divestments and disposals of ownership interests in subsidiaries without loss of control

Divestments

The following table provides the proceeds from the sale of equity ownerships recorded in 2011 and 2010:

Millions of euros	2011	2010
Group companies, associated companies and business units	396	4,230
Property, plant and equipment, intangible assets and investment properties	116	171
Other financial assets	437	170
TOTAL DIVESTMENTS	**949**	**4,571**

"*Divestments*" in the table above do not include the proceeds from the sales of shares in YPF outlined later on in this Note 31. These proceeds are presented under "Decreases in ownership interests without loss of control" within cash flows from financing activities in the consolidated cash flow statement and in the 2010 information presented for comparative purposes herein.

Group companies, associated companies and business units

The divestments of shareholdings in Group companies and associates in 2011 and 2010 are listed in Appendix I - Changes in the consolidation scope. The most significant are described below.

Fiscal Year 2011

On February 7, 2011, Gas Natural Fenosa agreed to sell approximately 300,000 gas supply points in the Madrid region to a company of the Group Madrileña Red de Gas for €136 million. These assets were classified as non-current assets held for sale from the agreement date. Once all required permits were obtained, the sale closed on June 30, 2011, generating a gain of €84 million. The amounts in millions of euros are stated at the Group's proportionate interest in Gas Natural Fenosa.

On May 19, 2011, Gas Natural Fenosa agreed the sale of its investments in power distributors in Guatemala, Distribuidora de Electricidad de Oriente, S.A. and Distribuidora de Electricidad de Occidente, S.A., and in other companies with energy operations in Guatemala. The assets were sold for €64 million. The sale generated a pre-tax loss of €3 million. The figures are stated at the Group's proportionate interest in Gas Natural Fenosa.

In October 2011, the Group sold its Brazilian liquid petroleum gas (LPG) subsidiary, Repsol Gas Brasil, to Brazil's Ultragaz for €20 million. This sale generated an after-tax gain of €11 million, which is recognized in "Income from reversal of impairment losses and gains on disposal of non-current assets."

On January 16, 2012, the Group reached an agreement to sell its subsidiary Repsol France S.A., which core activity was the distribution of liquid petroleum gas (LPG) in France, to Totalgaz, a subsidiary of the Total group. This transaction has been accounted for with effect from December 31, 2011.

Exploration and production assets in Brazil in fiscal year 2010

In December 2010, Repsol YPF and China Petroleum & Chemical Corporation ("Sinopec") successfully closed an agreement reached in October to develop joint exploration and production projects in Brazil, through a capital increase carried out in Repsol Brasil, S.A. on December 28, 2010. The capital increase was fully subscribed by Sinopec and amounted to US$7,111 million (€5,389 million). Upon completing the transaction, Repsol holds a 60% ownership interest in Repsol Brasil and Sinopec holds the remaining 40%. In February 2011, Repsol Brasil, S.A. changed its registered name to Repsol Sinopec Brasil, S.A. ("Repsol Sinopec Brasil").

Both companies signed a shareholders' agreement in which they affirm their desire to develop the abovementioned projects jointly by providing the necessary means and sharing certain strategic decisions concerning operational and financial policies. Consequently, as of December 28, 2010, the Group account for its 60% ownership interest in Repsol Sinopec Brasil using the proportional consolidation method.

This disinvestment amounted to US$4,267 million (€3,234 million), generating a gain of US$3,757 million (€2,847 million), recognized in "Income from reversal of impairment losses and gains on disposal of non-current assets." The amount of the disinvestment corresponds to the Group's ownership interest in the liquidity incorporated as a result of the capital increase.

The associated assets and liabilities of the group affected by the abovementioned transaction were derecognized at December 28, 2010 as follows below:

Net asset value	Millions of euros
Non-current assets	413
Cash and cash equivalents	12
Other current assets	61
TOTAL ASSETS	**486**
Non-current liabilities	15
Current liabilities	93
TOTAL LIABILITIES	**108**
NET ASSETS	**378**

In addition, historical exchange differences recognized in equity under "Adjustments for changes in value," amounting to €9 million, were recognized reducing the result of the transaction.

Sale of the 30% ownership interest in Alberto Pacualini Refap, S.A. in 2010

In December 2010, Repsol YPF sold its 30% ownership interest in the company Alberto Pacualini Refap, S.A. (Refap) to Petrobas for US$350 million (€261 million). This transaction generated a loss of €63 million, recognized in the heading "Impairment losses recognized and losses on disposal of non-current assets." The transaction was carried out as part of the Group's strategy focused in the divestment of non-strategic assets.

The assets and liabilities derecognized as a result of the sale were as follows:

Net asset value	Millions of euros
Non-current assets	878
Cash and cash equivalents	29
Other current assets	129
TOTAL ASSETS	**1,036**
Non-current liabilities	246
Current liabilities	284
TOTAL LIABILITIES	**530**
NET ASSETS	**506**

In addition, historical exchange differences recognized in equity under "Adjustments for changes in value," which totaled €182 million, were recognized as a result of the sale.

Sales of Gas Natural Fenosa Group companies

At December 19, 2009, Gas Natural Fenosa agreed to sell the natural gas distribution business in 38 Madrid municipalities corresponding to approximately 500,000 supply points and the gas natural and electricity supply to residential customer retail and SMEs (small/medium companies). This sale includes the shared services structure in this region. This transaction was made under the framework of the disposal plan agreed upon with the Spanish anti-trust authorities (acronym in Spanish: CNC) in connection with the acquisition of Unión Fenosa. As of the date of this agreement, these assets are classified as non-current assets held for sale. Once the pertinent regulatory approvals were obtained, the sale was completed on April 30, 2010 for €241 million, generating a gross capital gain of €114 million, which was recognized in "Income from reversal of impairment losses and gains on disposal of non-current assets" of the accompanying income statement (figures stated at the Group's proportionate interest in Gas Natural Fenosa).

In addition, in December 2009, Gas Natural Fenosa agreed to divest its share in several combined cycle power generation Companies in Mexico with aggregate capacity of 2,233 MW and the Río gas pipeline. From the date of this agreement, these assets were classified as non-current assets held for sale. Once the pertinent regulatory approvals were obtained, the 100% control of the companies was transferred on June 30, 2010 for €304 million, generating a gross loss of €1 million, recognized in "Impairment losses recognized and losses on disposal of non-current assets" of the accompanying income statement (figures stated at the Group's proportionate interest in Gas Natural Fenosa).

Other sales in 2010

On December 17, 2010, the Group sold Gas Natural Fenosa's 35% ownership interest in Gas Aragón, S.A. for €23 million. This was an equity-consolidated company and the sale generated a before-tax gain of €12 million recognized in "Income from reversal of impairment losses and gains on disposal of non-current assets" (figures stated at the Group's proportionate interest in Gas Natural Fenosa).

In November 2010, the Repsol YPF Group sold its 25% ownership interest in Bahía Bizkaia Gas (BBG) to Enagas and other non-controlling interests for approximately €31 million, after deducting the amount of dividends received. This sale generated a before-tax gain of €13 million, recognized in "Income from reversal of impairment losses and gain on disposal of non-current assets" of the accompanying consolidated income statement.

On March 25, 2010 Repsol YPF, Petronor and BBK signed an agreement whereby BBK acquired a share package for 5% of Compañía Logística de Hidrocarburos (CLH), which Repsol indirectly owned through Petronor. The sale price was €145 million, which generated a gross capital gain of €133 million, recognized in "Income from reversal of impairment losses and gains on disposal of non-current assets" of the accompanying consolidated income statement. As a result of this transaction, Repsol YPF reduced its share in CLH to 10%.

In February 2010, Repsol YPF sold its 100% investment in Termobarrancas and its exploration and development license in the Barrancas area to Petróleos de Venezuela S.A. (PDVSA). The purchase-sale agreement was reached in 2009, year in which these assets were classified as non-current assets held for sale. The sale of these assets generated a gain of €5 million, recognized under "Income from reversal of impairment losses and gains on disposal of non-current assets" in the accompanying consolidated income statement.

Property, plant and equipment, intangible assets and investment property

On April 14, 2011, Gas Natural Fenosa agreed the sale of its 800 MW combined cycle plant in Arrúbal (La Rioja). Having secured all the required permits, the sale was closed on July 28, 2011 and Gas Natural Fenosa transferred ownership of the plant for a total of €94 million. The transaction did not generate any gain or loss in the consolidated income statement. The agreement included a loan to the purchaser amounting to €77 million, which accrues interest at market rates; it also encompassed the signature of gas supply and power offtake agreements for less than 50% of forecast production, between the plant and Gas Natural Comercializadora SDG, S.A. for a maximum term of 10 years. These assets were classified as non-current assets held for sale from the date the agreement was reached until the sale was closed. The amounts in millions of euros are stated at the Group's proportionate interest in Gas Natural Fenosa.

In addition, in 2011 Gas Natural sold the 400MW Plana del Vent combined cycle plant (Note 11).

In 2010, Repsol YPF Group received a €70 million prepayment in connection with sale of the Gaviota underground storage gas facility to Enagás, which was classified at December 31, 2010 under "Non-current assets held for sale" (Note 11). Upon receipt of all the required permits from the competent authorities, the sale was closed on October 3, 2011 in the amount of €79 million, generating a pre-tax gain of €28 million, which was recognized under "Income from reversal of impairment losses and gains on disposal of non-current assets" plus an additional divestment of €9 million.

Other financial assets

In 2011, the Group collected €385 million (stated at the Group's proportionate interest in Gas Natural Fenosa) in connection with Gas Natural Fenosa's share of the financing of the electricity tariff deficit, primarily as a result of the eleven issuances completed by the FADE (the acronym in Spanish for the electricity system deficit securitization fund) in the course of the year by virtue of which outstanding collection rights are irrevocably transferred to the Securitization Fund.

In April 2010, Gas Natural Fenosa sold its 5% ownership interest in Indra Sistemas, S.A., which was classified under "held-for-sale financial assets." This sale amounted to €38 million, generating a gain of €1 million recognized under "Impairment gains / (losses) on disposal of financial instruments" (stated at the Group's proportionate interest in Gas Natural Fenosa).

Disposals of ownership interests in subsidiaries without loss of control

Sales of interest in YPF

In 2011 and 2010 the Group made the following sales of YPF shares:

- On December 23, 2010, Repsol sold 1.63% of the share capital of YPF to funds managed by Eton Park Capital Management ("Eton Park") and another 1.63% to funds managed by Capital Guardian Trust Company and Capital International, Inc. ("Capital") for US$250 million (€192 million).

  Eton Park additionally held call options on shares representing a further 1.63% of YPF's share capital, exercisable either all at once or in smaller amounts until January 17, 2012. Repsol YPF also granted Capital a put option on the purchased shares in the proportional part of the acquired shares which exceeded 15% of the YPF's free float as of December 22, 2011; this option was exercisable at any time from that date until January 23, 2012. These options expired unexercised.
- In addition, in 2010, the Group sold YPF shares representing 0.97% of its share capital in a number of transactions for a total of €105 million.
- Repsol reached an agreement to sell 3.83% of the share capital of YPF to Lazard Asset Management and other funds for a net sum of US$632 million (€446 million) on March 14, 2011. Specifically, Lazard Asset Management acquired 2.9% of YPF share capital, while other inves-

tors acquired a 0.93% interest. In addition, Repsol YPF granted Lazard Asset Management a put option on the purchased shares in the proportional part of the acquired shares which exceed 20% of the YPF's free float. This option was exercisable at any time until October 10, 2011 and expired unexercised.

- Also in March 2011, Repsol YPF sold, through a secondary offering, 30.15 million YPF shares in the form of American Depositary Shares (ADSs) representing 7.67% of YPF's share capital, raising total net proceeds of US$1,209 million (€862 million).
- Subsequently, in May 2011, the Petersen Group exercised its call option 10% of YPF, ahead of the exercise deadline on February 2012. The deal size was US$1,302 million (€913 million). Part of the transaction was funded by way of a US$626 million (€439 million) loan by Repsol to the Petersen Group. Following the transaction date, the Petersen Group owns 25.46% of the Argentine oil company.
- The Group also sold additional minority interests in YPF in the market during 2011.

Taking into account all these transactions on the Argentine oil company´s share capital, the Group sold YPF shares in 2011 and 2010 representing 22.38% and 4.23% of its share capital in for a net amount of US$3,292 million (€2,327 million euro), and US$647 million (€489 million), respectively.

In the wake of these transactions, the Group's ownership interest in YPF at December 31, 2011 stood at 57.43% (79.81% at year end 2010).

The sales detailed above implied a €1,537 million increase in "Minority interests" at the year ended December 31, 2011 (an increase of €305 million in 2010). The resulting pre-tax gain, which is recognized within "Retained earnings and other reserves," amounted to €478 million in 2011, net of the €312 million impact of the associated accumulated negative translation differences (a gain of €139 million net of negative translation differences of €44 million in 2010).

32 Information on related party transactions

Repsol YPF undertakes transactions with related parties under general market conditions.

For the purposes of presenting this information, the following are considered to be related parties:

a. Major Shareholders: according to the most recent information available, the major shareholders in the company that are considered related parties of Repsol YPF are (Note 15.1):

- Sacyr Vallehermoso, S.A., which owns 10.01% of share capital.
- CaixaBank S.A. (a member of Caixa Group), which holds, directly and indirectly, 12.84% of the share capital of Repsol YPF, S.A.
- Petróleos Mexicanos (Pemex), which holds a total interest of 9.49% through Pemex Internacional España, S.A., PMI Holdings, B.V. and through several equity swaps with financial entities that give Pemex dividend and voting rights over 9.49% of Repsol YPF's share capital.

b. Executives and Directors: includes members of the Board of Directors and of the Executive Committee.

c. People or Group companies: includes transactions with Group companies or entities for the part not eliminated in the consolidation process (corresponding to the non-owned portion in the proportionately consolidated companies and transactions undertaken with companies accounted for using the equity method).

Income, expenses and other transactions recorded in 2011 with related parties were as follows:

Millions of euros	Major shareholders	Executive and Directors	Group companies or entities	TOTAL
EXPENSE AND INCOME:				
Financial expenses	26	–	–	26
Management or coorperation agreements	–	–	2	2
Operating leases	2	–	33	35
Receipts from services	8	–	428	436
Purchase of goods (finished or in progress) [1]	2,751	–	5,755	8,506
Other expenses	11	–	18	29
TOTAL EXPENSES	**2,798**	**–**	**6,236**	**9,034**
Financial income	36	–	18	54
Managment or cooperation agreements	–	–	4	4
Leases	1	–	–	1
Transfer of R&D and license agreements	–	–	–	–
Provision of services	42	–	34	76
Sale of goods (finished or in progress)	109	–	1,262	1,371
Other income	4	–	80	84
TOTAL INCOME	**192**	**–**	**1,398**	**1,590**

Millones de euros	Major shareholders	Executive and Directors [2]	Group companies or entities	TOTAL
OTHER TRANSACTIONS				
Purchase of property, plant and equipment, intangible and other assets	124	–	–	124
Finance agreements: credits and capital contributions (lender)	–	–	346	346
Amortisation or cancellation of loans and leases (lessor)	–	–	–	–
Disposal of property, plant and equipment, intangible or other assets	187	–	–	187
Finance agreements: credits and capital contributions (lessor) [3]	783	–	7	790
Guarantees given [4]	193	–	133	326
Guarantees received	70	–	–	70
Commitments acquired [5]	585	–	15,782	16,367
Cancelled commitments/guarantees	1	–	254	255
Dividends and other profit distributed	519	–	–	519
Other transactions [6]	1,321	–	–	1,321

[1] These purchases include those made under the provisions of a crude oil purchase contract signed for an indeterminate period with the Pemex Group, which in 2011 were fixed at 85,000 barrels per day.

[2] See Note 33 Information on the Members of the Board of Directors and Executives for disclosure on operations made with members of the Executive Committee. The balance of the loans granted to Executives and the dividends distributed is less than €1 million.

[3] Includes credit lines amounting to €553 million arranged with La Caixa.

[4] Includes €64 million corresponding to the guarantee extended by the Group in connection with Perú LNG S.R.L financing arrangements (Note 34).

[5] Corresponds to purchase commitments outstanding at the reporting date, net of sales commitments.

[6] Includes remunerated accounts and deposits in the amount of €416 million, exchange rate hedges in the amount of €173 million and interest rate hedges in the amount of €209 million arranged with Caixa Group.

Income, expenses and other transactions recorded in 2010 with related parties were as follows:

Millions of euros	Major shareholders	Executives and Directors	Group companies or entities	TOTAL
EXPENSE AND INCOME				
Financial expenses	108	–	–	108
Management or cooperation agreements	–	–	1	1
Operating leases	3	–	9	12
Receipts from services	9	–	409	418
Purchase of goods (finished or in progress) [1]	2,031	–	4,977	7,008
Other expenses	10	–	1	11
TOTAL EXPENSES	**2,161**	**–**	**5,397**	**7,558**
Financial income	22	–	21	43
Management or cooperation agreements	–	–	4	4
Transfer of R&Dand license agreements	–	–	1	1
Provision of services	37	–	34	71
Sale of goods (finished or in progress)	174	–	1,257	1,431
Other income	5	–	52	57
TOTAL INCOME	**238**	**–**	**1,369**	**1,607**

Millones de euros	Major shareholders	Executive and Directors [2]	Group companies or entities	TOTAL
OTHER TRANSACTIONS				
Purchase of property, plant and equipment, intangible and other assets	59	–	–	59
Finance agreements: credits and capital contributions (lender)	–	–	324	324
Amortisation or cancellation of loans and leases (lessor)	1	–	–	1
Disposal of property, plant and equipment, intangible or other assets	53	–	–	53
Finance agreements: credits and capital contributions (lessor) [3]	734	–	6	740
Guarantees given	133	–	416	549
Guarantees received	40	–	–	40
Commitments acquired [4]	132	–	20,100	20,232
Cancelled commitments/guarantees	–	–	–	–
Dividends and other profit distributed	269	–	–	269
Other transactions [5]	3,044	–	–	3,044

[1] These purchases included those made under the provisions of a crude oil purchase contract signed for an indeterminate period with the Pemex Group, which in 2010 were fixed at 71,000 barrels per day.

[2] See Note 33 Information on the Members of the Board of Directors and Executives for disclosure on operations made with members of the Executive Committee. The balance of the loans granted to Executives and the dividends distributed was less than €1 million.

[3] Included €632 million of credit lines arranged with Caixa Group.

[4] Corresponded to purchase commitments outstanding at the reporting date, net of sales commitments.

[5] Included short term investments in the amount of €739 million, exchange rate hedges in the amount of €1,183 million and interest rate hedges in the amount of €711 million, arranged with the Caixa Group.

The transactions performed by Repsol YPF, S.A. with its Group companies and those performed by the Group companies among themselves form part of the Company's ordinary business activities in terms of their purpose and terms and conditions.

33 Information on the members of the board of directors and executives

33.1 Remuneration of the members of the Board of Directors (Directors)

The remuneration earned by Executive Board Members, as detailed under paragraphs a), b) and c) of this Note, amounted to €11,5 million, representing the 0.52% of the net income attributed to the parent company.

a. Due to membership of the Board

In accordance with Article 45 of the Articles of Association, the Company may pay a remuneration equivalent to 1.5% of its net income to its Board members each year, but this amount can only be paid once the appropriations to the legal reserve and other obligatory appropriations have been made and a dividend of at least 4% has been declared.

Under the system established and approved by the Nomination and Compensation Committee, the amounts of the annual remuneration earned in 2011 and 2010 by virtue of membership of each of the Group's managing bodies are as follows:

Governing Body	2011	2010
Euros		
Board of Directors	176,594	172,287
Delegate Commitee	176,594	172,287
Audit and Control Committee	88,297	86,144
Strategy, Investment and Corporate Social Responsability Commitee	44,149	43,072
Nomination and Compensation Commitee	44,149	43,072

The amount of remuneration earned in 2011 by the members of the Board of Directors in their capacity as Board members in connection with the above-mentioned bylaw-stipulated directors' emoluments amounted to €4.974 million, the detail being as follows:

Remuneration of Membership to Governing Bodies (Euros)

	Board	Delegate C	Audit C	Nomination C	Strategy C	TOTAL
Antonio Brufau	176,594	176,594	–	–	–	353,188
Luis Suárez de Lezo	176,594	176,594	–	–	–	353,188
Pemex Internacional España, S.A.	176,594	176,594	–	–	44,149	397,337
Carmelo de las Morenas [1]	58,865	–	29,432	–	–	88,297
Henri Philippe Reichstul	176,594	176,594	–	–	–	353,188
Paulina Beato	176,594	–	88,297	–	–	264,891
Javier Echenique	176,594	176,594	88,297	–	–	441,485
Artur Carulla	176,594	176,594	–	44,149	–	397,337
Luis del Rivero [2]	161,878	132,446	–	–	–	294,324
Juan Abelló	176,594	29,432	–	–	44,149	250,175
José Manuel Loureda	176,594	–	–	44,149	44,149	264,891
Luis Carlos Croissier	176,594	–	–	–	44,149	220,743
Isidro Fainé	176,594	176,594	–	–	–	353,188
Juan María Nin	176,594	–	–	44,149	44,149	264,891
Angel Durandez	176,594	–	88,297	–	–	264,891
Mª Isabel Gabarró	176,594	–	–	44,149	44,149	264,891
Mario Fernández Pelaz [3]	117,729			29,432		147,162

[1] *Mr. Carmelo de las Morenas López resigned from his position of Director on April 15, 2011.*

[2] *Mr. Luis del Rivero resigned from his position of Director on December 20, 2011.*

[3] *Mr. Mario Fernández Pelaz was appointed as Director on April 15, 2011.*

Additionally, it should also be noted that:

- The members of the Board of Directors of Repsol YPF, S.A. have not been granted any loans or advances by any Group company, jointly controlled entity or associate.
- Non Group company, jointly controlled entity or associate has pension or life insurance obligations to any former or current member of the Board of Directors of Repsol YPF, S.A., except in the case of the Executive Chairman, and of the General Counsel, whose remunarations, as Executive Directors, are subject to the commitments set forth in their respective service agreements, which envisage a defined contribution system.

b. Due to the holding of executive positions and performing executive duties.

The annual monetary fixed remuneration earned in 2011 by the members of the Board of Directors who, during that period had performed executive tasks at the Group, amounted to €3.351 million, of which €2.368 million was earned by Mr. Antonio Brufau and €0.983 million by Mr. Luis Suárez de Lezo.

Additionally, the remuneration in-kind (residence allowances and other), annual variable, and multi-annual variable compensation paid to Mr. Antonio Brufau, calculated on the basis of the level of success with respect to the objectives of the Medium-term Incentives Program for senior management personnel corresponding to the 2008-2011 period totaled €1.942 million. The amounts received by Mr. Luis Suárez de Lezo for in-kind, annual variable, and multi-annual variable compensation under the aforementioned program totaled €1.033 million.

In addition, on an extraordinary basis, a special bonus has been accrued in 2011 in connection with earnings growth in 2010 of €2.772 million for Antonio Brufau and €1.678 million for Luis Suárez de Lezo.

These figures mentioned above do not include the amounts reflected in paragraph e) below.

c. Due to membership to the Boards of Directors of affiliates

The remuneration earned in 2011 by the members of the parent's Board of Directors in their capacity as directors of other Group companies, jointly controlled entities and associates amounted to €0.611 million, according to following detail:

Euros	YPF	Gas Natural	TOTAL
Antonio Brufau Niubó	85,281	289,800	375,081
Luis Suarez de Lezo Mantilla	83,668	151,800	235,468

d. Due to third-party liability insurance premiums

The members of the Board of Directors are covered by the same third-party liability insurance policy as that covering all the directors and executives of the Repsol YPF Group.

e. Due to retirement, disability and life insurance policies, contributions to pension plans and long service bonus.

The cost of retirement, disability and life insurance policies and the contributions to pension plans and long service bonus including, if applicable, the related on account payments, incurred by the Company on behalf of the members of the Board of Directors with executive functions at the Group amounted to €2.965 million in 2011. Of this amount, €2.671 million correspond to Mr. Antonio Brufau and €0.294 million to Mr. Luís Suárez de Lezo.

f. Incentives

Directors not holding executive positions at the Company have not been paid multi-annual variable compensation.

33.2 Indemnity payments to members of the Board of Directors

No director received any indemnity payment from Repsol YPF in 2011.

33.3 Transactions with Directors

Except for the remuneration earned, the dividends received from the shares they hold and, in the case of institutional outside directors, the transactions described in Note 32 ("Information on Related Party Transactions – Significant Shareholders"), the directors of Repsol YPF did not perform any material related-party transactions with the Company or Repsol YPF Group companies outside of ordinary business or under conditions other than market conditions.

Except as detailed in Appendix III, none of the directors nor people or entities to which they are related have ownership interests or hold positions in companies engaging in an activity that is identical, similar or complementary to the activity constituting the corporate purpose of Repsol YPF.

In addition, except as detailed in Appendix III, none of the directors have performed, as independent professionals or as employees, activities that are identical, similar or complementary to the activity that constitutes the corporate purpose of Repsol YPF.

In 2011, the resolutions passed by the Board of Directors and the Nomination and Compensation Committee in respect of (i) directors re-elections; (ii) committee members appointments or re-elections; and (iii) job appointments within the Board of Directors, were adopted in the absence of the directors affected by the resolution in question.

In addition, the Executive Directors did not participate in the approval of Board of Directors resolutions regarding their compensation for the performance of executive duties at the Company.

Lastly, the resolution taken by the Board of Directors on December 18, 2011 in relation to the acquisition of own shares representing 10% of the Company's share capital was voted on in the absence of directors Luis Fernando del Rivero Asensio, Juan Abelló Gallo and José Manuel Loureda Mantiñán. Nor did Mr. Loureda participate in the approval of resolutions taken with respect to this same transaction by the Nomination and Compensation Committee on December 18, 2011 immediately prior to the said Board of Directors meeting.

33.4 Remuneration of executives

a. Scope

For reporting purposes, in this section Repsol YPF considers "executives" to be the members of the Repsol YPF Group's Executive Committee. This consideration, made purely for reporting purposes herein, neither substitutes nor implies an interpretation of other senior management or similar concepts applicable to the Company under prevailing legislation (such as Royal Decree 1382/1985), nor does it have the effect of creating, recognizing, amending or extinguishing any existing legal or contractual rights or obligations.

The information included in this Note relates to the seven people who have been members of the Executive Committee of the Group in 2011, excluding, unless stated otherwise, those who are also members of the Parent Company Board of Directors, since the information relating to them is disclosed in the paragraph 1) of this Note.

b. Wages and salaries

Executives receive fixed and variable remuneration. The latter consists of an annual bonus calculated as a given percentage of the fixed remuneration earned on the basis of the degree to which certain targets are met and, where appropriate, the payment relating to the multi-annual incentive plan.

The total remuneration earned in 2011 by executives who form or formed part of the Executive Committee, is as follows:

Description	Millons of euros
Salary	4.968
Attendance fees	0.341
Variable remuneration	4.533
Remuneration in kind	0.870

Furthermore, on an extraordinary basis, a especial bonus has been accrued in 2011 connected to the increase of results in 2010 for an amount of €6.870 millions.

In accordance with the foregoing, total compensation amounted to €17.582 million.

c. Executive welfare plan and long service bonus

In 2011, the contributions made by the Group to its executives in both instruments amounted to €1.429 million.

d. Pension fund and insurance premiums

The contributions made by the Group in 2011 to the hybrid defined contribution pension plans for executives adapted to the Pension Plans and Funds Law (Note 3.3.18 and Note 18) plus the life and accident insurance premiums paid totaled €0.475 million (this amount is included in the disclosures reported in section b) above).

Executives are covered by the same civil liability insurance policy as that covering all the directors and senior management personnel of the Repsol YPF Group.

e. Advances and loans

At December 31, 2011, the Company had granted loans to its executives amounting to €0.180 million, which earned average interest of 2.80%. All these loans were granted before 2003.

33.5 Indemnity payments to executives

The executives to which this Note is referred (Section 33.4.a) have, in their respective contracts, the right to receive a compensation in the event of termination of relationship with the company, provided that the termination was not due to a breach of obligations of the such management member, due to retirement, handicap or the employee's voluntary withdrawal not founded in some of the compensable assumptions gathered in the mentioned contracts.

Said compensations shall be recognized as a provision and a personnel expense only when the termination of the relationship between the executive and the Group is due to a reason that entitled him or her to such perception. The Group has a collective insurance policy contracted which aims to guarantee the payment of such compensations to the executives to which this Note is referred (Section 33.4.a), including the General Counsel Director.

No executive received any indemnity payment from Repsol YPF in 2011.

33.6 Transactions with executives

Except for the information disclosed in sections 4 and 5 of this Note and the dividends pertaining to the shares of the Company held by them, the executives of Repsol YPF did not perform any material related-party transactions with the Company or Repsol YPF Group companies outside of ordinary business or under conditions other than market condition.

34 Contingent liabilities and obligations

Guarantees

At December 31, 2011 the companies of the Repsol YPF Group had granted the following guarantees to third parties or to Group companies whose assets, liabilities and results are not incorporated into the consolidated financial statements (companies consolidated using the proportionate consolidation method to the extent they are not owned by the Group and companies consolidated under the equity method). The most significant guarantees are outlined below:

- The Group provided guarantees for its stake in Oleoducto de Crudos Pesados de Ecuador, S.A. (OCP) which covers construction, abandonment of construction, and the environmental risks related to this operation, amounting to approximately US$15 million (€12 million) together with the operative risks of approximately US$15 million (€12 million). The Group has pledged all its shares in OCP.
- The Group has provided guarantees for financing activities to the Petersen Group related to the acquisition of a shareholding in YPF in the amount of US$96 million (€74 million).
- Repsol YPF signed certain support and guarantee contracts in connection with the financing agreements for Perú LNG, S.R.L, a company which was set up to build and operate a gas liquefaction facility, including a marine loading dock in Pampa Melchorita in Peru, and a gas pipeline. These guarantees cover the funding needs of Perú LNG for certain price situations and lack of availability of gas to fulfill Delivery or Pay obligations towards Repsol Comercializadora de Gas, S.A, while also covering Perú LNG operating expenses and debt servicing. These guarantees have been extended jointly with the other Project shareholders, each in proportion to its share of the Perú LNG capital. Repsol YPF guarantees up to US$83 million (€64 million) taking into account its interest in Perú LNG, increasing to US$224 million (€174 million) from 2021.
- At December 31, 2011 the Group, through its branch YPF S.A., issued guarantees with respect to the financing activities of Central Dock Sud S.A. amounting to US$9 million (€7 million); while also providing guarantees to cover Maxus' environmental obligations for US$50 million (€39 million) (see note under *Contingencies* below in this same note).

In addition, Repsol YPF issues other types of guarantees and indemnities, mainly specific indemnities relating to the sale of assets in the normal course of activities.

Contractual commitments

At December 31, 2011, the main long-term purchase, sale or investment commitments of the Repsol YPF Group were as follows:

Commitments	2012	2013	2014	2015	2016	Subsequent years	TOTAL
Operating leases [1]	**597**	**320**	**230**	**203**	**188**	**1,234**	**2,772**
Trasnsport - Time Charter [2]	293	160	84	66	61	595	**1,259**
Operating leases [3]	304	160	146	137	127	639	**1,513**
Purchase commitments	**9,513**	**5,759**	**5,089**	**4,458**	**3,957**	**29,640**	**58,416**
Crude oil and others [4]	4,174	463	390	358	319	390	**6,094**
Natural gas[5]	5,339	5,296	4,699	4,100	3,638	29,250	**52,322**
Investment commitments [6]	**1,668**	**1,308**	**487**	**1,001**	**625**	**5,683**	**10,772**
Service commitments	**745**	**418**	**388**	**354**	**302**	**1,508**	**3,715**
Transport commitments [7]	**215**	**133**	**147**	**150**	**145**	**946**	**1,736**
TOTAL[8]	**12,738**	**7,938**	**6,341**	**6,166**	**5,217**	**39,011**	**77,411**

Note: The commitments detailed in the foregoing table are commercial agreements in which fixed total amounts are not stipulated. These commitments were quantified using Repsol YPF´s best estimates.

[1]Operating lease expenses recognized in 2011 and 2010 amounted to €679 and €659 million, respectively.

[2]Repsol YPF has at its disposal 44 tankers under "time charter" arrangements (five of them through its subsidiary Gas Natural Fenosa) for the transport of crude oil, petroleum products, and natural gas. These charter agreements finalize between 2012 and 2019. The payments in connection with these tankers for 2012 amount to €293 million.

[3]Corresponds primarily to service station leases in the amount of €77 million.

[4]These purchases include those under the provisions of a crude oil purchase contract signed for an indeterminate period with the Pemex Group, which amounted to 85,000 barrels per day in 2011. In addition, they include the purchases made under the agreement signed with the Saudi Arabian Oil Company which is renewed annually for a volume of 75,000 barrels per day.

[5]Mainly includes the Repsol YPF Group's proportional share of the Gas Natural Group´s long term natural gas purchase commitments, amounting to €24,145 million, and commitments of the Repsol YPF Group to purchase gas from Trinidad Tobago amounting to €6,075 million, from Peru amounting to €12.282 million, from Canada amounting to €7,924 million and from Spain, amounting to €1,574 million.

[6]This amount includes commitments amounting to €5,951 million relating to the renewal of YPF operating concessions. Also includes investment commitments in Brazil amounting to €1,858 million.

[7]Includes €350 million relating to the agreement executed by Repsol YPF Ecuador, S.A. on January 30, 2001, with Oleoducto de Crudos Pesados (OCP) Ecuador, S.A., owner of a heavy crude oil pipeline in Ecuador, pursuant to which it undertook to transport 100,000 barrels per day of crude oil (36.5 million of barrels per year) for a 15 year term, from the start-up date, September 2003, at a variable rate determined contractually. It also includes €1,385 million for the transport of natural gas to other countries.

[8]Includes commitments of companies consolidated using the proportionate consolidation method amounting to 28,889 million euros.

Sales	2012	2013	2014	2015	2016	Subsequent years	TOTAL
Commited sales	**10,873**	**4,309**	**3,821**	**3,470**	**3,006**	**26,447**	**51,926**
Crude oil and others	6,734	975	856	740	710	2,715	**12,730**
Natural Gas [1] [2]	4,139	3,334	2,965	2,730	2,296	23,732	**39,196**
Transport commitments	**13**	**13**	**13**	**13**	**13**	**124**	**189**
Service commitments	**759**	**599**	**613**	**518**	**420**	**2,530**	**5,439**
Leases	**167**	**167**	**155**	**150**	**170**	**1,148**	**1,957**
TOTAL[3]	**11,812**	**5,088**	**4,602**	**4,151**	**3,609**	**30,249**	**59,511**

[1] Primarily includes natural gas sales commitments amounting to €10,900 million in Mexico, €3,766 million in Argentina, €2,906 million in Trinidad and Tobago, and €2,459 million in Spain, as well as the Repsol YPF Group's proportional share of the long-term natural gas sales commitments entered into by the Gas Natural Fenosa Group in the amount of €6,128 million.

[2]This also includes the commitments to sell natural gas in accordance with the contract signed with PDVSA, which establishes the reciprocal obligation to deliver and acquire approximately 2,194,010 Mscf, maturing in 2036 and for an amount of €10,097 million.

[3]Includes commitments of companies consolidated using the proportionate method amounting to €15,388 million.

Contingencies

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

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

At December 31, 2011, Repsol YPF's consolidated balance sheet included litigation provisions amounting to €432 million (excluding tax risk provisions described in Note 24 "Tax situation - Other tax-related disclosures"). This amount was recognized under the heading "Other provisions" (Note 17), except for €113 million, related to provisions recognized in connection with YPF Holding's litigations in United States as described below, registred under "Environmental provisions" (Notes 17 and 35).

United States of America

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

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

As of December 31, 2011, YPF Holdings' reserves for environmental and other contingencies, including litigation, totaled approximately €118 million, of which €113 million were recognized under "Environmental provisions" (see Note 35). YPF Holdings management believes it has adequately reserved for these and other contingencies that are probable and can be reasonably estimated based on information as of December 31, 2011. However, many such contingencies are subject to significant uncertainties, including the completion of ongoing studies, the discovery of new facts, and the issuance of orders by regulatory authorities, which could result in material additions to such reserves in the future. It is possible that additional claims will be made, and additional information about new or existing claims (such as results of ongoing investigations, court decisions, or the signing of settlement agreements) is likely to arise over time. YPF Holdings' reserves for the environmental and other contingencies described below are substantial based solely on currently available information. Thus, YPF Holdings, Maxus and Tierra Solutions Inc.("Tierra") may have to incur substantial costs that may be material, in addition to the reserves already recognized.

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

Passaic River/Newark Bay, New Jersey

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

The EPA's findings of fact in the 2007 AOC (which amended the 1994 AOC) indicate that combined sewer overflow/storm water outfall discharges are an ongoing source of hazardous substances to the Lower Passaic River Study Area. For this reason, during the first semester of 2011, Maxus and Tierra negotiated with the EPA, on behalf of Occidental, an Administrative

Settlement Agreement and Order on Consent for Combined Sewer Overflow/Storm Water Outfall Investigation ("CSO AOC"), which was signed and became effective in September 2011. Besides providing for a study of combined sewer overflows in the Passaic River, the CSO AOC confirms that there will be no further obligations to be performed under the 1994 AOC. Tierra estimates that the total cost to implement the CSO AOC is approximately $5 million and will take approximately 2 years to complete. Pursuant to an agreement with the cooperating parties group for the 2007 AOC, Tierra will be responsible for 50% of the cost of the CSO AOC.

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

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

As of the date of these financial statements for issue, YPF Holdings has recognized provisions in the amount of approximately US$108 million (€78 million) in connection with the issues concerning the Passaic River, Newark Bay and surrounding area comprising the estimated costs of the studies and remodeling work and other matters related to the Passaic River/Newark Bay case.

In December 2005, the DEP and the New Jersey Spill Compensation Fund sued YPF Holdings, Tierra, Maxus and other affiliates, as well as Occidental, seeking damages in connection with the contamination allegedly emanating from the Newark facility and allegedly contaminating the Passaic River, Newark Bay, and other nearby water bodies and properties (the Passaic River/Newark Bay litigation). The plaintiffs represented in court that this litigation should not be preempted by the remedial studies and activities taking place under EPA oversight because they are not seeking remediation, only damages. The defendants have made responsive pleadings and in February 2009 third-party claims were filed against approximately 300 companies and governmental entities (including certain municipalities) which could have responsibility for the conditions of the allegedly affected properties. The DEP did not quantify damages in its claims but it did:

a. maintain that the US$50 million (€37 million) cap on damages under New Jersey legislation should not be applied;
b. claim it had incurred approximately US$113 million (€85 million) in costs in the past in cleanup and removal work and that it is looking for additional damages of between US$10 and US$20 million (between €7 and €15 million) to finance a study to assess damages to the natural resources;
c. notify Maxus and Tierra that it is working on financial models outlining costs and other financial impacts.

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

In October 2010, some of the defendants presented several motions to sever and stay, which would have had the effect of allowing the New Jersey DEP to take their case against the direct defendants. However, these motions were dismissed. In addition, in January 2011 other motions to dismiss were also rejected.

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

Following the entry of CMO XVII, the State and Occidental filed motions for partial summary judgment . On these motions, the Court ruled as follows : (i) Occidental is the *legal* successor of any liabilities incurred by the corporation previously known as Diamond Alkali Corporation, Diamond Shamrock Corporation and Diamond Shamrock Chemicals Company (ii) Occidental is a "discharger" of hazardous substances and is therefore "liable" to the Sate under the New Jersey Spill Act for any cleanup and removal costs associated with discharges from the Lister Avenue Site; (iii) the Court denied the State's motion, without prejudice, insofar as it sought a ruling that factual findings made in the *Aetna* litigation should be binding in this case on Occidental and Maxus based on the doctrine of collateral estoppel; (iv) the Court ruled that Tierra has Spill Act liability to the State based merely on its current ownership of the Lister Avenue site; and (v) the Court ruled that Maxus has an obligation under the 1986 Stock Purchase Agreement to indemnify Occidental for any Spill Act liability arising from contaminants discharged from the Lister Avenue site. In July and August 2011, the judge ruled that the release of contaminated substances by Chemicals has been substantiated however acknowledged no liability can be established unless a relationship between the release and the alleged damages can be proven.

On the basis of the best information available as of the date of authorizing the annual financial statements for issue, and considering the estimated length of time required to complete the hearings and obtain the results of the studies and/or tests, and also the opinion of internal and external counsel, it is not possible to estimate the potential loss or range of losses arising from the outstanding suits. As a result, no related provisions have been recognized.

Hudson and Essex Counties, New Jersey.

Until 1972, Chemicals operated a chromite ore processing facility in Kearny, New Jersey. Tierra, on behalf of Occidental, is conducting remedial work on this facility and surrounding properties where chromite ore processing residue ("COPR") from the facility is believed to be located, pursuant to an agreed consent order with the DEP. Tierra has provided financial assurance in the amount of US$20 million (€15 million) in connection with this work.

In May 2005, the DEP issued a directive to Maxus, Occidental, and two other chromium manufacturers, directing them to arrange for the cleanup of COPR at three sites in Jersey City, New Jersey, and for the conduct of study by paying the DEP a total of US$20 million (€15 million). The DEP also filed a lawsuit (the Hudson County, New Jersey litigation) against the above parties, seeking the cleanup of COPR from various sites not addressed in the consent order describe above, recovery of past costs, and treble damages. The parties have reached an agreement to settle both matters, under which Tierra will pay US$5 million (€4 million) and agreed to remediate three sites at an estimated adittional cost of US$2 million (€1 million) and subject to the terms of the draft Consent Judgement that became final and effective as of September 2011. The Consent Judgement stipulates that the US$5 million payment was made in October 2011 and a scheudle for site remediation will be completed in the first quarter of 2012.

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

Other Former Plant Sites and Third Party Sites.

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

Dallas Occidental vs. Maxus Litigation.

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

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

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

Cameron Parish Louisiana

In May 2008, Ruby Mhire and other plaintiffs ("Mhire") filed a lawsuit against various persons, amongst them Maxus, alleging that the various defendants, including Maxus's predecessor, had polluted property in Cameron Parish, Louisiana, while carrying out petroleum and gas activities in said property, operations also carried out by the predecessor company to Maxus from 1969 to 1989. The plaintiffs have requested remediation and other compensation amounting to US$158 million (€122 million). YPF Holdings believes that relatively little remediation work should be required and intends to energetically oppose the claims. Maxus has filed the appropriate allegations in response to the issues raised. The proceedings are in their initial stages and the hearing is expected to commence in the fourth quarter of 2012. Based on information currently available, it is not possible to make a reasonable estimate for possible losses or the range of possible losses in connection with these pending issues.

Argentina

Liabilities and contingencies assumed by the Argentine State.

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

Natural gas market.

As a result of the restrictions on natural gas exports since 2004, YPF has been forced in many instances to partially or fully suspend natural gas export deliveries that had been agreed upon in its contracts with export customers. YPF has challenged the Gas Export Rationalization Program and Use of Transport Capacity, as well as the Additional Permanent Injection and the Additional Injection Requirements as being arbitrary and illegitimate and has informed its customers that such measures constitute an event of force majeure which releases YPF from any responsibility and/or penalty arising out of the failure to deliver the volumes of gas stipulated under the relevant agreements. A number of YPF’s customers have rejected YPF’s interpretation and have claimed damages and/or penalties for breach of supply undertakings, while at the same time reserving their rights to file additional claims in the future. YPF has opposed such claims.

AES Uruguaiana Empreendimentos S.A. (“AESU”).

Has claimed damages totalling US$28 million (€21 million) for missed deliveries of natural gas volumes during the period September 16, 2007 through June 25, 2008. On July 16, 2008, AESU also claimed damages amounting to US$3 million (€2 million) for missed deliveries of natural gas volumes during the period January 18, 2006 through December 1, 2006. YPF has contested both of these claims. In a letter dated March 20, 2009 AESU notified YPF that it was unilaterally terminating the related contract.

On April 6, 2009, the International Chamber of Commerce (“ICC”) notified YPF of an arbitration brought by AESU and Companhia de Gás do Estado do Río Grande do Sul (“Sulgás”) against YPF claiming damages in an approximate amount of US$1,052 million (€787 million), which includes the amount referred to above, in connection with YPF’s alleged liability resulting from AESU and Sulgás terminating the natural gas export contract entered into in September 1998. YPF does not accept any liability derived from the termination of said contract. Moreover, YPF alleges that AESU's estimate of the damages greatly exceeds any reasonable estimate. The reasoning behind this allegation is that AESU's estimate is six times the maximum penalties which it would have incurred for failing to deliver gas (deliver or pay) had it failed to fulfill its delivery obligations for the maximum daily amount over the term of the natural gas exportation contract, as indicated in the aforementioned 1998 contract . Furthermore, more than 90% of the estimated damages are related to lost profit. However, this claim can be strongly refuted on the grounds that prior to the unilateral termination of the natural gas export contract, AESU voluntarily terminated all its long-term purchase contracts for electricity . YPF considers that it is unlikely that AESU's claim will be upheld. On October 1, 2010, the terms of reference (*Acta de Misión*) were signed establishing the rules governing the proceedings and providing for the bifurcation of the proceedings for the purpose of firstly establishing jurisdiction. YPF lodged its objections against the Arbitration Tribunal’s jurisdiction on October 29, 2010 and AESU responded on November 30, 2010, dismissing the objections and affirming the Arbitration Tribunal’s jurisdiction. The Tribunal decided that a jurisdiction hearing was not necessary, determining that it is in a position to rule on its jurisdiction in the matter.

Furthermore, on April 6, 2009 YPF applied to the ICC for arbitration against AESU, Sulgás and Transportadora de Gas del Mercosur S.A. (“TGM”), seeking an award from the Arbitral Tribunal which states, among other things, that AESU and Sulgás have repudiated and unilaterally and illegally terminated the natural gas export contract entered into in September 1998 and declaring AESU and Sulgás liable for any damages suffered by the parties because of such termination, including but not limited to the damages resulting from the termination of the natural gas transportation contracts associated with the natural gas export contract. A memorandum was signed on October 1, 2010, setting out the claims submitted to arbitration by the parties and the procedural rules governing the arbitration

With respect to the termination of the natural gas transportation contracts associated with this natural gas export contract, YPF was notified by the ICC of an arbitration brought by TGM against YPF claiming unpaid and outstanding payments for an approximate amount of US$10 million (€7 million) plus interests, in connection with the transportation fee established in the natural gas transportation contract entered into in September 1998 between YPF and TGM. YPF has requested the joinder of these two proceedings. On July 10, 2009, TGM increased its claim to US$17 million (€13 million) and claimed an additional US$366 million (€274 million) in alleged loss of profits. YPF considers that these claims will be unsuccessful. The relevant Arbitration Tribunal has been set up on June 10, 2010, YPF made its statements before the Tribunal, asking the Tribunal to acknowledge its lack of jurisdiction to rule on the claim. In the event that this motion is rejected, YPF has requested that the Arbitration Tribunal suspend these proceedings until the ongoing arbitration with TGM, AESU and Sulgás is settled. On September 14 and 15, 2010, the Arbitration Tribunal held hearings with both YPF and TGM to establish jurisdiction.

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

On April 6, 2011, the Court of Arbitration appointed to rule on the arbitration proceedings relating to the suit between YPF and AES Uruguaiana Empreendimentos S.A. (“AESU”) accepted the jurisdictional matter put forward by YPF, which means that all the claims sought in all the arbitration proceedings (“AESU versus YPF,” “TGM versus YPF” and “YPF versus AESU”) would be rolled into a single arbitration proceeding, the “YPF versus AESU” case, in which all the parties would appear and all claims made would be rolled up into the one.

In addition, there are certain claims concerning payments tied to natural gas transportation contracts associated with exports. One of the parties involved attempted to mediate with a view to determining the merits of these claims. When this mediation effort finalized without agreement, YPF was notified of the instigation of a claim against it under which ***Transportadora de Gas del Norte S.A.*** (“TGN”) is seeking contract fulfillment and the cancellation of unpaid invoices, while reserving the right to claim damages. YPF has responded to all these claims.

In addition, the plaintiff recently notified YPF that it was rescinding the transportation contract alleging breach by YPF based on its alleged failure to settle the transport service invoices, reserving the right to seek damages.

After expanding the lawsuit filed by TGN in November 2011, the total amount claimed is approximately US$64 million. In addition, in November 2011 TGN, via a note addressed to YPF, claimed damages for termination of the transportation contract amounting to US$142 million (€110 million), which was rejected by YPF.

Further, Nación Fideicomisos S.A. had initiated arbitration hearings against YPF, seeking payment of certain transportation charges. The arbitration hearing ended without agreement, thereby concluding the pre-court phase. On January 12, 2012, Nación Fideicomisos S.A. initiated proceedings again ENARGAS under the framework of article 66 of Law 24,076, seeking settlement of approximately AR$339 million (€61 million) in this same connection. YPF plans to respond to this suit raising the connection with the "TGN versus YPF" court case, highlighting the lack of jurisdiction to name ENARGAS as defendant and rejecting the claim on the grounds that TGN was legally incapable of providing the transportation service.

It is YPF's belief that the claims filed against it to date will not have a material adverse effect on its future results.

In addition, in accordance with the developments outlined in the preceding paragraph, on January 8, 2009, YPF also filed a complaint against TNG with the Argentine Natural Gas Regulatory Authority ("ENARGAS"), seeking termination of the natural gas transportation contract entered into with TGN in connection with the natural gas export contract with AESU and other parties. The request was made on the grounds that (i) the termination of the refferd natural gas export contract and the legal impossibility to assign the transportation contract to other shippers because of certain changes in law in effect since the year 2002; (ii) TGN's legal impossibility to render the transportation services on a firm basis because of certain changes in law in effect since 2004; and (iii) Argentine law theoretically provides for cases in which the parties' services can be deemed "excessively onerous" due to "extraordinary and unforeseeable events" which render the services as too much of a burden for one of the parties.

On September 21, 2011 YPF received notification of the Chamber of Appeals' dismissal of YPF's arguments and its decision to declare Enargas incompetent and the Federal Civil and Commercial jurisdiction as competent.

Compañía Mega S.A.

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

On 15 August 2011, Compañía Mega S.A. served on YPF a written claim for the total sum of US$94 million (€73 million) corresponding to undelivered volumes for the years 2009, 2010 and 2011.

CNDC investigation.

On November 17, 2003, within the framework of an official investigation pursuant to Article 29 of the Antitrust Act, the CNDC issued a request for explanations from a group of approximately 30 natural gas production companies, including YPF, with respect, among other things, to the following items: (i) the inclusion of clauses purportedly restraining trade in natural gas purchase/sale contracts; and (ii) gas imports from Bolivia, in particular (a) an expired contract signed by YPF, when it was state-owned, and YPFB (the Bolivian State-owned oil company), under which YPF allegedly sold Bolivian gas in Argentina at prices below the purchase price and (b) the unsuccessful attempts in 2001 by Duke and Distribuidora de Gas del Centro to import gas into Argentina from Bolivia. In January 2006, YPF was notified of the CNDC's decision to order that preliminary proceedings be undertaken. YPF challenged the decision on the grounds that it had not infringed the Antitrust Act in any way and that the charges were barred by the applicable statute of limitations. On January 2007, the CNDC charged YPF together with eight other producers with infringement of Law 25,156. YPF presented evidence for its defense. In June 2007 without acknowledging any conduct infringing the Antitrust Act, YPF presented the CNDC with a commitment, pursuant to Article 36 of the Antitrust Law, not to include the challenged clauses in future contracts and requested that the CNDC approve the commitment, suspend the investigation and stay the proceedings.

YPF is still awaiting a formal response. On December 14, 2007, the CNDC decided the cases should be brought before the Court of Appeals, in light of the appeal filed by YPF against rejection of its allegation of "statute-barred."

YPF is also currently subject to other antitrust proceedings with the CNDC concerning alleged price discrimination practices in the sale of fuel.

La Plata refinery environmental disputes.

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

On August 11, 2011 the Court of First Instance passed a sentence with respect to one of these claims, rejecting the exceptions alleged by YPF and upholding the claims filed by the plaintiffs, sentencing YPF to pay the estimated amounts totaling approximately US$4 million (€3 million), which with accrued interest amounts to a total of US$7 million (€5 million). Furthermore, the claims against the National State were dismissed. An appeal has been filed against said ruling.

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

Patagonian Association of Landowners (ASSUPA).

In August 2003, ASSUPA filed suit against several companies operating concessions and holding exploration permits on the Neuquén River Basin, including YPF, requesting that they be ordered to remedy the collective environmental damage supposedly caused and to take the necessary measures to avoid environmental damage in the future. The amount claimed is US$548 million (€410 million). YPF and the other defendants filed an appeal for the claim to be dismissed due to the plaintiff's inability to establish grounds for the right to be granted reparation. The court upheld the appeal and ASSUPA filed a complementary claim. YPF requested that the claim be dismissed as the defects therein cited by the Supreme Court of Argentina had not been rectified. However, this request was denied. Nonetheless, YPF also requested that the claim be dismissed for other reasons and has demanded that a summons be issued to the National Government due to its obligation to indemnify and hold YPF harmless with respect to events and claims prior to January 1, 1991, pursuant to Argentine Law No. 22,145 and Decree 546/1993. On August 26, 2008, the Argentine Supreme Court ruled that the plaintiff had rectified the defects in the claims. In compliance with a ruling of January 23, 2009 certain Argentine Provinces, the Argentine State, and the Argentine Federal Council for the Environment were cited to appear. The proceedings have been deferred until the cited third parties appear before court. To date, the Provinces of Río Negro, Buenos Aires, Neuquén, Mendoza, and the Argentine State have appeared before court, although the company has not had access to the statements made. The Provinces of Neuquén and La Pampa both made lack of jurisdiction (excepción de incompetencia) statements which have been opposed by the plaintiff and are currently pending for resolution.

On March 16, 2011, YPF and ASSUPA agreed to request the suspension of the judicial deadlines with a view to analyzing the possibility of finding a proposal that would permit a consensus solution for the conflict, without admitting liability or granting rights. On December 13, 2011, the Supreme Court decided to suspend the deadlines and ASSUPA and YPF presented a schedule for meetings that would start in February 2012.

Dock Sud environmental claims.

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

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

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

Quilmes environmental claims.

Residents of Quilmes in the Province of Buenos Aires have filed a lawsuit requesting remediation of environmental damages and the payment of Ps.47 million (€9 million) as compensation for alleged personal damages, plus interest. The plaintiffs base their claim mainly on a fuel leak that occurred in 1988 in a poliduct running from La Plata to Dock Sud. The fuel leakage became noticeable in 2002, resulting in remediation that is now being performed by YPF in the affected area, supervised by the environmental authority of the province of Buenos Aires. YPF has notified the Argentine Government that it will demand a summons to be issued to the Government when YPF answers the complaint in order to request that it indemnify and hold YPF harmless against any liabilities in connection with this lawsuit, as provided by Law No. 24,145. The Argentine Government has denied any responsibility to indemnify YPF for this matter, and YPF has sued the Argentine Government to obtain a judicial award that annuls this decision. There are 35 other judicial claims that have been brought against YPF based on similar allegations, amounting to approximately Ps.19 million (€3 million).

Note number 245/08 issued by the Under-Secretariat of Mining and Hydrocarbons for the Province of Río Negro.

On May 15, 2008, YPF was notified of Resolution 433/08 concerning compliance with certain obligations of YPF as exploitation concessionaire in the hydrocarbon bearing zones of Barranca de los Loros, Bajo del Piche, El Medanito and Los Caldenes, all located in Rio Negro Province. This resolution asserts that YPF, among others, in its capacity as a concessionaire, is liable for failing to meet certain concession and environmental obligations. If found liable, there could be a risk that YPF's concession contracts be terminated. In light of the above, and consistent with provisions of the Hydrocarbons Law, YPF was requested to submit a response. YPF submitted the requested documentation in December 2009.

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

In April 2011 YPF made a new submission updating the information on investments made during 2010, informing of the investments contemplated for the year 2011 in development and for the period 2011-2016 in explorations, requesting that the Hydrocarbons Secretariat cease to investigate matters which are already being investigated by the environmental provincial authority (CODEMA) and reiterating the request that the investigation be closed. Is necessary to mention that the amount of net asset and the amount of proved reserves mentioned are not significant.

Claim filed against Repsol YPF and YPF by the Union of Consumers and Users.

The plaintiff claims the reimbursement of all the amounts the consumers of bottled LPG were allegedly charged in excess from 1993-2001, corresponding to a surcharge for said product. With respect to the period from 1993 to 1997, the claim is based on the fine imposed on YPF by the Secretariat of Industry and Commerce through its resolution of March 19, 1999. It should be noted that Repsol YPF has never participated in the LGP market in Argentina and that the fine for abusing a dominant position was imposed on YPF. In addition, YPF has alleged that charges are barred by the applicable statute of limitations. Hearings have commenced and are in process. The claim amounts to Ps.91 million (€17 million) for the 1993-1997 period. Adding interest, this amount would increase to Ps.365 million (€66 million), to which the amount corresponding to the 1997-2001 period should be added, as well as accrued interest and expenses.

Claims by ex-employees of YPF.

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

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

YPF and Repsol filed an appeal against this decision in the Cordoba Federal Court, requesting that the Preliminary Injunction be revoked. The Federal Court of First Instance allowed the appeal and suspended the effects of the Preliminary Injunction. In addition, in March 2011, the Federal Judge responsible for the Buenos Aires Administrative Disputes Court reduced the Preliminary Measures to only 10% of the ownership interest held by Repsol in the capital of YPF. Accordingly, Repsol may freely dispose of its shares in YPF, provided that Repsol continues directly or indirectly to own at least 10% of the latter's share capital

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

On 21 July 2011, the Judge of First Instance upheld the claim of lack of jurisdiction made by YPF S.A. and Repsol YPF S.A. and ordered the transfer of the case to the Federal courts in the city of Buenos Aires. This decision was confirmed by the Appeals Chamber on December 15, 2011.

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

On December 5, 2011 the aforementioned Chamber overruled the decision taken by the judge in the Court of First Instance on February 4, 2011, overturning the injunction for suspending the sale of YPF S.A. shares and/or any other stock market transaction involving the shares of the company in which the plaintiff and/or other participants in the stock option plan are not participating, limiting it to only 10% of shares controlled by Repsol YPF S.A. that are being claimed by the plaintiffs. The sentence is final.

Lawsuit brought by the Secretariat of Transport before the Comisión Nacional de Defensa de la Competencia (CNDC).

In addition, on January 11, 2012 the National Secretariat of Transport filed a lawsuit before the CNDC against five petroleum companies, amongst them YPF, charging them with abuse of dominant position with respect to bulk gasoil sales to public passenger transportation companies. The allegations involve the bulk sale of gasoil to automotive public passenger transportation companies at prices above the retail price charged to service stations. In accordance with the stipulations of article 29 of the anti-trust law 25,156, YPF will provide explanations to the CNDC (Note 2).

Brazil

The Group is party to administrative claims instigated by the Brazilian authorities concerning the importation and circulation of industrial equipment for the exploration and production of hydrocarbons in fields that are not operated by the Repsol Group. The amount of such claims that could be allocated to the Repsol Group on account of its investments in non-operating consortia would total €134 million.

Spain

CNC Resolution of June 30, 2009.

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

Algeria

Gas Natural Fenosa v. Sonatrach (Gas supply contract litigation).

Gas Natural Fenosa and Sonatrach were engaged in a dispute over the price review in connection with the supply contracts for gas received from Algeria through the Maghreb-Europe pipeline.

On June 14, 2011, Sonatrach and Gas Natural Fenosa agreed to settle their differences over the price applicable to the gas supply agreements held by Sagane, S.A. (a Gas Natural Fenosa subsidiary) following the arbitration ruling issued in August 2010, determining the price applicable for 2007-2009 and from January 1, 2010 to May 31, 2011, with both parties committing to withdraw from all proceedings currently underway.

Said agreement had no effect on the 2011 consolidated income statement, since the risks related to the disagreement were covered by the amounts recognized under "Provisions" (Note 17).

35 Environmental information

Management of safety and the environment is based on a management system which comprises an extensive body of standards, procedures, technical guides, and management tools that are continually being updated to adapt to the best practices of the sector. The Group strive for ISO 14001 certification of its installations in order to promote continuous improvement and obtain external validation of our management systems.

A key element in the Repsol YPF Environmental Management System worth highlighting is the annual setting of environmental objectives approved by the executive committee within the framework of the strategic environmental guidelines of the Company. The strategic guidelines take into account critical areas for environmental protection, leadership in management, improvement in management, risk control, and the minimization of the environmental impact of activities and products. They further serve to prepare the action plans for each business, and include the measures required to improve and respond to new legislative requirements, Repsol YPF's strategic focus, plans for corrective measures arising from environmental audits performed, etc., together with the investments and expenses required to implement all these measures, which were addressed in the Company's general budget.

The criteria used to measure environmental costs are established in the "Repsol YPF Environmental Costs Guide," which adapts the American Petroleum Institute guidelines to the Group's operations and technical approach. It is important to note in this regard that the traditional "bottom-line" solutions for reducing environmental impact are gradually giving way to preventive measures built into processes right from the time the facilities are designed. This sometimes requires the identification of environmental assets through a system of coefficients applied to investment projects and the related property, plant and equipment, per the guidelines expressed in the aforementioned Guide.

35.1 Environmental assets

The breakdown of the cost of the environmental assets identified and the related accumulated depreciation at December 31, 2011 and 2010 is as follows:

			2011			**2010**
Millions of euros	**Cost**	**Accumulated Depreciation**	**Net**	**Cost**	**Accumulated Depreciation**	**Net**
Atmosphere	647	264	383	490	247	243
Water	740	492	244	698	459	239
Product quality	1,713	823	889	1,418	770	648
Soil	301	202	99	295	131	164
Energy saving and efficiency	581	199	382	550	179	371
Waste	77	33	44	55	25	30
Other	529	356	173	483	350	133
	4,588	**2,370**	**2,214**	**3,989**	**2,161**	**1,828**

The cost includes €389 million of assets under construction at December 31, 2011 and €264 million at December 31, 2010.

Among the main environmental investments made in 2011 and 2010 it is worth highlighting the capital expenditure earmarked for optimizing water consumption, reducing landfill waste pollution, improving environmental quality of petroleum products, minimizing emissions, increasing energy efficiency, and upgrading waste spill prevention systems.

In relation with the most noteworthy investments made in 2011 it is worth highlighting the work performed to add to distillation and conversion capacity at the Group's Cartagena refinery in Spain, leading to an environmental investment expenditure of €92 million, the work performed to improve fuel quality at the Luján de Cuyo refinery in Argentina, with an environmental investment of €32 million, the coastal protection program carried out in Tarragona (Spain), giving rise to an environmental investment of €6.6 million and the ongoing work to improve fuel quality at the La Coruña refinery in Spain, which entailed environmental investment in 2011 of €6.5 million.

As 2010 relevant investment projects to be mentioned, the continuing project for improving fuel quality at La Coruña refinery (Spain), with an environmental investment of €26 million; the project for improving the water treatment plant of the Petronor refinery, with an investment of €7 million; and the project for improving fuel quality at La Pampilla refinery (Peru), with an environmental investment of €4 million.

35.2 Environmental provisions

Repsol YPF recognizes the provisions required to cover the measures aimed at preventing and repairing environmental impact. These provisions are estimated on the basis of technical and economic criteria and are classified under "Environmental Provisions" (Note 17).

The changes in the environmental provisions in 2011 and 2010 were as follows:

Millions of euros	2011	2010
Opening balance	**254**	**221**
Period provisions charged to income	82	75
Provisions released with a credit to income	(3)	(3)
Payment	(80)	(50)
Reversals and other	2	10
Closing balance	**255**	**254**

Additionally, Repsol YPF's Environmental Cost Guide classifies as environmental provisions 75% of the amounts recognized under the caption "Provision for Field Dismantling Costs," totaling €1,382 million and €1,075 million at December 31, 2011 and 2010, respectively (Note 17).

The most notable item in the balance of environmental provisions at December 31, 2011, included approximately €113 million to cover the environmental risks relating to the operations carried out in the past by the former chemicals subsidiary of Maxus Energy Corporation, Diamond Shamrock Chemicals Company, prior to its sale in 1986 to Occidental Petroleum Corporation (Note 34).

Subject to the relevant terms and conditions, corporate insurance policies cover civil responsibilities for pollution on land and at sea, and for certain countries and activities, administrative responsibilities for pollution on land, all provoked by accidental and sudden events, in line with habitual industry practices and applicable legislation.

35.3 Environmental expenses

In 2011 and 2010 environmental expenses amounted to €292 million and €356 million respectively, classified as "Supplies" and "Other operating expenses."

These expenses include €94 million of expense for the rights necessary to cover CO_2 emissions during 2011, but the effect in the income statement in relation with this item amounted to a net expense of €6 million. Environmental expenses in 2011 and 2010 also include: other measures for atmospheric protection amounting to €28 million and €27 million respectively; soil remediation and field dismantling costs amounting to €42 million and €46 million, respectively; waste management amounting to €38 million and €33 million, respectively; and water management amounting to €17 million and €21 million, respectively.

35.4 Planned initiatives

Among the most relevant issues which could affect Repsol YPF's operations and investments in the future, the most noteworthy are related to climate change and energy, integrated pollution prevention and control, environmental responsibility, water quality, as well as waste.

On climate change and energy matters, in April 2009, the European Union approved a package of Directives with the targets set for 2020 in relation to: (i) the reduction of global greenhouse gas emissions over 1990 levels by at least 20%, (ii) boosting the use of renewable energy sources to account for 20% of total output, and (iii) a 20% reduction in energy consumption via enhanced energy efficiency.

- The Directive 2009/28/EC on the promotion of the use of energy from renewable sources, sets a target of 20% for the overall share of energy from renewable sources and a 10% target for energy from renewable sources in transport for 2020 in respect of 2005 levels. This Directive further sets the sustainability criteria to be met by biofuels in order to guarantee a minimum contribution to reducing carbon emissions relative to the use of petrol and diesel.

  Each State member must adopt a national action plan on renewable energy that lays down national targets and the appropriate measures to be taken to ensure delivery of these targets.
- The Directive 2009/29/EC amending Directive 2003/87/EC so as to improve and extend the greenhouse gas emission allowance trading scheme of the Community, sets the target of cutting the overall greenhouse gas emissions of the Community by at least 20% below 1990 levels by 2020. The reduction of allowances within the trading scheme implies a reduction of 21% on 2005 levels. This reduction is to be achieved on a straight-line annual basis, resulting in an annual reduction in emission allowances of 1.74%.

  Auctions are designated as the primary means of allocating emission allowances. Fifty per cent of state revenues generated from allowance auctions should be used, among others, for contributions to the Adaptation Fund put in practice at the XIV Conference of Parties (COP 14) celebrated in Poznan, to fund R&D, for the development of renewable energies and for the capture and geological storage of greenhouse gases. Sectors with particularly high exposure to international competition (refining and chemicals) shall benefit from a free allowance allocation based on sector benchmarking. The installations of sectors and sub-sectors exposed to carbon dioxide leaks will receive a 100% free allowance allocation.
- Directive 2009/30/EC as regards the petrol, diesel and gas-oil specifications and introducing a mechanism to monitor and reduce greenhouse gas emissions, which is aimed at controlling, documenting and reducing fuel life greenhouse gas emissions.

  The Directive sets fuel performance technical specifications for road vehicles, non-road mobile machinery, agricultural and forestry tractors, and the recreational craft when not at sea, as well as a target for the reduction of life cycle greenhouse gas emissions.

  Under the Directive, suppliers are obliged to report each year on the intensity of greenhouse gas emissions of the fuels and energy supplied. Member states shall require suppliers to reduce life cycle greenhouse gas emissions per unit of energy from fuel and energy supplied by up to 6% by December 31, 2020. This reduction may be achieved by means of the use of biofuels or other projects designed to reduce greenhouse gas emissions along the fuel supply chain.
- Directive 2009/31/EC on the geological storage of carbon dioxide establishes the legal framework governing the environmentally safe geological storage of CO_2 (permanent confinement that is risk-free for the environment and human health) in a bid to contribute to the fight against climate change. This directive lays down requirements on storage site selection, storage and operating permits and on closure and post-closure obligations.

In Spain, the transposition of the requirements laid down in Directive 2009/29/EC by means of Law 5/2009 has resulted in new disclosure requirements at the autonomic government level with respect to refining and chemicals facilities for the purpose of calculating individual facility allocations on the basis of sector benchmarks.

Based on these disclosures, the original plan was for the European Union members to allocate allowances by facility by December 2011; however, the deadline has since been pushed back to March 2012. The provisional allocations (pending possible fine-tuning following consolidation at the Community level) are due for announcement in March 2012.

The following developments have also taken place with respect to other environmental issues:

- Approval of Directive 2010/75/EC on industrial emissions, consolidating several earlier directives into a single body of text: The IPPC (integrated pollution prevention and control) Directive (Directive 2008/1/EC which in turn amends Directive 96/61/EC), the VOC (volatile organic compounds) Solvents Directive (Directive 1999/13/EC), the waste incineration directive (Directive 2000/76/EC), three directives dealing with titanium dioxide (78/176/EEC, 82/882/EEC and 92/112/EEC), and the Large Combustion Plants Directive (Directive 2001/80/EC). This Directive is scheduled for transposition into Spanish law by January 2013.

  This Directive establishes the rules for the prevention and control of pollution from industrial activities and determines the process for drawing up reference documents (BRET) for best available techniques (BAT documents), including guidelines regarding BAT conclusions and emerging techniques in each segment. The main departure with respect to the former IPPC Directive is the fact that BAT conclusions must define binding emission limit values for submission to the Commission; these will be binding for environmental integrated authorizations (AAIs for its acronym in Spanish).

  At present, none of the key reference documents (BRET) in review applicable to the Company (mainly, Mineral Oil & Gas Refining, Common Waste Water & Waste Gas Treatment in the Chemical Sector, Large Volume Organic Chemistry and Large Combustion Plants) are expected to be published before January 2014, the deadline for updating all installation environmental integrated authorizations (AAIs) in accordance with the new Industrial Emissions Directive.

  The Directive itself includes emission limit values for certain activities such as Large Combustion Plants. Installations classified as Large Combustion Plants have until July 7, 2015 to comply with the new requirements laid down in Chapter III and Annex V of the Industrial Emissions Directive (DEI for its acronym in Spanish).
- Under the framework of Spanish Law 26/2007 on environmental responsibility, in April 2011, the methodology for the Environmental Responsibility Offer Model (MORA for its acronym in Spanish) was approved. This is a methodology developed in response to the assessment

required under law in respect of the need to constitude financial collateral against environmental responsibility in order to cover the repair costs and possible damages incurred in the course of business and to calculate the restoration costs associated with the risk scenarios.

These assessments must be developed in accordance with the deadlines established in the Ministerial Order (Order ARM/1783/2011) on the enforceability of the financial collateral and on the basis of the order of priority established for industrial activities. Large Combustion Plants are priority 1 (which means the assessment must be performed within a maximum term of two to three years), refining facilities are priority 2 (deadline: three to five years) and the chemicals and oil and gas extraction industries are priority 3 (deadline: five to eight years).

- Against the backdrop of the Water Framework Directive, Directive 2008/105/EC on environmental quality standards (EQS) in the water policy establishes the environmental quality standards for priority substances and other pollutants in order to ensure a good chemical balance and ecological health of surface waters.

  The EQS Directive was transposed into Spanish law in January 2011 by means of Royal Decree 60/2011. The current legislation covers 33 substances. However it is expected that the EU will publish a list of around 15 additional substances in the course of 2012 for which EQSs will be established. Note that these standards do not imply wastewater standards to be met by the industrial plants but rather parameters for the various masses of water present in each hydrographical basin.

- In July 2011 new law 22/2011 on waste was approved in Spain, which replaces Law 10/1998 of April 21. This law transposes the Spanish legal system the EU Directive on Waste approved in 2008. The objective is to update current prevailing legislation, orient policy on waste in accordance with the principle of hierarchy, and guarantee protection of human health and the environment, maximizing use of resources and minimizing the impact of waste production and management. This law is also intended to regulate the legal regime over polluted soils.

  The most noteworthy of the main novelties with respect to Law 10/1998 are the following: the introduction of specific sections dedicated to sub-products and to the concept of end of useful life of waste; the creation of a coordinating Commission to function as a body for technical cooperation and collaboration amongst the different administrations for matters related to waste; and introduction of the concept of producer liability, whereby the producer is obliged to engage in the prevention and management of the wastewater generated by its products in keeping with the 'from cradle to grave' liability concept.

35.5 CO2 emissions

During 2011 and 2010 the companies comprising the consolidation scope recognized emission allowances allocated free of charge under the Spanish national allocation plan equivalent to 17 and 16.4 million tons of CO_2 respectively, measured at €244 and €216 million. The same allocation plan stipulates allocation of 2012 allowances equivalent to 18.6 million tons of CO_2.

In 2011, the value of the Group's emission allowances were depreciated, giving rise to an impairment charge of €110 million which was offset almost in full by the recognition of deferred income corresponding to the emission allowances received free of charge. The emission allowances did not depreciate its value in 2010.

The net gain on the management of CO_2 allowances amounted to €31 million in 2011 (compared to a net loss of €5 million in 2010). In 2011, the Group actively managed the position generated by the difference between the allowances allocated in recent years under the National Allocation Plan and the emissions actually made by the Group each year.

For the Repsol YPF installations included in the European allowance trading system, 2012 is the last year of compliance within Phase II (2008-2012). From 2013 on, these installations will be allocated new allowances under Phase III (2013-2020); these are expected to be lower than the annual allocations during Phase II and to be reduced over time. Repsol has been preparing for the lower free allocation levels under Phase III for many years from now, taking measures to mitigate the related future costs.

On the one hand, the Company has acquired Clean Development Mechanism (CDM) and Joint Implementation (JI) credits at a low price. On the other hand, the installations included in the allowance trading systems have developed, and are in the process of executing, energy savings and carbon emission reduction plans with a view to substantially reducing the cost of compliance in Phase III.

Repsol YPF's agreements because of its participation in CDM and JI projects have resulted in the acquisition of credits during the year 2011. Including these purchases, planned investment at year end amounted to €48 million.

36 Fees paid to the auditors

In 2011, the fees earned by Deloitte for the audit services provided to Repsol YPF, S.A. and its companies controlled have amounted to €6.6 million of euros. Additionally, the fees earned by the auditors and their organization for audit-related services and for other services have amounted to €1.1 and €0.2 million, respectively.

The sum of these amounts does not represent more than 10% of the total volume of business of the auditors and their organization.

37 Subsequent events

- On January 5, 2012, Repsol YPF and US oil company SandRidge Energy signed an agreement by which Repsol will acquire approximately 1,500km² of the Mississippi Lime oil field, which boasts historic high production levels and proven reserves and is rich in light oil and gas produced from fractured carbonate structures. Repsol will take 16% and 25% interests, respectively, in two areas within this oil field located between the US states of Oklahoma and Kansas. The area has an extensive infrastructure that has been in operation for more than 30 years, a factor that will accelerate the start of production and sales of these hydrocarbons. Repsol YPF's investment is estimated at US$1 billion. Under the terms of the agreement, Repsol YPF will make an upfront payment of US$250 million when the deal closes, paying the rest over the course of around three years. The transaction falls under Repsol's stated strategy of diversifying into OECD markets.
- In January 2012, Repsol YPF used a number of financial institutions to place 61,043,173 own shares held as treasury shares, representing 5% of the parent company share capital, with professional and qualified investors at €22.35 per share. These shares were part of the own shares acquired by the Company on December 20, 2011 pursuant to the Board resolution taken on December 18, 2011 with respect to the acquisition of 10% of its own share capital (Note 15).

  Under the terms of the agreement with financial institutions participating in the aforementioned placement, the sale of the remaining 5% of share capital held by the Group as treasury stock is subject to a 90-day lock-up, with certain carve-outs, such as their sale to investors agreeing to the same lock-up included in the shares delivered to employees under the approved remuneration plans and scrip dividend programs ("scrip dividends").
- Also in January 2012, the Group, through Repsol International Finance, B.V. (RIF), issued €750 million of bonds due 7 years and one month from the issue date with a coupon of 4.875%. The issue was priced at 99.94% of par and is secured by Repsol YPF S.A. The bonds are traded on the Luxembourg Stock Exchange. The issue was made under the issuer's EMTN program registered with the Luxembourg Commission de Surveillance du Secteur Financier (Note 19). Subsequently, on February 7, 2012, RIF issued a further €250 million of eurobonds with a coupon of 4.875% at an issue price of 103.166%. This issue is a fungible add-on issue and will form a single serie with the other issue due on February 19, 2019.
- On January 16, 2012, pursuant to the resolutions ratified at the Company's General Meeting in April 2011, the Company launched the 2012 Share Acquisition Plan targeted at Repsol YPF Group employees in Spain with permanent labor contracts that qualify under the Plan's general terms and conditions and voluntarily decide to participate (Note 18).
- On January 25, 2012, pursuant to the Board resolution taken on September 28, 2011, the Board of Directors agreed unanimously, at the recommendation of the Nomination and Compensation Committee, and in line with best practice and leading international recommendations in the Corporate Governance area, to amend the Board Rules and to propose bylaw amendments at the next General Meeting. The highlights of the Corporate Governance reform initiative are:
  - Reinforcement of the safeguards applicable to relevant transactions with related parties, particularly transactions between the Company and its significant shareholders.
  - Modification of the non-compence clause applicable to Directors, providing for waivers under certain circumstances. The changes also carve out certain relationships from the non-compete clause, specially, with those companies that has an strategic alliance with Repsol YPF.
  - Elimination from the bylaws of the limitation on the maximum number of votes that a single shareholder may cast.

- Also on January 25, 2012, Repsol YPF, S.A. and Petróleos Mexicanos ("Pemex") signed a letter of intent committing to the negotiation of a strategic alliance. The alliance is designed to contribute to the enhanced development of the parties' respective business plans and to facilitate the establishment of mutual collaboration mechanisms. The successful conclusion of the negotiation process provided for in the letter of intent is contingent upon compliance with the various formalities and procedures stipulated in both companies internal regulations with respect to strategic alliance approvals, specifically, including approval by the required governing bodies at each company.

38 Explanation added for translation to english

These consolidated financial statements are prepared on the basis of IFRSs as issued by the IASB and as endorsed by the European Union and certain accounting practices applied by the Group that conform with IFRSs may not conform with other generally accepted accounting principles.

Consolidated Financial Statements
Appendix

Appendix I Principals investees comprising the Repsol YPF Group for the year ended December 31, 2011

Name	Country	Activity	Consolidation Method [1]	December 2011 % Total Ownership: % of Direct Ownership	% of Control Investment [2]	December 2010 Millions of Euros: Equity [3]	Issued Share Capital [3]
A & C Pipeline Holding	Cayman Islands	Finance	E.M.	20.67	36.00	0	0
A- Evangelista, S.A. Sucursal (Uruguay)	Uruguay	Engineering and construction	F.C.	57.43	100.00	18	0
Abastecimentos e Serviços de Aviaçao, LDA. - ASA	Portugal	Marketing of petroleum-derived products	E.M.	50.00	50.00	0	0
AESA Construcciones y Servicios Bolivia , S.A. [8]	Bolivia	Transport of hydrocarbons	F.C.	98.00	98.00	0	0
AESA Perú S.A.C.	Peru	Construction and petroleum-related services	F.C.	57.43	100.00	2	1
A-Evangelista Construçoes e Servicios, LTDA.	Brazil	Engineering and construction	F.C.	57.43	100.00	0	1
Agri Development, B.V.	Holland	Holding company	P.C.	6.00	10.00	100	0
Air Miles España, S.A. [4]	Spain	Client loyalty services	E.M.	21.75	22.50	5	0
Akakus Oil Operation, B.V.	Holland	Exploration and Production of hydrocarbons	E.M.	49.00	49.00	0	0
Algaenergy, S.A.	Spain	Experimental research and development of biotechnologies	P.C.	20.00	20.00	3	0
Amodaimi Oil Company, LTD.	Bermuda Islands	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	-41	0
Asfalnor, S.A.	Spain	Distribution and marketing of asphalt-derived products	F.C.	85.98	100.00	0	0
Asfaltos Españoles, S.A.	Spain	Asphalts	P.C.	49.99	50.00	30	9
Astra Evangelista, S.A.	Argentina	Engineering and construction	F.C.	57.43	100.00	45	2
Atlantic 1 Holdings, LLC.	USA	Holding company	E.M.	20.00	20.00	180	182
Atlantic 2/3 Holdings, LLC.	USA	Holding company	P.C.	25.00	25.00	104	104
Atlantic 4 Holdings, LLC.	USA	Holding company	E.M.	22.22	22.22	189	189
Atlantic LNG 2/3 Company of Trinidad & Tobago, Unlimited	Trinidad and Tobago	Gas logistics and supply	P.C.	25.00	100.00	107	104
Atlantic LNG 4 Company of Trinidad & Tobago, Unlimited	Trinidad and Tobago	Liquefaction plant construction	E.M.	22.22	100.00	200	189
Atlantic LNG Co. of Trinidad & Tobago	Trinidad and Tobago	Gas logistics and supply	E.M.	20.00	100.00	223	182
Bahía de Bizkaia Electricidad, S.L.	Spain	Energy generation	P.C.	25.00	25.00	217	4
Beatrice Offshore Windfarm, LTD.	UK	Development of offshore wind energy	–	25.00	25.00	0	0
Bizoy, S.A. [12]	Uruguay	Leasing, construction and administration of real estate	P.C.	22.97	40.00	0	0
BP Trinidad & Tobago, LLC.	USA	Exploration and Production of hydrocarbons	P.C.	30.00	100.00	220	126
BPRY Caribbean Ventures LLC.	USA	Holding company	P.C.	30.00	30.00	126	916
Caiageste - Gestao de Areas de Serviço, LDA.	Portugal	Exploitation and management of services stations	E.M.	50.00	50.00	0	0
Calio Holdings, LLC.	USA	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	22	16
Campsa Estaciones de Servicio, S.A. - CAMPSARED	Spain	Exploitation and management of services stations	F.C.	96.67	100.00	45	8
Carburants i Derivats, S.A. - CADESA	Andorra	Distribution of products derived from petroleum	E.M.	32.14	33.25	1	0
Cardón IV, S.A.	Venezuela	Exploration and Production of hydrocarbons	P.C.	50.00	50.00	195	1
Caveant, S.A.	Argentina	Investing company	F.C.	100.00	100.00	51	0
Central Dock Sud, S.A.	Argentina	Generation and marketing of electric energy	E.M.	24.48	86.15	29	67
Civeny, S.A. [12]	Uruguay	Leasing, construction and administration of real estate	P.C.	22.97	40.00	0	0
CLH Aviación, S.A.	Spain	Transportation and storage of petroleum-derived products	E.M.	10.00	100.00	65	21
CLH Holdings, INC. [4]	USA	Finance	F.C.	57.43	100.00	-18	195

Name	Country	Activity	Consolidation Method [1]	December 2011 % Total Ownership: % of Direct Ownership	% of Control Investment [2]	December 2010 Millions of Euros: Equity [3]	Issued Share Capital [3]
Cogeneración Gequisa, S.A.	Spain	Production of electic energy and steam	E.M.	39.00	39.00	6	2
Compañía Auxiliar de Remolcadores y Buques Especiales, S.A. - CARBUESA	Spain	Tows	F.C.	99.20	100.00	6	0
Compañía Logística de Hidrocarburos CLH, S.A.	Spain	Transportation and storage of petroleum-derived products	E.M.	10.00	10.00	167	84
Compañía Mega, S.A.	Argentina	Gas fractionation company	P.C.	21.82	38.00	149	38
Comsergas, Compañía de Servicios para la Industria del Gas Licuado, S.A.	Argentina	Gas installations	F.C.	52.70	62.00	0	0
CSJC Eurotek - Yugra	Russia	Other services	F.C.	74.90	74.90	-1	0
Dubai Marine Areas, LTD. - DUMA	UK	Exploration and Production of hydrocarbons	P.C.	50.00	50.00	1	0
Duragas, S.A.	Ecuador	Marketing of LPG	F.C.	100.00	100.00	18	10
Dynasol Elastómeros, S.A.	Spain	Production and marketing of chemical products	P.C.	50.01	50.01	27	17
Dynasol Elastómeros, S.A. de C.V.	Mexico	Production and marketing of chemical products	E.M.	49.99	49.99	82	39
Dynasol Gestión, S.A.	Spain	Production of chemical products	E.M.	50.00	50.00	1	0
Dynasol LLC	USA	Marketing of petrochemical products	E.M.	50.00	50.00	30	1
Eleran Inversiones 2011, S.A.U. [5]	Spain	Holding company	F.C.	57.43	100.00	--	--
Empresas Lipigas, S.A.[4]	Chile	Marketing of LPG	P.C.	45.00	45.00	166	113
EniRepsa Gas Limited	Saudi Arabia	Gas logistics and supply	E.M.	30.00	30.00	25	2
Euro 24, S.L.	Spain	Services related to automization	F.C.	96.67	100.00	0	0
Gas Argentino, S.A. (GASA)	Argentina	Holding company	E.M.	26.03	45.33	92	209
Gas Austral, S.A.	Argentina	Marketing of LPG	E.M.	42.50	50.00	2	0
Gas Natural SDG, S.A. [6]	Spain	Gas distribution	P.C.	30.01	30.01	10,274	922
Gas Natural West Africa S.L.	Spain	Exploration and Production of hydrocarbons	P.C.	72.00	100.00	-3	7
Gasoducto del Pacífico Argentina, S.A.	Argentina	Gas pipe construction and exploitation	E.M.	5.74	10.00	16	29
Gasoducto del Pacifico Cayman, S.A.	Cayman Islands	Finance	E.M.	5.74	10.00	0	0
Gasoducto del Pacifico Chile, S.A.	Chile	Gas pipe construction and exploitation	E.M.	27.69	36.00	0	0
Gasoducto Oriental, S.A.	Argentina	Distribution of natural gas	E.M.	9.57	16.66	0	0
Gastream México S.A. de C.V.	Mexico	Other activities	F.C.	100.00	100.00	-1	22
Gateway Coal Company	USA	Other activities	F.C.	57.43	100.00	-42	-9
Gaviota RE S.A.	Luxembourg	Reinsurance company	F.C.	100.00	100.00	14	14
General Química, S.A.	Spain	Production and sale of petrochemical products	F.C.	100.00	100.00	6	3
GESPOST - Gestão e Administraçao de Postos de Abastemento, Unipessoal, LDA.	Portugal	Marketing of petroleum-derived products	F.C.	100.00	100.00	6	0
Gestión de Puntos de Venta, Gespevesa, S.A.	Spain	Management of service stations	P.C.	48.34	50.00	48	39
Greenstone Assurance, LTD.	Bermuda Islands	Reinsurance company	F.C.	100.00	100.00	77	0
Grupo Repsol YPF del Perú, S.A.C. GRYPESAC	Peru	Holding company	F.C.	100.00	100.00	1	0
Guará, B.V.	Holland	Construction for offshore production of natural gas and crude oil	E.M.	15.00	25.00	119	0
Hunt Pipeline Development Perú, LLC. [7]	USA	Holding company	E.M.	44.68	72.34	43	86
Ibil, Gestor de Carga de Vehículo Eléctrico, S.A.	Spain	Management and exploitation of charging points for electrical vehicles	P.C.	50.00	50.00	2	2
INC.h Cape Offshore Windfarm, LTD.	UK	Development of offshore wind energy	–	51.00	100.00	0	0
INC.h Cape Offshore, LTD.	UK	Development of offshore wind energy	–	51.00	51.00	0	0
Inversora Dock Sud, S.A.	Argentina	Holding company	E.M.	24.61	42.86	37	46
Kuosol S.A.P.I. de C.V.	Mexico	Holding company	P.C.	50.00	50.00	11	12
Maxus (US) Exploration CO.	USA	Exploration and Production of hydrocarbons	F.C.	57.43	100.00	-217	1
Maxus Bolivia INC.	Cayman Islands	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	2	0

				December 2011		December 2010	
				% Total Ownership		Millions of Euros	
Name	Country	Activity	Consolidation Method [1]	% of Direct Ownership	% of Control Investment [2]	Equity [3]	Issued Share Capital [3]
Maxus Bolivia INC. (Suc. Bolivia) [8]	Bolivia	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	275	0
Maxus Energy Corporation	USA	Exploration and Production of hydrocarbons	F.C.	57.43	100.00	-46	464
Maxus International Energy Company	USA	Other activities	F.C.	57.43	100.00	-5	24
Mejorgas, S.A.	Argentina	Marketing of LPG	E.M.	57.43	100.00	0	0
Metrogas, S.A.	Argentina	Gas distribution	E.M.	18.22	70.00	156	108
Moray Offshore Renewables, LTD.	UK	Development of offshore wind energy	–	33.36	33.36	0	0
Noroil, S.A.	Spain	Distribution and marketing of petroleum-derived products	F.C.	67.67	70.00	2	2
Occidental de Colombia, LLC [4]	USA	Exploration and Production of hydrocarbons	P.C.	25.00	25.00	79	0
Oiltanking Ebytem, S.A.	Argentina	Storage and transportation of hydrocarbons	E.M.	17.23	30.00	22	2
OJSC Eurotek	Russia	Other activities	–	100.00	100.00	14	50
Oleoducto de Crudos Pesados Ecuador, S.A.	Ecuador	Other activities	E.M.	29.66	100.00	51	41
Oleoducto de Crudos Pesados, LTD. [4]	Cayman Islands	Other activities	E.M.	29.66	29.66	94	75
Oleoducto Trasandino Argentina, S.A.	Argentina	Gas pipe construction and exploitation	E.M.	20.98	36.53	7	14
Oleoducto Trasandino Chile, S.A.	Chile	Gas pipe construction and exploitation	E.M.	22.69	36.00	9	6
Oleoductos del Valle, S.A. (OLDELVAL)	Argentina	Logistics of petroleum derived product	E.M.	21.25	37.00	53	21
Operadora de Estaciones de Servicio, S.A. OPESSA	Argentina	Hydrocarbon marketing	F.C.	57.43	100.00	56	31
Orisol, Corporación Energética, S.A.	Spain	Development, construction and exploitation of renewable energy plants	P.C.	46.81	46.81	7	2
Pacific LNG Bolivia S.R.L. [8]	Bolivia	Exploration and Production of hydrocarbons	E.M.	37.50	37.50	0	1
Perú LNG Company, LLC. [4]	USA	Gas logistics and supply	E.M.	20.00	20.00	969	1,216
Petróleos del Norte, S.A. (PETRONOR)	Spain	Refinery	F.C.	85.98	85.98	709	121
Petroquiriquire, S.A. [5]	Venezuela	Exploration and Production of hydrocarbons	P.C.	40.00	40.00	744	4
Pluspetrol Energy, S.A.	Argentina	Exploration and Production of hydrocarbons	P.C.	25.84	45.00	111	13
Polidux, S.A.	Spain	Production and sale of petrochemical products	F.C.	100.00	100.00	-1	17
Poligas Luján, S.A.	Argentina	Company involved in a disolution process	F.C.	29.00	50.49	0	0
Profertil, S.A.	Argentina	Production and sale of gas products	P.C.	28.72	50.00	199	148
Quiriquire Gas, S.A.	Venezuela	Exploration and Production of hydrocarbons	P.C.	60.00	60.00	102	0
Refinería La Pampilla, S.A.A. - RELAPASA	Peru	Refinery	F.C.	51.03	51.03	203	110
Refinerías del Norte, S.A. (REFINOR)	Argentina	Comercial company and refinery of petroleum-derived products	P.C.	28.72	50.00	99	17
Repsol - Gas Natural LNG, S.L.	Spain	Management and marketing of LNG	P.C.	65.06	100.00	2	2
Repsol - Produçao de Electricidade e Calor, ACE	Portugal	Electricity production	F.C.	100.00	100.00	0	0
Repsol Beatrice, LTD.	UK	Development of offshore wind energy	–	100.00	100.00	0	0
Repsol Butano Chile, S.A.	Chile	Holding company	F.C.	100.00	100.00	236	161
Repsol Butano, S.A.	Spain	Marketing of LPG	F.C.	100.00	100.00	775	59
Repsol Canada LTD. General Partner	Canada	LNG regasification	F.C.	100.00	100.00	3	4
Repsol Chemie Deutchland, GmbH	Germany	Marketing of chemical products	F.C.	100.00	100.00	2	0
Repsol Comercial de Productos Petrolíferos, S.A.	Spain	Marketing of petroleum-derived products	F.C.	96.67	99.78	996	335
Repsol Comercial, S.A.C. - RECOSAC	Peru	Fuel marketing	F.C.	51.03	100.00	81	58
Repsol Comercializadora de Gas, S.A.	Spain	Natural Gas marketing	F.C.	100.00	100.00	71	0
Repsol Directo, LDA.	Portugal	Distribution and marketing of petroleum-derived products	F.C.	100.00	100.00	0	0
Repsol Directo, S.A.	Spain	Distribution and marketing of petroleum-derived products	F.C.	96.66	100.00	4	0
Repsol E & P Canada ,LTD.	Canada	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	0	8
Repsol E & P Eurasia, LLC.	Russia	Exploration and Production of hydrocarbons	F.C.	99.99	99.99	-2	0
Repsol E & P T & T Limited	Trinidad and Tobago	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	105	58

				December 2011		December 2010	
				% Total Ownership		Millions of Euros	
Name	Country	Activity	Consolidation Method [1]	% of Direct Ownership	% of Control Investment [2]	Equity [3]	Issued Share Capital [3]
Repsol E & P USA, INC.	USA	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	2,506	2,460
Repsol Eléctrica de Distribución, S.L.	Spain	Distribution and supply of electic energy	F.C.	99.97	100.00	3	0
Repsol Energy Canada, LTD.	Canada	Marketing of LNG	F.C.	100.00	100.00	164	375
Repsol Energy North America Corp.	USA	Marketing of LNG	F.C.	100.00	100.00	49	144
Repsol Exploración Argelia, S.A.	Spain	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	-2	4
Repsol Exploración Atlas, S.A.	Spain	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	2	2
Repsol Exploración Cendrawasih II, B.V.	Holland	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	1	1
Repsol Exploración Cendrawasih III, B.V.	Holland	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	1	1
Repsol Exploración Cendrawasih IV, B.V.	Holland	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	1	1
Repsol Exploración Colombia, S.A.	Spain	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	-16	2
Repsol Exploración East Bula, B.V.	Holland	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	0	2
Repsol Exploración Guinea, S.A.	Spain	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	0	0
Repsol Exploración Karabashsky, B.V.	Holland	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	2	2
Repsol Exploración Kazakhstán, S.A.	Spain	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	-1	0
Repsol Exploración Liberia B.V. [10]	Holland	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	3	0
Repsol Exploración México S.A. de C.V.	Mexico	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	41	17
Repsol Exploración Murzuq, S.A.	Spain	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	766	8
Repsol Exploración Perú, S.A.	Spain	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	228	16
Repsol Exploración Seram, B.V.	Holland	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	0	2
Repsol Exploración Sierra Leona, S.L.	Spain	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	0	3
Repsol Exploración Suriname, S.L.	Spain	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	-3	0
Repsol Exploración Tobago, S.A.	Spain	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	0	0
Repsol Exploración Venezuela, B.V.	Holland	Holding company	F.C.	100.00	100.00	159	159
Repsol Exploración, S.A. [11]	Spain	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	1,502	25
Repsol Exploration Advanced Services, AG	Switzerland	Other activities	F.C.	100.00	100.00	1	0
Repsol Exploration Norge, AS	Norway	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	13	21
Repsol Gas Portugal, S.A.	Portugal	Marketing of LPG	F.C.	100.00	100.00	27	1
Repsol International Capital, Ltd	Cayman Islands	Finance	F.C.	100.00	100.00	57	182
Repsol International Finance, B.V.	Holland	Finance company and share owner	F.C.	100.00	100.00	1,332	301
Repsol Investeringen, B.V.	Holland	Finance	F.C.	100.00	100.00	0	0
Repsol Investigaciones Petrolíferas, S.A.	Spain	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	672	226
Repsol Italia, SPA	Italy	Marketing of petroleum-derived products	F.C.	100.00	100.00	55	2
Repsol LNG Holding; S.A. (Repsol Exploración Trinidad, S.A.)	Spain	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	-9	2
Repsol LNG Offshore, B.V.	Holland	Other activities	F.C.	100.00	100.00	11	0
Repsol LNG Port of Spain, B.V.	Holland	Holding company	F.C.	100.00	100.00	312	0
Repsol LNG T & T, LTD.	Trinidad and Tobago	Natural Gas marketing	F.C.	100.00	100.00	29	4
Repsol LNG, S.L.	Spain	Gas marketing	F.C.	100.00	100.00	-24	0
Repsol Louisiana Corporation	USA	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	11	14
Repsol Lusitania, S.L.	Spain	Holding company	F.C.	100.00	100.00	-3	0
Repsol Maroc, S.A.	Morocco	Natural gas marketing	E.M.	100.00	100.00	0	1
Repsol Moray Firth, LTD.	UK	Development of offshore wind energy	–	100.00	100.00	0	0
Repsol Netherlands Finance, B.V.	Holland	Finance	F.C.	100.00	100.00	-19	0
Repsol New Energy Ventures, S.A. (Repsol Biocarburantes Cartagena, S.A.)	Spain	Development by its own or subcontracting new renewable energy projects	F.C.	99.97	100.00	-1	1
Repsol Nuevas Energías U.K., LTD.	UK	Development and construction of offshore wind farms	F.C.	100.00	100.00	-5	0

Name	Country	Activity	Consolidation Method [1]	December 2011 % Total Ownership: % of Direct Ownership	December 2011 % Total Ownership: % of Control Investment [2]	December 2010 Millions of Euros: Equity [3]	December 2010 Millions of Euros: Issued Share Capital [3]
Repsol Nuevas Energías, s.a.	Spain	Production, distribution and sales of all biofuels and other related activities	F.C.	100.00	100.00	-1	1
Repsol Offshore E & P inc.	USA	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	10	24
Repsol Overzee Finance, b.v.	Holland	Holding company	F.C.	100.00	100.00	239	129
Repsol Petróleo, s.a.	Spain	Refinery	F.C.	99.97	99.97	1,983	218
Repsol Polímeros, s.a.	Portugal	Production and sale of petrochemical products	F.C.	100.00	100.00	251	268
Repsol Portuguesa, s.a.	Portugal	Distribution and marketing of petroleum-derived products	F.C.	100.00	100.00	426	59
Repsol Química, s.a.	Spain	Production and sale of petrochemical products	F.C.	100.00	100.00	-339	60
Repsol Services Company	USA	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	30	33
Repsol Sinopec Brasil, b.v.	Holland	Holding company	P.C.	60.00	100.00	32	1
Repsol Sinopec Brasil, s.a.	Brazil	Exploration and Production of hydrocarbons	P.C.	60.00	60.00	6,220	6,980
Repsol U.K. Round 3, ltd.	UK	Development of offshore wind energy	–	100.00	100.00	0	0
Repsol USA Holdings Corp.	USA	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	2,551	2,619
Repsol YPF Bolivia, s.a.	Bolivia	Holding company	F.C.	100.00	100.00	917	799
Repsol YPF Capital, s.l.	Spain	Holding company	F.C.	100.00	100.00	613	464
Repsol YPF Chile, s.a.	Chile	Management of YPF's investments in Chile	F.C.	100.00	100.00	18	21
Repsol YPF Comercial de la Amazonia, s.a.c.	Peru	Distribution of LPG	F.C.	99.85	100.00	0	0
Repsol YPF Comercial del Perú, s.a.	Peru	Marketing of LPG	F.C.	99.85	99.85	52	35
Repsol YPF Cuba, s.a.	Spain	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	5	2
Repsol YPF E & P de Bolivia, s.a. [8]	Bolivia	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	281	122
Repsol YPF Ecuador, s.a.	Spain	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	101	5
Repsol YPF Gas, s.a.	Argentina	Marketing of LPG	F.C.	85.00	85.00	47	33
Repsol YPF GLP de Bolivia, s.a.	Bolivia	Marketing of LPG	F.C.	100.00	100.00	0	0
Repsol YPF Lubricantes y Especialidades, s.a.	Spain	Production and marketing of derivatives	F.C.	99.97	100.00	102	5
Repsol YPF Marketing, s.a.c.	Peru	Fuel marketing and specializations	F.C.	100.00	100.00	5	3
Repsol YPF OCP de Ecuador, s.a.	Spain	Holding company	F.C.	100.00	100.00	39	0
Repsol YPF Oriente Medio, s.a.	Spain	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	-44	0
Repsol YPF Perú, b.v.	Holland	Holding company	F.C.	100.00	100.00	187	152
Repsol YPF Tesorería y Gestión Financiera, s.a.	Spain	Provide treasury-related services to the group's companies	F.C.	100.00	100.00	302	0
Repsol YPF Trading y Transportes, s.a. (RYTTSA)	Spain	Trading of petrol-derived products	F.C.	100.00	100.00	198	0
Repsol YPF Venezuela Gas, s.a. [4]	Venezuela	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	-26	0
Repsol YPF Venezuela, s.a.	Venezuela	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	60	2
RYTTSA Singapur, ltd.	Cayman Islands	Company involved in a liquidation process	F.C.	100.00	100.00	-4	0
Servicios Administrativos Cuenca de Burgos s.a. de c.v.	Mexico	Exploration and Production of hydrocarbons	F.C.	100.00	100.00	0	0
Servicios de Mantenimiento y Personal, s.a. - SEMAPESA	Ecuador	Maintenance and personnel services	F.C.	100.00	100.00	0	0
Servicios de Seguridad Mancomunados (SESEMA)	Spain	Security	F.C.	99.98	100.00	1	0
Servicios Logisticos Combustibles de Aviacion, s.l.	Spain	Gas distribution	P.C.	49.99	50.00	11	4
Servicios y Operaciones Perú s.a.C	Peru	Other services	F.C.	100.00	100.00	0	0
Sociedade Abastecedora de Aeronaves, lda. - SABA	Portugal	Marketing of petroleum-derived products	E.M.	25.00	25.00	0	0
Sociedade Açoreana de Armazenagen de Gas, s.a. (SAAGA)	Portugal	Marketing of LPG	E.M.	25.07	25.07	5	1

Name	Country	Activity	Consolidation Method [1]	December 2011 % Total Ownership: % of Direct Ownership	December 2011 % Total Ownership: % of Control Investment [2]	December 2010 Millions of Euros: Equity [3]	December 2010 Millions of Euros: Issued Share Capital [3]
Societat Catalana de Petrolis, s.a. - PETROCAT	Spain	Distribution and marketing of petroleum-derived products	E.M.	43.68	45.00	10	15
Solgas Distribuidora de Gas, s.l.	Spain	Marketing of LPG	F.C.	100.00	100.00	-2	1
Solred, s.a.	Spain	Management of payment options in service stations	F.C.	96.67	100.00	39	7
Spelta Soc. Unipessoal, lda.	Portugal	Marketing of LPG	F.C.	100.00	100.00	2	0
Tecnicontrol y Gestión Integral, s.l.	Spain	Real estate development	F.C.	100.00	100.00	32	4
Terminales Canarios, s.l.	Spain	Storage and distribution of petroleum-derived products	P.C.	48.34	50.00	23	20
Terminales Marítimas Patagónicas, s.a.	Argentina	Logistics of petroleum-derived products	E.M.	19.04	33.15	28	3
The Repsol Company of Portugal, ltd.	UK	Marketing of petroleum-derived products	F.C.	100.00	100.00	1	1
Tierra Solutions inc.	USA	Other activities	F.C.	57.43	100.00	-18	195
Transierra s.a.	Bolivia	Transport of hydrocarbons	E.M.	21.77	44.50	219	65
Transportadora de Gas de Perú, s.a. (TGP, s.a.)	Peru	Gas logistics and supply	E.M.	10.00	10.00	282	156
Transportadora Sulbrasileira do Gas, s.a.	Brazil	Construction and exploitation of a gas pipeline	P.C.	25.00	25.00	12	12
Tucunaré Empreendimientos e Participaçoes, lda.	Brazil	Administrative support and infrastructure services	F.C.	100.00	100.00	-27	-27
Vía Red Hostelería y Distribución, s.a.	Spain	Acquisition and/or exploitation of all types of catering establishments	F.C.	100.00	100.00	1	1
YPF Brasil Comercio de Derivados de Petróleo, ltda.	Argentina	Marketing of petroleum-derived products	F.C.	57.43	100.00	21	23
YPF Ecuador inc.	Cayman Islands	Company involved in a liquidation process	F.C.	57.43	100.00	0	1
YPF Guyana, ltd.	Cayman Islands	Exploration and Production of hydrocarbons	F.C.	57.43	100.00	-2	0
YPF Holdings inc. [4]	USA	Holding company	F.C.	57.43	100.00	-59	607
YPF International, s.a. [4]	Bolivia	Holding company	F.C.	57.43	100.00	51	27
YPF Inversora Energética, s.a.	Argentina	Holding company	F.C.	57.43	100.00	0	53
YPF Services USA Corp.	Argentina	Engineering and construction	F.C.	57.43	100.00	0	0
YPF Servicios Petroleros s.a.	USA	Engineering and construction	F.C.	57.43	100.00	2	0
YPF, s.a.	Argentina	Exploration and Production of hydrocarbons	F.C.	57.43	57.43	3,602	2,243
YPFB Andina, s.a. (Empresa Petrolera Andina, s.a.) [8]	Bolivia	Exploration and Production of hydrocarbons	P.C.	48.92	48.92	752	135
Zao Eurotek Yamal	Russia	Other activities	F.C.	100.00	100.00	1	1
Zhambai llp	Kazakhstan	Exploration and Production of hydrocarbons	E.M.	25.00	25.00	0	0

(1) Consolidation method:

F.C.: Full consolidation

P.C.: Proportionate consolidaton

E.M.: Equity method

(2) Percentage corresponding to the Parent Company's ownership of the subsidiary.

(3) Corresponds to the data of the latest financial statements approved by its shareholders in the Annual General Meeting (generally December 31,2010), except in those societies specifically noted, which are prepared in accordance with generally accepted accounting principles in relevant jurisdictions. The assets of companies whose functional currency is not the euro have been translated at closing exchange rate. Amounts are rounded (all the amounts less than half million euros have been listed as zero).

(4) Data corresponding to Consolidated Financial Statements.

(5) Companies incorporated in the year 2011.

(6) Parent company of a group consisting of more than 300 companies, information that can be obtained in the consolidated financial statements of the company (www.portal.gasnatural.com).

(7) This company owns 100% of Hunt Pipeline Company of Peru LTD., company established in Cayman Islands.

(8) Data corresponding to Financial Statements closed on March 31,2011.

(9) Data corresponding to Financial Statements closed on December 31,2009.

(10) This company has a branch established in Liberia.

(11) This company owns 100% of Repsol Exploration Services LTD., society undergoing a liquidation process which is established in Cayman Islands.

(12) Data corresponding to Financial Statements closed on July 31,2010.

Appendix Ib Main changes in the scope of consolidation for the year ended december 31, 2011

					31.12.11			31.12.10		
						% of Total Ownership			% of Total Ownership	
Name	Country	Parent Company	Concept	Date	Consolidation Method [2]	% of Direct Ownership	% of Control [3]	Consolidation Method [2]	% of Direct Ownership	% of Control [3]
Repsol Exploración Karabashsky B.V.	Holland	Repsol Exploración, S.A.	Addition to scope due to incorporation	JAN-11	F.C.	100.00	100.00	–	–	–
Repsol E&P Eurasia LLC	Russia	Repsol Exploración, S.A.	Addition to scope due to incorporation	JAN-11	F.C.	99.99	99.99	–	–	–
YPF, S.A.	Argentina	Repsol YPF, S.A.	Reduction of ownership percentage	JAN-11 TO JUL-11	F.C.	57.43	57.43	F.C.	79.81	79.81
Civeny, S.A.	Uruguay	YPF,S.A.	Acquisition	FEB-11	P.C.	22.97	40.00	–	–	–
Bizoy, S.A.	Argentina	YPF,S.A.	Acquisition	FEB-11	P.C.	22.97	40.00	–	–	–
Ibil Gestor Carga Vehículo Eléctrico, S.A.	Spain	Repsol Nuevas Energías, S.A.	Acquisition	APR-11	P.C.	50.00	50.00	–	–	–
Agri Development B.V.	Holland	Repsol Sinopec Brasil B.V.	Acquisition	APR-11	P.C.	6.00	10.00	–	–	–
Kuosol S.A.P.I. de C.V.	Mexico	Repsol Nuevas Energías, S.A.	Acquisition	MAY-11	P.C.	50.00	50.00	–	–	–
Repsol Exploración Irlanda, S.A.	Spain	Repsol Exploración, S.A.	Addition to scope due to incorporation	JUN-11	F.C.	100.00	100.00	–	–	–
Repsol Nuevas Energías U.K.	UK	Repsol Nuevas Energías, S.A.	Acquisition	JUN-11	F.C.	100.00	100.00	–	–	–
Repsol ETBE, S.A.	Portugal	Repsol Polímeros LDA	Reduction to scope due to merger	AUG-11	–	–	–	F.C.	100.00	100.00
Repsol Angola 22 B.V.	Holland	Repsol Exploración, S.A.	Addition to scope due to incorporation	SEP-11	F.C.	100.00	100.00	–	–	–
Repsol Angola 35 B.V.	Holland	Repsol Exploración, S.A.	Addition to scope due to incorporation	SEP-11	F.C.	100.00	100.00	–	–	–
Repsol Angola 37 B.V.	Holland	Repsol Exploración, S.A.	Addition to scope due to incorporation	SEP-11	F.C.	100.00	100.00	–	–	–
Eleran Inversiones 2011. S.A.	Spain	YPF, S.A.	Addition to scope due to incorporation	OCT-11	F.C.	57.43	100.00	–	–	–
YPF Chile, S.A.	Chile	Eleran Inversiones 2011. S.A.	Addition to scope due to incorporation	OCT-11	F.C.	57.43	100.00	–	–	–
Repsol Gas Brasil, S.A.	Brazil	Repsol Butano, S.A.	Disposal	OCT-11	–	–	–	F.C.	100.00	100.00
Napesa S.A.	Spain	Repsol Comercial de Productos Petrolíferos, S.A.	Reduction to scope due to merger	DEC-11	–	–	–	F.C.	96.65	100.00
Servibarna S.A.	Spain	Repsol Comercial de Productos Petrolíferos, S.A.	Reduction to scope due to merger	DEC-11	–	–	–	F.C.	96.65	100.00
Repsol France	France	Repsol Butano, S.A.	Disposal	DEC-11	–	–	–	F.C.	100.00	100.00
Sociedades del Grupo Gas Natural (Several Companies) [1]		Gas Natural SDG, S.A.								

[1] In 2011, the scope of consolidation of Gas Natural Fenosa Group has been modified because of additions, disposals, increases and decreases on the participation percentages in companies, without significant effect on the Consolidated Financial Statements of Repsol YPF Group.
[2] Consolidation Method:
F.C.: Full consolidation
P.C.: Proportionate Consolidation
E.M.: Equity Method
[3] Percentage corresponding to the Parent Company's ownership in the subsidiairy.

Appendix Ib Main changes in the scope of consolidation for the year ended december 31, 2010

					31.12.10			01.01.10		
						% of Total Ownership			% of Total Ownership	
Name	Country	Parent Company	Concept	Date	Consolidation Method [2]	% of Direct Ownership	% of Control [3]	Consolidation Method [2]	% of Direct Ownership	% of Control [3]
Akakus Oil Operation B.V.	Holland	Repsol Exploración Murzuq, S.A.	Addition to scope due to incorporation	FEB-10	E.M	49.00	49.00			
Akakus Oil Operations AG	Libya	Repsol Exploración Murzuq, S.A.	Reduction to scope due to merger with Akakus Oil Operation B.V.	FEB-10				E.M	100.00	100.00
Compañía Logística de Hidrocarburos CLH, S.A.	Spain	Repsol YPF.S.A/Petróleos del Norte, S.A.	Reduction of ownership percentage	MAR-10	E.M	10.00	10.00	E.M	14.25	15.00
YPF Servicios Petroleros S.A.	Argentina	YPF, S.A.	Addition to scope due to incorporation	JUN-10	F.C	79.81	100.00			
Repsol Brasil. B.V.	Holland	Repsol Brasil, S.A.	Addition to scope due to incorporation	JUN-10	P.C	60.00	100.00			
Via Red Servicios Logísticos, S.L.	Spain	Repsol Butano,S.A.	Increase of ownership percentage	JUN-10	F.C	100.00	100.00	F.C	99.49	99.49
Repsol Exploración Seram B.V.	Holland	Repsol Exploración, S.A.	Addition to scope due to incorporation	SEP-10	F.C	100.00	100.00			
Repsol Exploración East Bula B.V.	Holland	Repsol Exploración, S.A.	Addition to scope due to incorporation	SEP-10	F.C	100.00	100.00			
Repsol Exploración Cendrawasih II B.V.	Holland	Repsol Exploración, S.A.	Addition to scope due to incorporation	SEP-10	F.C	100.00	100.00			
Repsol Exploracion Cendrawasih III B.V.	Holland	Repsol Exploración, S.A.	Addition to scope due to incorporation	SEP-10	F.C	100.00	100.00			
Repsol Exploracion Cendrawasih IV B.V.	Holland	Repsol Exploración, S.A.	Addition to scope due to incorporation	SEP-10	F.C	100.00	100.00			
Repsol ETBE, S.A.	Portugal	Repsol Polímeros,LDA	Acquisition	SEP-10	F.C	100.00	100.00			
Repsol Electricidade E Calor, Ace	Portugal	R.Polímeros/R.ETBE	Increase of ownership percentage	SEP-10	F.C	100.00	100.00	E.M	66.67	66.67
YPF,S.A.	Argentina	Repsol YPF, S.A.	Reduction of ownership percentage	SEP-10 TO DEC-10	F.C	79.81	79.81	F.C	84.04	84.04
Repsol Louisiana Corporation	USA	Repsol USA Holdings Corp.	Addition to scope due to incorporation	OCT-10	F.C	100.00	100.00			
Adicor, S.A.	Uruguay	A-Evangelista, S.A.	Withdrawal from scope due to liquidation	OCT-10	–	–	–	F.C	84.04	100.00
Orisol, Corporación Energética, S.A.	Spain	Repsol Nuevas Energías, S.A.	Acquisition	NOV-10	P.C	46.81	46.81			
Algaenergy, S.A.	Spain	Repsol Nuevas Energías, S.A.	Acquisition	NOV-10	P.C	20.00	20.00			
Bahía Bizkaia Gas, S.L.	Spain	Repsol YPF, S.A.	Disposal	NOV-10	–	–	–	P.C	25.00	25.00
Repsol Occidental Corporation	Colombia	Repsol International Finance, B.V.	Disposal	DEC-10	–	–	–	P.C	25.00	25.00
Oxy Colombia Holdings INC.	Colombia	Repsol International Finance, B.V.	Acquisition	DEC-10	P.C	25.00	25.00			
Guará B.V.	Holland	Repsol Brasil B.V.	Addition to scope due to incorporation	DEC-10	E.M	15.00	25.00			
Alberto Pasqualini Refap S.A.	Brazil	Repsol YPF Perú B.V.	Disposal	DEC-10	–	–	–	P.C	30.00	30.00
Repsol Brasil, S.A. [4]	Brazil	Repsol YPF, S.A.	Reduction of ownership percentage	DEC-10	P.C	60.00	60.00	F.C	100.00	100.00
Sociedades del Grupo Gas Natural (Several Companies) [1]		Gas Natural SDG, S.A.								

[1] In 2010, the scope of consolidation of Gas Natural Fenosa Group has been modified because of additions, disposals, increases and decreases on the participation percentages in companies, without significant effect on the Consolidated Financial Statements of Repsol YPF Group.
[2] Consolidation Method:
F.C.: Full consolidation
P.C.: Proportionate Consolidation
E.M.: Equity Method
[3] Percentage corresponding to the Parent Company's ownership in the subsidiairy.
[4] This company changed its name in february 2011 to Repsol Sinopec Brazil, S.A.

Appendix II Assets and Jointly Controlled Operations for the year ended December 31, 2011

Name	% Ownership [1]	Operator	Activity
Algeria			
Gassi-Chergui [6]	90.00%	Repsol Exploración Argelia, S.A.	Exploration and production
M'Sari Akabli	45.00%	Repsol Exploración Argelia, S.A.	Exploration and production
Sud Est Illizi	52.50%	Repsol Exploración Argelia, S.A.	Exploration and production
Reggane	29.25%	Órgano conjunto Sonatrach - Contratista	Exploration and production
Issaouane (TFR)	59.50%	Repsol Exploración Argelia - Sonatrach	Exploration and production
TFT	30.00%	Groupement TFT	Exploration and production
Argentina			
Acambuco UTE	22.50%	Pan American Energy LLC	Exploration and production
Aguada Pichana UTE	27.27%	Total Austral S.A.	Exploration and production
Aguaragüe UTE	30.00%	Tecpetrol S.A.	Exploration and production
CAM-2/A SUR UTE	50.00%	Sipetrol Argentina S.A.	Exploration and production
Campamento Central/ Cañadón Perdido UTE	50.00%	YPF	Exploration and production
Consorcio CNQ 7/A	50.00%	Petro Andina Resources LTDA.	Exploration and production
El Tordillo UTE	12.20%	Tecpetrol S.A.	Exploration and production
La Tapera y Puesto Quiroga UTE	12.20%	Tecpetrol S.A.	Exploration and production
Llancanelo UTE	51.00%	YPF	Exploration and production
Magallanes UTE	50.00%	Sipetrol Argentina S.A.	Exploration and production
Palmar Largo UTE	30.00%	Pluspetrol S.A.	Exploration and production
Puesto Hernández UTE	61.55%	Petrobras Energía S.A.	Exploration and production
Consorcio Ramos	15.00%	Pluspetrol Energy S.A.	Exploration and production
San Roque UTE	34.11%	Total Austral S.A.	Exploration and production
Tierra del Fuego UTE	30.00%	Petrolera L.F. Company S.R.L.	Exploration and production
Zampal Oeste UTE	70.00%	YPF	Exploration and production
Consortium Reservoir La Ventana -Río Tunuyan	60.00%	YPF	Exploration and production
Escobar LNG Proyect	50.00%	YPF	Exploration and production
Bolivia			
Block San Alberto [2]	50.00%	Petrobras Bolivia S.A.	Exploration and production
Block San Antonio [2]	50.00%	Petrobras Bolivia S.A.	Exploration and production
Block Monteagudo [2]	20.00%	Petrobras Bolivia S.A.	Exploration and production
Block Monteagudo	30.00%	Repsol YPF E&P Bolivia S.A.	Exploration and production
Block Caipipendi	37.50%	Repsol YPF E&P Bolivia S.A.	Exploration and production
Río Grande Gas Compression Plant	50.00%	Andina, S.A.	Gas compression
Brazil [3]			
Albacora Leste	10.00%	Petrobras	Production
BMC-33	35.00%	Repsol Sinopec Brasil S.A.	Exploration
BMES-21	10.00%	Petrobras	Exploration
BMS-44	25.00%	Petrobras	Exploration
BMS-48	40.00%	Repsol Sinopec Brasil S.A.	Exploration
BMS-50	20.00%	Petrobras	Exploration
BMS-51	20.00%	Petrobras	Exploration
BMS-7	37.00%	Petrobras	Exploration
BMS-9	25.00%	Petrobras	Exploration
Canada			
Canaport LNG Limited Partnership	75.00%	Repsol Canada Ltd	LNG Regasification

Name	% Ownership [1]	Operator	Activity
Colombia			
Cosecha [4]	70.00%	Occidental de Colombia, L.L.C.	Development
Capachos	50.00%	Repsol Exploración Colombia, S.A.	Exploration and production
Cebucan	20.00%	Petrobras	Exploration
Catleya	50.00%	Ecopetrol	Exploration
Cayos1 Y Cayos5	30.00%	Repsol Exploración Colombia, S.A.	Exploration
Rc11 Y Rc12	50.00%	Ecopetrol	Exploration
El Queso	50.00%	Repsol Exploración Colombia, S.A.	Exploration
Guadual	20.00%	Petrobras	Exploration
Orquidea	40.00%	Hocol	Exploration
Cuba			
Block 25-36	40.00%	Repsol YPF Cuba, S.A.	Exploration and production
Ecuador			
Block 16	35.00%	Repsol YPF Ecuador S.A.	Exploration and production
Block 16	20.00%	Amodaimi Oil Company (sucursal)	Exploration and production
Spain			
Albatros	82.00%	Repsol Investigaciones Petrolíferas, S.A.	Development
Angula	54.00%	Repsol Investigaciones Petrolíferas, S.A.	Development
Barracuda	60.21%	Repsol Investigaciones Petrolíferas, S.A.	Production
Boquerón [6]	66.45%	Repsol Investigaciones Petrolíferas, S.A.	Production
Casablanca [6]	76.85%	Repsol Investigaciones Petrolíferas, S.A.	Exploration and production
Casablanca Unit	68.67%	Repsol Investigaciones Petrolíferas, S.A.	Development / Production
Chipirón [6]	100.00%	Repsol Investigaciones Petrolíferas, S.A.	Production
Fulmar	69.00%	Repsol Investigaciones Petrolíferas, S.A.	Exploration
Gaviota I and II	82.00%	Repsol Investigaciones Petrolíferas, S.A.	Exploration
Montanazo [6]	92.10%	Repsol Investigaciones Petrolíferas, S.A.	Development
Rodaballo [6]	73.00%	Repsol Investigaciones Petrolíferas, S.A.	Production
Murcia-Siroco [6]	100.00%	Repsol Investigaciones Petrolíferas, S.A.	Exploration
Bezana Bigüenzo [6]	88.00%	Petroleum Oil & Gas España, S.A.	Exploration
Rodaballo Concession	65.41%	Repsol Investigaciones Petrolíferas, S.A.	Development
Tesorillo-Ruedalabola	50.00%	Schuepbach Energy España, S.L.	Exploration
Morcín 1 [5]	20.00%	Petroleum Oil&Gas España	Exploration
Villaviciosa [5]	70.00%	Petroleum Oil&Gas España	Exploration
Central Nuclear de Trillo, Grupo I [5] Join asset ownership	34.50%	Iberdrola, Endesa, Hidrocantábrico	Generation of electricity
Central Nuclear de Almaraz, Grupo I y II [5] Join asset ownership	11.30%	Iberdrola, Endesa, Hidrocantábrico	Generation of electricity
Central Térmica de Anllares [5] Join asset ownership	66.70%	Endesa Generación, S.A.	Generation of electricity
Central Térmica de Aceca [5] Join asset ownership	50.00%	Iberdrola	Generation of electricity
Ecuatorial Guinea			
Block C	57.38%	Repsol Exploración Guinea, S.A.	Exploration
Indonesia			
Cendrawasih Bay II	50.00%	Repsol Exploracion Cendrawasih II B.V.	Exploration
Cendrawasih Bay III	50.00%	NIKO Resources	Exploration
Cendrawasih Bay IV	50.00%	NIKO Resources	Exploration
Seram	45.00%	Black Gold Indonesia LLC	Exploration
East Bula	45.00%	Black Gold East Bula LLC	Exploration
Kenya			
L5	20.00%	Woodside energy	Exploration
L7	20.00%	Woodside energy	Exploration

Name	% Ownership [1]	Operator	Activity
Libya			
Epsa IV NC115	25.20%	Akakus Oil Operations	Exploration and Production
EPSA IV NC186 (Capex)	19.84%	Akakus Oil Operations	Exploration and Production
Epsa IV NC115 Explorac.	40.00%	Repsol Exploracion Murzuq, S.A.	Exploration and Production
Epsa IV NC186 Explorac.	32.00%	Repsol Exploracion Murzuq, S.A.	Exploration and Production
EPSA 97 NC186	32.00%	Repsol Exploracion Murzuq, S.A.	Exploration and Production
Pack 1	60.00%	Repsol Exploracion Murzuq, S.A.	Exploration and Production
Pack 3	35.00%	Woodside Energy, N.A.	Exploration and Production
Area 137	50.00%	Petrocanada Ventures (North África) LTD.	Exploration and Production
Morocco			
Tanger Larache [6]	88.00%	Repsol Exploración Marruecos	Exploration
Mauritania			
TA09	70.00%	Repsol Exploración S.A.	Exploration
TA10	70.00%	Repsol Exploración S.A.	Exploration
Norway			
Block PL512	25.00%	Det Norske	Exploration
Block PL541	50.00%	Repsol Exploration Norge	Exploration
Block PL557	40.00%	OMV (Norge)	Exploration
Block PL356	40.00%	Det Norske	Exploration
Block PL529	10.00%	ENI Norge	Exploration
Block PL589	30.00%	Wintershall Norge	Exploration
Block PL530	10.00%	GDF Suez E&P Norge	Exploration
Block PL531	20.00%	Repsol Exploration Norge	Exploration
Oman			
Zad-2	50.00%	RAK Petroleum	Exploration
Peru			
Block 57	53.84%	Repsol Exploración Perú Sucursal del Peru	Exploration and development of Hydrocarbons
Block 39	55.00%	Repsol Exploración Perú Sucursal del Peru	Exploration of Hydrocarbons
Block 90	50.50%	Repsol Exploración Perú Sucursal del Peru	Exploration of Hydrocarbons
Block 56	10.00%	Pluspetrol Perú Corporation	Production of Hydrocarbons
Block 88	10.00%	Pluspetrol Perú Corporation	Production of Hydrocarbons
Block 76	50.00%	Hunt Oil Company of Perú LLC Sucursal del Perú	Exploration of Hydrocarbons
Block 103	30.00%	Talisman Petrolera del Perú LLC Sucursal del Perú	Exploration of Hydrocarbons
Block 101	30.00%	Talisman Petrolera del Perú LLC Sucursal del Perú	Exploration of Hydrocarbons (abandoned)
Sierra Leone			
SL6	25.00%	Anadarko, S.L.	Exploration
SL7	25.00%	Anadarko, S.L.	Exploration
Trinidad & Tobago			
Block 5B	30.00%	Amoco Trinidad Gas, B.V.	Exploration
Venezuela			
Yucal Placer	15.00%	Repsol YPF Venezuela, S.A.	Exploration and Production

[1] Corresponds to the participation that the ownership company holds of the asset involved in the operation.
[2] Activities or assets operated through YPFB Andina, S.A., joint control company with a participation of the 48.92%.
[3] Activities or assets operated through Repsol Sinopec Brasil, S.A., joint control company with a participation of the 60%.
[4] Activities or assets operated through Occidente de Colombia L.L.C., joint control company with a participation of the 25%.
[5] Activities or assets operated through Gas Natural SDG S.A., joint control company with a participation of the 30.01%.
[6] Part of the participation over the activity or asset is operated by Gas Natural SDG S.A., joint control company with a participation of the 30.01%

Appendix II Assets and Jointly Controlled Operations for the year ended December 31, 2010

Name	% Ownership [1]	Operator	Activity
Algeria			
Gassi-Chergui [6]	90.00%	Repsol Exploración Argelia, S.A.	Exploration and production
M'sari-Akabli	45.00%	Repsol Exploración Argelia, S.A.	Exploration and production
Sud Est Illizi	52.50%	Repsol Exploración Argelia, S.A.	Exploration and production
Reggane	45.00%	Repsol Exploración Argelia, S.A.	Exploration and production
Issaouane (TFR)	59.50%	Repsol Exploración Argelia - Sonatrach	Exploration and production
TFT	30.00%	Grupement TFT	Exploration and production
Argentina			
Acambuco UTE	22.50%	Pan American Energy LLC	Exploration and production
Aguada Pichana UTE	27.27%	Total Austral S.A.	Exploration and production
Aguaragüe UTE	30.00%	Tecpetrol S.A.	Exploration and production
CAM-2/A SUR UTE	50.00%	Sipetrol Argentina S.A.	Exploration and production
Campamento Central/ Cañadón Perdido UTE	50.00%	YPF	Exploration and production
El Tordillo UTE	12.20%	Tecpetrol S.A.	Exploration and production
La Tapera y Puesto Quiroga UTE	12.20%	Tecpetrol S.A.	Exploration and production
Llancanelo UTE	51.00%	YPF	Exploration and production
Magallanes UTE	50.00%	Sipetrol Argentina S.A.	Exploration and production
Palmar Largo UTE	30.00%	Pluspetrol S.A.	Exploration and production
Puesto Hernández UTE	61.55%	Petrobras Energía S.A.	Exploration and production
Consorcio Ramos	15.00%	Pluspetrol S.A.	Exploration and production
San Roque UTE	34.11%	Total Austral S.A.	Exploration and production
Tierra del Fuego UTE	30.00%	Petrolera L.F. Company S.R.L.	Exploration and production
Zampal Oeste UTE	70.00%	YPF	Exploration and production
Consortium Reservoir La Ventana -Río Tunuyan	60.00%	YPF	Exploration and production
Consorcio CNQ 7/A	50.00%	Petro Andina Resources LTDA.	Exploration and production
Escobar LNG Project	50.00%	YPF	Exploration and production
Bolivia			
Block San Alberto [2]	50.00%	Petrobras Bolivia S.A.	Exploration and production
Block San Antonio [2]	50.00%	Petrobras Bolivia S.A.	Exploration and production
Block Monteagudo [2]	20.00%	Petrobras Bolivia S.A.	Exploration and production
Block Monteagudo	30.00%	Repsol YPF E&P Bolivia S.A.	Exploration and production
Block Caipipendi	37.50%	Repsol YPF E&P Bolivia S.A.	Exploration and production
Accidental Tecna y Asociados Association	10.00%	Tecna Bolivia S.A.	LGN Engineering Plant
Río Grande Gas Compression Plant	50.00%	Andina, S.A.	Gas compression
Brazil [3]			
Albacora Leste	10.00%	Petrobras	Production
BMC-33	35.00%	Repsol Brasil [3]	Exploration
BMES-29	40.00%	Repsol Brasil [3]	Exploration
BMS-44	25.00%	Petrobras	Exploration
BMS-48	40.00%	Repsol Brasil [3]	Exploration
BMS-50	20.00%	Petrobras	Exploration
BMS-51	20.00%	Petrobras	Exploration
BMS-55	40.00%	Repsol Brasil [3]	Exploration
BMS-7	37.00%	Petrobras	Exploration
BMS-9	25.00%	Petrobras	Exploration
Canadá			
Canaport LNG Limited Partnership	75.00%	Repsol Canadá LTD	LNG Regasification

Name	% Ownership [1]	Operator	Activity
Colombia			
Cosecha [4]	70.00%	Occidental de Colombia, L.L.C.	Development
Capachos	50.00%	Repsol Exploración Colombia	Exploration and production
Catleya	50.00%	Ecopetrol	Exploration
Cebucan	20.00%	Petrobas	Exploration
Rc11 Y Rc12	50.00%	Ecopetrol	Exploration
El Queso	50.00%	Repsol Exploración Colombia, S.A.	Exploration
Guadual	20.00%	Petrobras	Exploration
Orquidea	40.00%	Hocol	Exploration
Ecuador			
Bloque 16	35.00%	Repsol YPF Ecuador S.A.	Exploration and production
Bloque 16	20.00%	Amodaimi Oil Company (sucursal)	Exploration and production
Spain			
Albatros	82.00%	Repsol Investigaciones Petrolíferas, S.A.	Development
Angula	54.00%	Repsol Investigaciones Petrolíferas, S.A.	Development
Barracuda	60.21%	Repsol Investigaciones Petrolíferas, S.A.	Production
Boquerón [6]	66.45%	Repsol Investigaciones Petrolíferas, S.A.	Production
Canarias	50.00%	Repsol Investigaciones Petrolíferas, S.A.	Exploration
Casablanca [6]	76.85%	Repsol Investigaciones Petrolíferas, S.A.	Development
Chipirón [6]	100.00%	Repsol Investigaciones Petrolíferas, S.A.	Production
Fulmar	69.00%	Repsol Investigaciones Petrolíferas, S.A.	Exploration
Gaviota I y II	82.00%	Repsol Investigaciones Petrolíferas, S.A.	Development / Production
Montanazo [6]	92.10%	Repsol Investigaciones Petrolíferas, S.A.	Development / Production
Rodaballo [6]	73.00%	Repsol Investigaciones Petrolíferas, S.A.	Production
Murcia-Siroco [6]	100.00%	Repsol Investigaciones Petrolíferas, S.A.	Exploration
Bezana Bigüenzo [6]	88.00%	Petroleum	Exploration
Calypso Este	75.00%	Repsol Investigaciones Petrolíferas, S.A.	Exploration
Calypso Oeste	75.00%	Repsol Investigaciones Petrolíferas, S.A.	Exploration
Circe	75.00%	Repsol Investigaciones Petrolíferas, S.A.	Exploration
Marismas Marino Norte	40.00%	Petroleum	Exploration
Marismas Marino Sur	40.00%	Petroleum	Exploration
Tortuga	95.00%	Repsol Investigaciones Petrolíferas, S.A.	Exploration
Casablanca Unit	68.67%	Repsol Investigaciones Petrolíferas, S.A.	Development / Production
Rodaballo Concession	65.41%	Repsol Investigaciones Petrolíferas, S.A.	Development
Morcín 1 [5]	20.00%	Petroleum Oil&Gas España	Exploration
Villaviciosa [5]	70.00%	Petroleum Oil&Gas España	Exploration
Central Nuclear de Trillo, Grupo I [5] Join asset ownership	34.50%	Iberdrola, Endesa, Hidrocantábrico	Generation of electricity
Central Nuclear de Almaraz, Grupo I y II [5] Join asset ownership	11.30%	Iberdrola, Endesa, Hidrocantábrico	Generation of electricity
Central Térmica de Anllares [5] Join asset ownership	66.70%	Endesa Generación, S.A.	Generation of electricity
Central Térmica de Aceca [5] Join asset ownership	50.00%	Iberdrola.	Generation of electricity
Ecuatorial Guinea			
Block C	57.38%	Repsol Exploración Guinea	Exploration
Indonesia			
Cendrawasih Bay II	50.00%	Repsol Exploracion Cendrawasih II B.V.	Exploration
Cendrawasih Bay III	50.00%	NIKO Resources	Exploration
Cendrawasih Bay IV	50.00%	NIKO Resources	Exploration
Seram	45.00%	Black Gold Indonesia LLC	Exploration
East Bula	45.00%	Black Gold East Bula LLC	Exploration
Kenia			
L5	20.00%	Woodside energy	Exploration
L7	20.00%	Woodside energy	Exploration

Name	% Ownership [1]	Operator	Activity
Libya			
Epsa IV NC115 (Capex)	25.20%	Akakus Oil Operations	Exploration and production
EPSA IV NC186 (Capex)	19.84%	Akakus Oil Operations	Exploration and production
Epsa IV NC115 Explorac.	40.00%	Repsol Exploracion Murzuq. S.A.	Exploration and production
Epsa IV NC186 Explorac.	32.00%	Repsol Exploracion Murzuq. S.A.	Exploration and production
EPSA 97 NC186	32.00%	Repsol Exploracion Murzuq. S.A.	Exploration and production
Pack 1	60.00%	Repsol Exploracion Murzuq. S.A.	Exploration and production
Pack 3	35.00%	Woodside Energy, N.A.	Exploration and production
Area 137	50.00%	Petrocanada Ventures (North Africa) LTD.	Exploration and production
Morocco			
Tanger Larache [6]	88.00%	Repsol Exploración Marruecos	Exploration
Mauritania			
TA09	70.00%	Repsol Exploración	Exploration
TA10	70.00%	Repsol Exploración	Exploration
Norway			
Block PL512	25.00%	Det Norske	Exploration
Block PL541	50.00%	Repsol Exploration Norge	Exploration
Block PL557	40.00%	OMV (Norge)	Exploration
Block PL356	40.00%	Det Norske	Exploration
Oman			
Zad-2	50.00%	RAK Petroleum	Exploration
Peru			
Block 57	53.84%	Repsol Exploración Perú Sucursal del Peru	Exploration and development of Hydrocarbons
Block 39	55.00%	Repsol Exploración Perú Sucursal del Peru	Exploration of Hydrocarbons
Block 90	50.50%	Repsol Exploración Perú Sucursal del Peru	Exploration of Hydrocarbons
Block 56	10.00%	Pluspetrol Perú Corporation	Production of Hydrocarbons
Block 88	10.00%	Pluspetrol Perú Corporation	Production of Hydrocarbons
Block 76	50.00%	Hunt Oil Company of Perú LLC Sucursal del Perú	Exploration of Hydrocarbons
Block 103	30.00%	Talisman Petrolera del Perú LLC Sucursal del Perú	Exploration of Hydrocarbons
Sierra Leone			
SL6	25.00%	Anadarko, S.L.	Exploration
SL7	25.00%	Anadarko, S.L.	Exploration
Trinidad & Tobago			
Block 5B	30.00%	Amoco Trinidad Gas BV	Exploration
Venezuela			
Yucal Placer	15.00%	Repsol YPF Venezuela	Exploration and production

[1] Corresponds to the participation that the ownership company holds of the asset involved in the operation.

[2] Activities or assets operated through YPFB Andina, S.A., joint control society with a participation of the 50%.

[3] Activities or assets operated at December 31,2010, through Repsol Brasil, S.A., joint control company with a participation of the 60%.(See note 7)

[4] Activities or assets operated through Repsol Occidental Corporation, joint control company with a participation of the 25%.

[5] Activities or assets operated through Gas Natural SDG S.A., joint control company with a participation of the 30.129%.

[6] Part of the participation over the activity or asset is operated by Gas Natural SDG S.A., joint control compnay with a participation of the 30.129%

[7] This company changed its name to Repsol Sinopec Brasil, S.A. in February 2011.

Appendix III

Investments and/or positions held by the members of the Board of Directors and related people in Companies with the same, similar or complementary activity than Repsol YPF, S.A.

D. Antonio Brufau Niubó

Positions:
Vice President of Gas Natural SDG, S.A. Board of Directors

Investments:
Gas Natural SDG, S.A.: 77,276 shares

Related Persons Shares:
Gas Natural SDG, S.A.: 1,035 shares

D. Isidro Fainé Casas

Investments:
Gas Natural SDG, S.A.: 108,244 shares

D. José Manuel Loureda Mantiñán

Positions:
President of Valoriza Gestión, S.A.U.
Board Member of Vallehermoso División Promoción, S.A.U.

D. Juan María Nin Génova

Positions:
Board Member of Gas Natural SDG, S.A.

Investments:
Gas Natural SDG, S.A.: 149 shares

D. Luis Suárez de Lezo Mantilla

Positions:
Board Member of Gas Natural SDG, S.A.
Board Member of Repsol – Gas Natural LNG, S.L.

Investments:
Gas Natural SDG, S.A.: 18,156 shares

Related Persons Shares:
Gas Natural SDG, S.A.: 998 shares
Iberdrola, S.A.: 333 shares

Consolidated Management Report 2011 Repsol YPF Group

General and Economic-Financial Information

Macroeconomic environment

Risks dragging down growth

2011 witnessed a slow-down in the pace of economic recovery as the world attempts to drag itself out of the harshest economic crisis seen in the last seventy years. During the year, the deterioration in certain previously very clearly identified risks, coupled with the fall-out of other unforeseeable events, such as the tsunami in Japan and the confrontations in Libya, tested the resolve of the worldwide economic recovery.

World gross domestic product (GDP) climbed by roughly 3.8%, well below the growth forecast by the International Monetary Fund (IMF) at the start of the year. The most disappointing performances came from the developed economies, which faced a particularly difficult year. Following the upturn of 2010, which saw 3.2% growth in developed economies, the same nations slowed to an anemic rate of 1.6% in 2011, while projected global growth for 2012 was also slashed.

The slump in growth over the first half of 2011 can be put down to the effects that the following factors had on a still-fragile economy: the spike in inflation due to the higher prices of raw materials; the gradual phasing out of fiscal stimulus policies; the austerity measures ushered in from the end of 2010 onward throughout various European countries, and the widespread concerns over the global supply chain in the wake of the Japanese earthquake of 11 March.

As a result, employment and public income fared worse than expected, further undermining the sustainability of the weaker euro zone economies. In April, Portugal was effectively forced to seek financial aid from the IMF and the European Union (EU) to avoid bankruptcy, following in the footsteps of Greece and Ireland. To compound matters, Greece acknowledged its inability to meet the objectives laid down in its bailout package. Negotiations for a second aid package before summer ended up including a mechanism for exchanging Greek debt, forcing private creditors to accept significant debt relief measures. This precedent triggered systemic risk within the Euro Zone, while increasing pressure on other member states and the European Bank due to their heavy exposure to sovereign debt.

Confirmation that the break-up of the single European currency was actually on the cards, following the announcement of a referendum in Greece -subsequently cancelled-, caused massive turmoil within the markets, widespread adjustments in counterparty risk and further difficulties in securing financing. In response to these tensions, the main central banks from across the world joined forces to ensure the ongoing liquidity of the system.

It's worth noting that 2011 also saw somewhat improved international political coordination, thus eliminating the likelihood of a chain reaction similar to the one that followed the bankruptcy of Lehman Brothers in 2008. Having said that, measures and reforms implemented to date have been unable to predict or stem the underlying problems. This not only holds true in the case of the euro zone, for similar problems in the United States and Japan have led to downgrades in their credit rating, adding further uncertainty to the financial markets.

The Spanish economy experienced a mild slow-down in its pace of recovery from the second quarter of 2011 onward, closing the year with accumulated growth of 0.7% vs. 2010. Foreign trade once again proved decisive and while private domestic demand improved in 2011, it failed to offset the committed adjustments in government spending in an attempt to reduce the public deficit to 3% of GDP by 2013.

Another year of high volatility

Oil prices in 2011 were heavily influenced by both economic and geopolitical factors, with events materializing in two stages. Over the first half of the year, existing market inertia brought on by rallying demand from the end of 2010 was exacerbated by the added uncertainty of what it has since coined the "Arab Spring", fuel price pressures due to the risk of a supply shortage in any key exporting nation. Thus, with the market withdrawal of Libyan oil exports, and the increase in Japanese imports to address the fall-out of its natural disasters, the price of Brent crude climbed to prices not seen in over two and a half years, at 126 dollars per barrel at the start of April. Over the second half of the year, the prevailing economic and financial uncertainty in developed countries, mainly European, coupled with the gradual return of Libyan oil, caused oil prices to fall back by 13%, to stand at around 110 dollars. And they have remained at this level, albeit with considerable volatility.

Fundamentals have remained at the heart of all these economic, financial and geopolitical factors, especially in relation to the growth of emerging economies and the downward corrections for non-OPEC production. China, India, the Middle East and Brazil, among other regions, have maintained heavy demand for commodities on the path to economic growth and, as in 2010, these same regions were solely responsible for the increase in worldwide oil consumption for the year. Non-OPEC countries, on the other hand, seem incapable of stepping up production. This, combined with the steady decline in oil fields and the departure of Libyan crude due to the crisis, has meant that supply within the market remains poor, despite only limited demand.

These prevailing fundamentals produced a floor for Brent oil prices of at least 100 dollars for the year, even against a backdrop similar to the one it is seen now, characterized by serious concerns over global economic performance, with various developed economies at high risk of recession and with considerably less potential for conflict in North Africa and the Middle East.

At the close of 2011, the average price for Brent crude stood at 111 dollars per barrel. This level marks an all-time high in annual terms, exceeding prices for 2008 by 12.7 dollars. Another important point to note is that when translated to euros, the current average for Brent oil stands at 80 euros per barrel, more precisely 12.5 euros above the figure for 2008. The scenarios are different. Now, with the euro weakened by the public debt problems plaguing various countries, inflationary pressure can do more damage in Europe. In turn, the average price for West Texas Intermediate (WTI) stood at 95 dollars per barrel, 5 dollars below the same figure for 2008. The differing showings from Brent and WTI can largely be put down to the latter's decoupling from the international markets. The spread between the two benchmarks has widened, with WTI trailing Brent by 29 dollars according to daily trading figures. Lying behind this widening is the continuing excess supply of crude at Cushing, Oklahoma -WTI distribution hub- and the crisis in Libya, which has had a greater impact on Europe. By year-end, the spread had returned to 11 dollars in Brent's favor, although the average yearly difference still exceeded 16 dollars.

The Group's activities

The Group's activities are divided into five business areas, which correspond to the main divisions in its organizational structure:

- Three strategic integrated activities, including the operations undertaken by the Group's companies (except YPF and Gas Natural Fenosa) in the following areas:
  - Upstream, relating to the exploration and production of oil and natural gas;
  - LNG, relating to midstream operations (liquefaction, transport and regasification) of natural gas and marketing operations for natural gas and liquefied natural gas; and
  - Downstream, corresponding to refining and marketing involving oil products, chemicals, and liquefied petroleum gas.
- Two holdings in strategic companies:
  - YPF, which includes the operations of YPF S.A. and its Group companies in all of the aforementioned activities; as of 31 December 2011, the Group owned 57.43% of YPF, S.A., which is included in the Group's financial statements through full consolidation; and
  - Gas Natural Fenosa, which mainly engages in natural gas marketing and the generation, distribution, and marketing of electricity; as of 31 December 2011, the Group owned 30.01% of Gas Natural Fenosa, which is included in the Group's financial statements through proportional consolidation.

Horizon 2014 Plan

In February 2011, the company presented updated key economic figures under the Horizon 2014 Plan to the markets, confirming the ongoing validity and effect of its main strategic lines:

- Upstream: driving company growth
  - Repsol's presence in geographical areas with a high exploration potential and its recognized ability for deepwater exploration has transformed the company into one of the energy companies with the best growth prospects.
  - The investment strategy will be based on a solid portfolio of strategic projects: the exploitation of those already in operation and making progress on those projects in the delineation or development phase. The company will continue to pursue its commitment to organic growth and for exploration activities in new areas of interest for the Group, occasionally harnessing opportunities for inorganic growth that offer value and help strengthen the portfolio.
  - The development of these projects will increase annual oil production in the Upstream area by between 3 and 4% until 2014, and even further up to 2019, with an estimated reserves replacement ratio in excess of 110%.
- Downstream: optimizing and improving profitability
  - In the fourth quarter of 2011, the extensions and upgrades to the Bilbao and Cartagena refineries were completed within the envisaged term and on budget. The upgraded facilities will enable the company to improve operating margins and consolidate its position of leadership in the business within Spain.
  - The excellent position developed by Repsol's Downstream business will allow the company to capitalize on the economic recovery, thereby obtaining solid cash flow generation for the Group.
- YPF: capturing the company's hidden value
  - YPF is a leading company in Argentina, a growing market that offers plenty of business opportunities. The energy transition that is taking place in the country towards international prices and the strict management of investments and costs will allow the company to reach its growth goal in results and dividends.
- Gas Natural Fenosa: a leader in the gas and electricity convergence industries
  - Creation of a leading integrated gas and electricity company, which will ensure steady cash flow generation for the Group.

The keys for generating value in the various businesses and strict financial discipline will enable the Group to reach the Plan's ultimate goal: maximizing the value created for the stockholder.

During 2011, the Horizon 2014 Plan benefitted from operating investments of €6,472 million to help it achieve this goal. The main initiatives during the financial year involved delineating the large exploratory discoveries (in Brazil, Peru, Venezuela and the United States); completion and start-up of the refining projects in Spain (Cartagena and Bilbao); Upstream exploration (Bolivia, Brazil, Sierra Leone, Liberia, Guyana, Norway and Peru); and the efficient operation of Repsol's production assets.

The discoveries made over recent years and the acquisition of new mining rights have laid the foundations for generating future growth.

Moreover, the Group has tapped into a number of opportunities for inorganic growth to provide added value, particularly in the short term, by increasing its weighting of assets in producing countries that pose lower levels of risk:

- In Russia, the company signed a memorandum of understanding with Alliance Oil Company for oil and gas production and exploration and also acquired the company Eurotek, with exploratory assets in an advanced state of development and delineation.
- In the United States, exploratory blocks were acquired in the oil-rich North Slope basin in Alaska, while a joint venture agreement was signed with the North American company SandRidge Energy for the exploration and production of blocks rich in unconventional oil and gas in the Mississippian Lime oil play.

The Group's investee companies made progress in their respective strategic lines over the course of 2011:

- YPF, bolstered by the recovery of prices in Argentina, is focusing on the exploitation of mature fields (mainly through improvement of the recovery factor), while making advances in commercial management, streamlining operations and exploring the potential of unconventional resources.
- Gas Natural Fenosa is materializing the synergies flowing from the acquisition and integration of Unión Fenosa, while effectively managing the debt levels resulting from the transaction.

Results

The Group's results for 2011 and 2010 are as follows:

Millions of euros	2011	2010
Operating income	**4,805**	**7,621**
Upstream	1,413	4,113
LNG	386	105
Downstream	1,207	1,304
YPF	1,231	1,453
Gas Natural Fenosa	887	881
Corporate and adjustments	(319)	(235)
Financial result	**(822)**	**(1,008)**
Net income of companies accounted for using the equity method	75	76
Net income before tax	**4,058**	**6,689**
Income tax	(1,514)	(1,742)
Consolidated net income for the year	**2,544**	**4,947**
Net income attributable to minority interests	(351)	(254)
Net income attributable to the parent	**2,193**	**4,693**

Repsol YPF's net income for 2011 stood at €2,193 million. Operating income was €4,805 million, while EBITDA amounted to €8,440 million. Earnings per share were 1.80 euros.

In 2010, net income amounted to €4,693 million, while operating income and EBITDA stood at €7,621 million and €9,196 million, respectively. The agreement reached with China Petroleum & Chemical Corporation (Sinopec) for the joint development of exploration and production projects in Brazil had a marked effect on results for the year. Following the deal, Repsol holds a 60% stake in Repsol Sinopec Brasil, while Sinopec holding the remaining 40%. The agreement ensures financing for the development and subsequent exploitation of the discoveries in Brazil, in particular Guará, Carioca and Panoramix, with the estimated market value of these assets exceeding $10.6 billion.

Operating income for the Upstream area (Exploration and Production) moved from €4,113 million in 2010 to €1,413 million at 31 December 2011. The result for 2010 includes €2,847 million in capital gains stemming from the agreement signed between Repsol and Sinopec. Leaving aside these capital gains and the asset impairment variation reported for both years (see note 9 to the Consolidated Financial Statements), income for the Upstream area in 2011 shrunk, largely on account of the drop in production due suspended operations in Libya for sizeable part of the year, coupled with the impact on income of the depreciation of the dollar against the euro, all this mitigated by the higher international crude oil and gas prices over the year and the lower exploration costs.

The Liquefied Natural Gas (LNG) business posted profits of €386 million in 2011, up €281 million on figures for 2010, largely on the back of larger LNG volumes (the LNG Peru plant having been operational since June 2010) and LNG marketing margins in 2011.

Operating income in the Downstream division was €1,207 million, compared to the €1,304 million in the previous year. This drop in profit can largely be explained by the reduced margins reported by the Refining business, as well as by the lower volumes in Commercial business, as a result of the economic crisis, despite a better showing from Chemicals in the first half of the year and the better results from the Trading division.

YPF ended 2011 with operating profit of €1,231 million, down 15.3% on the €1,453 million posted in 2010. The difference is mainly due to the effect that the strikes have had on crude oil production, cost inflation, and the temporary suspension of the Petróleo Plus program (see note 2 in the 2011 Consolidated Financial Statements). The rise in income resulting from fuel sales at service stations and domestic products with prices linked to international prices were unable to offset these negative effects.

Repsol's 30% stake in Gas Natural Fenosa generated operating income of €887 million, in line with the same figure for 2010.

The consolidated Group reported a net financial result of minus €822 million in 2011, in comparison with the minus €1,008 million a year earlier. The difference is primarily due to lower net interest expense on borrowings, mainly on account of the larger average balances of financial investments associated with higher rates of return.

Corporate income tax totaled €1,514 million, with an effective tax rate of 38.0% (vs. 26.3% in 2010, with this unusually low rate resulting from the unusual transactions carried out during the year, such as the agreement with Sinopec, sale of Refap and CLH, etc.).

Financial overview

At year-end 2011, Repsol YPF holds a solid financial position.

The Group's net financial debt excluding Gas Natural Fenosa, meaning without taking into account the proportional integration of the figures corresponding to this company, was €6,775 million as of 31 December 2011, compared to the €1,697 million reported in the previous period, reflecting the impact of the purchase of treasury shares for 10% of Repsol YPF, S.A. share capital on 20 December 2011 for the sum of €2,572 million, and for the amortization on 8 February 2011 of the preference shares issued by Repsol International Capital for a nominal value of 725 million dollars. As subsequent events, half of the treasury shares purchased on 20 December were sold on 11 January 2012. Taking preference shares,into account, net financial debt ex Gas Natural Fenosa amounted to €9,775 million at 31 December 2011, in comparison to the €5,265 million at 31 December 2010.

The Group's liquidity position ex Gas Natural Fenosa amounted to €5,989 million at year-end (including undrawn credit lines), despite the transactions described above. Furthermore, this liquidity was further increased in January 2012 due to sale of the aforementioned treasury stock, combined with a €750 million bond issue.

The Group's consolidated net financial debt at year-end 2011 stood at €11,663 million, compared to the €7,224 million for 31 December 2010. Taking preference shares into account, net financial debt at year-end 2011 amounted to €14,842 million, vs. €10,972 million at 31 December 2010.

During 2011, payments on investments reached €6,255 million. For more detailed information on operating investments by business area, please head to the relevant section of this Consolidated Management Report covering the business area in question.

In relation to the section on divestments, it is worth mentioning the major divestments carried out by Gas Natural Fenosa.

It is worth mentioning the sale of 88,011,085 shares in YPF (representing a 22.38% stake in the company) and the decision of the Petersen Group to exercise its 10% call option. This sale was partly implemented by means of a loan of $626 million by Repsol to the Petersen Group.

The shares of Repsol YPF, S.A. are listed on the continuous market of the Spanish stock markets (Madrid, Barcelona, Bilbao and Valencia) and of Buenos Aires (*Bolsa de Comercio de Buenos Aires*). Up until 4 March 2011, the shares were quoted on the New York Stock Exchange as American Depositary Shares (ADS), and have been listed on the OTCQX market since 9 March 2011.

Dividends paid by Repsol YPF to its shareholders over 2011 amounted to €1,282 million, corresponding to an interim dividend on earnings for fiscal year 2010 of 0.525 euros per share, as paid in January 2011, and a final dividend for 2010, also of 0.525 euros per share, paid in July 2011. Furthermore, the Board of Directors adopted a resolution on 30 November 2011 to allocate an interim dividend on earnings for 2011 of 0.5775 euros per share, marking a 10% increase on the interim dividend for 2010, paid on 10 January 2012.

As previously stated, on 20 December 2011, Repsol acquired a total of 122,086,346 treasury shares, representing 10% of its share capital and at a nominal value of one euro per share, in furtherance of the resolution adopted unanimously at the Board of Directors meeting held on 18 December. The decision to acquire the stock was reached after receiving news that the creditor banks of Sacyr Vallehermoso had decided not to renew the credit facility previously awarded to the company in order to acquire 20% of the capital of Repsol, or to condition partial refinancing on the sale of 10% in Repsol. This package was acquired at a price of 21.066 euros per share.

In 2011, Repsol YPF acquired an additional 6,685,499 treasury shares, representing 0.55% of the share capital and at a nominal value of one euro per share, for a value of €125 million. The aforementioned shares were sold for a gross cash amount of €140 million, entailing capital gains of €15 million, allocated to “Other reserves”.

Moreover, and within the framework of the Share Acquisition Plan approved at the ordinary Annual General Meeting of 15 April 2011, the company purchased a total of 298,117 shares in Repsol YPF, S.A., representing 0.024% of its share capital, the cost of which amounted to €6.6 million,delivered to Group employees in accordance with the aforementioned Plan.

The aforementioned acquisitions were carried out by virtue of the powers that the Annual General Meeting of 30 April 2010 vested in the Board of Directors, authorizing "the derivative acquisition of shares in Repsol YPF, S.A., on one or more occasions, by purchase, swap or any other transaction for valuable consideration, directly or through subsidiaries, up to a maximum number of shares which, added to those already held by Repsol YPF, S.A. and its subsidiaries, does not exceed 10% of share capital of the company and for a price or equivalent value that may not be lower than the nominal value of the shares, nor exceed their quoted price on the stock market".

The authorization remains valid for five years running from the date of the Annual General Meeting, rendering null and void, the authorization conferred by the previous Annual General Meeting held on 14 May 2009, in relation to any part thereof that had not been used.

At 31 December 2011, the treasury shares held by Repsol YPF and Group companies represented 10% of its total share capital.

Financial prudence

Repsol YPF keeps, in line with its prudence financial policy, sufficient available cash resources and other net financial instruments, including undrawn credit lines, to cover the debt maturities for at least the next two years, and covering 49% of its entire gross debt and 41% of same including preference shares. In the case of Repsol YPF ex Gas Natural Fenosa, these same resources cover 55% of gross debt and over 43% including preference shares.

Financial investments included under the headings of Note 12 to the Consolidated Financial Statements as "Other financial assets at fair value through profit and loss", "Loans and receivables" and "Held-to-maturity investments" (which include cash and cash equivalents) amount to €5,137 million, €4,129 million of which correspond to Repsol YPF, without including Gas Natural Fenosa. The Group has also committed, unused lines of credit at its disposal for an amount of €4,225 million (excluding Gas Natural Fenosa), down from the €4,666 million at the end of 2010 (excluding Gas Natural Fenosa). For the consolidated Group as a whole, the amount in committed, unused credit lines was €5,482 and €5,690 million as of 31 December 2011 and 2010, respectively, 80% of which falls due after 31 December 2012.

Accordingly, net debt and the net debt to capital employed ratio, in which capital employed refers to net debt plus net equity, provide a true and fair view of the volume of necessary borrowings and their relative weighting in the funding of capital employed in transactions.

		31 December			
		Consolidated Group		Consolidated Group ex Gas Natural Fenosa	
Millions of euros, except ratios		2011	2010	2011	2010
I	Net debt	11,663	7,224	6,775	1,697
II	Preference shares	3,179	3,748	3,000	3,568
III	Net debt, including preference shares	14,842	10,972	9,775	5,265
IV	Capital employed	41,885	36,958	36,329	30,777
	Net debt to capital employed (I/IV)	27.8%	19.5%	18.6%	5.5%
	Net debt, including preference shares, / capital employed (III/IV)	35.4%	29.7%	26.9%	17.1%

At year-end 2011, the Group's net debt to capital employed ratio (excluding Gas Natural Fenosa) stood at 18.6% versus 5.5% reported at the end of the previous year. Taking preference shares into account, the same ratio stood at 26.9%, versus the 17.1% reported at year-end 2010. These ratios have increased by 7% due to the impact of the one-off transaction to acquire 10% of treasury stock.

The net debt to capital employed ratio for the consolidated Group at year-end 2011 stood at 27.8%, in comparison to 19.5% at 31 December 2010. Taking preference shares into account, this same ratio stood at 35.4% vs. 29.7% for 2010.

The following table provides a breakdown of changes in net financial debt during the 2011 and 2010 financial years:

	Consolidated Group		Consolidated Group ex Gas Natural Fenosa	
Millions of euros	2011	2010	2011	2010
Net debt at the beginning of the period	**7,224**	**10,928**	**1,697**	**4,905**
EBITDA	(8,440)	(9,196)	(7,014)	(7,688)
Variation in trade working capital	2,239	1,693	1,708	1,316
Investments [1]	6,207	5,091	5,547	4,468
Divestments [2]	(1,004)	(4,483)	(91)	(3,804)
Dividends paid (including affiliates)	1,686	806	1,649	759
Treasury stock transactions	2,557	–	2,557	–
Currency translation differences	13	617	11	535
Disposals of holdings in companies without loss of control	(2,327)	(489)	(2,327)	(489)
Taxes paid	1,784	1,627	1,690	1,490
Changes in consolidation perimeter [3]	71	(372)	(9)	(395)
Redemption of US preference shares	535	–	535	–
Interest and other movements	1,118	1,002	822	600
Net debt at year-end	**11,663**	**7,224**	**6,775**	**1,697**

[1] There were financial investments of €48 and €15 million for the consolidated Group in 2011 and 2010, respectively, that do not appear in the above table.

[2] Similarly, there were financial divestments of €39 and €88 million for the consolidated Group in 2011 and 2010, respectively, that do not appear in the above table. In addition, it should be pointed out that divestment by Gas Natura Fenosa in Arrúbal combined cycle in 2011 included financing terms for the buyer.

[3] Relates in 2010 to the deconsolidation of Refap's debt.

Below is a breakdown of Repsol YPF's current credit rating:

	Standard & Poor's	Moody's	Fitch
Short-term debt	A-2	P-2	F-2
Long-term debt	BBB	Baa1	BBB+

Risk factors

Repsol YPF's operations and results are subject to risks resulting from changes in competitive, economic, political, legal, regulatory, social, industrial, business, and financial conditions, which investors should take into account.

Future risk factors, either unknown or not currently flagged as relevant by Repsol YPF, could also affect the company's business, results and financials.

Operational risks

The uncertainty of the economic context. The worsening of the debt crisis within the Euro Zone has forced the global economy along a tight path requiring reforms to prevent the worldwide economy from deteriorating further. The slowing pace of growth of the global economy could stir up social tension and tempt states to resort to protectionism. Likewise, nagging pressure on the sustainability of public accounts in advanced economies is continuing to exert much pressure on the credit markets, and could lead to tax reforms or changes in the regulatory framework governing the oil and gas industry. Lastly, the economic and financial situation could have negative effects on the current or future third-party business partners of Repsol YPF. Any of the factors described above, whether occurring together or alone, could have an adverse impact on the financial situation, business or operating results of Repsol YPF.

International benchmark crude oil prices and demand for crude oil may fluctuate due to factors beyond Repsol YPF's control. World oil prices have fluctuated widely over the last ten years and are driven by international supply and demand factors over which Repsol YPF has no control. The world oil market and oil prices are swayed heavily by political developments throughout the world (especially in the Middle East); the evolution of stocks of oil and derivatives; the circumstantial effects of climate changes and meteorological phenomena, such as storms and hurricanes (particularly prevalent over the Gulf of Mexico); spiking demand in countries with strong economic growth, such as China and India; major world conflicts, as well as the political instability and threat of terrorism that periodically affect certain producing areas, and also the risk that the supply of crude oil may become a political weapon. In 2011, Brent crude oil prices averaged 111.26 dollars per barrel, as opposed to an average of 63.69 dollars per barrel reported over the 2002-2011 period. Over this ten-year period, the maximum average annual price was the 111.26 dollars per barrel reported in 2011, while the minimum average annual price was 25.02 dollars in 2002. In 2011, the price range for crude oil (Brent) floated between roughly 94 and 126 dollars per barrel.

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

Reductions in oil prices negatively affect Repsol YPF's profitability, the value of its assets and its plans for capital investment, including projected capital expenditures related to exploration and development activities. Similarly, a significant drop in capital investment could negatively affect Repsol YPF's ability to replace its crude oil reserves.

Repsol YPF's operations are subject to regulation. The oil industry is subject to extensive regulation and intervention by governments throughout the world in such matters as the award of exploration and production interests, the imposition of specific drilling and exploration obligations, restrictions on production, price controls, required divestments of assets, foreign currency controls and nationalization, expropriation or cancellation of contractual rights. Such legislation and regulations apply to virtually all aspects of Repsol YPF's operations both inside and outside Spain. In addition, the legislation of certain countries envisages the imposition of sanctions on non-domestic companies that make certain investments in other countries. In addition, the terms and conditions of the agreements governing Repsol YPF's oil and gas interests generally reflect the regulatory framework of the country in question and/or negotiations held with governmental authorities, and therefore vary significantly by country and even from one area to another within the same country. These agreements generally take the form of licenses or production sharing agreements. Under license agreements, the license holder finances and bears the risk of the exploration and production activities in exchange for the resulting production, if any. Moreover, part of the production may have to be sold to the state or the state-owned oil company. License holders are generally required to make certain tax or royalty payments and pay income tax on their production, which can be high when compared with the taxes paid by other businesses. Production sharing agreements, on the other hand, generally require the contractor to finance the exploration and production activities in exchange for recovering its costs from part of production (cost oil), while the remainder of production (profit oil) is shared with the state-owned oil company.

Repsol YPF cannot predict changes in the aforementioned laws or how they will be interpreted, nor can it foresee the implementation of specific policies.

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

In particular, and due to concerns over the risk of climate change, a number of countries have adopted, or are looking into adopting, new regulatory requirements to reduce greenhouse gas emissions, such as carbon taxes, increasing efficiency standards, or adopting emissions trading schemes. These requirements could make Repsol YPF's products more expensive as well as shift hydrocarbon demand toward relatively lower-carbon sources, such as renewable energies. In addition, compliance with greenhouse gas regulations may also require the company to upgrade its facilities, monitor or sequester emissions or take other actions that may increase the cost of compliance.

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

Operating risks related to exploration and exploitation of oil and gas, and reliance on the cost-effective acquisition or discovery of, and, thereafter, development of new oil and gas reserves. Oil and gas exploration and production activities are subject to particular risks, some

of which are beyond the control of Repsol YPF. These activities are exposed to production, equipment and transportation risks, natural hazards and other uncertainties relating to the physical characteristics of oil and natural gas fields. The operations of Repsol YPF may be curtailed, delayed or cancelled as a result of weather conditions, technical difficulties, delays in the delivery of equipment or compliance with administrative requirements. In addition to this, some of our development projects are located in deep waters and other difficult environments, such as the Gulf of Mexico, Brazil and the Amazon rainforest, or in complex oilfields, which could aggravate these risks further. Offshore operations, in particular, are subject to maritime risks, among them storms and other adverse meteorological conditions, or shipping collisions. Also, the transportation of oil products, by any means, always has inherent risks: during road, rail or sea transport, or by pipeline, oil or another hazardous substances could leak; this is a significant risk due to the potential impact a spill could have on the environment and on people, especially considering the high volume of products that can be carried at any one time. Should these risks materialize, Repsol YPF may suffer major losses, interruptions to its operations and harm to its reputation.

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

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

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

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

In 2011, Libya became embroiled in a belic conflict. As a result, Group production in the country was suspended on 5 March 2011 and gradually resumed towards the end of the year. At 31 December 2011, 0.9% of the total consolidated assets of Repsol YPF were located in Libya, relating primarily to oil and gas exploration and production activities. Likewise, Libya accounted for 1.2% of the Group's total annual oil and gas production for 2011 (4.5% in 2010).

Oil and gas reserves estimation. In calculating proven oil and gas reserves, Repsol YPF relies on the guidelines and the conceptual framework of the Securities and Exchange Commission's (SEC) definition of proven reserves and on the criteria established by the Petroleum Reserves Management System of the Society of Petroleum Engineers (PRMS-SPE). Under these rules, proven oil and gas reserves are those reserves of crude oil, natural gas or natural gas liquids for which, after analyzing geological, geophysical and engineering data, have a reasonable certainty of being produced -from a given date, from known reservoirs and under existing economic conditions, existing technology and existing government regulation- prior to the termination of the contracts whereby the corresponding operational rights were awarded, and regardless of whether probabilistic or deterministic approaches were used to arrive at the estimate. The project to extract the gas or oil must have started, or otherwise the operator must be reasonably certain that the project will commence within a reasonable timeframe.

The accuracy of these estimates depends on a number of different factors, assumptions and variables, some of which are beyond the company's control. Factors that fall within the company's control include: drilling, testing and production after the date of the estimate, which may entail substantial upward or downward corrections in the estimate; the quality of available geological, technical and economic data used and the interpretation and valuation thereof; the production performance of reservoirs and recovery rates, both of which depend in significant part on available technologies as well as the company's ability to implement such technologies and the relevant know-how; the selection of third parties with which Repsol YPF conducts business; and the accuracy of initial estimates of existing hydrocarbons in place at a given reservoir, which may prove to be incorrect or require substantial revisions. On the other hand, factors mainly beyond Repsol YPF's control include changes in prevailing oil and natural gas prices, which could impact on the quantities of proven reserves (since estimates of reserves are calculated under existing economic conditions when such estimates are made); changes in prevailing tax rules, other government regulations and contractual conditions after the date estimates are made (which could render reserves economically unviable to exploit); and certain actions of third parties, including the operators of fields in which the Group has an interest.

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

Repsol YPF's natural gas operations are subject to particular operational and market risks. Natural gas prices tend to vary between the different regions in which Repsol YPF operates as a result of significantly different supply, demand and regulatory circumstances, and such prices may be lower than prevailing prices in other regions of the world. In addition, excess supply conditions that exist in some regions cannot be utilized in other regions due to a lack of infrastructure and difficulties in transporting natural gas.

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

Repsol YPF also has long-term contracts to sell and deliver gas to clients, mainly in Argentina, Bolivia, Brazil, Chile, Venezuela, Spain and Mexico. These contracts present additional types of risks to the company as they are pegged to existing proven reserves in Argentina, Bolivia, Venezuela, Trinidad and Tobago and Peru. Should available reserves in those countries prove insufficient, Repsol YPF might not be able to satisfy its obligations under these contracts, some of which include penalty clauses for breach of contract.

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

Significant presence in Argentina. Nearly 20% and 19% of Repsol YPF's assets were located in Argentina as of 31 December 2011 and 2010 respectively, corresponding for the most part to exploration and production activities. These assets relate primarily to YPF, S.A. and subsidiary companies. At year-end 2011, the Group's holding in YPF, S.A. stood at 57.43%. In addition, business in Argentina accounted for approximately 28% and 20% of operating income as of 31 December 2011 and 2010 respectively.

After the economic crisis of 2001 and 2002, Argentina's GDP has grown at an average rate of approximately 8.5% from 2003 to 2008, slowing down in 2009 due to the international financial crisis. After a recovery process initiated in 2010, effective growth stood at roughly 9% for 2010 and, according to preliminary figures, a higher figure for 2011. The Argentinean economy is still sensitive to volatile commodities prices, limited credit and international investment in infrastructure, the development of energy resources supporting economic growth and rising inflation rates, among other factors.

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

- limitations on its ability to reflect in local prices increases in international oil prices and other fuels, exchange rate fluctuations and/or other costs affecting operations;
- restrictions on hydrocarbon export volumes, driven mainly by the requirement to satisfy domestic demand, thereby affecting the company's prior arrangements with its clients;
- the need to extend concessions, some of which are due to expire in 2017;
- work disruptions and union-agreed strikes;

- eventual modifications to the current regulatory framework through the adoption of government measures and/or legal changes that could affect Group operations and their projected profitability (rise in hydrocarbon export taxes; establishment of tariffs on the purchase of services or goods that are necessary to develop the activities; renegotiation or cancellation of contracts; changes in policies affecting trade or investment; etc.)
- changes in the Argentinean peso exchange rate and restrictions on accessing the exchange market, both for discharging obligations and paying dividends abroad;

Duties on hydrocarbon exports have been increased over recent years (see note 2, "Argentina - Regulatory Framework", in the Consolidated Financial Statements for 2011). As a result of these export tax increases, YPF could be, and on certain occasions has been, forced to renegotiate its export contracts despite having been approved by the Argentinean government. The imposition of these export withholdings has had an adverse impact on the operating income of YPF.

In addition, YPF has been obliged to sell a part of its natural gas production previously destined for the export market in the local Argentine market and has therefore been unable to meet its contractual gas export commitments in whole or, in some cases, in part, leading to disputes with its export clients and forcing YPF to claim force majeure under its export sales agreements. Repsol YPF believes that these actions from the government constitute force majeure events that relieve YPF from any contingent liability for the failure to comply with its contractual obligations.

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

Financial risks

Group business is exposed to different kinds of financial risk, including:

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

See chapter on liquidity under the "Financial Prudence" section of this report.

Credit risk. The exposure of the Group to credit risk is mainly attributable to commercial debts from trading transactions, which are measured and controlled in relation to the customer or individual third party. The Group has its own systems for the permanent credit evaluation of all its debtors and the determination of risk limits with respect to third parties, in line with best practices.

As a general rule, the Group establishes a bank guarantee issued by financial entities as the most suitable instrument of protection from credit risk. In some cases, the Group has taken out credit insurance policies to transfer partially the credit risk related to the commercial activity of some of its businesses to third parties.

Market risk

- Exchange rate fluctuation risk. Repsol YPF is exposed to fluctuations in currency exchange rates since revenues and cash flows generated by oil, natural gas, and refined product sales are generally denominated in dollars or otherwise affected by dollar exchange rates. Operating income is also exposed to fluctuations in currency exchange rates in countries where Repsol YPF conducts its activities. Repsol YPF is also exposed to exchange risk in relation to the value of its financial assets and investments, predominantly those denominated in US dollars. In order to mitigate the exchange rate risk on results, and when it deems appropriate, Repsol YPF may hedge with derivatives in relation to those currencies for which there is a liquid market and where transaction costs are reasonable.

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

- Commodity price risk. In the normal course of operations and trading activities, Repsol YPF Group earnings are exposed to volatility in the price of oil, natural gas, and related derivative products (see the previous section "Possible fluctuations in international benchmark oil prices and oil demand due to factors beyond the control of Repsol YPF" and "Operational and market risks affecting Repsol YPF's activities in the natural gas industry").
- Interest rate risk. The market value of the Group's net financing and net interest expenses could be affected by interest rate fluctuations.

Note 20 "Financial risk and capital management" and Note 21 "Derivative transactions" in the Consolidated Financial Statements for financial year 2011 include additional details on the financial risks described in this section.

Business areas

The Group's main operating highlights are shown below:

	2011	2010
Upstream:		
Oil and gas net production [1]	109,059	125,653
LNG:		
Production of liquefaction trains [2] [3]	5.4	5.1
LNG sold [3]	11.0	6.7
Downstream:		
Refining capacity [4]	**998**	**878**
Europe [5]	896	776
Rest of the World	102	102
Crude oil processed [6] [7]	**31.5**	**34.4**
Europe	27.9	28.7
Rest of the World	3.6	5.7
Number of service stations	**4,506**	**4,447**
Europe	4,211	4,182
Rest of the World	295	265
Oil product sales [6] [8]	**37,805**	**38,613**
Europe	33,548	32,429
Rest of the World	4,257	6,184
Petrochemical product sales [8]	**2,659**	**2,618**
By region:		
Europe	2,312	2,263
Rest of the World	348	355
By product:		
Base products	889	874
Derivative petrochemicals	1,770	1,744
LPG sales [8]	**3,033**	**3,108**
Europe	1,486	1,680
Rest of the World	1,547	1,428
YPF:		
Oil and gas net production [1] [9]	180,700	197,442
Refining capacity [4] [10]	333	333
Processed crude oil [7] [10]	14.7	15.4
Number of service stations [11]	1,557	1,653
Oil product sales [8] [10]	14,144	14,146
Petrochemical product sales [9]	1,639	1,563
LPG sales [8] [10]	456	422
Natural gas sales [3]	12.3	14.0
Gas Natural Fenosa:		
Natural gas distribution sales [12] [13]	395,840	411,556
Electricity distribution sales [12] [13]	54,067	54,833

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

[2] Including liquefaction train production according to their shareholding. Trinidad [Train 1 (20%), Trains 2 and 3 (25%), Train 4 (22.22%)]; Peru LNG (20%). Of this production, 3.2 bcm in 2011 and 2.8 bcm in 2010 belong to companies consolidated in the Repsol Group through the equity method.

[3] Billions of cubic meters (bcm).

[4] Thousand barrels per day (kbbl/d).

[5] The reported capacity includes the shareholding in ASESA.

[6] The 2010 information includes Refap's 30% (Brazil) until it was sold in December 2010.

[7] Millions of tons.

[8] Thousands of tons.

[9] The data shown is for Argentina, except the net hydrocarbon production of 718 and 777 thousand of barrels of oil equivalent (kboe) in 2011 and 2010, respectively, which is reflected in United States data.

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

[11] Including 50% of "Refinor" service stations.

[12] Including 100% of reported Gas Natural Fenosa sales, even though Repsol YPF had a 30.01% share in Gas Natural at 31 December 2011 and 30.13% at 31 December 2010, accounted for through proportional consolidation.

[13] Gigawatts per hour (GWh).

Abbreviations used for units of measurement

"bbl"	Barrels
"bcf"	Billion cubic feet
"bcm"	Billion cubic meters
"boe"	Barrels of oil equivalent
"Btu"	British thermal unit
"GWh"	Gigawatts per hour
"kbbl"	Thousand barrels
"kbbl/d"	Thousand barrels per day
"kboe"	Thousand barrels of oil equivalent
"km²"	Square kilometers
"Mbbl"	Million barrels
"Mboe"	Million barrels of oil equivalent
"Mm³/d"	Million cubic meters per day
"Mscfd"	Million standard cubic feet per day
"MW"	Megawatts
"MWe"	Megawatts electrical
"MWh"	Megawatts per hour
"TCF"	Trillion cubic feet

Upstream

Activities

The Repsol Upstream division embraces oil and natural gas exploration and production activities excluding those performed by YPF. For information on the exploration and production activities conducted by YPF, see the corresponding chapter on this company and its affiliates contained in this Consolidated Management Report.

The Repsol Upstream division manages its project portfolio with the objective of achieving profitable, diversified and sustainable growth, with a commitment to safety and the environment. Its strategy is underpinned by the following objectives: increasing production and reserves, diversifying its business geographically by increasing its presence in Organisation for Economic Co-operation and Development (OECD) countries, achieving operating excellence and maximizing the profitability of its assets. To such end, a number of measures have been taken during the last few years: there was a successful investment in human capital to promote growth; the organizational structure was redefined to reflect the strategic objectives and oriented towards improving the quality of operations; technical and commercial processes have been redesigned and standardized, and technological capacities have been developed to operate successfully in deep waters.

Geographically, the Upstream division's strategy is based on key traditional regions, located in Latin America (mainly Trinidad and Tobago, Peru, Venezuela, Bolivia, Colombia and Ecuador) and in North Africa (Algeria and Libya), as well as in strategic areas for short and medium-term growth that have been consolidated in recent years. Among the latter areas, particularly important are the US Gulf of Mexico (with the important Shenzi field, in operation since 2009, and one of the company's key strategic projects) and offshore fields in Brazil.

In addition, strategic growth in the medium-term will also be bolstered by major gas projects currently being developed in Venezuela, Peru, Bolivia and Brazil, and in the longer-term, by the increasingly important asset portfolio in Norway, Canada, West Africa, Indonesia, Alaska and Russia.

Mirroring its move towards geographic diversification, 2011 saw the Group successfully incorporate areas offering huge potential in Alaska, Russia, Ireland, Iraq, Tunisia and Portugal.

In 2011, Repsol acquired a 70% stake in the North Slope project, one of Alaska's most prolific regions, offering major discovered reservoirs and with moderate exploration risk. The site contains more than 150 exploratory blocks in the area surrounding the large fields already in production.

The first quarter of 2012 will mark the start of exploratory drilling activities on the North Slope. The acquisition has increased the company's presence in OECD countries and reflects its strategy of balancing the portfolio of exploratory acreage with assets offering lower risk within a stable environment.

In December 2011, the company signed an important agreement with Alliance Oil Company to create a joint venture (AROG), which will provide a platform for growth for both companies within Russia, the world's largest producer of gas and oil. The new joint company will be valued at approximately $840 million after both shareholders have contributed assets and capital. Alliance Oil will hold a 51% stake in the company, while Repsol will own the remaining 49%.

Under the agreement, Alliance will transfer its Upstream Saneco and Tatnefteodatcha affiliates, with assets currently generating in the region 20,500 barrels of oil per day, along with exploration and production licenses for 2P reserves (proven plus probable) of roughly 171.5 million barrels at 31 December 2010. These assets are valued at approximately 570 million dollars. Repsol, in turn, will contribute capital and acquire the rest from Alliance to reach a shareholding of 49% in the joint company. As well as exploiting the assets to be contributed by Alliance Oil, the agreement envisages the parties seeking out further exploration opportunities and achieving growth through production assets in Russia.

Repsol currently owns a 3.7% stake in the equity of Alliance Oil due to the merger of West Siberian Resources and the Russian energy giant in 2008.

The aim of this new agreement is to combine Alliance Oil's knowledge and privileged access to exploration and production opportunities in Russia with the know-how and technical capacity of Repsol, thus forging a long-term alliance for ongoing exploration and production activities.

In February of 2011, the Group completed the purchase of a 74.9% shareholding in the Russian company Eurotek-Yugra, which owns the exploration and production licenses for the Karabashsky 1 and 2 blocks in the hydrocarbon-rich West Siberia basin. Through this company, it then went on to secure five new exploratory licenses at the 2011 round, also located within the West Siberia basin.

In December, the company announced an agreement to acquire the Russian company Open Joint Stock Company Eurotek (Eurotek), which holds exploratory and production licenses in West Siberia. The transaction already has the approval of the Federal Antimonopoly Service of Russia. The acquired assets include the licenses for the Syskonsyninskoye (SK) gas field, which is currently in an advanced state of development and will enter into production in 2012, and also the Yuzhno-Khadyryakhinskoye (YK) gas field, which is currently in the final stage of delineation and could start producing in 2016. In 2012, Repsol will incorporate these assets into the joint venture with Alliance Oil, as part of its commitment to contribute assets and capital to the new joint venture. The YK and SK fields will provide AROG with roughly 115 Mboe of additional 2P reserves (proven plus probable), combined with the 171.5 million barrels of oil that Alliance has contributed to the joint venture through its Upstream Saneco and Tatnefteodatcha affiliates.

In 2011, Repsol acquired 25% of ExxonMobil and ENI's interest in the Dunquin project, located in deep waters off the coast of Ireland. The project is essentially an exploratory area in the Porcupine basin off the coast of south-east Ireland. ExxonMobil is the local operator. The project is currently in the second exploratory stage with prospects already identified for drilling, which may get under way in 2013. The arrangement has provided Repsol with new opportunities within a proven oil system in an OECD country, with favorable contractual terms and market conditions.

Also in Ireland, Repsol took part in the "2011 Irish Atlantic Margin" exploratory licensing round, obtaining 40% of the "Newgrange" exploratory project in the South Porcupine/Goban Spur basin in southern Ireland.

In Iraq, and after negotiations with local authorities, during which different exploratory blocks and investment opportunities were evaluated, the Iraqi Ministry of Natural Resources agreed in 2011 to award Repsol the Piramagrun and Qala Dze exploratory blocks under production sharing contracts (PSC), which were signed in July. In the second half of the year, Repsol opened offices in Erbil (Kurdistan).

In 2011, the company secured three exploratory blocks located offshore of Tunisia, in an area offering huge potential and in which no exploratory wells have been drilled to date. The blocks have a water table of 400 meters. If current estimates are confirmed in the next few years, the block could well become a new oil area.

In October 2011, the exploratory contracts were signed for the Lagosta and Lagostím blocks in Portuguese national waters. The two blocks have a water table of between 500 and 1,500 meters, and are located between 15 and 100 kilometers from the coastline.

The company is meeting its commitments and the next stage of growth is now materializing, based largely on the company's success in exploring and on the efficient development and start-up of explored areas. This emerging future growth is reflected in a number of strategic projects currently under different stages of development and which have gained real momentum between 2009-2011, such as the U.S. Gulf of Mexico (Shenzi, already in production in 2009), Brazil (Guará, Carioca and Piracucá/Panoramix), Venezuela (Cardón IV and Carabobo), Bolivia (Margarita-Huacaya), Peru (Kinteroni), Algeria (Reggane) and Libya (I/R).

Many of these projects are being undertaken in offshore areas, a key priority for Repsol where the company is cementing its position as one of the most competitive companies with an unrivalled track record in exploration and production. Over recent years, Repsol has stepped up exploration activity considerably and is harnessing its technical know-how on the path to becoming a major player in offshore exploration.

When operating, particularly in deep waters, Repsol applies best practices and recommendations taken from the industry's most stringent standards, and ensures strict compliance with all applicable regulations with the aim of becoming one of the best companies once the moratorium in the Gulf of Mexico has been lifted.

In September, the Repsol-BSC Research Center was unveiled in Barcelona as a leading research center to be used to improve upon and channel cooperation between Repsol and the Barcelona Supercomputing Center (BSC). This collaboration will allow the parties to tackle a range of different research projects in areas of interest to Repsol operations. The center reflects the company's commitment to technological research and the advantages that the BSC can offer to Spanish industry. Initial priorities are to continue with the Caleidoscopio project and to focus on improving underground imaging through seismic and electromagnetic technologies, these being of huge importance to deep water operations, among others.

At year-end, Repsol's Upstream division was involved in oil and gas exploration and production blocks in 31 different countries, either directly or through investee companies. The company was the operator in 23 of these countries.

Over the last five years, Repsol has stepped up its onshore and at sea exploratory activity considerably, making major gas and oil discoveries worldwide. In addition, Repsol's Upstream unit posted a record replacement rate of proven reserves in 2011, hitting 162%, outstripping the already admirable ratio of 131% for 2010. The unit has already deployed further resources and assets to provide a considerable boost to its future results.

FINISHED EXPLORATORY WELLS

2011 [1]

	Positive		Negative		Under Evaluation		TOTAL	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Europe	–	–	1	*	–	–	1	*
South America	2	*	1	*	–	–	3	*
Trinidad and Tobago	–	–	–	–	–	–	–	–
Other countries in South America	2	*	1	*	–	–	3	*
Central America	–	–	–	–	–	–	–	–
North America	–	–	1	*	–	–	1	*
Africa	1	*	4	2	–	–	5	2
Asia	–	–	1	*	–	–	1	*
TOTAL	**3**	*****	**8**	**3**	**–**	**–**	**11**	**4**

2010 [1]

	Positive		Negative		Under Evaluation		TOTAL	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Europe	–	–	–	–	–	–	–	–
South America	3	1	8	3	–	–	11	4
Trinidad and Tobago	–	–	–	–	–	–	–	–
Other countries in South America	3	1	8	3	–	–	11	4
Central America	–	–	–	–	–	–	–	–
North America	–	–	–	–	–	–	–	–
Africa	1	*	–	–	–	–	1	*
Asia	–	–	–	–	–	–	–	–
TOTAL	**4**	**1**	**8**	**3**	**–**	**–**	**12**	**4**

[1] A gross well is a well in which Repsol owns a working interest. The number of net wells is the sum of the fractions of interest held in gross wells.

* Fewer than one exploratory well.

FINISHED DEVELOPMENT WELLS

2011 [1]

	Positive		Negative		Under Evaluation		TOTAL	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Europe	–	–	–	–	–	–	–	–
South America	75	22	6	2	–	–	81	24
Trinidad and Tobago	2	*	–	–	–	–	2	*
Other countries in South America	73	21	6	2	–	–	79	23
Central America	–	–	–	–	–	–	–	–
North America	2	*	1	*	–	–	3	*
Africa	3	*	–	–	–	–	3	*
Asia	–	–	–	–	–	–	–	–
TOTAL	**80**	**23**	**7**	**3**	**–**	**–**	**87**	**25**

2010 [1]

	Positive		Negative		Under Evaluation		TOTAL	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Europe	–	–	–	–	–	–	–	–
South America	47	13	4	2	7	3	58	18
Trinidad and Tobago	2	1	1	*	–	–	3	1
Other countries in South America	45	12	3	2	7	3	55	17
Central America	–	–	–	–	–	–	–	–
North America	–	–	–	–	–	–	–	–
Africa	28	5	2	*	16	3	46	8
Asia	–	–	–	–	–	–	–	–
TOTAL	**75**	**18**	**6**	**2**	**23**	**6**	**104**	**26**

[1] A gross well is a well in which Repsol owns a working interest. The number of net wells is the sum of the fractions of interest held in gross wells.

* Fewer than one development well.

REPSOL'S CURRENT ACTIVITY BY GEOGRAPHICAL AREA — **AS OF 31 DECEMBER 2011**

	Acreage				No. of exploratory wells being drilled [1]	
	Nº. of blocks		Net acreage (km²) [2]			
	Development	Exploration	Development	Exploration	Gross	Net
Europe	11	38	348	17,920	–	–
South America	51	31	6,020	43,718	8	2
Trinidad and Tobago	7	–	2,363	–	–	–
Other countries in South America	44	31	3,658	43,718	8	2
Central America	–	1	–	2,108	–	–
North America	7	444	479	7,698	–	–
Africa	5	34	2,692	119,371	2	*
Asia	–	9	–	24,979	–	–
TOTAL	**74**	**557**	**9,539**	**215,792**	**10**	**2**

[1] A gross well is a well in which Repsol owns a working interest. The number of net wells is the sum of the fractions of interest held in gross wells.

[2] Gross acreage is the area where Repsol owns a working interest. Net acreage is the sum of the gross area in each acreage according to their respective working interests.

Acreage

The table below displays information on Repsol's developed and undeveloped acreage, by geographical area, as of 31 December 2011:

	2011			
	Developed (1)		Undeveloped (2)	
	Gross (3)	Net (4)	Gross (3)	Net (4)
Europe	21	16	31,586	18,252
South America	1,465	401	116,681	49,337
Trinidad and Tobago	170	63	5,409	2,300
Other countries in South America	1,295	338	111,272	47,037
Central America	0	0	5,269	2,108
North America	18	5	16,385	8,172
Africa	613	170	185,750	121,893
Asia	0	0	58,909	24,979
TOTAL	**2,116**	**591**	**414,580**	**224,740**

(1) Developed acreage is the area assignable to productive wells. The amounts shown belong to the acreage, both in terms of exploration and development.

(2) Undeveloped acreage covers the surface area in which no wells have been drilled, or where any wells have not been completed to the point of permitting oil and gas production in economically viable quantities, regardless of whether said area has proven reserves.

(3) Gross acreage is the area where Repsol owns a working interest.

(4) Net acreage is the sum of the fractions of interest held in gross acreage.

Main production concessions by country

The following table provides figures on the main production concessions for Repsol's Upstream division by country at 31 December 2011, likewise stating the percentage that Repsol holds in each of them.

	Main blocks	% Repsol	Operated (O) / Not operated (NO)	Liquid (L) / Gas (G)
Europe				
Spain	Poseidón Norte	100.00%	O	G
Spain	Boquerón Unit	61.95%	O	L
South America				
Trinidad and Tobago	West Block	30.00%	NO	L - G
Trinidad and Tobago	TSP (POUI)	70.00%	O	L - G
Other countries in South America				
Brazil	Albacora Leste	6.00%	NO	L - G
Brazil	BM-S-9 (Carioca-Guará)	15.00%	NO	L
Bolivia	Sábalo	24.50%	NO	L - G
Bolivia	San Alberto	24.50%	NO	L - G
Bolivia	Margarita (Caipipendi)	37.50%	O	L - G
Colombia	Cravo Norte	5.63%	NO	L
Ecuador	Block 16	55.00%	O	L
Ecuador	Tivacuno	55.00%	O	L
Peru	Bloque 56	10.00%	NO	L - G
Peru	Bloque 88	10.00%	NO	L - G
Venezuela	Quiriquire (Gas)	60.00%	O	G
Venezuela	Barua Motatan	40.00%	NO	L
Venezuela	Quiriquire	40.00%	NO	L - G
Venezuela	Mene Grande	40.00%	NO	L
Central America	–	–	–	–
North America				
United States	Shenzi	28.00%	NO	L - G
Africa				
Algeria	TFR, TIM and BEQ (Issaouane)	59.50%	O	L
Algeria	Tin Fouyé Tabenkor (TFT)	30.00%	NO	L - G
Libya	NC-115	20.00%	NO	L
Libya	NC-186	16.00%	NO	L
Asia	–	–	–	–

Average realization price for crude oil and gas by geographical region

	At 31 December 2011		At 31 December 2010	
	Average crude oil realization price (€/Bbl)	Average gas realization price (€/Boe)	Average crude oil realization price (€/Bbl)	Average gas realization price (€/Boe)
Europe	80.06	54.49	59.36	42.87
South America	53.25	13.79	53.51	11.27
Trinidad and Tobago	77.25	13.31	60.00	10.72
Other countries in South America	47.19	14.78	51.34	12.73
Central America	–	–	–	–
North America	76.04	47.09	57.22	38.98
Africa	74.81	–	59.99	–
Asia	–	–	–	–
TOTAL	**60.51**	**14.23**	**55.51**	**11.65**

Note: Source data in dollars converted at the average accumulated dollar/euro exchange rate for every year.

Results

Operating income Millions of euros	2011	2010	2011/2010 Variation
North America and Brazil	419	2,911	(86%)
North Africa	99	642	(85%)
Rest of the world	895	560	60%
TOTAL	**1,413**	**4,113**	**(66%)**

Operating income for the Upstream division in 2011 totaled €1,413 million, in comparison to the €4,113 million posted a year earlier. EBITDA amounted to €2,072 million, versus the €2,478 million in 2010. The 2010 result includes capital gains of €2,847 million, a consequence of the agreement reached between Repsol and Sinopec to develop joint exploration and production projects in Brazil.

Without taking into account this capital gain and the variation between both years in terms of the effect of the result of the asset impairment test, operating income dropped in 2011 due to the interruption of operations in Libya, slumping production mainly due to the aforementioned suspension, and the depreciation of the dollar against the euro, all of which was partially offset by rising crude oil and gas prices and lower exploration costs.

The average realization price of the Repsol's basket liquids hydrocarbons stood at 83.3 dollars per barrel (59.8 euros per barrel), versus 72.6 dollars per barrel (54.7 euros per barrel) in 2010. The average price of gas was 3.5 dollars per thousand cubic feet, 28.3% up on the same figure for 2010. These variations are in line with those experienced by benchmark prices on international markets.

The lifting cost hit 3.6 dollars per barrel. This figure is higher than the 2010 cost (3.0 dollars per barrel), largely due to the drop in production, chiefly in Libya and Trinidad and Tobago, and to a lesser extent because of increased costs. The finding cost of proven reserves averaged 15.2 dollars per equivalent barrel over the 2009-2011 period.

Discoveries

Repsol's exploration results over recent years have been at all-time highs. The company has achieved numerous and important discoveries in priority areas for Repsol, including Brazil, the United States, Venezuela, Peru, Bolivia and Algeria. These discoveries have paved the way for strategic development projects to ensure future organic growth for the company. These projects are currently under development with the aim of bringing them online as soon as possible. Some of these discoveries, such as those in Brazil, Venezuela and Peru, were among the largest in the world for their respective years.

In 2011, three new discoveries were made, two in Brazil (Gávea and Malombe) and one in Libya (A1 130/4).

In June 2011, Repsol Sinopec Brasil (in which Repsol owns a 60% stake) and its partners Statoil and Petrobras announced a major exploratory discovery in ultradeep waters off Brazil at the Gávea well. The well, located at block BM-C-33, 190 kilometers off the coast of Río de Janeiro, was drilled under 2,708 meters of water, reaching a final depth of 6,851 meters. The consortium is currently analyzing the results obtained from the well before pressing on with the area exploration and evaluation process. Repsol Sinopec Brasil is the operator of the consortium, with an interest of 35%. Statoil holds another 35%, with Petrobras owning the remaining 30%. According to Information Handling Services (IHS), Gávea is one of the ten largest discoveries made in 2011.

On 4 November, Repsol announced that the Malombe well had discovered a gas discovery at the Espírito Santo basin, block BM-ES-21, at the post-salt layers off the Brazilian coastline. Repsol Sinopec Brasil owns an 11.1% interest in the consortium, while Petrobras, being the operating company, holds the remaining 88.9%.

The discovery is located 135 kilometers from the city of Vitoria in the state of Espírito Santo. The well was drilled in the south-east of the Peroá field, under 980 meters of water. The discovery was confirmed after conducting a battery of tests that detected gas at a depth of 2,600 meters. The consortium, which will continue to carry out work within the block, will present an assessment plant to the Brazilian National Oil Agency (ANP) to delimit the discovered reservoir and provide estimated volume and productivity.

In Brazil, difficulty in accessing certain deposits (including the Guará and Carioca areas) due to their deep-water status has made exploration and development a real technological challenge, but one that Repsol is successfully tackling, as show by the numerous discoveries already made to date.

In January an exploratory discovery was made at well A1 130/4 in block NC-115 located in the Murzuq basin.

In addition, the positive findings obtained at the Abaré and Tingua wells in Brazil are currently being finalized and assessed. On 14 November, Repsol Sinopec Brasil and its partners Petrobras and BG Group announced a discovery of high-quality oil at the Abaré well, in the area of Carioca, located in block BM-S-9, thus increasing the potential of this area in the hydrocarbon-rich Santos basin in the Brazilian pre-salt layer. The discovery can be found 35 kilometers to the south of the discovery well in Carioca and 293 kilometers off the east coast of the state of São Paulo. The analyses have revealed the existence of high-quality oil, with an API of 28°, in carbonate reservoirs at depths of 4,830 meters. Formation testing is envisaged to gauge the productivity of these stores.

In August of 2011, the Tingua well finished drilling at the BM-S-44 (S-M-172) block in the Santos basin. The partners in the venture are Repsol Sinopec Brasil (25%) and Petrobras (75%), the latter being the operating company. The companies found a column of nearly 40 meters of crude oil in the pre-salt carbonate reservoir. Oil and gas samples and the overall potential of the block are currently under assessment.

Production

Repsol's hydrocarbons production in 2011 (excluding YPF) was 298,791 barrels of oil equivalent/day, down 13.2% on figures for 2010.

The conflict in Libya caused production within the country to plummet to a quarter of the annual production reported in 2010, and also accounts for nearly two thirds of the drop in production worldwide.

Furthermore, gas production in Trinidad and Tobago fell away over the second half of the year due to maintenance work on both the Atlantic liquefaction trains of Atlantic LNG and the production platforms. Contributing factors also included the natural decline of Albacora Leste (Brazil), coupled with Repsol's reduced interest in this asset following the corresponding agreement with Sinopec, and likewise the effects of the 2010 moratorium on drilling in the Gulf of Mexico, which continued to be felt over the first half of 2011.

On a more positive note, production in Peru climbed by 35% (primarily the supply of gas over all of 2011 to the Peru LNG liquefaction plant, which was brought online in 2010) and contracts were revised in Ecuador, although these plus points fail to offset the aforementioned drops.

Net production of liquids and natural gas by geographical area

	2011			2010		
	Liquids Mbbl	Natural gas bcf	Total Mboe	Liquids Mbbl	Natural gas bcf	Total Mboe
Europe	1	2	1	1	2	1
Spain	1	2	1	1	2	1
South America	26	370	92	26	390	96
Bolivia	2	35	8	2	33	8
Brazil	2	–	2	3	1	3
Colombia	1	–	1	2	–	2
Ecuador	9	–	9	6	–	6
Peru	3	37	10	3	23	7
Trinidad and Tobago	5	250	49	6	282	56
Venezuela	5	47	13	4	51	14
Central America	–	–	–	–	–	–
North America	10	3	10	10	3	11
United States	10	3	10	10	3	11
Africa	4	12	7	16	12	18
Algeria	1	12	3	1	12	3
Libya	3	–	3	15	–	15
Asia	–	–	–	–	–	–
TOTAL NET PRODUCTION	**40**	**387**	**109**	**53**	**407**	**126**

Productive wells by geographical area — As of 31 December 2011 [1]

	Oil		Gas	
	Gross	Net	Gross	Net
Europe	8	6	–	–
South America	1,056	357	163	64
Trinidad and Tobago	99	69	48	16
Other countries in South America	957	288	115	48
Central America	–	–	–	–
North America	14	4	–	–
Africa	113	27	79	24
Asia	–	–	–	–
TOTAL	**1,191**	**394**	**242**	**88**

Productive wells by geographical area	As of 31 December 2010 [1]			
	Oil		Gas	
	Gross	Net	Gross	Net
Europe	8	6	5	4
South America	1,059	329	168	70
Trinidad and Tobago	99	69	47	16
Other countries in South America	960	260	121	54
Central America	–	–	–	–
North America	12	3	–	–
Africa	230	46	77	23
Asia	–	–	–	–
TOTAL	**1,309**	**384**	**250**	**97**

[1] A gross well is a well in which Repsol owns a working interest. The number of net wells is the sum of the fractions of interest held in gross wells.

Reserves

At 31 December 2011, Repsol's proven reserves (excluding YPF), estimated in accordance with the U.S. Securities and Exchange Commission (SEC)'s guidelines and the criteria envisaged under the Petroleum Reserves Management System of the Society of Petroleum Engineers (PRMS-SPE), totaled 1,167 Mboe, of which 393 Mboe (34%) relate to crude oil, condensate and liquefied gases and the remaining 774 Mboe (66%) to natural gas.

These reserves are mainly located in Trinidad and Tobago (31%). 52% is located in the other South American countries (Venezuela, Peru, Brazil, Ecuador, etc.), 12% is in North Africa (Algeria and Libya), 4% is in the Gulf of Mexico (United States) and about 1% in Spain.

In 2011, the aforementioned reserves fared well, with a total addition of 177 Mboe, most notably due to the Perla field in Venezuela, the Reggane project in Algeria, the initial declaration of recoverable hydrocarbons at Sapinhoa in Brazil and the revision of the Kinteroni development plan in Peru.

In 2011, Repsol reported a reserves replacement ratio (measuring total additions of proven reserves over the period relative to production for the period) of 162% for crude oil, condensate, LPG and natural gas (141% for crude oil, condensate and LPG, and 174% for natural gas).

Investments

Operating investments in the Upstream business totaled €1,813 million in 2011, 62% up on the same figure for fiscal year 2010 (€1,119 million). Investment in development accounted for 43% of the total and was carried out mainly in the United States (19%), Bolivia (17%), Trinidad and Tobago (15%), Venezuela (13%), Peru (12%) and Brazil (12%). Exploration investments represented 40% of total investment and materialized chiefly in the United States (38%), Brazil (20%) and Angola (14%). Remaining investment relates largely to the acquisition of Eurotek in Russia.

Activities in the main countries

North America

United States

Repsol's continued drive to consolidate its project pipeline in the United States reflects its strategy of increasing its presence in OECD countries. Thus, on 7 March, the Group's subsidiary Repsol E&P USA Inc. announced that it had closed a deal with the companies 70 & 148, LLC and GMT Exploration, LLC for the joint exploration of the blocks that these two companies have on the North Slope, one of the most hydrocarbon-rich areas in Alaska. Following the deal, Repsol holds a 70% interest in these blocks. Overall, the deal encompasses over 150 blocks lying close to major production fields, spanning approximately 2,000 km2. For the first evaluation stage, Repsol has undertaken to provide the necessary investment to explore the area and confirm that the project is economically viable.

Exploratory drilling is scheduled to get under way in February 2012. The area can be broken down into two parts: a project under delineation and a host of exploratory prospects. The blocks lie directly south of the 71 blocks located in the Beaufort Sea, where the company controls 20%.

The Alaskan North Slope is a particularly promising area, offering a number of major discovered reservoirs and relatively low exploratory risk. Thanks to the new project, Repsol has increased its presence in OECD countries while consolidating its strategy of balancing its exploration portfolio with low-risk assets through onshore opportunities within a stable environment. 70 & 148, LLC and GMT Exploration, LLC are private companies based in Denver (Colorado), both engaged in oil exploration activities. Both have worked jointly on exploratory ventures in Alaska for over a decade and are one of the largest consortiums operating in the state. Repsol is confident that its international track record and experience, combined with the local know-how of its new partners, will generate short- and mid-term value.

Also worthy of note is Repsol's presence in deep waters in the U.S. Gulf of Mexico, where the company holds a 28% interest in the hugely important Shenzi oil production project, along with an impressive number of exploratory blocks, which proved their potential in 2009 following the discovery made at the Buckskin well. This region is considered to be one of the most profitable and with the best deepwater exploration potential in the world.

The Shenzi field, which came on-stream in March of 2009 through its own platform, is one of the largest discoveries made to date in deep waters in the Gulf of Mexico. At year-end, twelve wells were producing at the Shenzi platform, plus two further wells at the Marco Polo platform. Two production wells were drilled over the course of 2011. In relation to the first of these, SB-201, Repsol received authorization on 15 March from the U.S. government to continue drilling (suspended in 2010 due to the moratorium, which was eventually lifted in October of 2010). The drilling was completed in May and the well came on-stream in June, with an initial ratio of 17,000 bopd. Drilling on the second authorized production well (SB-101) was finished in September and the well was made operational in October. To date, the reservoirs have been matching previously modeled performance levels.

In 2011, Repsol pressed on construction of the installations and drilling of the water injection wells at Shenzi in order to maintain the pressure and boost production.

Authorization was also granted to drill the appraisal well at the Buckskin discovery. Work was completed in October with positive results, confirming the reservoir's excellent potential and offering key information in defining the field development plan, with start of production now envisaged for 2017-2018. Repsol made this hugely important discovery back in 2009 as project operator during the exploratory phase. At a depth of roughly 9,000 meters, this is the deepest well operated by Repsol to date and one of the deepest wells in this region.

In December of 2011, Repsol announced an agreement, eventually ratified at the very start of January 2012, with the U.S. oil company SandRidge Energy, whereby Repsol is set to acquire a 16% and 25% interest in two areas of unconventional resources within the larger Mississippian Lime oil play, bridging the states of Oklahoma and Kansas.

The investment will lead to added production and reserves from 2012 onward and it is estimated that Repsol's net production at these areas will peak at 90,000 boe/day in 2019. The company expects to drill more than 200 horizontal production wells during 2012, a figure that will climb past 1,000 in 2014, over an area spanning 6,900 km2. Mississippian Lime is an oil play offering high historical production levels and proven resources, rich in light oil and gas produced from fractured carbonates. There is already a heavy presence of infrastructure within the area, which has been operating there for over 30 years and will allow for a rapid start-up of production and marketing of the resulting oil and gas.

Repsol's project pipeline in the United States, which is in different phases of development and comprises over 440 blocks, makes the country one of the company's strategic growth areas.

Canada

Towards the end of the year, Repsol secured two new exploratory blocks at the 2011 offshore licensing round for eastern Canada. The company is taking part with a 10% interest in a consortium with two partners offering considerable experience in the region (Chevron and Statoil). These blocks where incorporated to the official company acreage in 2012.

The two blocks are NL11-02-01 and NL11-02-02, located in the Flemish Pass basin in the region off the coast of Newfoundland and Labrador, in the west of the discovery made by Statoil at the Mizzen well.

These blocks can be added to those the company secured during 2008-2010 in the offshore areas of Newfoundland-Labrador, Central Ridge and Jeanne d'Arc, meaning exploratory ventures in Canada have been increasing steadily. Seismic work was conducted in 2011 (1,789 km2 of 3D seismics) to prepare the inventory of drilling prospects.

Latin America

Brazil

With a further two discoveries in 2011 (Gávea and Malombe wells), Brazil has once again become a prime example of Repsol's success at exploring over recent years. Two major development projects were generated in the Guará and Carioca areas of the hydrocarbon-rich BM-S-9 block within the larger Santos basin, with Repsol making important progress in 2011 towards starting production, a milestone that will provide a major boost to the company's existing production levels. Repsol has also made the Abaré Oeste and Iguazú (2009) and Abaré (undergoing final evaluation in 2011) discoveries within this same block, thus increasing the potential of developable resources in the region.

Moreover, and as part of the Guará and Carioca assessment plan, four appraisal wells turned in positive results in 2011 (Guará Norte, Guará Sul, Guará ADR1 and Carioca NE), thus reconfirming the considerable oil and gas potential of both areas.

In December 2011, Repsol presented the ANP with its declaration of commerciality for Guará (which will hereafter be called Sapinhoá), together with the final report of the evaluation plan for the area. Work continued over the year to bring the project on-stream in 2013. Three appraisal wells were drilled (Guará Norte, Guará Sul and Guará ADR1) with positive results. Extended well tests (EWT), started towards the end of 2010, were also completed in 2011, with extremely positive results, not only in relation to the productivity but also the connectivity and permeability of the reservoir. Daily production of over 30,000 barrels of oil is expected.

In 2011, the "Cidade de Sao Paulo" floating production, storage and offloading unit (FPSO) arrived at the Brasfels shipyard in Angra dos Reis (Brazil) to undergo final construction (integration of the topsides). The work is expected to be completed during the second half of 2012, enabling production in the south Guará area to get under way in 2013.

Also in 2011, Repsol signed a lease agreement for a second-generation production platform ("FPSO Charter 4") to cover the northern Guará area, while high-resolution 3D seismic work was got under way and the decision was reached to acquire the submarine equipment required for production.

In the Carioca area, drilling of the Carioca NE appraisal well was completed at the start of 2011, with the positive results once again confirming the area's huge potential and providing final data for the field development plan and future production start-up, initially earmarked for 2017. EWT for Carioca NE started mid-October 2011, and is expected to be completed at the start of the second quarter of 2012. The preliminary results obtained at the end of 2011 are better than initially expected.

Depending on the new results obtained, the consortium expects to carry out more appraisal work so as to gauge the total potential of the Carioca area. For such purpose, the Brazilian authorities (ANP) have approved an additional program of activities, pushing the deadline for the declaration of commerciality back to 31 December 2013. Meanwhile, the work flow for the development project and production start-up for the Carioca area is continuing as planned.

In 2011, work continued on the evaluation and development plan for the Piracucá field (block BM-S-7). Drilling work was carried out in order to obtain information on the best option for full development of the block.

The evaluation plan for the Panoramix discovery, located within the BM-S-48 (674) block, was presented to the Brazilian authorities (ANP) in August of 2011. The plan envisages the drilling over the coming three years of an appraisal well with contingent drill stem tests (DST) and the possibility of a second well.

In February 2012, Repsol announced a significant oil discovery in the deep water of the Campos basin in Brazil. The discovery took place during the Pão de Açúcar drilling in block BM-C-33, where Repsol Sinopec Brasil is the operating company with a 35% share. The well has found two hydrocarbon accumulations with a total height of 500 meters, which is a good indicator of the great importance of the find. Pão de Açúcar joins the Seat and Gávea discoveries, all of them in the BM-C-33 block. These three wells consolidate the high potential of the Campos basin, which might confirm the existence of a large hydrocarbons nucleus similar to the one in the Santos basin. Repsol and its partners in the discovering consortium expect to carry out additional work in 2012 to confirm the large extent of the discovery.

All the promising results in Brazil since 2011 were obtained by virtue of the alliance signed in 2010 between Repsol (60%) and the Chinese company Sinopec (40%), which led to the creation of Repsol Sinopec Brasil, one of the leading private energy companies operating in Latin America. The alliance became fully-fledged from an operational standpoint in 2011.

Repsol Sinopec Brasil is one of the leading independent energy companies spearheading exploration and production in Brazil. It occupies a strategic position in the areas offering the greatest potential along the Brazilian pre-salt layer, and is leading exploratory efforts in the hydrocarbon-rich Santos basin alongside Petrobras and BG. The company boasts a significant and well-diversified portfolio of assets within the country, which includes a field already in production (Albacora Leste) and major discoveries over recent years, along with the Piracucá field, located within the BM-S-7 block and currently under development, and Panoramix, in the BM-S-48 (674) block.

The important exploration discoveries made in recent years, coupled with the development projects that are currently materializing and the agreement reached with Sinopec, all bolster the company's strategy in offshore Brazil, one of the areas offering the greatest growth in oil and gas reserves worldwide, and represent one of the key growth projects for the Upstream division.

Bolivia

Repsol's main project under way in Bolivia involves the entire development of the Margarita-Huacaya area. This key project is located in the northern reaches of Tarija state and is operated by a consortium comprising Repsol (operator, with a 37.5% stake), BG (37.5%) and PAE (25%). The objective of the joint development project for the Margarita and Huacaya fields (the latter, discovered in 2008, was one of the five largest discoveries made in the world that year) is to step up gas production in two phases, entailing a further increase of 6 Mm3/d for each phase.

Remodeling work on existing installations was completed in May of 2011, thus improving processing capacity and, therefore, increasing the field's total daily natural gas output of 2.3 million cubic meters to 3 million cubic meters. The work included upgrading the facilities and changing valves, discharge lines, filters and compressors.

In tandem with this, final development work on phase 1 of the project continued in 2011 with the ultimate aim of increasing the field's natural gas processing capacity to 9 million cubic meters per day. Thus, construction work continued during the year on the new gas processing plant, the gas transport system (GTS) and the evacuation system (EXS). A major milestone in phase 1 was reached in November 2011 following successful completion of the recompletion work on the Margarita 4st (MGR 4st) well, with the aim of finishing it completely. Production testing revealed that it was the well with the greatest flow rate in the Subandina basin, with production under testing of 5.4 million cubic meters per day. The testing prompted the construction of a specially designed flare pit over 50x60 meters in size, 25 meters in height and with eight eight-inch lines as burners, the largest to be constructed in Bolivia to date. Reservoir output is expected to reach 9 million cubic meters per day over the second quarter of 2012.

The results exceeded initial expectations and effectively corroborated the technical viability of production at the committed flow rate for phase 1 of the project.

At present, more than 1,500 people are working on site and on the construction of the gas extraction and evacuation pipelines.

In June of 2011, Repsol reached the final investment decision (FID) for phase II of Margarita-Huacaya development, the aim of which is to attain production of between 14 and 15 million cubic meters a day in 2013 and 2014, respectively.

Peru

The drilling and completion phase was finished in 2011, along with testing of the development wells as part of the development program for the Kinteroni Sur field. This phase got under way in August of 2010. The wells are already ready for production start-up as soon as surface installations and pipelines to the Malvinas plant have been completed. The drilled development wells turned in better-than-expected results. In terms of the above-ground installations, 2011 witnessed the start of preliminary on-site work on the production installations at Kinteroni and Nuevo Mundo, while extraction pipelines were also constructed. Long-term delivery equipment was purchased so as to ensure that it is available at the relevant phase of construction. The equipment is being delivered on schedule and the south Kinteroni area is expected to enter production over the second half of 2012.

In 2011, the Peruvian authorities awarded Repsol the environmental permits required to start the exploration phase for the north Kinteroni area, with the drilling campaign now expected to commence in 2012.

The Kinteroni field is located in block 57, in mid-east Peru. Geographically, it lies to the east of the Andes mountain range in the Ucayali-Madre de Dios basin. The exploration licensing and exploitation agreement for the block was signed in January 2004 and envisages five exploratory periods (the fourth period is currently in progress). The partners of the block are Repsol, with 53.84% (operator) and Petrobrás, holding 46.16%. Kinteroni was discovered in January of 2008 and was one of the world's largest at the time. The final investment decision (FID) to develop the southern area of the Kinteroni field was taken in July of 2009 and was declared a commercial discovery before the Peruvian authorities in November of the same year. The initial development plan was then sent to the local authorities in May 2010.

In 2011, the Camisea field, where Repsol owns a 10% interest, continued to send natural gas to the Peru LNG liquefaction plant, in which the company owns a 20% interest. The Camisea field comprises blocks 56 and 88, where production is intended for the local market and to supply the Peru LNG liquefaction plant.

Repsol took part in the 2011 exploratory licensing round in the country and walked away with three exploratory blocks (180, 182 and 184) in the Huallaga basin, pending final official confirmation.

Venezuela

In December of 2011, a natural gas supply agreement was signed as part of the major gas project at the Perla megafield within the Cardón IV block, thus enabling the project development phase to get started. The supply contract, which runs until 2036, envisages a mutual undertaking to deliver and purchase over 8.7 TCF of natural gas, and the facility will help meet domestic gas demand in Venezuela, which is expected to grow over the coming years on the back of consumption in domestic, industrial, petrochemical and electrical power processes. Given the scale of the venture, the Perla field also offers the possibility of exporting natural gas, an option that Repsol and Eni will analyze together with PDVSA and the Venezuelan authorities.

The Perla megafield was discovered by Repsol and Eni in 2009 within the larger Cardón IV block, which is located in shallow waters of the Gulf of Venezuela, roughly 50 kilometers from the coast. A total of five wells have now been drilled. These will be brought on-stream through platforms and underwater connections, which will take the gas to the coast for processing and evacuation to the Venezuelan distribution network.

In 2011, two appraisal wells (Perla 4 and Perla 5) were drilled and turned in positive findings. Work on the first of these wells was started in December of 2010 and completed in January of 2011. Production tests were successfully completed at the end of February, with the findings reconfirming the size of the reservoir.

Drilling of the Perla 5 well concluded at the start of May 2011, while production testing was conducted between May and June. Of the five wells drilled to date, this has the most production potential and is the first to be slanted at a considerable angle (82 degrees) in offshore Venezuela. Following final completion, it is estimated that the well will be able to produce between 100 and 130 Mscfd. These two wells had a dual objective: to assess the lateral continuity of the discovery and to form part of an early production program.

In 2011, the field development plan was fully defined, envisaging production start-up under phase I to take place in 2013. Also in 2011, it was decided to push forward the bidding process for construction of the offshore facilities. The project has been structured into three phases so as to bring development of the field in line with changing demand. Expected production levels for each phase are 300 Mscfd for the first, 800 Mscfd for the second and 1,200 Mscfd for the third.

During the evaluation period, Repsol and Eni are participating equally with 50% a piece. Following the evaluation stage, however, PDVSA will be entitled to acquire up to 35% of the venture, meaning that Repsol and Eni would each control 32.5%.

Moving on to the Carabobo heavy crude oil project, conceptual engineering work for the early accelerated production project was completed and the initial development plan was agreed upon. Similarly, procurement processes were initiated to acquire drilling equipment and machinery for the stratigraphic and development wells and 3D seismic equipment for the area. In March of 2011, conceptual engineering work got under way in order to construct a heavy crude oil upgrader capable of processing 200,000 barrels of oil/day. The installation will enable the consortium to increase the quality of the crude to 32º API once operational, with start-up tentatively scheduled for 2017.

These different phases envisage, in principle, the possibility of starting early accelerated production during the second half of 2012, reaching a production *plateau* of 400,000 barrels of oil in 2017 with the start-up of the upgrader.

In February 2010, the Venezuelan government awarded the Carabobo project to a consortium of international companies headed by Repsol, which holds an 11% stake. The project involves the development, along with PDVSA, of the heavy crude oil reserves in the Carabobo 1 Norte and Carabobo 1 Centro blocks located in the Orinoco Oil Belt, one of the areas with the largest undeveloped oil reserves in the world. Production will reach 400,000 barrels of oil per day over 40 years. Part of the heavy crude oil obtained from the project will be sent to Repsol's Spanish refineries, which will allow the company to profit from its investment in advanced deep conversion techniques at the refineries.

Trinidad and Tobago

Repsol holds a 30% stake in the company BPTT, which operates a large productive oil and gas area in the country's offshore zone. Production at these various fields will be sent to the liquefaction trains at the Atlantic LNG plant, in which Repsol also owns an interest. In 2011, BPTT carried out stoppages for maintenance work on the Cannonball, Kapok and Inmmortelle fields and on trains 1 and 4 at the Atlantic LNG facility, dragging down production figures at BPTT in comparison to 2010.

On 25 August, the BPTT consortium announced the start-up of gas production at the Serrette field. This dry gas field features an unmanned platform, connected by 26-inch pipeline running 50 kilometers to BPTT's "Cassia B" platform.

Repsol is the operator of the TSP blocks, holding a 70% interest. 3D seismic work on this marine area was completed in February of 2011. The purpose of this work was to obtain full information on the area and assess the remaining exploratory potential of the asset. The task of processing the available seismic information was also completed in 2011, with the aim of unearthing possible exploratory opportunities for 2012.

Other countries

In Colombia, Repsol announced the signing in January of 2011 of an agreement with the Colombian company Ecopetrol (ECP) and the Brazilian giant Petrobras to acquire a 30% interest in the Tayrona offshore exploratory block, located in waters of the Colombian Caribbean, close to the Guajira peninsula. The other partners are Ecopetrol, which holds 30%, and Petrobras, which will remain the operating company, with the remaining 40%. In 2011, 1,500 km2 of 3D seismic work was carried out to pinpoint the location of drilling prospects.

In April 2011, Repsol entered into an agreement with Ecopetrol (ECP) to acquire a 50% stake in the offshore RC-11 and RC-12 blocks (ECP remains the operator with the other 50% interest). The asset offers medium-high potential and is found in shallow waters off the Colombian coast.

In July of 2011, drilling was completed on the Chipirón T well within the Chipirón block. The well discovered oil at three levels and the positive results obtained from the well are currently undergoing appraisal work.

In October 2011, drilling was completed on the Caño Rondón Este well within the Rondón block. The findings will be assessed after production tests have been conducted.

In Guyana, Repsol owns an interest in the Georgetown block, which it operates with a 15% stake. The partners in this particular project are YPF (30%), Tullow Oil (30%) and CGX Energy (25%). Preliminary work was carried out over the year before drilling gets started on the Jaguar-1X well, employing the Jack-Up Atwood Beacon platform. The platform, which is currently being used in Surinam by its current operators, must arrive before the well drilling work can get under way. The well is expected to reach its final depth midway through 2012. Despite being installed in shallow waters, the well will operate at high pressure and temperature due to its depth and the geological features of the surrounding area.

In Cuba, Repsol signed a lease contract in January 2010 with Saipem to use the Scarabeo-9 drilling rig, which complies with all the technical requirements and all limitations established by the U.S. authorities for drilling operations in Cuba. The drilling rig reached Cuban waters in January of 2012 and started drilling the Jagüey exploration well on 31 January.

In Ecuador, the company continued to operate normally in 2011 within blocks 16 and Tivacuno, following the signing of the new service contracts with the Ecuatorian government. The contract for block 16 was signed on 23 November 2010, within the deadline imposed by new domestic legislation. The agreement took effect from 1 January 2011 onward. In the case of the Tivacuno block, the corresponding contract was signed on 22 January 2011, with an effective date of 21 February 2011. The contracts will bridge the 2011-2018 horizon and Repsol's interest under both of them amounts to 55%. The partners, holding equal interests in both blocks, are OPIC (31%) and Sinochem (14%).

Africa

Repsol's significant presence in North Africa is mainly concentrated in Libya and Algeria, countries where it holds interests in major projects that will ensure sustained and profitable growth over the coming years. The company is also consolidating its presence in West Africa, in particular Angola, Sierra Leone and Liberia.

Libya

Owing to the armed conflict that ravaged the country for most of 2011, production came to a grinding halt at the start of March. For the most part of February, production wavered at around 50%, and during the second and third quarters, Repsol had zero production at the fields.

Production at blocks NC-115 and NC-186 was resumed in October following the end of the fighting. The company is confident that production levels in 2012 will return to levels reported before the onset of the conflict.

Algeria

The major Reganne gas project was ready in 2011 for the start of the development stage in 2012, after the Algerian authorities granted final approval of the development plan towards the end of the year. Well drilling, deepening and completion work is expected to get under way during the first half of 2012 with the aim of starting gas production in 2016. Repsol is the project operator, with a stake of 29.25%, while RWE holds 19.5%; Edison, 11.25%; and the state-owned company Sonatrach, 40%.

Acquisition, reprocessing and seismic interpretation was conducted on the Sud-Est Illizi exploration block over the course of 2011, thus generating the necessary information for the exploratory drilling campaign, which is expected to start in 2012. In January 2010, Repsol signed an agreement with Sonatrach and the National Agency for the Assessment of Oil Resources (ALNAFT) of Algeria for the exploration and exploitation of the Sud-Est Illizi block, located in south-east Algeria. The consortium developing the exploration activities is formed by Repsol (52.5%) as the operator, the Italian company Enel (27.5%) and the French-Belgian concern GdF-Suez (20%).

Angola

In January 2011, Repsol was awarded three exploration blocks (22, 35 and 37) during the licensing round held in the country. Repsol is the operator of block 22, with a 30% interest. The blocks are located in Kwanza, in deep waters off Angola, in a basin that Repsol geologists view as a continuation of the oil-rich Santos basin, located in Brazilian offshore waters. In December, Repsol signed contracts with Sonangol to acquire interests in the blocks, which were added to the company's official acreage at the start of 2012.

Sierra Leone

Following the two exploration discoveries made in deep waters off Sierra Leone (with the Mercury-1 well in 2010 and with the Venus B-1 well in 2009), drilling work got started on the Júpiter-1 well in November 2011, and is expected to be completed in the first quarter of 2012. The water table at the well site is 2,200 meters. In February 2012 it was announced that a 30 meter hydrocarbon column I the Júpiter-1 drilling. Drilling work also commenced on the Mercury-2 well in 2011, and will finish in 2012 following completion of the Jupiter-1 well.

Repsol is a pioneering company in the exploration of this African region. The company's operations, started in 2003, have discovered an area with a high potential, where further exploration will be carried out in collaboration with its partners Anadarko and Tullow.

Liberia

An agreement was reached in the second quarter of 2011 to increase Repsol's interest in the LB-15, LB-16 and LB-17 blocks by a further 10%, thus climbing from the previous 17.5% to the current 27.5%. A deal was also manufactured for Repsol to acquire a 10% interest in the LB-10 exploration block.

Europe

Norway

In 2011, three new exploration blocks were added to the project pipeline that the company is currently cementing in the country. At year-end, Repsol owned interests in eight exploration blocks in Norwegian waters, acting as operating company for two of them (PL-541 and PL-531).

At 1 January 2011, Repsol acquired a stake in the PL-529 block, located in deep waters in the south-west of the Barents Sea, following the acquisition of a 10% interest from Eni, the company operating the block. A 3D seismic reading has already been obtained for the block, delineating its main prospect, Bønna. The work program envisages the drilling of an exploration well at the prospect during the spring of 2012.

Also on 1 January 2011, Repsol effectively obtained 10% of the PL-530 license by acquiring a 10% stake in the operating company GdF, which retains 30% of the license. Drilling work on the Heilo exploration well was completed in October, with the well turning in negative findings.

Repsol secured an interest in the PL-531 block by acquiring a 20% stake in the company Marathon, with the effective date being 1 January 2011. Marathon holds a 10% interest in the license, but transferred the operation to Repsol. The work program envisages the drilling of an exploration well, foreseeably in 2013. This will be the first well operated by Repsol in Norwegian waters of the Barents Sea.

In 2012, Repsol secured six new exploration licenses at the APA2011 (Award in Predefined Areas). The results of the bids previously presented in September of 2011 were publicly announced on 17 January 2012. Of the six new licenses awarded, Repsol will act as operating company on one of them. The licenses are located in the Norwegian Sea (four), the Barents Sea (one) and the North Sea (one).

Spain

In June 2011, the Spanish Secretary of State for Climate Change awarded a favorable Environmental Impact Statement (DIA) green-lighting the drilling of the Siroco A-1 exploration well in the Alboran Sea. For environmental reasons, the work has been scheduled for the February-April period of 2013. In 2011, Repsol obtained a fresh extension to the second exploration period for the area, which was published in the Official Gazette of the Spanish State (BOE) in October and will run until August of 2013.

Repsol secured these licenses (Siroco A-D) back in 2004. Since then, 3D seismics have been obtained and a study conducted of the seabed and other geophysical and geological factors so as to determine the presence of gas and the location of the Siroco A-1 exploration well.

As part of the work to bring the Lubina and Montanazo discoveries on-stream, the actuation and control units for the underwater equipment were installed at the Casablanca platform in 2011. All that remains is to install the underwater equipment and connect it to the control equipment at the platform, following approval of the corresponding part of the DIA. The delay in obtaining the official licenses has meant that the scheduled production start-up for these fields has been pushed back to the fourth quarter of 2012.

Repsol made these two oil discoveries in the Spanish Mediterranean in the first half of 2009, through the Montanazo D-5 and Lubina-1 wells, located 45 kilometers off the coast of Tarragona. Repsol is the operating company in both cases.

In June, the company acquired a 40% interest in the Bezana and Bigüenzo blocks, situated on the Cantabrian coast. The company Petroleum O&G España is the operator of these blocks with a 60% stake.

Liquefied Natural Gas (LNG)

Activity and context

LNG activities include the liquefaction, transportation, marketing, and regasification of liquefied natural gas, in addition to electricity generation activities in Spain at the BBE plant (Bahía de Bizkaia Electricidad) and natural gas marketing in North America. Since 1 January 2008, the information in this section refers solely to the Repsol Group's LNG commercial segment. For information on YPF's LNG business, please refer to the chapter on this company and its affiliates contained in this Consolidated Management Report.

The LNG market in 2011 was marked by an increase in demand from Japan, caused in turn by the earthquake that rocked the country on 11 March and the ensuing nuclear crisis.

This brought about a steady increase in prices in the Far East, which over the fourth quarter of the year reached figures upwards of 17 and 18 dollars per million Btu, and caused a significant de-coupling with European pricing points [NBP (National Balancing Point) at around 9 dollars per million Btu], and even more so with the Henry hub, which remained unchanged at around 4 dollars per million Btu.

The market was also characterized by low fleet availability, coupled with high spot fleet prices stemming from the longer travel times caused by the rerouting of large amounts of LNG from the Atlantic basin to the Pacific on account of the price de-coupling and the slumping demand throughout Europe.

In Spain, the most noteworthy event was the fall in demand for LNG, together with an increase in gas supplied by pipelines following the arrival of the Medgaz pipeline.

With regard to the power generation market, the average Spanish electricity pool price was €49.9 per MWh in 2011, up 35% on figures for 2010. Gross demand for electrical power across the Iberian peninsula in 2011 stood at 255,179 GWh, 1.8% down on the same figure for 2010. Most technologies reported lower production than in 2010, such as hydraulic power, which saw a 28% drop, and combined cycle plants, which shed 22%, whereas coal power plants doubled production in comparison to 2010. Solar power generation grew by 43% over the year, with an increase of 26% in photovoltaics and 193% in concentrating solar power.

Results

Operating income from LNG operations totaled €386 million in 2011, in comparison to the €105 million posted a year earlier. EBITDA stood at €556 million in 2011 (vs. 277 million in 2010).

The improvement in these results is chiefly due to larger LNG volumes (the LNG Peru plant having been operational since June 2010) and LNG marketing margins in 2011.

Assets and projects

The main milestone for 2011 was that it marked the first full year of operation of the Peru LNG liquefaction plant in Pampa Melchorita, which was brought on-stream in June 2010, and in which Repsol holds a 20% interest. The other partners in Peru LNG are Hunt Oil (50%), SK Energy (20%) and Marubeni (10%). The Camisea consortium, in which Repsol also has a 10% stake, supplies natural gas to the plant.

The facility, with a nominal capacity of 4.4 million tons per year, processes 17 million cubic meters of gas per day. It boasts the two largest storage tanks in Peru (each with a capacity of 130,000 cubic meters) and a sea terminal over one kilometer long to receive ships with capacities ranging from 90,000 to 173,000 cubic meters.

Additionally, the project envisages that Repsol will be the exclusive marketer of the liquefaction plant's entire production. The gas purchase agreement entered into with Peru LNG will run for 18 years from the start of commercial operations and is, in terms of volume, the largest LNG acquisition ever made by Repsol.

In September 2007, Repsol was awarded a contract under an international tender organized by the Federal Electricity Commission (CFE) for the supply of LNG to the natural gas terminal in the port of Manzanillo on Mexico's Pacific coast. The contract envisages the supply of over 67 bcm of LNG to the Mexican plant over a fifteen-year period. The Manzanillo plant, which will supply gas to the CFE power plants in mid-west Mexico, will receive gas from the Peru LNG plant. Although start-up was scheduled for the second half of 2011, it is now expected to enter into service in 2012.

Production at the Peru LNG facility was 5.2 bcm (3.8 million tons/year), more than twice the figure for 2010, due to 2011 being the first full year of operation and thanks also to improvements in a number of operational indicators for the plant.

June 2009 witnessed start-up of production at the Canaport LNG regasification plant, a Repsol (75%) and Irving Oil (25%) partnership, and the first LNG regasification plant on Canada's eastern coastline. Located in Saint John (New Brunswick) and with an initial send-out capacity of 10 bcm/year (1 billion cubic feet per day), the Canaport terminal is one of the largest in North America and supplies markets on the eastern coast of Canada and the north-eastern United States. Repsol, the plant operator, supplies the LNG that fuels the terminal and is entitled to the entire regasification capacity. The third tank, which started operations in April 2010, is able to receive loads from the largest LNG carriers up to now.

A multi-year LNG supply agreement was signed in 2010 with Qatargas for the Canaport LNG plant. The LNG will be supplied using Q-Flex and Q-Max carriers, the largest in the world with capacities of 210,000 and 260,000 cubic meters, respectively, making Canaport LNG one of the handful of plants worldwide capable of receiving these ships at its terminal. This agreement bolsters Repsol's status as a reliable, diversified and flexible natural gas provider for the Canadian and north-eastern American markets.

Highlights for 2011 included the delivery of 14 loads under the agreement with Qatargas, concentrated in months of higher market prices, as well as a sharp rise in plant use in comparison to 2010, with January 2011 hitting an all-time high in terms of daily production. Growth in natural gas marketing activities in North America is also expected to continue.

Repsol is involved in the Trinidad and Tobago integrated LNG project, in which it holds an interest alongside BP, BG and others in the Atlantic LNG liquefaction plant. The strategic geographical location of the facility allows it to supply markets in the Atlantic Basin (Europe, the United States, and the Caribbean) under advantageous economic conditions.

This plant has four liquefaction trains with a combined capacity of 15 million tons per year. Repsol holds a 20% stake in train 1, a 25% stake in trains 2 and 3, and 22.22% in train 4 (the latter being one of the largest in the world, with an output capacity of 5 million tons/year). In addition to its interests in the liquefaction trains, Repsol plays a leading role in the supply of gas and is one of the main purchasers of LNG.

In Spain, Repsol holds a 25% interest in the company Bahía de Bizkaia Electricidad, S.L. (BBE). This company owns a combined cycle power plant with 800 MWe of installed capacity. Power generated at the plant is fed to the grid for residential, commercial, and industrial consumption. The facility, which is located in the port of Bilbao, had low availability over 2011 due to the repair and subsequent replacement of a turbine casing, although the excess gas was sold without economic loss for the company.

In December 2007, Repsol and Gas Natural SDG signed a shareholders' agreement with Sonangol Gas Natural (Sonagas) with the aim of starting work on developing an integrated gas project in Angola. This initiative involves the appraisal of gas reserves to determine the investments that would be required for their development and export in the form of liquefied natural gas. In accordance with the timetable, Repsol and Gas Natural SDG, acting through the company Gas Natural West Africa (GNWA), have taken part in the exploration activities currently being undertaken by Sonagas, the operator of the consortium, in which GNWA holds a 20% interest, followed by Sonagas (40%), Eni (20%), Galp (10%), and Exem (10%).

As part of the significant structural and legal progress achieved to date, an office was set up in Luanda and gas and mining rights were awarded by the Government of Angola. The Concession Decree was approved by the Council of Ministers, ratified by the National Assembly and published in the Official Gazette. The Risk Service Agreement was also signed in July 2010.

Moreover, drilling on the Garoupa-2 and Garoupa North wells was completed in 2011. The wells are currently under appraisal and the ongoing work will eventually verify the consortium's projected gas resources for the field. For the time being, the seismic and drilling work is set to continue into 2012.

In Brazil, Repsol signed a contract in December 2009 to join the consortium formed by Petrobras (51.1%), BG (16.3%), Galp (16.3%) and Repsol (16.3%) and which is to conduct technical engineering studies –Front End Engineering Design (FEED)– prior to the installation of a floating LNG plant at the BSM-9 and BSM-11 fields. These studies serve to assess the floating liquefaction plant's technical and economic viability. In 2011, three studies were carried out in tandem with different consortiums with a view to reducing technical uncertainty in relation to what is a groundbreaking development within the LNG industry, while also stimulating competition between different contractors to therefore streamline development and construction costs. The results of these studies will also be compared with other logistical solutions for extracting gas in the Brazilian pre-salt area in order to select the best option for capitalizing these resources. In the event that the project is finally declared feasible, Repsol will be guaranteed the option of participating in the construction of the plant. The final investment decision is due to be made in 2012.

LNG transport and marketing

The Repsol-Gas Natural LNG (Stream) 50-50% joint venture is one of the leading LNG marketing and transport companies in the world and one of the most important operators in the Atlantic basin. One of this company's objectives is to optimize the management, in the short- and medium-term, of both partners' fleets, which include 15 gas tankers and a variety of other vessels.

In 2011, Repsol, with management support from Stream, marketed 11.0 bcm of LNG, up 64% on the same figure for 2010. Most of the gas emanated from Peru LNG, which was started up in June 2010, and from Trinidad and Tobago. The main destinations for the cargo were Spain, Canaport LNG and the Asian market, with sales materializing in both the Atlantic basin (Europe and America) and the Pacific basin. In January 2011, the company reached an agreement with Kogas to supply 1.9 Bcm of LNG, thus boosting gas supplies to the Asian market.

In terms of ships, at year-end 2011 Repsol owned seven LNG carriers and a further two jointly owned (50-50) with Gas Natural Fenosa, all of them under time charter agreements and with a total capacity of 1,248,630 cubic meters. Four of these LNG vessels were added during 2010, linked to the start-up of the Peru LNG project, one from Naviera Elcano and three more from Knutsen OAS.

In addition to this, Repsol leased a further four LNG carriers in 2011 under medium-term agreements and other shorter *ad hoc* leases.

Investments

Operating investments from the LNG business totaled €18 million in 2011, down on the €82 million invested in 2010. The funds were largely earmarked for the gas project in Angola and the Atlantic LNG plant, while investment for 2010 related primarily to the construction of a third tank at the Canaport LNG regasification terminal.

Downstream

The Repsol Group Downstream business embraces the supply and trading of crude and other products, oil refining, marketing of oil products and LPG, and the production and marketing of chemicals. The information in this section does not include YPF's activities. For information on YPF's Downstream activities, please see the section on this company and its affiliates contained in this Consolidated Management Report.

Results

Operating income Millions of euros	2011	2010	2011/2010 Variation
Europe	1,012	1,182	(14%)
Rest of the world	195	122	60%
TOTAL	**1,207**	**1,304**	**(7%)**

Operating income in the Downstream business amounted to €1,207 million in 2011, down 7.4% on the €1,304 million posted in 2010.

This year-on-year drop in income can largely be explained by the smaller margins in the Refining business and the lesser volumes in commercial business, as a result of the economic crisis, despite the upturn in the chemical business in the first half of the year and the improved results in the Trading division.

Refining

The Repsol Group owns and operates five refineries in Spain (Cartagena, A Coruña, Petronor, Puertollano and Tarragona), with a combined distillation capacity of 896,000 barrels of oil per day (including, in the case of the Tarragona refinery, the share in Asfaltos Españoles S.A.). Installed capacity at La Pampilla refinery (Peru), in which Repsol holds a 51.03% stake and is the operator, is 102,000 barrels of oil per day.

Refining activity and context

Events in 2011 were shaped by the prevailing international economic crisis. Demand for oil products dropped off in OECD countries, impacting the refining business, particularly in Europe, where refining margins fell to the lowest levels seen in several years. The year witnessed the closure of yet more refineries and this restructuring within the sector is expected to continue over the coming years across both Europe and the United States, with the closure of less complex refineries that are unable to compete as effectively. These closures, coupled with a foreseeable recovery in mid-term demand, will allow margins to rally, especially at refineries geared towards producing medium distillates and with capacity to process heavy crude products. According to the findings of the International Energy Agency, this increase in demand will largely materialize in emerging countries, headed by China and India.

The refining margin in Spain stood at 1.6 dollars per barrel in 2011, slightly down on the same figure for 2010 (2.5 dollars per barrel). In Peru, the annual refining margin came in at 3.3 dollars per barrel, in comparison to the 4.2 dollars per barrel seen in 2010.

The table below shows the refining capacity of the refineries in which Repsol held a stake at 31 December 2011:

Refining capacity [1]	Primary distillation thousand barrels per day	Conversion index [2] %	Lubricants thousand tons per year
Spain			
Cartagena	220	76	155
A Coruña	120	66	–
Puertollano	150	66	110
Tarragona	186	44	–
Bilbao	220	63	–
TOTAL REPSOL (SPAIN)	**896**	**63**	**265**
Peru			
La Pampilla	102	24	–
TOTAL REPSOL	**998**	**59**	**265**

[1] Information disclosed in accordance with the Repsol Group consolidation criteria: all the refineries mentioned are included in the Group's financial statements through full consolidation. The reported capacity in Tarragona includes the shareholding in ASESA.

[2] Defined as the ratio between the equivalent capacity coefficient of Fluid Catalytic Cracking (FCC) and primary distillation capacity.

In this context, Repsol refineries managed by the Downstream division processed 31.5 million tons of crude oil, marking a year-on-year drop of 2.8%, following the loss of REFAP due to its sale in December of 2010. Average use of refining capacity in Spain stood at 71%, versus the 74% for 2010. In Peru, refinery use was also down on the same figure for 2010, dropping from 71% to 69% in 2011.

The table below provides a breakdown of refinery production, by main products:

Production	2011	2010 [3]
Thousands of tons		
Refinery intake [1]		
Crude	31,483	34,410
Other refinery intake	9,053	7,321
TOTAL	**40,536**	**41,731**
Refining production		
Intermediate distillates	17,835	18,668
Gasoline	8,145	9,084
Fuel oil	6,287	6,081
LPG	1,056	1,166
Asphalts (2)	1,272	1,478
Lubricants	242	275
Other (except petrochemicals)	2,858	2,250
TOTAL	**37,695**	**39,002**

[1] Information disclosed in accordance with the Repsol Group consolidation criteria: all the refineries mentioned are included in the Group's financial statements through full consolidation, with the exception of Refap, which is presented in relation to the Group's 30% interest in 2009 and 2010.This stake was sold on 14 December 2010.

[2] Includes 50% of the Asfaltos Españoles S.A. (ASESA) asphalt production, in which Repsol and Cepsa own 50% shares. Repsol markets 50% of ASESA's products.

[3] Figures for 2010 include the contribution made by 30% interest in the Refap refinery, such interest as sold in December 2010.

The following table shows the origin of the crude oil processed at the Group's refineries, as well as sales of oil products.

Origin of crude oil processed	2011	2010
Middle East	28%	22%
North Africa	6%	19%
West Africa	9%	11%
Latin America	26%	25%
Europe	31%	23%
TOTAL	**100%**	**100%**

Oil product sales	2011	2010
Thousands of tons [1]		
Sales by geographic area		
Sales in Europe	**33,548**	**32,429**
Own marketing	**20,558**	**20,963**
Light products	17,580	17,850
Other products	2,978	3,113
Other sales [2]	**6,400**	**5,591**
Light products	4,814	3,889
Other products	1,586	1,702
Exports [3]	**6,590**	**5,875**
Light products	1,754	1,688
Other products	4,836	4,187
Sales - Rest of the world	**4,257**	**6,184**
Own marketing	**1,862**	**1,822**
Light products	1,579	1,469
Other products	283	353
Other sales [2]	**1,548**	**3,383**
Light products	1,231	2,517
Other products	317	866
Exports [3]	**847**	**979**
Light products	264	357
Other products	583	622
TOTAL SALES	**37,805**	**38,613**
Sales by distribution channel		
Own marketing	**22,420**	**22,785**
Light products	19,159	19,319
Other products	3,261	3,466
Other sales [2]	**7,948**	**8,974**
Light products	6,045	6,406
Other products	1,903	2,568
Exports [3]	**7,437**	**6,854**
Light products	2,018	2,045
Other products	5,419	4,809
TOTAL SALES	**37,805**	**38,613**

[1] 2010 includes the part corresponding to the 30% interest in Refap, which was sold in December of 2010.

[2] Includes sales to operators and bunker sales.

[3] Expressed from country of origin.

In the final quarter of the year, the upgrades and improvements to the Cartagena (C10) and Bilbao (URF) refineries were brought online, both key projects within Repsol's Strategic Plan that were approved in 2007 by the company's Board of Directors.

Following successful completion of the projects, Repsol has met the objectives initially set out in its investment strategy:

- increasing the distillation and conversion capacity of the refining system so as to maximize production of medium distillates given the prevailing shortage, cutting down on fuel oil production processing heavier crude oils.
- Improving energy efficiency, along with safety and the environment.
- Positioning Repsol's refining model as one of the best and most efficient.

The C10 project has enabled the company to boost production capacity at the Cartagena complex to 11 million tons (220,000 barrels per day). Now geared towards the production of medium distillates -over 50%- and with capacity to process heavy crudes with greater value added, the upgraded refinery will help improve the balance of trade in Spain by reducing the country's reliance on imports of automotive fuels. It is in fact the most ambitious industrial project in Spain's history, one that has generated wealth during the construction stage (€3,152 million in investment, involvement of over 20,000 people, average employment of 3,000 workers over three years) and will continue generating it once operational (1,600 direct jobs and more than 8,000 indirect jobs). With the project now completed, the Cartagena refinery has become a modern facility and one of the most efficient in Europe in terms of energy and the environment.

Thanks to the URF project, conversion capacity at the Bilbao refinery has increased significantly, with the facility now processing heavy crude oils and maximizing the production of medium distillates.

The construction of both plants was completed with excellent safety ratios, on schedule and within the approved budget.

Furthermore, both projects form part of Repsol's drive to adapt its facilities to the production of clean transport fuels, encouraging the use of biofuels (biodiesel) while improving energy efficiency, security and the associated environmental impact.

In 2011, Repsol signed an agreement with the Korean company SKL to construct and operate a new production plant for new-generation lubricant base oils.

The plant, which will be annexed to the Cartagena refinery, will require an estimated investment of 250 million euros and is set to begin operating in 2014. The Cartagena and Tarragona refineries will provide the raw materials needed to fuel the facility.

The base oils produced are needed in the manufacture of lubricants for Euro IV/V engines, and involve a major reduction in emissions and consumption.

As part of the Repsol Group's plan to integrate people with disabilities, 81 disabled people formed part of the group's workforce at its industrial complexes in Spain at year-end 2011.

Marketing

Repsol markets its range of products through an extensive network of service stations. In addition, marketing activity includes other sales channels and the marketing of a wide range of products, such as lube oils, bitumen, coke, and derivatives.

Total sales from own marketing activities fell year-on-year by 1.6% across the board in 2011 to reach 22,420 thousand tons. This drop was due to shrinking demand, which was particularly evident in Spain.

In similar fashion, own sales of gasoline and diesel oil fell by 4% in Spain. Despite this drop, sales fared better than the market as a whole, leading to an increased market share of 0.4%. In other countries, sales climbed by 4%.

Despite these lower sales volumes, Repsol's Marketing division was able to manage the sales margin efficiently, both in the case of service stations and direct sales to end consumers, contributing considerable income growth on track with the trend for 2010. In 2011, the company continued to apply its strict policy of controlling credit risk.

At 31 December 2011, Repsol had a network of 4,506 services stations in countries where the Downstream division operates. In Spain, the network comprised 3,620 points of sale, 70% of which had a strong concessionary link to the network while 26% were company operated. Service stations in other countries were spread throughout Portugal (425), Italy (166) and Peru (295).

The Downstream business had the following points of sale (service stations and supply units) as of 31 December 2011:

Points of sale	Controlled by Repsol [1]	Branded outlets [2]	TOTAL
Spain	2,540	1,080	3,620
Portugal	264	161	425
Peru	116	179	295
Italy	52	114	166
TOTAL	**2,972**	**1,534**	**4,506**

[1] Owned or controlled by Repsol under long-term commercial agreements or other types of contractual relations that ensure direct long-term control by Repsol over these points of sale.

[2] "Branded outlets" refers to service stations owned by third-party dealers with whom Repsol has entered into a new branding agreement entitling Repsol to (i) be the sole supplier of these service stations and (ii) to use its brand at the service station. In the EU, the maximum term of these agreement is five years.

In Spain, Repsol markets its fuels under the Repsol, Campsa, and Petronor brands, with the following distribution as of 31 December 2011:

Brand	Point of sale
Campsa	200
Repsol	3,086
Petronor	308
Other	26
TOTAL	**3,620**

In 2011, Repsol continued to implement the commitments acquired with the EU in 2006, which include the right of dealers operating the service stations to be released from their long-term supply agreements with Repsol. These commitments expired on 31 December 2011.

In 2011, Repsol opened the world's first service station to be certified by Breeam, the leading international design and assessment method for sustainable buildings. The service station was constructed under eco-architecture parameters, employing a wide range of recycled materials, and is highly energy-efficient. The building also boasts the AENOR universal accessibility certificate.

Reflecting the growth experienced in non-oil business -18% in 2011- Repsol has been chosen as the brand of choice for Spanish drivers when purchasing non-oil products, according to the findings of a recent study conducted by an important independent company from the commercial research sector. Repsol service stations are considered the best in terms of the quality of the range of in-store products and services and the quality of the service offered to customers.

In similar fashion, Repsol, alongside El Corte Inglés department store, staged a successful promotional campaign in which discount checks were offered on purchases exceeding a certain amount, both at Repsol service stations and at the department stores of the Spanish chain.

Moreover, Repsol signed a strategic agreement with Burger King to develop a project whereby Auto King diners are to be set up at Repsol service stations in Spain.

In keeping with its commitment to society, Repsol rolled out an initiative in 2011 to improve the accessibility of more than 500 of its service stations in Spain. Thanks to the project, Repsol will have the largest number of accessible retail outlets in Spain and one of the largest in Europe.

In addition, the company opened the first accessible service station in Portugal, both for employees and customers.

As a prime example of the company's unflinching commitment to sustainable energy supply, Iberia and Repsol staged the first Spanish flight to be powered by biofuels. This groundbreaking project within the airline industry used biofuels certified by the Repsol Technology Center.

Once again confirming the company's strategy of growth and consolidation in Asia, Repsol has started to produce lube oils in China and Malaysia, with sales expected to approach 20,000 tons in 2015, equivalent to more than 25% of Repsol's annual sales of these products in Spain. At present, Repsol markets its lube oils directly or through distributors in over 60 American, European and Asian countries.

Repsol has been actively working since 2005 to integrate disabled people into its workforce and provide them with the required training, while also raising the awareness of other employees in this regard. The sterling work conducted in this field has been recognized on numerous occasions. In 2011, the company was handed the Discapnet award from the Spanish Once Foundation and also received the Ability Award for “Best private company”, in recognition of its significant overall contribution to developing and providing employment to disabled people.

Reflecting Repsol's commitment to environmental protection and personal safety, the Autonomous Region of Madrid awarded Repsol's Bio Telex 46 oil with the European eco-label. The oil was developed fully at the Repsol Technology Center. The official standard is the first to be granted in Spain to a lubricant oil.

Liquefied Petroleum Gas (LPG)

Repsol is one of the leading retail distributors of LPG in the world and ranks first in Spain and Latin America. In 2011, the company operates in nine different European and Latin American countries.

LPG sales in 2011 totaled 3,033 thousand tons, on track with figures for 2010. Total sales in Spain slumped by 12% year-on-year, dragged down by particularly dry and warm weather conditions. Repsol distributes bottled, bulk, and piped LPG in Spain through collective distribution networks and has more than 10 million bottled LPG customers supplied through a network of 232 endorsed distribution agencies. Bottled LPG sales accounted for 62% of total retail LPG sales in Spain in 2011.

Sales volume of LPG	2011	2010
Thousands of tons		
Europe	1,486	1,680
Spain	1,325	1,503
Rest of Europe (1)	161	177
Latin America	1,547	1,428
Peru	625	497
Ecuador	375	368
Argentina	336	332
Chile	194	199
Rest of Latin America (2)	17	32
TOTAL	**3,033**	**3,108**
Bottled	1,689	1,761
Bulk, piped and others (3)	1,344	1,347
TOTAL	**3,033**	**3,108**

(1) Portugal and France.

(2) Brazil and Bolivia in 2010, and only Brazil in 2011.

(3) Includes sales to the automotive market, LPG operators and others.

LPG trade margins for 2011 in Spain were up year on year across all channels, including bottled LPG, despite the change to the pricing system ushered in by the Spanish Ministry of Industry, Tourism and Trade in September 2009. According to the new model, 25% of the price to be applied in a forthcoming quarter would be pegged to international prices in effect during the immediately preceding quarter and the remaining 75% would depend on the maximum price prevailing at the end of the quarter just ending. The variation in this formula had an adverse impact on fourth quarter 2009 results and on results for 2010 and 2011; if this trend remains in place or if international LPG prices continue to climb, 2012 results will also feel the brunt.

In Portugal, Repsol distributes bottled and bulk LPG to end customers while also supplying other operators. Sales in 2011 reached 150,000 tons, making the company the third largest operator with a 21% market share.

In Latin America, Repsol is the leading LPG distributor in Argentina, Ecuador, Peru and Chile. It markets bottled and bulk LPG in Argentina to the residential, commercial and industrial sectors, with sales totaling 336,000 tons.

AutoGas (GLP for vehicles) is one of the most popular alternative fuels in the world. Although it has yet to make any meaningful impact on the Spanish market, sales grew by 18% in 2011, indicating increased demand for this economic fuel that also helps to improve air quality within cities. The industry expects that roughly 40,000 vehicles will be running on AutoGas in five years' time.

Repsol, fully aware of the growing interest in this alternative fuel, had 80 points of sale equipped with AutoGas pumps at year-end 2011; and intends to open further points of sale at a pace of 100 per year over the coming years.

In Peru, Repsol continued to develop and expand the vehicular LPG market in 2011 with the signing of a commercial agreement with the company Relsa, one of the market leaders in vehicle renting to companies.

Repsol continues to drive forward research, development and innovation programs centering on LPG. Highlights here include the SolarGas application, a groundbreaking, integral energy supply system combining solar energy with LPG to provide hot water to homes and businesses in a sustainable and economic manner and with very low CO_2 emissions; or new uses in agriculture, fishing and the development of products and services, such as Portugal's Easy Gas.

Chemicals

The chemical business, part of the Downstream division, produces and markets a wide range of products, ranging from base to derivative petrochemicals. Its products are marketed in over 90 countries, leading the market on the Iberian peninsula.

Production is concentrated at three petrochemical complexes located in Puertollano and Tarragona (Spain) and Sines (Portugal), where there is a high level of integration between basic and derivative chemicals, as well as with refining activities, in the case of the Spanish facilities. Repsol also has a number of subsidiary and affiliate companies, through which the company produces styrene derivatives, chemical specialties and synthetic rubber at special plants. The latter is produced through Dynasol, a 50% partnership with the Mexican KUO group, with plants in Mexico and Spain.

Operating income in the chemical business, part of the Downstream division, experienced year-on-year growth of 113%. The improvement in both margins and demand over the first half of the year, coupled with the ongoing consolidation of austere cost-cutting measures and streamlining and production adjustments at plants, have all helped to push up income, despite the weakening of the sector seen in the second half of the year.

Sales to third parties in 2011 amounted to 2.66 million tons, marking a 1.6% increase on the 2.62 million tons sold in 2010.

In addition, investments continued in 2011, mainly to upgrade and optimize existing assets, enhance efficiency, reduce costs and improve quality, safety and environmental standards.

Operating highlights chemicals	2011	2010	2011/2010 Variation
Thousands of tons			
Capacity			
Basic petrochemicals	2,808	2,808	0%
Derivative petrochemicals	2,933	2,933	0%
TOTAL	**5,741**	**5,741**	**0%**
Sales by type of product			
Basic petrochemicals	889	874	1.7%
Derivative petrochemicals	1,770	1,744	1.5%
TOTAL	**2,659**	**2,618**	**1.6%**
Sales by region			
Europe	2,312	2,263	2.1%
Rest of the world	348	355	(1.9%)
TOTAL	**2,660**	**2,618**	**1.6%**

The following table details production capacity for the main petrochemical products in the Downstream business, mainly in Europe, as of 31 December 2011:

Production capacity	TOTAL
Thousands of tons	
Basic petrochemicals	
Ethylene	1,362
Propylene	904
Butadiene	202
Benzene	290
Ethyl tert-butyl ether	50
Petrochemical derivatives	
Polyolefins	
Polyethylene (1)	875
Polypropylene	520
Intermediate products	
Propylene oxide, polyols, glycols, and styrene monomer	1,189
Acrylonitrile / Methyl methacrylate	166
Rubber (2)	115
Other (3)	69

(1) Includes ethylene vinyl acetate (EVA) and ethylene butyl acrylate (EBA) copolymers.
(2) Includes 55,000 tons of production capacity in Mexico.
(3) Includes styrene derivatives and specialties.

New energies

The New Energies Business Unit was created in 2010, assigned to the Downstream Division, to promote and provide business sense to the new initiatives contributing to a vision of the future where energies are more diversified and produce fewer carbon dioxide emissions.

The aim of Repsol's New Energies Business Unit is to identify new opportunities, promote projects and carry out business initiatives in fields such as bioenergy and renewable energies applied to transport and other areas that could share synergies with Repsol's current businesses and the geographic regions in which it operates.

In this context, Repsol continued in 2011 to develop a number of projects started in 2010, including the acquisition of a shareholding and management control over the KUOSOL joint venture, engaged in the development of bioenergy through the farming jatropha curcas; AlgaEnergy, in microalgae research; Orisol, which develops wind farms; and IBIL, a company that manages the recharging of electric vehicles.

In terms of IBIL's envisaged expansion, Repsol signed commercial collaboration agreements in 2011 with Renault-Nissan, Peugeot and Opel to promote the sale of electric vehicles by vehicle manufacturers and for IBIL to install further recharging stations.

Acquisition of Sea Energy Renewables

In 2011, Repsol acquired 100% of Sea Energy Renewables, later renamed Repsol Nuevas Energías U.K., a British company based in Scotland and engaged in the promotion and development of offshore wind farms. With the deal, Repsol acquired development rights at three offshore wind farms off the Scottish coast.

Within the context of this same deal, Repsol reached an agreement with EDP Renováveis for the joint development of two of the wind farms, namely the 1,500 MW Moray Firth wind farm and the 905 MW Inch Cape facility, in which Repsol will own 33% and 51% interests, respectively, following the agreement. The company also holds a 25% stake in the Beatrice wind farm with Scottish and Southern Renewables owning the remaining 75%. Thanks to the new deal, Repsol now holds rights to develop, construct and operate 1,190 MW of installed capacity in the United Kingdom.

During the plant development stage, which is due to be completed sometime between 2014 and 2015, the necessary studies will be conducted and steps taken to acquire the construction and operating permits for the facilities, with plant start-up expected to take place between 2015 and 2020. The project will allow Repsol to apply its considerable technological expertise in offshore operations, coupled with its experience in large-scale engineering projects.

Investments

Operating investments in Downstream totaled €1,712 million, up 6.2% on the €1,612 million reported in 2010. Most of this investment was spent on ongoing refining projects, particularly in Spain, on upgrading operations, facilities and fuel quality, and on safety and the environment, as described in the previous sections of this report.

Divestments

In November 2011, Repsol sold its liquefied petroleum gas (LPG) subsidiary Repsol Gas Brasil to the company Ultragaz for the sum of €20 million. The sale marked the end of its divestment process of non-strategic Downstream assets in Brazil so as to concentrate on developing exploration and production projects through its investee company Repsol Sinopec Brasil.

In addition, Repsol reached an agreement to sell its subsidiary Repsol France S.A., engaged in LPG distribution in France, to Totalgaz, a subsidiary of the Total Group.

Repsol will continue to focus its attention on the LPG sector in markets where it already operates, with the aim of maintaining and enhancing its market leadership.

YPF

All value chain activities (exploration, production, refining, logistics, marketing, and chemicals) conducted by YPF and its affiliates have been reported separately since 1 January 2008, the date on which the new organizational structure of the Repsol Group was unveiled. At 31 December 2011, the Group held a stake of 57.43% in YPF, S.A., which is included in the Group's financial statements through full consolidation. Most YPF operations, assets, and clients are located in Argentina.

The 2010-2014 Exploration and Production Development Program was launched in December of 2009 and officially got under way at the start of 2010, with its objectives including implementation of the unconventional oil and gas exploration and production plan. In May 2011, the company announced the discovery of unconventional oil resources (shale oil) at the Vaca Muerta field in the Loma La Lata Norte area in Neuquén province. The initially projected volume of resources and reserves at the discovery was subsequently raised in November 2011 and in February 2012.

In January 2012, Repsol announced the discovery of a conventional oil reservoir in the Chachahuén block, located in the southern region of Mendoza province, within the Neuquina basin. This is the largest discovery in the province for several years.

In the gas sector, work to develop, construct and start up the Escobar LNG terminal (Buenos Aires province) was completed in May 2011.

The facility, constructed in a record time of just 206 days, is operated by YPF and regasifies LNG through a ship boasting a capacity of 17 million cubic meters a day and 151,000 cubic meters of LNG storage capacity.

In line with the company's objective of unifying and strengthening the overall image of the YPF service station network under the concepts of modernity and rationality, 80 stations were remodeled over the course of 2011. In October, a groundbreaking service station in Latin America was unveiled in Tigre-Nordelta. Marking the first flagship station within the YPF network, the sustainable facility features advanced architecture and is energy efficient to help protect the natural environment. Existing soil and land conditions were ideally suited for a non-typical project, one capable of balancing the needs of customers with environmental protection. Fuel is delivered through five lines of state-of-the-art smart pumps, the first to be installed publicly in Argentina, thus improving customer care and service. On-site services include the Full store, able to accommodate 180 people, two vehicle oil and diagnostics stations and an interactive Serviclub point, at which club members can find useful information, along with cash points and car washes.

In December of 2011, the La Plata industrial complex beat its production record for naphtha intended for the internal market, with a volume of 207,000 cubic meters, reaching a new annual all-time high of 2,174,000 cubic meters. Full integration of the industrial complex was also completed by uniting the operations and services of the refinery with those of the chemical complex. On the same way, full integration of the Plaza Huincul refinery and the Methanol complex was also achieved.

Results

YPF posted €1,231 million in operating income for 2011, marking a 15.3% drop on the €1,453 million reported in 2010.

This reduction is largely the result of the strikes affecting crude oil production, coupled with rising costs and the temporary suspension of the Petróleo Plus program. The increased income reported from sales of fuel at service stations and products with prices pegged to international prices was unable to offset the overall drop in operating income.

Average annual production stood at 495 kboe/day, down 8.5% on the 541 reported in 2010. Broken down, the decrease was 10.5% in gas, and 6.7% in production of liquids. The 7.6% drop in crude can largely be put down to lower production levels stemming from trade union stoppages, particularly the strike in Santa Cruz, which ran from April to July, and to a lesser extent, the Chubut strike.

Upstream

This area is tasked with the exploration, development and production of hydrocarbons, mainly in Argentinean territory, as the source for the rest of the company's value chain. In Argentina the company has 48 onshore and offshore exploration blocks with a surface area of over 140,000 km2, and is the direct or associate operator in 93 production areas located in the Neuquina, Golfo de San Jorge, Cuyana, Noroeste and Austral basins. The company also operates in the United States and Guyana through YPF International.

Finished exploration wells								As of 31 December 2011 [1]
	Positive		**Negative**		**Under evaluation**		**TOTAL**	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Argentina	18	16	6	3	2	2	26	21
United States	–	–	1	*	–	–	1	*
TOTAL	**18**	**16**	**7**	**4**	**2**	**2**	**27**	**21**

								As of 31 December 2010 [1]
	Positive		**Negative**		**Under evaluation**		**TOTAL**	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Argentina	6	6	8	6	–	–	14	12
United States	–	–	–	–	–	–	–	–
TOTAL	**6**	**6**	**8**	**6**	**–**	**–**	**14**	**12**

[1] A gross well is a well in which YPF owns a working interest. The number of net wells is the sum of the fractions of interest held in gross wells.

* Fewer than one exploratory well.

Finished development wells						As of 31 December 2011 [1]
	Positive		**Negative**		**TOTAL**	
	Gross	Net	Gross	Net	Gross[2]	Net
Argentina	553	493	8	8	561	501
United States	–	–	–	–	–	–
TOTAL	**553**	**493**	**8**	**8**	**561**	**501**

						As of 31 December 2010 [1]
	Positive		**Negative**		**TOTAL**	
	Gross	Net	Gross	Net	Gross	Net
Argentina	709	616	8	7	717	623
United States	–	–	–	–	–	–
TOTAL	**709**	**616**	**8**	**7**	**717**	**623**

[1] A gross well is a well in which YPF owns a working interest. The number of net wells is the sum of the fractions of interest held in gross wells.

[2] Excluding 98 injection wells. When added, these make up the 659 reported as development wells.

* Fewer than one exploratory well.

Acreage

The table below displays information on YPF's developed and undeveloped acreage, by geographical area, as of 31 December 2011:

	31 December 2011			
	Developed [1]		Undeveloped [2]	
km²	Gross [3]	Net[4]	Gross [3]	Net[4]
Argentina	6,046	4,484	172,069	95,343
Guyana	–	–	8,400	2,520
United States	117	16	1,161	672
Uruguay	–	–	8,500	3,400
TOTAL	**6,163**	**4,500**	**190,131**	**101,935**

[1]Developed acreage is the area assignable to production wells.

[2]Undeveloped acreage covers the surface area in which no wells have been drilled, or where wells have not been completed to the point of permitting oil and gas production in economically viable quantities, regardless of whether said area contains proven reserves. The amounts displayed pertain to acreage in terms of both exploration and operation.

[3]Gross acreage figures do not take into account YPF's percentage stake in it.

[4]Net acreage is the sum of the fractions of interest held in gross acreage.

Main production concessions by country

The following table provides figures on the main YPF production concessions by country at 31 December 2011, likewise stating the percentage that YPF holds in each concession.

Main blocks	% Repsol	Operated (O) / Not operated (NO)	Liquid (L) / Gas (G)
Argentina			
Loma La Lata	100%	O	L - G
Los Perales	100%	O	L - G
San Roque	34%	NO	L - G
Chihuido La Salina	100%	O	L - G
Acambuco	23%	NO	L - G
Chihuido Sierra Negra	100%	O	L - G
Manantiales Behr	100%	O	L - G
El Portón	100%	O	L - G
Barranca Baya	100%	O	L - G
Puesto Hernández	84%	NO	L
Seco León	100%	O	L - G
Aguada Toledo - Sierra Barrosa	100%	O	L - G
Magallanes	63%	NO	L - G
Aguada Pichana	27%	NO	L - G
Desfiladero Bayo	100%	O	L - G
CNQ 7A	50%	NO	L
Señal Picada	100%	O	L - G
Tierra del Fuego	30%	NO	L - G
Vizcacheras	100%	O	L - G
Lomas del Cuy	100%	O	L - G
Chihuido La Salina Sur	100%	O	L - G
United States			
Neptune	15%	NO	L
Neptune North	15%	NO	L

Average realization price for crude oil and gas by geographical region.

	At 31 December 2011		At 31 December 2010	
	Average crude oil realization price (€/Bbl)	Average gas realization price (€/Boe)	Average crude oil realization price (€/Bbl)	Average gas realization price (€/Boe)
Argentina	42.76	9.66	37.49	9.78
United States	72.46	17.50	56.10	22.93

Note: source data in dollars converted at the accumulated average dollar/euro exchange rate for the period in question.

Discoveries

Conventional

In 2011, YPF completed the drilling of ten exploration wells at the Neuquina basin (five of them in non-operated areas). Of the total wells drilled, four discovered resources (Triquileu sur x-1, Jagüel Casa de Piedra este x-1 and x2, and Chachahuen Sur x-2), while three are pending final results.

In January 2012, the company announced the discovery of a conventional oil reservoir in the Chachahuén block, located in the southern reaches of Mendoza province, within the Neuquina basin.

The exploration campaign rolled out over the year involved the drilling of three wells at depths of between 1,000 and 1,500 meters. The wells confirmed the existence of mineralized layers at the Rayoso formation with an average thickness of 10 meters. Two of the wells underwent testing and contributed a combined 500 barrels per day of average density oil (24° API). The third, only recently drilled, is still undergoing trials.

Unconventional

The first stage of development of the 2010-2014 Exploration and Production Development Program has now been completed, the result being 15 vertical wells in the northern area of Loma La Lata and Loma Campana (Neuquén province), with target shale oil found at the Vaca Muerta formation, and with all wells having initial production levels of between 200 and 600 boe per day.

Continuing with explorations at the Vaca Muerta formation, drilling was completed on two vertical wells at the Bajada de Añelo and La Amarga Chica blocks, both located to the north of the formation. The BAñ.x-2 well posted high quality (48° API) crude oil production levels, while positive results were also reported during testing at the LACh.x-3 well, which produced crude oil of 35° API. Output for both wells is keeping pace with previous levels of performance. Existing resources at the area are currently under evaluation and activities are to be stepped up.

It is estimated that the Vaca Muerta formation spans a total area of 30,000 km2, of which YPF holds rights over approximately 12,000 km2. Initial findings would suggest that 77% of its total area contains oil, with the rest offering a mixture of wet and dry gases.

Production

YPF's oil and gas production during 2011 stood at 180.7 Mboe, down 8.5% on figures for 2010. Liquid production was 100.4 Mbbl, while crude oil was 81.4 Mbbl and gas 80.3 Mboe. Union strikes, which took place mainly in the south between April and July, dragged down production by 9.5 Mboe. Without taking into account these strikes and other losses caused by third-parties, crude oil production would have fallen by 2.5% year-on-year.

Within the framework of the Gas Plus program, which focuses on gas production, YPF secured authorization for the "Lajas Tight Gas", "Piedras Negras-Señal Lomita", "Rincón del Mangrullol" and "Precuyano - Cupen Mahuida" projects. For those areas held in association with partners, the company also secured approval for the Gas Plus projects in Aguada Pichana and in Lindero Atravesado.

Net production of liquids and natural gas by geographical area	2011			2010		
	Liquids	Natural gas	Total	Liquids	Natural gas	Total
	Mbbl	bcf	Mbep	Mbbl	bcf	Mbep
Argentina	99	451	180	107	505	197
United States	1	1	1	1	1	1
Total net production	**100**	**453**	**181**	**107**	**506**	**197**

Production wells by geographical area:

	As of 31 December 2011 (1)			
	Crude		Gas	
	Gross	Net	Gross	Net
Argentina	11,559	9,918	841	529
United States	7	1	–	–
TOTAL	**11,566**	**9,919**	**841**	**529**

	As of 31 December 2010 (1)			
	Crude		Gas	
	Gross	Net	Gross	Net
Argentina	11,036	9,378	831	542
United States	7	1	–	–
TOTAL	**11,043**	**9,379**	**831**	**542**

(1) A gross well is a well in which YPF owns a stake. A net well is when the sum of the stakes in several wells equals 100%. The number of net wells is the sum of the stakes held in gross wells, expressed in whole numbers and fractions.

Reserves

At 31 December 2011, YPF's proven reserves, estimated in accordance with the U.S. Securities and Exchange Commission (SEC)'s guidelines and the criteria envisaged under the Petroleum Reserves Management System of the Society of Petroleum Engineers (PRMS-SPE), totaled 1,013 Mboe, of which 585 Mboe (58%) relate to crude oil, condensate and liquefied gases, and the remaining 427 Mboe (42%) to natural gas.

Company reserves fared well over 2011 with the addition of 202 Mboe, 137 of which correspond to oil. Highlights for the year included the addition of a major oil development project in unconventional reservoirs (Vaca Muerta) at the Neuquén Gas business unit, and the extension of concessions for all areas containing reserves of the Mendoza business unit.

In 2011, YPF reported a reserves replacement ratio of 112% for crude oil, condensates, LPG and natural gas combined (153% for crude, condensates and LPG, and 60% for natural gas).

Activity

YPF's current activity by geographic area	Acreage (1)				As of 31 December 2011	
	Nº. of blocks		Net acreage (km2)(2)		Nº. of exploration wells being drilled (3)	
	Development	Exploration	Development	Exploration	Gross	Net
Argentina	93	48	26,752	73,075	9	6
Guyana	–	1	–	2,520	1	*
United States	5	49	16	672	–	–
Uruguay	–	2	–	3,400	–	–
TOTAL	**98**	**100**	**26,768**	**79,667**	**10**	**6**

(1) Operated and non-operated by YPF.

(2) Gross acreage is the size of an area in which YPF owns a stake. The net acreage is the sum of the stakes in gross acreage.

(3) A gross well is a well in which YPF owns a stake. A net well is when the sum of the stakes in several wells equals 100%. The number of net wells is the sum of the stakes held in gross wells, expressed in whole numbers and fractions.

* Fewer than one exploratory well.

Argentina

YPF's exploration activity in Argentina focused on the following areas in 2011:

Offshore. YPF is currently the operator of three blocks:

- CAA40 and CAA46, in the Malvinas basin (Argentina), where the Malvinas x.1 well was drilled 490 meters underwater and with a final depth of 2,000 meters to tap oil reserves with negative results. YPF held a 33.5% interest. In December, 100% of the CAA-40 and 50% of the CAA46 blocks were returned to the Argentinean Secretary for Energy due to expiry of the first exploratory period, and YPF's interest was increased to 100%.
- Block E1, in the Colorado basin (Argentina), at a depth of 1,600 meters, which is at an early well planning stage. YPF holds a 35% interest.

  YPF also owns a 30% interest in block E3 of the Colorado basin, with the operator being one of its partners. Geological and geophysical studies were conducted during 2011 to define and design the seismics to be taken.

Onshore

Unconventional

- **Shale oil:** against the backdrop of the 2010-2014 Exploration and Production Development Program, fifteen vertical exploration wells were drilled in 2011 at the Vaca Muerta formation, in Loma La Lata (Neuquén province). The positive findings, along with the seismic and geological studies conducted, point to the existence of technically recoverable resources within the area. The first exploratory step-out well was the BAñ.x-2 at the Bajada de Añelo block, which proved to be productive. The second step-out well was the LACh.x-3 within the La Amarga Chica block. Both turned in healthy results on par with levels seen in the northern sector of Loma La Lata and Loma Campana.

  In relation to activity outside the northern area of Loma La Lata and adjacent blocks, work was completed on the ChSN.xp-623 well within the Chihuido de la Sierra Negra block. The lower 150 meters were stimulated, resulting in high quality (37° API) oil. The well is currently awaiting final results.

  In addition, the company drilled the LCav.x-2 well in the Bandurria block, the MMo.x-1 well in the Mata Mora block, and the LAm.x-2 well in the Loma Amarilla block, while drilling was started on the Corr.x-1 well in the Corralera block.
- **Shale gas:** The LLLK.x-2h well was brought on-stream midway through December, marking the first horizontal well at the Vaca Muerta formation to target shale gas. As a part of the 2010-2014 Exploration and Production Development Program, work was started in December on the CA.x-5 well in the Cerro Arena block, and on the LDMo.x-1 well in the Loma del Molle block, both intended for shale gas production at the Vaca Muerta formation.

Conventional

- **San Juan province:** the Ansilta es-1 appraisal well (Tamerías area) was drilled at a depth of 2,507 meters below surface, without evidence of oil or gas. Due to the negative findings, the block will be returned at the end of the second exploratory period in March 2012.
- **Chubut province:** the Las Coloradas es-1 appraisal well (Gan Gan block) was drilled in the south-western sector of the Cañadón Asfalto basin (Área Gan Gan). At 1,600 meters below surface, the well discovered economic basement before reaching a final depth of 2,065 below surface. This new information will enable the company to adjust its prospecting model in an area where the only available information to date has come from potential methods on account of the extensive basalt coverage, with only scant 2D seismic data available. Soil samples were also collected between Gorro Frigio and Sierra de la Manea for geochemical analysis, covering 500 km2 of the CGSJ V/A area.
- **Mendoza province:** after interpreting the 3D seismics taken in the fourth quarter of 2010, the company defined the final position of two exploration wells within the Los Tordillos Oeste block, Mendoza province, in collaboration with Sinopec Argentina (formerly Occidental Exploration and Production), which holds a 50% interest. For both projects, the respective environmental authorizations have been sought from the local authorities and are expected to be obtained midway through 2012, whereupon the drilling phase will start. This particular venture will enable the company to meet its investment commitments for the first period, which has been extended by virtue of article 1 of Provincial Resolution 546/09.
- **La Rioja province:** the company recorded 300 kilometers of regional 2D seismics in the area of Bolsones Bermejo and Pagancillos (Bolsón del Oeste block). The main objective here is to obtain a better picture of the geometry of the formations and make out potential structures in order to drill a well in 2012. A geochemical soil sample was also taken over 150 km2 of the area west of Guandacol.
- **Frontier areas:** drilling of the Puesto Chacaico x-1 well was completed in the Río Barrancas block, reaching a final depth of 836 meters. The well presented impregnations of fresh oil and gas at various units of the lower cretaceous layer, thus confirming the existence of an active oil system for this frontier sector of the Neuquina basin.

- Borde de Cuenca play: exploration got under way in search of heavy crude oils on the border of the Neuquina basin, in southern Mendoza province. The working plan envisages the drilling of at least 15 appraisal wells at various depths, the aim being to define the extension of the play and the thickness of its mineral layers.

Regarding field development activities, a total of 659 development wells had been drilled by year-end 2011, including 98 injection wells. Together with secondary, repair and infrastructure activities, these entailed a total investment in development of $1,510 million.

During 2011, YPF continued to work on improving its facilities and streamlining oil and gas production. New simulations of reservoirs and facilities were conducted so as to continue optimizing compression capacity and above-ground installations.

YPF's key initiatives for the improvement of productive assets include:

- Neuquén Gas: during 2011, the company continued to implement its integral low-pressure operational plan for the Lomo la Lata field, upgrading a further primary separator and compression station, while also completing optimization work on the compression station interconnection system, thereby helping to minimize losses and rendering the internal piping system more flexible. Similarly, the pilot production facility was started up at ultra low pressure by installing mobile motor compressors at the wellhead. Moreover, a program was rolled out in the area of Aguada Toledo-Sierra Borrosa to drill 10 new wells and repair 14 existing production and injection wells within the framework of the integral secondary recovery plan, which also envisages upgrading above-ground installations. In the same area, development of non-conventional gas (tight gas) at the Lajas formation got started in the fourth quarter of 2011 through fracturing activity at existing wells and the drilling of new wells. The work is being carried out via the Lajas temporary joint venture, in association with Vale do Río Dolce.
- Mendoza: models were updated to incorporate the information obtained in 2010 from the Llancanelo field, while delineation work and cold production testing continued through the drilling of two new wells in other areas of the field and in deeper reservoirs. The planned drilling work for the Loma de la Mina reservoir was completed with eight new wells located at various positions within the block. Drilling also continued on eight directional wells at Cerro Fortunoso and two new wells were drilled at Valle del Río Grande, with one of them obtaining the information needed to initiate unconventional oil investigations in 2012. In order to continue developing the Desfiladero Bayo field, five production wells were drilled and three conversions made in the northern sector. In addition, four replacement injection wells were drilled and four conversions carried out within the Desfiladero Bayo Infill area, the aim being to start bringing the field towards the injectivity levels required to meet development targets. In 2011, seven new wells were drilled, three of which were directional wells for the Chihuido de la Salina reserve (two at the Chihuido la Salina Centro-Norte field and one at Chihuido la Salina Norte) and four being horizontal wells, two located in the El Portón reserve. With regards to workover activity, a total of 12 repairs were carried out, five at the El Portón Sur field (Área de Reserva El Portón), one at the Chihuido La Salina Norte reservoir and five at the Chihuido La Salina Centro-Norte reservoir (Área de Reserva Chihuido La Salina). At Mendoza Norte, work continued on the Vizcacheras Pinch Out project with the drilling of 10 wells, associated workover and installation work. Wells were also repaired and reactivated in the La Ventana block.
- Neuquén and Río Negro: at the El Medanito field (fully owned by YPF), the aggressive drilling campaign in 2010 (across the mid-west region) was followed in 2011 by another intensive drilling campaign, including a new pilot water injection facility (in the south-west of the field). The drilling program scheduled for 2012 includes ongoing mass development throughout the area, and completion of the construction work started two years previously on various installations.
- Chubut: the Manantiales Behr Full Development project includes the El Alba, La Carolina, Grimbeek and Sur Manantiales projects. The Chabut region currently has 840 oil-producing wells and 15 free gas-producing wells. A total of 196 wells were drilled in 2011, including 87 infill wells at the Grimbeek block and 109 development wells divided among the four aforementioned projects, with total investment climbing to $283 million for the period. The overriding objective of this new project is to ensure full development and exploitation of new areas, with the possibility of gradually constructing new wells, implementing new assisted recovery projects and enhancing development with the corresponding above-ground installations with a view to improving the recovery factor within the area. Within the Chabut reserve, the project offering the greatest primary development potential is La Carolina, which now includes a pilot polymer injection facility at Grimbeek II, surfactant injection equipment at Sur Manantiales Behr and infill well drilling potential throughout certain sectors.
- Santa Cruz: in 2011, 13 integral development projects were rolled out at four areas under development (Las Heras, El Guadal, Los Perales and Cañadón Seco), comprising a total pipeline of 79 projects. The main development projects include Cerro Grande, Maurek, Seco and León Los Perales. As a result of these projects, a total of 65 wells have been drilled, which, including the costs of associated resources, entailed a total estimated investment of $154 million.

Turning our attention to the development of new exploration and production businesses, it is worth highlighting the following work:

2010-2014 Exploration and Production Development Program: in 2010, collaboration agreements were signed with 12 provinces, whereby YPF undertook to assess the exploration potential of their sedimentary basins. The signatory provinces were Entre Rios, Formosa, Chaco, Santa Cruz, Buenos Aires, Córdoba, Santa Fe, San Juan, La Rioja, Salta, Misiones and Tucuman. In 2011, technical meetings were held with representatives of the provinces and three of the four phases envisaged for the 2010-2012 period have now been concluded. It is expected that the report detailing opportunities will be delivered within the first four months of 2012.

Acreage under concession: 10-year extensions were officially awarded for 16 operational blocks in Mendoza province, effective from 2011 onward, with investment in exploration activity to hit the $54 million mark.

New acreage: YPF was heavily involved in the 2011 license bidding rounds for Chubut and Mendoza provinces. The company is now finalizing negotiations for the awarded areas.

International expansion

International business focused primarily in 2011 on assessing exploration opportunities in South America. At present, YPF is staging talks in the following countries:

- Colombia: negotiations have been held for the following five blocks: Catguas, Carboneras, COR12, COR14 and COR33. The first two blocks are located in the Catatumbo basin, while the others can be found in the Cordillera Oriental basin. The company is currently awaiting official approval from the relevant government bodies. YPF's interest in the blocks ranges from 10% to 60%, and the company is set to be the operator in four blocks. The total area of the new acreage is 3,398 km². The exploration activity to be carried out over the next two years requires the company to obtain 180 kilometers of 2D seismics and 50 km² of 3D seismics, plus the drilling of two wells to tap unconventional resources.
- Peru: YPF is awaiting the award from the Peruvian government of blocks 180, 182 and 184 within the Huallaga basin, and block 176 in the Ucayali basin. Whatever the outcome, YPF holds a 25% stake in the consortium created with Repsol (operator, 25%) and Ecopetrol (50%).
- Paraguay: in September 2011, YPF was awarded a prospecting permit for Manduvira, located within the Chacoparaná basin.
- Uruguay: on 30 May 2011, YPF's Management Committee green-lighted the signing of a prospecting agreement with the state-owned ANCAP and the creation of a YPF subsidiary in Uruguay. The area is located onshore, within the Chacoparaná basin. YPF also holds offshore interests in areas 3 and 4 of the Punta del Este basin, and is the operator of one of them.
- Chile: during 2011, YPF successfully secured the San Sebastián (40%) and Mazarri/Lago Mercedes (50%) onshore blocks.

Non-operated areas

In September 2010, there was an incident on the offshore AM-2 platform of the Magallanes field, operated by Sipetrol (in which YPF holds a 50% interest) and located in the Strait of Magellan. In the wake of the accident, the field was out of production until December 2010, whereupon it began to operate at 30% capacity. This situation remained unchanged over 2011. The AM-2, AM-3 and AM-6 platforms were successfully started up on 22 December 2011, with connections yet to be completed from AM-1 to the TurboCompressor 200 (TC200) located at AM-2. Production climbed to an average of 800 cubic meters per day of crude oil and 1.8 Mm3/d of gas. When brought into service, the machine will operate at the AM-1 platform and will contribute an additional 600,000 cubic meters of gas per day and approximately 60 cubic meters a day of crude oil.

In Aguada Pichana, operated by Total Austral and in which YPF holds a 27.27% interest, the Las Cárceles project was delineated and implemented. 3D seismics were taken at Cárceles Oeste towards the end of December 2011 and work is in progress to interpret the findings. The AP.xp-1001 exploration well targeting shale gas was drilled at Vaca Muerta (first shale gas well to be deployed by the temporary joint venture) and is currently awaiting termination.

Moving to the CNQ 7A block, operated by Pluspetrol and in which YPF holds a 50% interest, delineation work was successfully completed on the El Corcobo Norte, Jagüel Casa de Piedra, Cerro Huanul Sur and Puesto Pinto reservoirs, and development work is already in progress. In December 2011, injection processes were started under the pilot polymer injection project taking place at the El Corcobo Norte field.

The JCPE-x1 / JCPE-x2 exploration wells were drilled in 2011 and have proved to be economically successful.

United States

The Neptune field maintained stable production levels of 10,000 bbl/day for over six months in a row.

Despite the absence of any new drilling work, satisfactory reservoir responses effectively meant that up to 3.5 Mbbl (gross) of proven reserves could be added, with the replacement ratio topping 80%.

The consortium running the Neptune field approved the development of the SA01ST1 well at the W2 site, following the proposal put forward by the technical team of Maxus E&P.

As no new wells were drilled in 2011, production came in significantly lower than originally expected, at over 1.5 Mbbl. Despite this, rising crude oil prices will help to offset part of the deficit.

Maxus' committee approved the extension of 35 exploration blocks, paving the way for new business opportunities in the future.

Natural gas

YPF's natural gas sales totaled 12,280 million cubic meters in 2011, down by approximately 5.5% on the volume sold in 2010, and with the most significant drop in sales witnessed in the industry segment. In Argentina, YPF enjoys a market share of roughly 30%. The average price of natural gas sold by the company climbed 4.4% year-on-year, chiefly due to withering volume within the less profitable segments.

As a part of a program launched by the Argentinean government, an LNG regasification ship, located in Bahia Blanca, was kept in operation over the year to introduce 2,222 million cubic meters of gas (up 23% on the same figure for 2010) into the country's gas network. Of this total, 1,218 million cubic meters were injected over the five winter months to meet increased demand, equivalent to approximately 8 Mm3/d.

In both April and December 2011, YPF carried out work to modify and upgrade Bahía Blanca installations, managing to push up natural gas injection capacity from 10 to 12.5 million cubic meters a day in April, and subsequently up to 14.5 million cubic meters a day. Further improvement work is expected to increase natural gas injection capacity to 17 million cubic meters a day in April of 2012.

In addition, the Escobar temporary joint venture (jointly owned by Enarsa and YPF in equal shares), with YPF acting as operator, closed the year having successfully developed, constructed and started up the Escobar LNG terminal.

The terminal, which is currently being operated by YPF, regasifies LNG through a ship capable of regasifying 17 million cubic meters a day and with 151,000 cubic meters of LNG storage capacity. Since its start-up in May 2011, the terminal has regasified 1,375 billion cubic meters.

ENARSA and YPF have also created a temporary joint venture with the aim of executing and operating the Cuatreros LNG project. Each company will have an equal 50% stake, with YPF operating the venture.

This project will be located in Bahía Blanca and is currently undergoing development.

Refining, logistics and marketing

YPF has three refineries: La Plata (in the province of Buenos Aires), Lujan de Cuyo (in Mendoza) and Plaza Huincul (in Neuquén). La Plata has a distillation capacity of 189,000 barrels per day and a daily conversion capacity of 119,000 barrels; Luján de Cuyo has a distillation capacity of 105,500 barrels per day and the same conversion capacity; and Plaza Huincul has a distillation capacity of 25,000 barrels per day. Furthermore, the La Plata refinery has a lubricant manufacturing plant with a capacity of 860 cubic meters/day of finished base oils.

Logistics for crude oil is articulated through three companies in which YPF holds a stake (Oldelval, Termap and Oiltanking Ebytem), along with chartered tankers and two company-owned pipelines (Puesto Hernández - Lujan de Cuyo and Puerto Rosales - La Plata). Product logistics is mostly carried out through two company-owned multi-purpose pipelines (Lujan de Cuyo-San Lorenzo-La Matanza and La Plata-La Matanza), three loading ports, 12 tankers, eight barges, four tow boats, 16 terminals (nine with associated ports), six LPG plants, 54 airport filling stations and 1,600 trucks.

It also owns a 50% holding in Refinor, a company engaged in the refining, transportation and marketing of fuel (70 service stations in total, effectively meaning 35 given YPF's 50% stake) and derivative products in north-west Argentina.

YPF refineries processed 45.2 thousand cubic meters/day in 2011, 4.2% less than in 2010. This reduction was largely due to trade union conflicts that affected operations of crude oil coming from the Gulf of San Jorge over the first half of the year, coupled with limited availability of crude oil from Neuquén and the scheduled stoppages and strikes at various units.

Despite these hurdles, refining performance over 2011 in terms of LPG, gasoline and medium distillates remained high.

According to the latest benchmarking studies, maintenance and mechanical availability standards for the YPF refinery units are among the best of their kind worldwide.

The load and, therefore, use of conversion units was optimized, thus allowing production of gasolines for the domestic market to reach 3.7 million cubic meters, representing an 8.8% increase year-on-year and the highest level seen in recent years.

In 2011, YPF continued to position itself in the marketing of IFO (naval bunker fuel). The improvements made in logistics have helped position the company as one of the main suppliers in the region and increased its market share from 14% in 2007 to 41.4% in 2011.

The following table shows the capacity of YPF refineries at 31 December 2011:

Refining capacity [1]	**Primary distillation** kbbl/d	**Conversion ratio** [2] %	**Lubricants** Thousand tons per year
Argentina			
La Plata	189	69	256
Luján de Cuyo	106	110	–
Plaza Huincul	25	–	–
Refinor [3]	13	–	–
TOTAL [4]	**333**	**74**	**256**

[1] Information reported in accordance with Repsol Group criteria for integration in the financial statements: all the refineries report at 100%, except Refinor (50%).

[2] Expressed as the ratio between equivalent FCC capacity and primary distillation capacity.

[3] Total primary distillation capacity: 26,100 barrels/day.

[4] This refers to YPF's total distillation capacity in Argentina (three YPF refineries, plus the stake in the Refinor refinery).

The table below provides a breakdown of YPF refinery production, by main product type:

	As of 31 December	
Millions of tons	**2011**	**2010**
Refinery intake		
Crude	14.3	15.4
Other refinery intake	0.4	0.4
TOTAL	**14.7**	**15.8**

	As of 31 December	
Thousands of tons	**2011**	**2010**
Refining production		
Intermediate distillates	7,013	7,067
Gasoline	3,711	3,762
Fuel oil	914	1,440
LPG	620	674
Asphalts	221	205
Lubricants	165	181
Other (except petrochemicals)	1,008	936
TOTAL	**13,652**	**14,264**

Utilization of refining capacity in 2011 stood at roughly 89%, versus the 93.2% reported in 2010.

Logistics activity climbed 3% year-on-year. High occupation levels were also achieved for road, sea and river transport, as well as in the use of pipelines, terminals and ports.

Investments in refining and logistics totaled €396 million in 2011, marking a 42% increase in relation to the previous year (€148 million).

With effect from 1 January 2010, Law 26,093 on Biofuels imposed the obligation to market gasoline with bioethanol and diesel oil with biodiesel (fatty acid methyl ester, or FAME). For this purpose, YPF completed the necessary upgrades to the San Lorenzo and Dock Sud terminals and the refineries so that they could take delivery of FAME. The process culminated with the construction of facilities for the reception and processing of bioethanol at the Lujan de Cuyo, Montecristo, San Lorenzo, La Matanza and La Plata terminals, with work still in progress at the Barranqueras, Villa Mercedes and Junín terminals.

There is ongoing investment to build bioethanol and FAME delivery installations for gasoline and diesel oil mixing, respectively, at the remaining loading terminals, and also to increase the transport capacity of the Puesto Hernandez oil pipeline as it travels to the Lujan de Cuyo industrial complex.

Likewise, the Monte Cristo, Luján de Cuyo, San Lorenzo, La Matanza, La Plata and Barranqueras terminals now have automated operations, continuing with the schedule for the remaining plants. The investment needed to construct storage tanks to enhance logistics and meet market demand has also been approved.

Due to changes in the available crude oil basket within the domestic market (very acidic crudes with higher solid contents), YPF has continued to implement its refinery investment plan by incorporating new process machinery and equipment and improving metallurgy at the facilities.

In line with the objective of reducing sulfur content in gasolines and diesel oils to improve fuel quality, the company continued with its investment projects for the hydro-treatment of diesel oil and gasolines.

In this regard, a new diesel oil hydro-treatment plant is currently being built and assembled at the La Plata refinery, with the new arrival to have a processing capacity of 5,000 cubic meters per day. The new facility will produce a diesel oil containing 10 parts per million (ppm) of sulfur. Construction also started on the new Coke Unit "A", which will increase existing processing capacity by roughly 70%.

Work is also in progress at the Luján de Cuyo refinery to install a diesel oil hydro-treatment plant with a capacity of 2,640 cubic meters/day and to construct a new gasoline hydro-treatment unit.

A compression system has been brought online at the La Plata and Luján de Cuyo refineries, whereby part of the gases typically sent to the flare pit for burning can now be recovered for use as fuel gas in furnaces and boilers. In the case of Luján de Cuyo, daily recovery is equivalent to 76,800 normal cubic meters of fuel gas per day, while at La Plata, daily recovery equates to 130,000 normal cubic meters of fuel gas. The upgrades also herald a significant environmental improvement by curbing CO2 emissions. La Plata has become the company's first industrial project to be classified as a Clean Development Mechanism (CDM), while the Lujan de Cuyo project is currently being assessed by the United Nations.

In 2011, YPF rolled out an investment plan to increase existing storage, segregation and fuel shipment capacity across the country and to increase crude oil storage capacity at its refineries. The plan will effectively increase storage capacity by 160 thousand cubic meters of diesel oil, 50 thousand cubic meters of gasoline and 180 thousand cubic meters of crude.

In terms of sales, YPF targets various market segments (retail, agro, industry) through a nationwide network of 1,557 points of sale, allowing the company a market share of over 57% for all gasolines and diesels combined.

YPF manages 181 service stations directly through the company Opessa (fully owned), with fuel sales accounting for 16.6% of total sales made by the Retail segment.

In the area of convenience stores, Full and Full Express models (the latter being a more simplified version) are now accounting for an increasing proportion of stores, with 359 and 29 retail outlets nationwide, respectively, including the company's own network and franchises.

In line with the company's objective of unifying and enhancing the overall image of the service station network under the concepts of modernity and rationality, an image improvement plan was implemented at 80 stations. In October, YPF unveiled its first flagship service station called Nordelta, which features a host of new technologies (digital labeling, corporate television, etc.).

In the Agricultural segment, YPF has nine bases for the distribution of diesel across Argentina, known as "YPF Directos" and forming a one-stop sales system that has helped consolidate the company's position in a sector experiencing unbridled growth and of vital importance for the ongoing economic development of the country.

These bases are used to market products such as diesel fuels, fertilizers and agrochemicals, and accept various forms of payment, including cereal grains (mainly soya), which can be processed to produce flours and oil for sale chiefly abroad. In terms of grain exchanges, total business in 2011 topped 850,000 tons.

In the case of oil, part was earmarked for the production of FAME, a key component of the diesel oil the company produces commercially (at December 2011, the percentage of FAME mixed in diesel oil stood at 7%).

In terms of synergies with Chemicals, YPF began selling a new product known as FS Glyphosate II, which is formulated and produced internally.

In the Mining segment, 20 commercial agreements have now been signed to supply diesel oil and/or lubricants to various mining companies throughout the country. With the objective to improving the service provided to this segment, two company-owned bases were opened, namely YPF Minero Valles (Salta province) and YPF Montecristo (Córdoba province), and the company is currently weighing up the merits of constructing two new bases in Quilla (Santa Cruz province) and Albardón (San Juan province).

In 2011, the company spearheaded nationwide sales of the *N-Premium* high-octane gasoline (grade 3), securing a market share of 63.9% and improving its mix to naphtha to 29.2%, in comparison to the 22.6% reported in 2010.

Focusing on diesel oil, the company has been following an aggressive sales policy for the low-sulfur (D-Euro) *Premium* product, recommended for all high-performance engines, reaching a market share of 62.9% within the retail segment and a fuel mix of 18.5% vs. the 9.7% seen in 2010.

This strategy allowed the company to deliver a larger portion of Ultradiesel to the industry, transportation and agro segments, catering to existing demand while minimizing imports of the product.

In relation to lubricants, the Elaión light lube range (high performance product for light vehicles) turned in a positive performance, posting a year-on-year increase of 12.5% in product sales.

Towards the end of 2011, and to meet the needs of an increasingly demanding market, the company developed a new line of products specially designed to protect engines regardless of what fuel type is used. The formulation features Flexlub technology with groundbreaking compounds capable of neutralizing the effects of contaminants and guaranteeing a clean engine.

In 2011, sales were up 13% year-on-year for high-end heavy lubes, premium lubricants for heavy diesel engines represented by the Extravida range, meeting the most stringent quality standards.

During the year, YPF launched its first line of car care products, identified as *Obsesión*, which brings together a family of products under a single concept, with modern and appealing packaging and an image more typically associated with the cosmetics sector. The range includes antifreezes, coolants, anti-corrosion protection, brake fluids, windscreen wiper liquid, car wash products, polish, silicone restorers, upholstery cleaners, engine cleaners, air fresheners and multi-purpose oils.

In the Commercial area, strategy is focused chiefly on bringing management in line with the highly competitive environment, positioning and consolidating high value-added products and services while exploring new business alternatives.

International growth will be magnified by creating a company-owned enterprise to supply a full range of lubricants throughout Chile and fuels for the aeronautics market, thus complementing the existing sale of lubricants in Brazil.

Chemicals

Chemicals bussines production takes place at the Ensenada industrial complex, integrated with the La Plata refinery, and also at the Plaza Huincul methanol complex, which houses the Plaza Huincul refinery. Likewise, YPF carries out chemical activity at the Bahia Blanca complex through its investee company Profértil.

These industrial complexes have an aggregate production capacity in excess of 2 million tons per year, intended for market segments such as modified naphthas, resins, detergents, automotives, solvents, biodiesel, agrochemicals and fertilizers.

International prices for the main chemical products continued to rally over 2011, building on the improvement first noted towards the end of 2009. Methanol prices increased as construction of new facilities remains in limbo and supply struggles to keep up with demand.

The aromatics margin was up slightly on the previous year on the back of a 34% increase in the aromatics mix, which outpaced the 31% reported for virgin gasoline. The improvement in aromatics was driven by an excellent showing from the xylene value chain (which jumped almost 40%).

YPF improved its aromatics and methanol sales mix, with sales in Argentina increasing by 12.8% in comparison to 2010. The main driver of this growth were sales of methanol to the biodiesel production segment, which accounted for 46% of methanol sales.

Construction and assembly of the new Continuous Catalytic Regenerator (CCR) reforming unit continued during 2011. Once completed, the unit will increase the production of aromatics by 50% to meet growing internal demand for octane components used in high quality gasoline and hydrogen production, which is needed for gasoline and diesel oil hydro-treatment processes at the La Plata refinery. Estimated investment for this project is approximately €250 million, making it the largest petrochemical investment in Argentina over the last decade.

In April, Profertil began to construct a new storage facility in Puerto General San Martín (Santa Fé province), with a fertilizer storage capacity of 200,000 tons. Estimated total investment amounts to €45 million.

The following table shows the production capacity of the main petrochemical products:

Capacity	Tons per year
Ensenada:	
Aromatics	
BTX (benzene, toluene, xylene)	244,000
Paraxylene	38,000
Orthoxylene	25,000
Cyclohexane	95,000
Solvents	66,100
Olefins and derivatives	
MTBE	60,000
Butene I	25,000
Oxo-alcohols	35,000
TAME	105,000
LAB/LAS	
LAB	52,000
LAS	25,000
Polybutenes	
PIB	26,000
Maleic	
Maleic anhydride	17,500
Plaza Huincul:	
Methanol	411,000
Bahía Blanca	
Ammonia/urea	933,000

Investments

Operating investments totaled €2,182 million, in comparison to the €1,537 million reported in 2010. Close to 69% of these funds were earmarked for hydrocarbon exploration and production development projects, while nearly 27% were used to finance the modernization of refineries and chemical production equipment.

GAS NATURAL FENOSA

Results

As of 31 December 2011, Repsol owns 30% of the Gas Natural Fenosa Group, which is proportionally consolidated in the accounts. The operating income contributed by the Gas Natural Fenosa Group climbed 0.7% in 2011 to reach €887 million, in comparison to the €881 million reported in 2010.

Despite capital gains from sales of assets failing to match figures for 2010, operating income has remained steady during the two years. This can be explained by the improvements seen in electricity distribution activity in Spain and the rise in wholesale gas sales margins, offsetting the weaker earnings from electricity sales in Spain and electricity distribution in Latin America and the inevitable absence of any income from the assets divested in 2010 and 2011.

The results highlight the fundamentals underpinning the Gas Natural Fenosa business model, which aims to strike an appropriate balance between regulated and deregulated business in the gas and electricity markets, with a growing, diversified contribution made by its international presence.

The main operating highlights for the business are described below. In the interests of clarity, the figures shown below are those generated by Gas Natural Fenosa, even though the Group's holding in the company is 30%.

Gas distribution

Spain

Business in Spain includes the compensated gas distribution activity, the ATR (third-party network access services) and secondary transport, as well as non-compensated distribution activities (rental of gas meters, connections to customers, etc.).

Within the framework of the Action Plan approved by the Spanish National Antitrust Commission (CNC) in relation to the Unión Fenosa acquisition process, Gas Natural Fenosa undertook to disinvest in certain gas distribution assets.

Accordingly, 30 April 2010 saw the sale of low-pressure gas distribution assets comprising 507,726 supply points and 3,491 kilometers of distribution network, and on 30 June 2011 the company once again honored its commitments with the CNC stemming from the purchase of Unión Fenosa by selling a further 304,456 natural gas supply points, with consumption totaling 1,439 GWh in the autonomous community of Madrid, to the Madrileña Red de Gas Group.

Sales from regulated gas business in Spain amounted to 201,231 GWh in 2011, down 2.9% on the same figure for 2010.

Gas Natural Fenosa has continued to expand its distribution network and number of supply points, although it should be noted that the figures provided have been offset by the divestments made to date.

At year-end, the distribution network spanned 43,871 kilometers, down 2.4% year-on-year, while the number of supply points came in at 5,050,000, 4.2% less than in 2010, reflecting the divestments carried out in furtherance of the Action Plan approved by the CNC in relation to the acquisition of Unión Fenosa.

Latin America

This concerns the gas distribution activity in Argentina, Brazil, Colombia and Mexico. In 2011, the number of gas supply points reached 5,882,000. Year-on-year growth rates remain high, showing an increase of 217,000 supply points, with Colombia turning in a particularly solid performance, where new supply points amounted to 108,000.

Sales from gas activity in Latin America, which include gas sales and third-party network access services, amounted to 191,031 GWh, 5% down on the same figure for 2010. This minor reduction is largely due to the drop in sales to the Brazilian electricity generation sector, given that water reserves in 2011 remained much higher than in 2010, resulting in lower demand for natural gas.

The gas distribution network has been extended by a further 1,339 kilometers over the last 12 months, reaching 65,831 kilometers at year-end 2011, representing growth of 2.1%.

Italy

Business in Italy includes third-party network access services and rate-regulated gas sales.

Gas Natural Fenosa reached a total of 440,297 supply points in the gas distribution business in Italy, up 4.3% on the same figure for year-end 2010.

Gas distribution activity stood at 3,578 GWh, marking an increase of 5.6% in comparison to 2010. The distribution network was extended by 887 kilometers to reach 6,736 kilometers at the close of the year.

Power distribution

Spain

This business includes regulated power distribution activity and customer network services, mainly connection and link-up rights, metering, and other services associated with third-party access to the company's distribution network. Electricity supply points experienced mild growth of 0.8% in 2011 to reach 3,748,000.

In 2011, power effectively supplied fell by 1.6% to 33,916 GWh, reflecting the drop in nationwide consumption stemming from the prevailing economic gloom and the relatively mild weather conditions experienced towards the end of the year.

Latin America

Business here encompasses regulated power distribution in Colombia, Guatemala, Nicaragua and Panama.

In May 2011, Gas Natural Fenosa reached an agreement with the British private equity fund Actis to sell its interests in the distribution companies DEORSA and DEOCSA, both engaged in power distribution in Guatemala, along with its interests in a number of other energy companies within the country. As a result of the divestment, the results for electricity distribution business in Guatemala relate solely to the first five months of the year.

Sales from electricity distribution activity in Latin America represented 17,706 GWh, marking a moderate drop of just 1.6% despite the divestment in Guatemala, while the client portfolio slid 27.3%.

Moldavia

Business in Moldavia involves regulated power distribution and marketing at a tariff in the capital and metropolitan area and in the country's central and southern regions. Gas Natural Fenosa distribution in Moldavia accounts for 70% of the country's total.

Demand for electrical power within the context of Gas Natural Fenosa's distribution business in Moldavia climbed by 3.3%, while supply points, which totaled 819,506 at year-end, also experienced year-on-year growth. Sales from the electricity distribution business stood at 2,445 GWh.

Electricity

Spain

The electricity business in Spain includes power generation activities, the wholesale and retail marketing of electricity in the deregulated Spanish market, the supply of electricity at the tariff of last resort and electricity trading in wholesale markets.

In 2011, electricity demand across the peninsula fell by 2.1% in comparison to the previous year. After correcting this percentage to factor in the effects of employment and temperature, the actual drop in demand was 1.2%.

Gas Natural Fenosa power generation throughout the Iberian Peninsula amounted to 38,081 GWh in 2011. Of this amount, 35,701 GWh came from ordinary system generation, and 2,380 GWh from special system generation. This represents a year-on-year slump of 0.7% as a whole, broken down as 0.3% under the ordinary system and 5.9% under the special system. Gas Natural Fenosa's accumulated share in ordinary system generation at 31 December 2011 was 20.8%, slightly higher than the previous year.

Hydroelectric production in 2011 totaled 2,892 GWh, marking a year-on-year drop of 39.1% due to a very dry year from a hydrological view. Power generation at combined cycle plants in 2011 amounted to 23,967 GWh, down on figures for 2010. Nuclear power production showed a slight improvement on figures for 2010. The upshot for Gas Natural Fenosa of the enactment of the Royal Decree on the Guarantee of Supply is that the national coal-fired plants affected by the new law are operating non-stop with production levels of 4,464 GWh, in comparison to the 772 GWh reported in 2010.

Sales from the electricity marketing business came in at 35,905 GWh.

Latin America

This section relates to power generation assets in Mexico, Puerto Rico, Panama and the Dominican Republic.

Power generated in Latin America stood at 17,506 GWh in 2011, down on the same figure for 2010 largely on account of the drop reported in Mexico, where production was impacted by the sale of the combined cycle plants in 2010.

Kenya

This section includes power generation in the African country. In 2011, fuel-based power generation reached 767 GWh, comfortably outstripping 2010 production on the back of heavy demand for thermal power production in Kenya, in turn due to a very dry year in terms of water availability and, therefore, a drop in dam water levels.

Infrastructure

This business includes the development of integrated liquefied natural gas projects; oil and gas exploration, development and production; sea transport management and operation of the Maghreb-Europe gas pipeline.

Gas transportation activity carried out in Morocco through the companies EMPL and Metragaz represented a total volume of 111,855 GWh, up 1.9% on the previous year. Of this figure, 80,569 GWh were transported to Gas Natural Fenosa through the company Sagane, while 31,286 GWh were earmarked for Portugal and Morocco, representing growth of 7.7%.

Regarding gas exploration and production at the Tanger-Larache project (Morocco), in which the company holds a 24% stake, a number of different development options for the first well are currently being explored.

Supply and marketing

This business area is engaged in the supply and marketing of gas (wholesale and retail) both in Spain and abroad, and of other products and services related to retail marketing and also marketing of the gas tariff of last resort in Spain.

Gas Natural Fenosa's marketing in the Spanish gas market reached 169,204 GWh, representing a year-on-year drop of 8.4%, chiefly due to lower sales to households on account of the divestments carried out to date. Supplies to third parties in the Spanish market came in at 67,698 GWh, revealing a 2.4% increase.

Supplies to the international market climbed noticeably to reach 71,733 GWh, marking an increase of 30.9%.

Unión Fenosa Gas

This business embraces the gas supply and marketing activities carried out by Unión Fenosa Gas, including the liquefaction infrastructure in Damietta (Egypt), regasification infrastructure in Sagunto (Spain) and management of the shipping fleet.

Gas supplied to the Spanish market reached 56,937 GWh, representing a year-on-year drop of 4.3%. In addition, 26,503 GWh of energy was handled through international sales.

Investments

Repsol operating investments over the year in relation to its stake in Gas Natural Fenosa amounted to €582 million, in comparison to the €463 million reported in 2010.

Gas Natural Fenosa channeled most of its investments into regulated gas and electricity distribution activities.

Spain remains the main recipient of Repsol investment, while Mexico and Colombia are the main beneficiaries of investment in Latin America.

Corporate areas

People management

At year-end 2011, Repsol had a consolidated workforce of 46,575 people representing over 70 different nationalities. Of this figure, a total of 39,622 employees were working at companies under the direct control of Repsol. All the information presented in this section refers to these employees. The company's employees work in more than 30 countries, chiefly in Spain (43%) and Argentina (37%), but also in countries such as Peru (9%), Portugal (3.1%), Ecuador (2.3%) and Uruguay (2%). Of the total number of employees, 48% work in the Downstream division, 39% in YPF, 7% in Upstream and LNG, and 6% in corporate departments.

The breakdown of the workforce is 1% executive personnel, 6% technical managers, 44% technicians, 3% administrative staff and 46% operators. Permanent work contracts account for 88% of the total, while women represent 27% of the total workforce.

Change in the organizational structure

With the aim of reorganizing the company to reflect the current level of implementation of the Strategic Plan and also rendering the company's management more efficient, the senior management of Repsol was restructured in 2011 through the creation of a new General Department for Economics, Finance and Investee Companies (which has assumed control of YPF and Gas Natural Fenosa investee companies, along with the duties of the Corporate Media Department and of the former General Department for Economics and Finance), and by making the General Upstream and Downstream departments directly accountable to the Executive Chairman's Office.

To ensure that Repsol continues to consolidate its position and grow in the countries where it operates, the decision was reached to adapt the organizational model by enlarging the role of country heads and, through this, magnifying the company's global vision at country-level.

In relation to the business units, the main changes were the restructuring of Repsol Sinopec Brasil to reflect the new corporate scheme and the creation of Repsol Nuevas Energías UK.

Diversity and balance

Repsol's Diversity and Balance Committee remained continued in 2011 to rolling out specific measures to encourage and foster diversity and work-life balance, articulated through multi-disciplinary teams tasked with proposing and promoting groundbreaking initiatives geared towards ensuring diversity and work-life balance, such as telecommuting, recruiting people with disabilities, making working hours more flexible, adapting installations and managing time efficiently.

According to the findings of a survey polling the opinions of 2,538 employees, telecommuting is considered an internally valued tool for guaranteeing a proper work-life balance. Telecommuters, bosses, work colleagues and managers alike were all quick to point out that the trust bosses place in their telecommuters has a positive bearing on their involvement, motivation and productivity. The program was extended in 2011 to cover industrial facilities and commercial offices in Spain. At year-end, a total of 818 people worldwide were making use of the scheme, illustrating that this approach to work is becoming increasingly widespread and key to retaining and attracting talent.

Another company initiative is for Repsol workers to carry out their work under flexible conditions, effectively meaning they can adapt their working hours to suit their needs, provided their work allows for this and always respecting the practices, customs and restrictions in place in the country or region in question.

The concept of flexible working hours encompasses the different ways in which hours can be redistributed, whether calculated daily, weekly/monthly or on a seasonal basis.

The company also operates the following paid leave system, always in strict accordance with the practices and customs of each country or region:

- Maternity leave: workers can claim minimum paid maternity leave of 12 weeks owing to the birth of a child.
- Breastfeeding leave: provided the preceding maternity leave lasts less than six months, mothers are entitled to claim paid breastfeeding leave equivalent to one hour per day, which will last for three months following her return to work from maternity leave. This leave can be taken as two separate half hours of absence, or pooled and taken together as one period of eight full working days.
- Paternity leave: fathers can claim minimum paid paternity leave of three working days owing to the birth of a child.
- Leave following the death of a family member up to the second degree of relationship: workers are entitled to paid leave of three business days upon the death of a family member, or five business days if they need to travel.
- Marriage leave: workers can take minimum paid leave of five business days if they wish to marry or register officially as de facto partners.

These measures improve upon the minimum legal requirements in most of the countries where Repsol is present. In the case of Spain, all employees enjoy the following benefits beyond those provided for at law:

- The age of minors is increased to 12 years for the purpose of claiming working hour reductions on family-related grounds.
- De facto couples receive the same treatment as married couples, including the 15-day leave if they register as a de facto couple.

The VI Spanish Framework Agreement envisages more flexible starting times for work and the option of reducing the lunch break in order to leave work earlier. It also allows workers to reduce working hours by making use of telecommuting.

Likewise, time management is to be rendered more efficient through a number of different initiatives, such as publishing an interactive guide on good e-mail use and the efficient management of meetings. The interactive guide has now been consulted by 9,362 employees.

In terms of equal opportunities, Repsol treats diversity as a concept that enriches the company and stimulates innovation and creativity. With this in mind, the program to integrate people with different disabilities is perhaps the most widely known and recognized externally.

The program started life in 2005 in Spain, and its gradual implementation has shaped a new reality within Repsol, which currently has a total of 578 workers with different disabilities; 400 under direct contracts of employment and a further 178 employed through alternative channels in Spain (3.2% of the workforce, compliant with legal requirements). In addition, 65 people with differing disabilities work in Argentina, 24 in Ecuador, 24 in Peru and 14 in Portugal. Of these, 20% are engaged in technical work.

In 2011, the company paid particular attention to hiring workers with disabilities within the industrial area and there were ongoing campaigns and initiatives to raise awareness. A total of 6,502 people have now taken part in the events organized at various of the company's work centers.

Repsol has agreements in place with different organizations, associations and foundations, which advise the company on issues relating to disabilities and with which the company has maintained close ties since the start of the program. In Spain, these include the Framework Cooperation Agreement between Repsol, ONCE and their respective foundations, with action geared towards developing and enhancing the social integration and acceptance of people with disabilities.

In 2011, Repsol Perú was awarded the "Socially Responsible Company" accolade in recognition of its responsible management as part of its business culture and strategy.

The Provincial Government of Pichincha handed Repsol Ecuador the "General Rumiñahui" award for socially responsible work committed to the community under the "large multinationals" category, with honorable mention for the good practices of "Community support and corporate volunteering" and "Labor inclusion of disabled people".

Moreover, and for the second year running, the Proyecto Padres Foundation in Argentina gave YPF honorable mention in the "Towards a family-responsible company" award.

In January 2011, Repsol received the Ability Award for the Best Large Private Company. The accolade, which is awarded in the presence of Queen Sofía of Spain, provides public recognition for Spanish companies and institutions that develop sustainable business models and make people with disabilities part of their value chain, whether with employees, suppliers or customers.

Repsol YPF, S.A. was one of only 36 companies to receive the *Igualdad en la Empresa* (Equality in Business) badge. This badge is promoted by the Spanish government and is awarded to companies whose equal treatment and opportunities policies for workers deserve special recognition.

In October 2011, a new Welfare Services Program was launched for all permanent and part-time employees working in Spain, along with their family members (spouse or de facto partner, children, parents-in-law, parents and grandparents), with the aim of supporting them with any health-related problems they may be experiencing. The services on offer include home care for the elderly, specialist treatments, and telephone alarm systems for dependent senior citizens or minors, among others.

The program provides all beneficiaries with a bank of free sessions/services that can be taken at home if the employee or a family member falls ill (psychologist, nurse, physiotherapist), along with telepharmacy services and private tutors for ill children or those in recovery, among others services.

2011 climate survey

In 2011, the company conducted its third climate survey to poll the opinions of all permanent employees (excluding YPF). Final participation in the study was 82%. The aspects to receive the highest score were: company vision, issues related to Repsol's appeal as an employee, and diversity and balance.

Close to 500 reports containing results have been generated to meet the information needs of the different departments and confidentiality has been observed for all the reports.

The results were disclosed to all employees in 2011. Workshops were also initiated during the year to identify underlying causes, with the process culminating in the first quarter of 2012. The resulting analyses are helping the company to shape more efficient improvement actions.

These actions now feature in the annual people management plans and in the action plans of the different businesses. Repsol has also defined certain lines of action running across the entire company, which will be developed further in 2012.

Start of the cultural change process

In 2011, the company initiated a process of cultural change, leading to changes in approaches to work and in people management.

Now, for example, bosses are essential as the forerunners of this new culture and as disseminators of the values that Repsol is committed to: responsibility, transparency, innovation, collaboration or team work and equal opportunities.

One of the most significant projects helping the change to take root is the construction of the new corporate headquarters. The proposed new campus is helping to make new approaches to work a reality. The building has been designed with space very much in mind as a means of championing these new approaches, such as working in open, unrestricted areas, bringing people from different areas and businesses together within a single space, utilizing the best technologies to improve productivity and communication, and making working hours more flexible.

Attracting the finest talent

Within a complex labor market, Repsol remains unflinchingly committed to implementing programs aimed at capturing, motivating and incentivizing top talent, offering them an appealing place to work and guaranteeing and promoting equal opportunities in their professional development.

In this regard, it is worth highlighting the work carried out to attract and develop young talent through technical master's courses held at Repsol's advanced training centre (*Centro Superior de Formación Repsol*, or CSFR), which in 2011 had 85 students from different countries, and to recruit executive personnel through the New Professionals Plan, through which 35 people joined the company's ranks during the year. Repsol's commitment to young professionals is to be stepped up in 2012, which marks the start of the new Repsol Master's in Energy Management.

In 2011, the company established a specific job marketing strategy for capturing and retaining talent in industrial divisions. Not only was Repsol involved in job fairs, forums and seminars in communities lying close to its industrial facilities, thus increasing university attendance levels within these same communities, but it also carried out various job selection processes within these areas of influence. It is worth noting in this regard that in keeping with the commitment of the company's industrial divisions to recruiting people with different disabilities, nine disabled people were selected in 2011 to take part in chemical plant operator courses at the company's various facilities.

Over the course of the year, 16 new educational cooperation agreements were signed with new universities and educational centers, with the company welcoming 365 new scholarship holders. The *Impulsa* scholarship scheme has been optimized to provide certain scholarship holders with advanced online training in languages and general skills, including the option to attend conferences on the areas of the company where they work.

Major improvements have been made to the Employment Channel on repsol.com. These include a new home page, which now features added videos to make the web page more dynamic. Page content has also been redefined, with information now being clearer and more accessible, and also job offers. The Employment Channel obtained the best score in the job category from the KWD Webranking study, in which repsol.com once again cemented its website leadership, having now held on to its title for six years running in the Spanish edition of the study.

Repsol remains abreast of social trends. For this reason, and reflecting its commitment to technological development across all company processes, Repsol investigates and tracks its image and position throughout the social networks so as to seize any opportunity to improve upon its image as employer and use new sources of recruitment.

Talent management

One of Repsol's goals is to have sufficient internal talent to guarantee that its strategic objectives are duly met. It therefore has suitable mechanisms in place to profile and develop all company employees. The company has a raft of corporate diagnostic tools to measure people's capacities, performance, knowledge and management style. Based on the findings, it plans out the most suitable paths for development (mobility, training, hands-on development and best practices), which can therefore shape the development and career plan for both management and technical staff.

One of the key factors in 2011 was working on the management style of bosses. Apart from the information reporting and implementation plans discussed above, the company launched a number of training workshops for bosses, covering conduct and behavior and techniques for assessing and providing feedback. A total of 224 bosses completed the workshops in 2011, which will continue to be staged over 2012. In order to help develop and hone the management style of bosses, the first convention for bosses from the industrial division was held in Tarragona. This pilot project will now be exported to other facilities and businesses.

Bosses were provided with leadership training, with attendance totaling 254 bosses under the "Communicate to lead" program delivered in five different countries. Management style and corporate development tools were also provided to bosses in Peru, Portugal and Brazil.

Since the launch in March 2011 of a new range of executive training initiatives based on the *Repsol Style*, 161 executives completed a total of 10 training schemes over the course of the year.

Another course of action was to strengthen leadership skills in multicutural working environments for those executives who have an international team under them. With this in mind, a specific training program was given to 38 people (17 managers and 21 bosses), while various open-door conferences have also been held on multiculturalism.

In 2011, the company consolidated the systems it uses to assess and develop the talent of its employees, such as People Review, which provides a detailed assessment of people, generating a shared vision of each of them: their strengths, areas of improvement and professional profile. These assessments pave the way for development plans and other specific actions, and envisage mobility throughout the company. In 2011, 1,907 people were assessed, including 27 in Portugal, 40 in Peru and 93 in Venezuela and Trinidad y Tobago.

The Development Center evaluates the level of development of certain acts or conduct of the person by conducting individual and group tests. It is worth highlighting the four Developments Centers held in Brazil and Peru to assess a total of 29 people. The tool has evolved to take on a new combined format, embracing online and in-person dimensions. Boss involvement has been further bolstered following completion of the process to design an Individual Development Plan, which is agreed upon between boss and collaborator.

With a view to improving knowledge and developing people by country, a program of development interviews has been rolled out, with participation in 2011 amounting to 58 people in Brazil and 17 in the United States.

The Assessment-Feedback scheme was also introduced in 2011 to see what perception superiors, team members, peers and internal clients have of the subject's conduct and actions. This scheme started life as a pilot initiative for the heads of the service station network in Spain. Overall, the pilot program has evaluated 122 bosses, with the involvement of 969 people. The program integrates the initial assessment with subsequent follow-up and support actions for bosses and will be gradually extended to other company bosses over time.

In 2011, a diagnostic was conducted on the quality and distribution of technical knowledge within the LNG and YPF Upstream areas and within the Corporate Department for Organization, Processes and Systems, through an assessment of technical skills or critical knowledge. A total of 1,043 people were evaluated as part of the process.

Since January 2011, 7,081 work migrations and 3,373 changes of job classification have been carried out. Within the management team, there have been 60 appointments and 60 migrations.

Training

Repsol is a company committed to people, valuing, promoting and facilitating employee training as the key driver behind their personal and professional development. Training must be focused on developing people's knowledge, skills and attitudes in order to reach the objectives of the different businesses and units, while being aligned with the company's strategy and geared towards developing Repsol's culture and leadership style.

With the aim of improving the management of existing and future training within the company, new functionalities were designed and launched in 2011 to facilitate and streamline training management for employees and bosses alike, thus meeting the need to standardize corporate people management tools within a single, more accessible and user-friendly online environment.

In 2011, more than 1,541,161 hours of training were given to over 37,201 employees across the globe.

A particular milestone was the training provided to new Repsol employees through entry-level master's courses, encouraging them to take Repsol up on the wealth of opportunities it has to offer.

Continuing with the work started in 2010, the company is continuing to develop the specific programs of each business, based on a common working structure and focusing on the process of thinking out employee training and learning needs, encompassing not only strategic needs for each area/unit, but also the job suitability and professional and personal development of our employees.

In line with this tactic of developing training as a strategic lever for attaining the objectives and challenges of each area and of the company as a whole, the concept of e-learning was also strengthened considerably during 2011 through Repsol's Virtual Learning Environment, launched in 2010. This drive forward has led to the launch of online activities and mixed training courses, whereby online training is supplemented with on-site modular training provided over a relatively long period of time (between three months and two years). The new environment also gave rise to the launch in 2011 of new programs aimed at specific groups from the sales divisions, executive staff, and other people who work within the company or who are to change from one area or business to another.

International careers

Repsol currently has 661 expatriates working within the company.

A particular highlight in 2011 was the company's ability to respond quickly to the needs arising from new projects that the company had started in various countries. Proof of this was the recruitment of 166 employees with international profiles and the 39 migrations of existing employees between different countries, thus providing the company with specific experience in key areas to be able to tackle the new challenges facing it. Repsol action within the Libya business unit, which focused on the welfare of employees and their family members given the complex situation affecting the country since the evacuation, illustrates the management style for those posted or assigned abroad, characterized by an integral process that responds not only to the different needs of the company, but also the needs of employees and their family members.

Employee remuneration

A single, standardized calendar was implemented worldwide in 2011, coordinated with the company's Annual Performance Assessment calendar. Thanks to the calendar, the company is now better positioned to match up individual performance assessment with recognition-related decisions, such as pay rises, promotions or mid-term incentives. The upshot of this integration process is added coherency, equality and simplicity in reaching pay-related decisions, which now operate on the same clock worldwide. The aim of this move is to relate and explain the impact of performance on the pay package, offering the employee an overall view of the result of his or her yearly performance and the lines to be followed on the path to future development.

It is also worth noting that in 2011 the Annual General Meeting approved two pay systems articulated through the delivery of shares:

- the 2011-2012 Share Acquisition Plan intended for Repsol YPF Group executives and employees in Spain, whereby interested employees can receive up to 12,000 euros of their yearly remuneration for 2011 and 2012 as company shares, with the share price being equivalent to the closing price for Repsol YPF shares on the interconnection system (continuous market) for the Spanish stock markets on the date the shares are delivered to the beneficiary, scheduled to take place during October, November and December. Over the 2011 period, shares totaling €6.6 million were delivered to the 1,553 Group employees who opted for the plan.
- Plan to Deliver Shares to the Beneficiaries of Multiyear Pay Schemes, divided into five cycles and intended for the Chief Executive Officers, the rest of the management team and other Group employees that are already beneficiaries of certain multiyear cash pay-out schemes. The new program will allow these employees to invest in Repsol YPF, S.A. shares by up to 50% of the gross multiyear incentive they receive during the start year of each cycle. Participants in each of the cycles will be entitled to receive one Repsol YPF, S.A. share for every three shares acquired in the initial investment pertaining to each cycle provided the beneficiary does not dispose of his or her shares within the term of three years. A total of 350 employees signed up for the first cycle of the plan, leading to the delivery of 227,498 shares.

Performance assessment

2011 marked a full year of operation of the Repsol performance system, known as *Gestión por Compromisos* (Management by Commitments), which affects employees who fall outside the scope of the company's collective bargaining agreement, except for YPF, which in 2011 implemented a new performance assessment model called GPS.

For those employees covered by the collective agreement, assessment campaigns were staged in 2011 throughout certain areas of the Refining and Chemicals businesses and throughout central services, at Repsol YPF S.A.

Model of contribution

Owing to the challenges posed by the new economic and social climate, which has pushed companies into adapting to market conditions, the Repsol Group has conducted a review of its people management model. Thus, at year-end 2010, and based on the findings of the working environment diagnostic involving all group employees, interviews were held with all members of the company's senior management in order to compile information on how the model can be improved.

The management concluded by suggesting two courses of action associated with the aim of recognizing the contribution made by the human team that makes up Repsol:

- Adapting the performance assessment system for managers and staff with special duties within the company, known as GxC (Gestión por Compromisos - Management by Commitments), to bring it in line with currently existing needs, three years after its initial implementation.
- Exploring the possibility of implementing models to improve levels of commitment among everyone making up the company -attempting to recognize all contributions of value, regardless of the organizational or professional level from which they emanate- and to peg suitable recognition to the contribution.

Since the nineteen nineties, the Repsol Group has been introducing elements to make people management more dynamic, thus ensuring that all Group companies remain competitive in the different markets in which they operate. First of all, the Negotiation Committee of the most recent VI Framework Agreement (collective bargaining agreement governing the main aspects of the negotiations between the different Group companies in Spain) was fully aware of the need make changes in the direction of the economic system, which, while maintaining the purchasing power of salaries, now pegs additional pay increases to the achievements of the company.

Secondly, the improvement in business results can be put down to the contribution made by all people that make up the company. Aligning the objectives of all these people will lead to a quantifiable improvement in earnings, which will undoubtedly help offset the negative effects of the prevailing crisis in business throughout Spain.

The agreement, which remains in effect until 31 December 2013, envisages the following pay items:

- Salary increase reflecting the consumer price index (IPC) and additional increase of 0.5% in 2011, 0.3% in 2012 and 0.2% in 2013, payable only if the Group accomplishes a specific net income in each year.
- Implementation of a variable pay system for people covered by the collective bargaining agreement. This pay item is intended to ensure that the commitment of everyone working for the Repsol Group in Spain is geared towards attaining the key objectives of each organizational unit. A culture of measuring efficiency will also be introduced throughout the organization.
- Agreement to create a joint company/trade union committee to develop an assessment system that can be applied to all activities relating to people management.

These initial achievements and agreements have paved the way for a new company model demanding increased commitment from everyone, reflecting and adapting to the diversity of the people that make up Repsol, and bringing about growing levels of personal and professional development.

Innovation and Improvement

The Innovation and Improvement initiative originated, in 2011, as senior management's commitment to generate an effective lever to enable Repsol to respond rapidly to a changing environment and to enable it to "invent the future". Similarly, it represents a response to the needs and expectations collected through interviews and focus groups of managers at the highest levels and with the greatest knowledge in the whole Group, carried out during 2010 as part of an extensive process reflecting on the strategic management of Quality and Knowledge Management Functions.

So, the main milestone in this area in 2011 was the development of different Innovation and Improvement units in the businesses and the corporate area in order to promote innovation in the company, where this is seen to be a fundamental competence with which Repsol needs to equip itself to survive and evolve in a changing environment with growing uncertainty. Activity in 2011 was aimed at responding to the main challenges across the board this project involves:

Culture of innovation

The initiative was defined, clarifying its purposes and objectives, validating it with all interested parties and defining a set of initiatives aimed at achieving a culture of innovation in Repsol. The basic concepts and fundamental values this project represents for the company are collected in what has been called the Innovation Address, endorsed by Executive Management, which places each Repsol professional at the centre of the innovation process.

To drive this initiative, from a system perspective, the main levers were identified and adaptation was made to the 2011 survey, so as to include specific aspects of innovation and improvement, enabling them to be assessed and considered within this analysis. All of this enabled a reference point to be determined as regards the culture of innovation already existing in Repsol.

A key milestone in facilitating this is the organizational arrangement chosen to carry it out. An Innovation Network has been set up, providing this with a common language and aims through specific awareness raising and training activities, needed to enable leadership of this cultural change project.

The Network is intended to encourage and watch over the promotion of the culture of innovation, involving exchanges of experiences and good practices through initiatives in the Master Plan (including knowledge management), which have a horizontal and multidisciplinary nature with respect to all the company's areas.

As an aim, innovation is one of the cardinal points on which the Repsol Master Plan for Energy Management is structured, in which nearly 100 new Repsol professionals will participate in 2012. Following the principle of "learning while doing", while they carry out their project they will make use of various innovation techniques, with the assistance of the same experts who are working in our business units.

Furthermore, self-assessment processes have been continued as per Repsol's own model, which has formal recognition from EFQM and Fundibeq as "good management practice", ensuring alignment of the diagnostic process with the business strategy, the incorporation of improvement initiatives and monitoring of action plans.

In this regard, specific actions took place in 2011 for the Chemicals, Refining Spain, Upstream Spain and Ecuador and Refining and Marketing Peru business units, and progress was made in developing the Repsol diagnostics model by including for the first time an analysis of effectiveness in deploying functions considered mature in innovation, knowledge and process management based on integral management reflection in the Personnel and Organization Department.

This reflection has been an excellent "field trial" for Repsol's diagnostics model, enabling it to be adjusted for optimized applications in future processes in other areas of the company.

Agility and flexibility

In order to make the company more agile and flexible, initiatives have been promoted aimed at improving project management in the company, accelerating the planning and budgeting process and experimenting with different forms of working and organization.

Likewise, to facilitate rapid access to the information required to respond to the businesses' needs, and continuing along the line begun in 2010, a new search engine was implemented during the year (Autonomy, recognized as the market leader due to its capability to offer results of greatest relevance by capturing the logic underlying documents), to give access to the company's main information sources. Two pilot programs for advanced features based on this are reaching their conclusion. The commissioning is also beginning of platforms for mobile devices which will enable more, better and quicker access to knowledge for employees who are physically moving around, without this being a limitation.

Collaboration and network working

In this field, the dynamics of creating collaborative settings focusing on networked working and exchanging experiences relating to relevant business aspects or knowledge common to its members is maintained. There are now 21 practice communities and 240 interest groups.

The concept of personal work space began to be developed in 2011. The objectives of this are to facilitate employee access to collaborative environments and boost the dynamics of knowledge and experience sharing.

The launch of the first pilot program for a new collaborative environment in the company is worth highlighting, based on the new forms of relationship offered by new technologies, seeking to make it easier to make best use of the talent and knowledge of all Repsol's professionals, regardless of their position and responsibilities.

Similarly, the initiatives to guarantee retaining the knowledge of employees retiring, rotating or changing jobs for transfer to others were continued in 2011. This is supported by the collection of personal experiences recorded and transmitted using audiovisual means. There are other actions in the same line, such as the implementation of specific tools to conserve the "technical memory" of certain businesses, such as the Exploration and Production business with its "Know Howse" environment.

Open organization

The implementation continued in 2011 of an open and collaborative innovation process in which employees can take part, by means of the development of systems for managing ideas in the businesses. This promotes the creation of an environment which channels creativity and encourages participation, involvement and the development of the people who work in the company.

The idea management process has been defined and a new computer tool was assessed, selected and implemented to support it. This represents a development on the path initiated in 2010 and permitted the launching of six campaigns aimed at over 10,000 employees, through which over 3,000 ideas have been contributed.

The open organization dimension also extends outside of Repsol. External innovation programs were launched in all fields in 2011. Examples such as the Inspire Program with the Technical University of Madrid, collaboration with Pasion>IE alongside the IE Business School and Accenture and several projects with the ESADE Creapolis innovation centre and Co-Society complement the Entrepreneur's Fund managed by Fundación Repsol in the collaborative search for new ideas and innovative projects.

Labor Relations

Repsol signed the VI Framework Agreement with Spain's largest unions – the CCOO and the UGT – in 2011. This regulates working conditions for all the Group's workers in Spain. Its contents are being translated to the collective agreements.

As mentioned in the section on compensation, this agreement, valid during the 2011-2013 period, includes a new variable item linked to the business unit's objectives, guaranteeing the workers' purchasing power and including the possibility of obtaining additional increases linked to the company's achievements. Additionally, the commitment to employment stability and to inclusion of disabled people is renewed and it contains advances as regards training, conciliation, health and safety.

A full meeting of the Repsol Union Network was held in Santa Cruz de la Sierra (Bolivia) from 26 to 28 September. Sector and Repsol union organizations from the following countries were present at the meeting: Bolivia, Colombia, Argentina, Brazil, Peru, Ecuador, Mexico and Spain, as well as the International Federation of Chemical, Energy, Mine and General Workers' Unions (ICEM).

In the meeting session with Group Management representatives, the Group's industrial and commercial reality, Corporate Social Responsibility policy and specific activity in Bolivia were covered. A presentation was given on the project underway in the Margarita field, highlighting the agreement concluded in application and development of the International Labor Organization's Convention 169 with the region's indigenous communities, organized and represented by the Itaka Guasu Guarani People's Assembly.

Health and Safety

In the health area, the following initiatives were developed in 2011:

- A general framework for action and a model were defined for effective deployment of the health and safety function throughout the Group. This management model includes responsibilities, the governance and supervisory elements and the coordinating bodies necessary to ensure compliance with policy, strategic lines and objectives.
- The Standard for Assessment of Environmental, Social and Health Impacts was approved, responding to the latest trends as regards the assessment of health impacts. This makes it possible to include action with local communities and the consideration of health aspects at an early phase in the projects.
- The projects for expanding the Cartagena and Petronor refineries were completed without serious accidents.
- Continuing with the audit plan in compliance with the internal health regulations, auditing was carried out on the Dynasol centre at Santander.
- Support visits were made to the operations in Algeria and Cuba to assess the emergency plans and evacuation systems established (including availability of appropriate external suppliers).
- A variety of humanitarian aid actions took place as a consequence of the conflict in Libya.
- Training of employees in various health areas (first aid, cardiopulmonary resuscitation, back school, stress management, manual handling of loads, etc) was again a priority area of activity.

The carrying out of a variety of campaigns promoting health and healthy habits in different countries continued (campaigns for early detection of colon and prostate cancer, detection and control of high blood pressure, prevention of malaria and hepatitis A, for prevention of contagious diseases, etc).

The presentation of the Healthy Company 2011 to Repsol Bolivia is to be highlighted, thanks to the actions carried out within the Know How to Live program in the areas of health care, prevention and promotion.

Innovation and technology

Repsol considers that investment in R&D&i, performed with the calling to be leader, is one of the key factors in making possible a more efficient and sustainable energy system, capable of responding concurrently to the two great challenges in the sector – supply security and reduction of CO_2 emissions – while maintaining the competitiveness of the energy system. For this reason, Repsol invests in R&D to help find solutions to such important challenges, thereby providing value both to the company and to society as a whole.

Uncertainty about what will be the dominant technologies of the future, time to maturity of R&D efforts, economic cycles and pressures to reduce costs at low points in the cycle have led Repsol to develop a Strategic Technology Plan as part of its business strategy. The lines of work set out in the plan cover all the company's businesses: hydrocarbons exploration and production, the natural gas value chain, oil refining and its products and petrochemicals, and new energies for diversifying energy production and its use.

In 2011, Repsol invested €75 million in R&D activities carried out directly at its technology centers in Spain (Móstoles) and Argentina (La Plata) and a further €7 million in projects undertaken in the company's different business units. Repsol maintains an active policy of collaboration with technology centers, public and private universities and companies in Spain and internationally. The investment earmarked for these types of agreements was €13.7 million. Repsol participates in R&D financing projects run by different government authorities. In 2011 it took part in 12 projects promoted by the Spanish government and four European Union projects.

Repsol has over 500 specialists in its different research centers.

R&D Programs

Upstream. In this area, Repsol develops and applies the most advanced exploration technologies to find new oil and gas fields. The significant discoveries reported in 2008, 2009 and 2010 are a good example of the efficient development and use of these technologies. The Caleidoscopio project, as well as other technologies of its own development, place Repsol at the forefront of the exploration in complex areas. Furthermore, it has signed collaboration agreements with technology companies and has a strategic alliance with the Barcelona Supercomputer Center. The aim is to raise the level of confidence in subsoil images and reduce the uncertainty in the search for oil and gas accumulations. These technologies can be applied in difficult areas, with forecast of reserves thousands of meters down, such as in the Gulf of Mexico and Brazil, where thick layers of salt conceal very high quality reserves.

A significant change in the company's Upstream Technology occurred in 2011, with the definition of a new Strategic Plan for Upstream Technology for the period 2011-2015. After an exercise in internal reflection, the 2011-2015 strategic plan was built on the technological successes of recent years and focuses activity on key strategic lines for the company, such as simulation of wells, illumination of sub-soils, characterization of wells and non-conventional hydrocarbons. The challenge for the new plan is to develop and apply a new generation of technologies to make it possible to successfully tackle and deal with the technological challenges demanded in the company's large investment projects in coming years.

LNG. Advances in the development of liquefaction technologies continued in this area, to be used in floating systems. This will enable the exploitation of gas reserves which cannot currently be used in an economically competitive manner. Repsol also systematically monitors alternative technologies for exploiting gas reserves, such as the conversion of natural gas into liquid fuels, compressed natural gas and hydrate technology as a means of transporting and storing natural gas.

Downstream. In the area of oil refining and its derived products (petrol and diesel, LPG, asphalt, lubricants, specialized products, etc), technological knowledge is applied to optimize the operation of refineries and to enhance product quality, with particular attention paid to advances in energy efficiency and environmental issues.

As an example of the developments in this area, it is possible to mention technologies aimed at achieving the objectives of the multi-year plan for refinery energy efficiency, together with the support for the commissioning and development of tools for optimizing the C-10 project for expanding the Cartagena refinery, works aimed at differentiating fuels using new approaches ranging from petrol and diesel to heavy fuel oils, the use of more environmentally-friendly lubricants, formulated using regenerated raw materials and biodegradable oils (highlighting the launch of the first product with Ecolabel labeling granted in Spain), the development of processes facilitating the obtaining of new products for formulating tires in more demanding and competitive markets, the innovative development of asphalts of improved environmental quality and support for LPG applications for transport and integrated systems of improved energy efficiency.

In petrochemicals, company programs continued aimed at improving energy efficiency and cost saving and lines of technological development aimed as a priority at obtaining new differentiated and specialty products. Outstanding in 2011 were the industrial production of new grades of hydrogenated rubbers of higher added value developed in Repsol's Technology Centre, the development of new grades of polypropylene for fabrics aimed at markets with high margins, the industrial manufacture of polyethylene with improved properties for production of large-diameter pipes and the development of technologies for producing next generation polyols for polyurethane foams.

New energies. In 2011, the alignment of the technological strategy in new energies continued to drive R&D associated with the challenges the company sets in its business strategy. Outstanding in this sense was the activity related to bioenergy, through the development of new energy crops, the development of technology in microalgae cultivation and in biology for production of biofuels. CO_2 technology was oriented to its transformation into added-value products, electric transport technologies to energy recharging and storage systems and renewable electricity generation was focused on future technologies with synergies with existing capabilities and Repsol's potential for development.

Technology prospecting studies

In order to achieve a future with energy sustainability, Repsol must overcome ambitious technological barriers to arrive at new and better solutions, as well as analyze the potential impacts of social events, scientific findings and the evolution of natural resources. Repsol carries out systematic prospecting studies to visualize future scenarios and, in relation to these, identify opportunities arising from the long-term evolution of technologies in the energy and petrochemical sectors.

These include studies on the use of oils for the production of biofuels, new technologies for engines and fuels, battery technologies for electric vehicles and refining scenarios for 2030. These studies allow Repsol to gain a clearer vision of the future to guide its portfolio of technological investments.

Patent policy

Fully aware of the huge importance and value of research and development work, Repsol is committed to the protection of the results of this work. In 2011, it applied for patents to cover numerous inventions in a range of different fields, such as catalysis to streamline processes, the development of new polyol processes or applications, new products, new Upstream technologies for evaluating underground formations, and new devices and equipment intended for LPG uses.

Corporate responsibility

Energy companies assume great challenges and considerable responsibility when facing the challenges of a sustainable energy model that guarantees a safe supply, contributes toward mitigating climate change effects and respects human rights in all applicable areas.

In 2011, the corporate responsibility function that formalizes Repsol YPF's current Corporate Responsibility (CR) model was approved. This model is the way that the company as a whole contributes toward sustainable development. This model comprises:

- The company's values and principles behind its actions arising from the commitments it has acquired through the internal regulations that have developed CR issues, assumed positions and adherence to the principles of various international initiatives.
- The Corporate Responsibility Coordination System, which consists of four components:
  - To ascertain what is expected by the stakeholders (authorities, shareholders, investors, employees, customers, suppliers, communities, partners, etc.) with respect to the company's CR performance.
  - To review CR performance and compare it with the stakeholders' expectations at the corporate, country and main operating center levels.
  - Bring performance closer to expectations through actions involving revising the company's operating processes, training programs, awareness and training or strategic social investment. Each of those actions incorporates specific performance indicators. These actions as a whole make up sustainability plans that are publically acquired commitments that are informed publically.
  - To measure progress by using reputation metrics.
- Government and Corporate Responsibility bodies: the Strategy Committee, Investments and Corporate Social Responsibility of the Board of Directors, the CR Committee at the corporate level and the CR Committees for Spain, Bolivia, Ecuador and Peru. All of the committees are made up of representatives of the areas concerned with fundamental Corporate Responsibility issues such as: Employees and Organization, Communication and External Relations, Community Relations, Legal Services, Safety and Environment, Purchasing and Hiring and Corporate Safety.

Each committee is in charge of applying the company's CR Coordination System at the company and operation levels; track sustainability plans; determine the strategic social investment needs in the country; learn and orient the information appearing in the country's CR Report, if any; learn and orient the information appearing in the country's Global Compact Progress Report, when the company, at the country level, adheres to this initiative and any other national information arising from CR commitments acquired publically by Repsol YPF and coordinate the company's participation in international countrywide initiatives such as the EITI.

Repsol has maintained an active commitment with the ten principles of the United Nations Global Compact since 2003 when it joined this high value initiative to achieve a fairer and more united world.

Furthermore, Repsol is aware that extraction produces a major source of income for governments of countries with natural resources. If they are properly managed, they can and should contribute to their economy's growth very positively. Therefore, from the moment it was launched, the company joined the Extractive Industries Transparency Initiative (EITI), the global initiative that Repsol considers to be best positioned to achieve the goal of increasing the transparency of financial information.

To give a detailed report on the progress and performance of ethical, social and environmental issues, Repsol publishes its Corporate Responsibility Report and the United Nations Global Compact Progress Report annually. Aware of the importance of the impacts generated by the company's activities and operations, and therefore of the relevance of providing a detailed report to interested parties on a local level, Repsol has published the Repsol YPF Ecuador Corporate Responsibility Report for the third consecutive year. Furthermore, in 2011, a Corporate Responsibility Report for the La Pampilla refinery in Peru was published for the first time.

Repsol's presence in international sustainability indexes is proof of how the company has been able to win the trust of those analysts and institutional investors who understand that corporate responsibility is a good indicator of the quality of management and governance of a company.

Yet another year, the company's performance in corporate responsibility matters has been recognized and it continues to be a part of the following prestigious sustainability indexes: FTSE4Good, Ethibel Sustainability and Dow Jones Sustainability. For the first time this year, Repsol obtained the maximum score in this last index. Thus, it became the world's most sustainable oil and gas company.

Once again, Repsol received the Gold Class company rating according to the 2011 Sustainability Yearbook as recognition of the companies with the best sustainability and corporate responsibility behavior in the world.

The leadership obtained in 2011 corresponds to the effort made in all company areas. It was driven by its management team because it improved its performance. This recognition demonstrates Repsol's firm commitment to transparency and corporate responsibility and ethical, environmental and social values that are part of its corporate culture.

Repsol Foundation

During 2011, Repsol Foundation has maintained and reinforced its commitment to improve society. To do so, it has held programs with objectives based on social integration, community development, sustainability and imparting art, science and culture.

In order to be present in those areas where it can make the greatest contribution such as energy, the environment and sustainability, it created the Repsol Foundation Entrepreneur Fund. It is a pioneering initiative in Spain to promote and support corporate energy efficiency projects that provide solutions toward improving efficiency and savings and responsible energy use. This initiative, integrated into the commitment to improve current energy models' sustainability, arose with the objectives of attracting talent, promoting innovation and corporate development, generating economic activity and creating jobs. To do so, the Foundation foresees selecting up to five projects out of the ones presented in each tender process. These will receive technical, business, legal and financial advice and financial support for as long as necessary to develop and place them on the market. The selected projects will also be granted access to the necessary investors and business contacts to boost their commercial development. The Foundation will endow €1.5 million to the Entrepreneur Fund per year.

The Energy Observatory has continued to progress in its energy savings and efficiency studies and publications. The Energy Efficiency and Greenhouse Gas Emission Intensity (GEI) indexes were updated. The former expresses the evolution of global energy efficiency broken down by economic sector in Spain and the latter shows the evolution of greenhouse gas intensities associated with the economic activity.

The aim of Citizen R is to promote responsible citizens. It is a project that specially targets young people and children and encourages a culture of participation, respect and solidarity as well as the importance of responsible energy use, taking care of the environment and energy sustainability. In 2011, the Citizen R caravan, a space equipped with interactive resources for different areas of educational workshops and games traveled to Barcelona, Valladolid and Madrid (Spain) and Lisbon, Sines and Porto (Portugal). In total, it has received more than 22,000 visits of which more than 10,500 were schoolchildren.

Within the framework of the European Year of Volunteering, the Foundation implemented the Volunteer Plan to address social concerns put forth by the group's employees and their environment. At the same time, it contributed toward building a better future in society. The plan, encouraged by the senior management, is conceived by and for volunteers, and it encompasses a wide range of actions, especially in social matters. It has initiatives aimed at training youth and programs that cover activities to help the most underprivileged groups: promoting values, intergenerational cooperation, actions to promote sports, rehabilitation of the environment and others such as online volunteering. The plan already has six fully developed programs that encompass the work of 800 volunteers R nationwide and a wide network of collaborators who help to effectively deploy these activities.

In the area of Education and Training, with the commitment to meet the new training demands, a scholarship program is being developed in cooperation with the Petronor, A Coruña and Tarragona refineries to encourage local youth to get job training. The last time it was offered, more than 65 young people benefitted from the aid. Furthermore, through Repsol Chairs, in order to complete postgraduate education and contribute toward promoting research, Repsol collaborates with Professional Technical Schools for Mining Engineers and Industrial Engineers at the Universidad Politécnica de Madrid and with Universidad Rovira i Virgili de Tarragona.

Likewise, in order to research, acquire knowledge and promote competitiveness and regional development, the Repsol Chair of Competitiveness and Regional Development at Universidad de Lleida was implemented.

Within the field of education, another of the Foundation's objectives is to generate, impart and promote scientific knowledge. With this purpose in mind, a partnership agreement with the Parenting University's Educational Foundation was implemented. It is represented by philosopher and writer José Antonio Marina and its purpose is to develop a project that contributes toward waking young people's interest in science and technology. Furthermore, within the framework of the agreement that Repsol holds with the National Library of Spain, a series of educational and cultural activities to bring science closer to the public and stimulate interest in scientific knowledge were sponsored. Training of South American specialists in preserving their cultural and bibliographic heritage has been encouraged.

The Foundation is becoming increasingly involved in integrating the disabled. Through cultural, sports and educational initiatives, the Foundation has worked toward achieving a social model that enables equal opportunities and facilitates this group's job and social insertion. Thus, in cooperation with Fundación ONCE (ONCE Foundation), they continued with the "Tu Formación no tiene límites. Desarrolla tu Futuro" (Training is unlimited. Develop your future) program, and the program titled "Campus inclusivos de verano Campus sin límites" (Campuses that include summer. Limitless campuses) in which a total of fifty students with different types of disabilities have participated.

In the scope of the Foundation's commitment with this group, Recapacita (Think it over) was registered. It is an awareness program for society about the difficulties and barriers that disabled persons encounter in their daily lives. The Recapacita tent has traveled to eight Spanish cities (Puertollano, Tarragona, Santander, A Coruña, Arteixo, Bilbao, Murcia and Madrid) with a final balance of 17,000 visitors.

The Repsol Foundation was awarded in 2011 with the Prodis and Discapnet awards as recognition for its efforts integrating the disabled.

In the field of research and social studies, the Foundation conducted the study titled *Social Aspects of Sustainable Mobility*. It shows a cross-section of Spanish society's habits and behaviors in connection with mobility and the impacts caused by the current behavioral models. At the Social Energy Observatory, the *Repsol Energy Efficiency Social Indicator was updated*. This indicator analyzes the habits, beliefs, knowledge and aptitudes of Spanish society in light of energy consumption and it identifies social mechanisms and tools to boost energy efficiency.

In the countries where the company is present, the Foundation conducts programs that promote community development and improvement of the quality of life. It does so by acting with specific projects that are suitable for the needs of each area. Thus, in Peru, a program is being developed that is aimed at low-income youths from Pachacútec and Arequipa in order to make it possible for them to access the educational system and favor subsequent insertion in the workforce.

Also in Peru, construction of Luisa Astrain School was concluded. During the first year of academic activities, 375 students enrolled. With this initiative, the town of Pachacútec will be able to generate opportunities for 1,000 schoolchildren from their infancy. This will enable children in extreme poverty to access a quality education.

In Colombia, the Foundation has contributed toward the building and furnishing of the Integrated Child Development Center (CIDI) in Cartagena de Indias. This was done to solve the health problems identified in the area and reduce infant mortality by offering care to babies.

In Bolivia, the health project that stands out is the consolidation and expansion of the infrastructure of Hospital San José Obrero de Portachuelo in Santa Cruz de la Sierra. This is a township with a very fragile health situation. It has critical maternal and infant mortality indicators in children under five. With that, all of the health needs of the population that exceeds the hospital's current capacity will be covered.

Spreading culture is another factor that helps society's development and progress. Through different initiatives, and in cooperation with other institutions, the Foundation brings literature, music, theater and art to citizens.

These programs and other initiatives are a sample of Repsol Foundation's responsibility and its contribution toward sustained improvement of society and welfare.

YPF Foundation

The YPF Foundation's mission is to consolidate and accompany YPF's commitment to the country through educational, social and cultural initiatives that generate opportunities for development and contributed toward Argentina's growth. Its objectives include:

- To promote the development of education, culture and social and job insertion of the communities where YPF works.
- To be a model of the actions that should be taken for companies and nonprofit organizations.

- To coordinate between the private and public sectors and encourage the implementation of policies that contribute toward the country's sustainable development.
- To strengthen the ties between YPF, its employees and society.
- To generate job opportunities by training youths who have been excluded from the knowledge society.
- To foster the development of society through the transforming and integrating power of art, promoting values and preserving historic heritage.
- To contribute toward preserving and caring for the environment.

The YPF Foundation's actions are reflected through numerous educational, social and cultural initiatives performed with dedication and motivation by the Foundation's staff.

In education, the Gregorio Álvarez Cultural Center was inaugurated so that the inhabitants of Plaza Huincul and Cutral Có (Neuquén) can enjoy the variety of art and cultural activities offered by this new space. The Foundation continued working on reinforcing technical education and several different programs that make it possible to socially include youths through vocational training oriented toward creating job opportunities.

Culture and art make a positive impact on the community and stimulate its development. They also affirm our identity. The space titled *Arte en la Torre* (Art in the Tower), the itinerant samples of Argentinean artists, the program titled *Argentina Pinta Bien* (Argentina Paints Well) and the cultural cycle have enabled the Foundation to show and promote the talent of Argentinean artists. At the same time, it has stirred the interest of young people nationwide.

Repsol YPF Ecuador Foundation

To root itself in its firm social commitment, Repsol voluntarily decided to create a foundation in Ecuador with the main objective of working toward developing the native and mestizo communities located in territories of block 16's indirect influence. The Repsol YPF Foundation was founded on 11 May 2001.

Three priority lines of intervention to improve the populations living conditions were identified from a study of the area's socioeconomic and cultural conditions. The first one concerns education and job insertion; the second is oriented toward health and sanitation and the third refers to reinforcing productive and business capacities at the micro and local levels. Furthermore, since 2010, the Inclusive Business Model has been implemented. Besides creating corporate benefits, it creates social and financial value when integrating low-income persons in many companies' productive activities.

In 2011, the Repsol YFP Ecuador Foundation participated in twenty social development projects. Out of these projects, eight were executed during the fiscal year, and they entailed expenditures. The remaining twelve, on the other hand, were projects being tracked in which accompaniment and technical assistance prevailed. Within the foundation, there is the conviction that the supported initiatives' sustainability requires an injection of funds. However, once this process has concluded, it will be necessary to continue accompanying the projects through ongoing tracking until they are completely autonomous.

A total of 11,095 people benefitted from the programming carried out by the Repsol YPF Ecuador Foundation using its own funds, with resources contributed by institutions, counterparties, strategic allies and the community itself.

The effort to generate proposals to seek additional funding is held in place to engage multilateral cooperation institutions and other companies to join the initiatives to support social and environmental development projects.

Safety and environment

For Repsol YPF, attention to safety and the environment plays a central role in managing its activities. Repsol YPF's principles for safety and the environment are defined in its Health, Safety and Environment Policy. It is applicable in all company activities. In the policy, the company pledges to conduct its activities while considering the following to be essential values: safety, people's health and protecting the environment.

Additionally, safety is one of the company's fundamental and unwavering ethics that should guide all actions and commitments.

The basis for safety and environmental management is the management system. This system is comprised of an extensive body of regulations, procedures, technical guidelines and management tools that are applicable in all company activities. They are being continuously updated to be adapted to the sector's best practices.

The Management Committee establishes the safety and environmental objectives and strategic guidelines. These are the basis for drawing up objectives and plans of action for all of the company businesses. These plans consider the necessary actions for the PCDA of management, investments and associated expenses and the adaptations to new legislative requirements.

Additionally, the duties of the Board of Directors' Audit and Control Committee include learning and orienting the company's safety and environmental policy, directives and objectives.

Repsol YPF's 2011 Corporate Responsibility Report lists the most notable actions carried out during the year to improve safety and to protect and conserve the environment. It also includes the development of the most relevant indicators.

Safety

The frequency of accidents with doctor's note included (company personnel plus contractor) decreased by 21% with respect to the previous year, thus meeting the annual objective set. This objective is part of the annual objectives of the Repsol YPF employees who have variable pay linked to goals attained.

The goal is to achieve zero accidents in Repsol's activities. In the last five years, the frequency with doctor's note included has decreased by more than 60%. Nevertheless, during 2011, Repsol has had to lament a total of four fatal accidents involving contractor personnel during the activities (two of those deaths occurred in traffic accidents).

The safety management system is aligned with international standard OHSAS 18001 (Occupational Health and Safety Management System). Repsol encourages progressive certification of company centers according to that standard as a way to promote PCDA and obtain external validation of management systems. Currently, all the refineries and chemical plants, practically all lubricant and specialty facilities, several exploration and production facilities and a growing number of facilities for other activities are certified. (See detail of certified facilities at www.repsol.com).

Among the noteworthy safety milestones in new projects is the company's significant challenge that has brought about the expansion projects for the Cartagena refinery and fuel oil reduction projects at the Petronor refinery. Both of them are in Spain and are remarkable due to their magnitude. To guarantee safety in developing these projects, several activities have been carried out. These include: incorporating better international construction management practices, management of the necessary general services to meet construction workers' needs, compliance with regulations and standards due the high degree of coordination between Repsol's specialists and outsourcing company professionals, preventive observations made by specialized technicians and monitoring and tracking of materials and welding quality. Close to 22,200 people belonging to more than 700 contracting companies have participated in the projects. During the more than 37 million total hours worked, a frequency index of 1.05 was achieved. This figure is far inferior to the construction sector's average in Spain.

Environment

The environmental management system is aligned with international standard ISO 14001. Repsol encourages progressive certification of company centers according to that standard as a way to promote PCDA and obtain external validation of management systems. Currently, all the refineries and chemical plants, all lubricant and specialty facilities, practically all exploration and production facilities and a growing number of facilities for other activities are certified. (See detail of certified facilities at www.repsol.com).

In 2011, significant environmental investments were made that were aimed at improving the environmental quality of petroleum products, minimizing air emissions, increasing energy efficiency, optimizing water consumption, reducing the contaminating load of dumps and improving spill prevention systems. All of this was done by applying the available best practices and technological innovation. Also of note is the effort undertaken to identify, evaluate and correct the possible past contamination situations. In note 35 of the Consolidated Financial Statements, information on assets, provisions, expenses and future actions of an environmental nature is listed.

In addition, Repsol YPF was recognized by *Newsweek* magazine as the company with the best environmental performance in the energy sector in Green Ranking 2011. This ranking assesses the environmental practices of the 500 major companies traded worldwide. It considers three categories: environmental impacts, the environmental management system and transparency on the environmental report. This year, the company's transparency was quite positively evaluated in the report on environmental issues. Moreover, it was highly evaluated in the environmental management system category. That was because of the programs, initiatives and certifications implemented in the entire organization to meet the commitments set forth in the Safety, Health and Environment Policy.

This recognition is the result of the company's joint effort to improve its environmental performance, and it shows Repsol YPF's commitment as a beacon in its sector.

Spill prevention

Repsol YPF has adopted cutting-edge techniques in preventing and remedying pollution, managing accidental spills and maintaining the facilities. In this regard, the company has a marine and river spill management regulation that lays down the common basic directives for managing, preventing and responding to incidents caused by marine and river spills of oil and gas and toxic and potentially hazardous substances in all company activities.

In response to two spills on the Tarragona (Spain) seacoast in early 2011, Repsol YPF, as an extension of the actions carried out to date, drew up an Integrated Plan of Action along the Tarragona seacoast. Its purpose is to contribute to improving environmental protection, reinforcing the quality and safety of company operations on the seacoast and it has an associated investment of €131 million in the next four years. This investment is mainly assigned toward guaranteeing the integrity and reliability of the Upstream facilities (Casablanca platform) and downstream facilities (dock and outdoor rack), that Repsol YPF has along the Tarragona seacoast.

The plan's scope on the Casablanca platform amounts to an estimated investment of €50 million focused on performing actions aimed at extending the platform's life and implementing the best available technologies. Furthermore, at the dock and outdoor rack facilities, an estimated investment of €81 million should be made. It is focused on extending the facilities' reliability over time and implementing technological improvements that will make it possible to have facilities with the best safety standards on the market.

The 2011 Corporate Responsibility Report lists the actions taken during the year.

Safety during offshore operations

Repsol YPF has a great deal of experience in offshore operations and it has performed deep-water operations both in the Gulf of Mexico and elsewhere. As part of the PCDA cycle, the company's standards and procedures are periodically reviewed and the lessons learned, recommendations and international best practices are incorporated.

In this regard, Repsol YPF has emergency response plans for those scenarios that may have an environmental impact. They include responses to oil and gas spills.

These contingency plans are drawn up according to the scenarios with the most risk based on local regulations, internal rules and the industry's best practices. They are reviewed and updated beforehand, both at the beginning of the drilling operations and after changes have been produced that may affect the operations' normal operation. These plans are subject to approval processes that are both internal and by the appropriate government authorities in the country of operation.

Before implementing the well construction operations, all of the most significant risks are identified and actions aimed at avoiding damage to people, the environment and the facilities are implemented. Measures are taken through documentation to ensure that all technical aspects have been properly implemented and verified. Additionally, the services commissioned are subject to periodic supervision and inspection during the operations in order to ensure that the local regulations, internal rules and the industry's best practices are applied.

In addition, Repsol YPF is a member of the OSR (Oil Spill Response), Clean Gulf Associates (CGA) and other mutual benefit societies or consortiums that intervene in large spills. These consortiums provide technical support and equipment for environmental emergencies.

Sustainable energy and climate change

During 2011, the 2012-2020 Carbon Strategy was reviewed and updated. Its objective is to boost the company's vision of a more diversified and less carbon intensive energy supply. The Carbon Strategy's end goal is to have a common method of acting that harmonizing the existing initiatives and detects synergies with an integrated focus.

After the creation of the New Energies business unit in 2010, currently deploying its plans of action, Repsol considers it necessary to prioritize carbon intensity reduction activities in company operations. It focuses on the following areas:

- Energy efficiency to reduce CO_2 emissions and energy consumption through carrying out systematic plans that enable reduction opportunities to be developed.
- Carbon Markets that focus on mitigating the deficit foreseen in the European Union Emissions Trading Scheme (EU ETS), development of MDL projects and procurement of Certified Emission Reductions (CER).

- Prospecting and development of technologies that enable CO_2 to be transformed into added value products.
- Biofuel strategy for research, development, production, mixing and distribution.
- Development of new technologies for transport that contribute toward guaranteeing the supply with cleaner fuels with a lesser impact on the environment.
- Integration of carbon management throughout the company's value chain.

Repsol YPF's Management Committee is in charge of approving the company's carbon strategy as well as evaluating its implementation. Additionally, since 2005, the duties of the Board of Directors' Audit and Control Committee include learning and orienting the company's safety and environmental policy, directives and objectives including climate change aspects.

Repsol YPF has set a strategic objective of reducing 2.5 million tons of equivalent CO_2 during the 2005-2013 period. This is displayed in annual reduction objectives with respect to a business as usual scenario. They are approved by the company's Management Committee. They are part of the annual objectives for most of the Repsol YPF employees who receive goal-oriented variable pay. A reduction of roughly half a million tons of equivalent CO_2 was brought about in 2011 through specific energy savings actions. The accumulated decrease as a consequence of all actions taken between 2006-2011 amounts to 2.1 million tons of equivalent CO_2 more than 80% of the strategic objective).

Within the scope of energy efficiency, of note is the certification by an external entity of the Energy Management System of the A Coruña refinery in conformity with the new ISO 50001 standard. This is the first certified facility with these characteristics in the world. Implementing this system enables:

- Consolidating energy management criteria and good practices, applying them homogeneously among areas, systematizing work methods, prioritizing opportunities for improvement and ensuring that those efficiency criteria are present in all activities performed.
- Decreasing energy consumption due to the incorporation of all energy management-related activities in one PCDA cycle. To do so, it is fundamental to have tools to identify, analyze and implement opportunities to save as well as to efficiently monitor both energy consumption and the related processes or activities.

This system lies within Repsol YPF's commitment to efficiently use energy at its facilities in order to preserve natural resources, reduce atmospheric emissions and contribute toward mitigating climate change effects.

After this experience's success, this certification was extended to the Puertollano refinery with the implementation of an Energy Management System to obtain ISO 50.001 certification.

Communications

Repsol believes that communications is a key element in its relationship with society, and, in order to adequately manage it, makes available to its main stakeholders various online and offline tools with which to effectively and transparently report on its activities and businesses. The company is betting on a communications strategy that is based on proximity, truthfulness and speed as the main principles of its General Communications Management strategy.

Shareholders and investors

Many ways to learn about the company's everyday activity are made available to these groups. Since it became a listed company in 1989, Repsol has maintained an Investor Information Bureau (OIA) and an Investor Relations Management, through which it serves its investors and securities analysts. In recent years, analyst coverage of the company has greatly increased, reaching a total of 41 analysts that effectively follow the company's evolution.

In order to serve shareholders' information needs, Repsol makes the OIA available to them. Shareholders can personally visit the bureau, call the free line 900 100 100 or write via regular post or email, in order to obtain any information required. The OIA answered some 50,000 calls in 2011 (and average of 190 per day). The most frequent questions concerned share values, the Annual General Meeting, dividend payment dates, and relevant company facts.

Moreover, all the relevant company information can be found on the corporate website (www.repsol.com), as well as specific contents in the "Shareholders and investors" section, which had more than 250,000 visits in 2011. The website also includes a number of email addresses (the generic address being infoaccionistas@repsol.com), to which inquiries can be addressed and at which publications can be requested. In 2011, more than 5,000 emails were received in 2011, mainly requesting information about Repsol.

The Investor Relations Management constantly communicates with institutional investors and securities analysts. In 2011 roadshows (meetings with institutional investors outside the Repsol offices) were held in Europe, the United States and Asia, in which senior management took part, as well as 11 other meetings in which the investor relations team took part. Moreover, Repsol attended 12 sector conferences, both in Europe and in the United States, during which meetings with institutional investors were also set up. If the visits to the company offices are added, an approximate total of 600 institutional investors were contacted in 2011. Finally, the Investor Relations Management held a field trip (a visit in which analysts and institutional investors can learn about a representative asset of the company, in which the senior and the local management take part) in Argentina and Bolivia, with the attendance of 38 analysts following the company's evolution.

Media

The aim of the General Communications Management is to serve the media under the principles of transparency, proximity, rigor and truthfulness. To this end, Repsol has various channels through which it manages information requests from the media.

The main activities of the Repsol Group in 2011 were made known to the media through more than 60 press releases, all of which are available in the corporate website (www.repsol.com) Press Room. The press releases issued by industrial facilities in Spain, those issued in countries where the company operated, those pertaining to sports sponsorship project, and those relative to specific businesses, such as liquated petroleum gas (LPG) or the Repsol Foundation, should also be taken into account.

In order to maintain a close relationship with media professionals, in 2011 a number of press conferences and information sessions were held. These include the presentation by the Repsol chairman, Antonio Brufau, of the 2010 results in the press conference which took place on 24 February, as well as the media session following the Annual General Meeting of 15 April 2011.

Furthermore, media professionals took part in the visit that the Prince of Asturias and the Prince of Wales made to the Repsol Technology Center on the occasion of a Spanish-British seminar on seaweed biofuels (31 March), in the opening of the first sustainable fuel station in the world (13 April) and in the first Spanish biofuel-based flight (3 October), among other events.

On the occasion of the launch of the extension to the Cartagena refining plant, which constitutes the largest industrial investment in the history of Spain, of more than 3,000 million euro, the General Communications Management scheduled a number of visits to the new facilities for international, national, regional and local media.

The corporate website includes a Press Room where information about the Repsol Group and its activities is available to media professionals. In addition to press releases, it includes graphic and multimedia files, publications, specific dossiers and newsletters intended for journalists from all over the world.

In 2011 *New*s was presented: a new tool for media relations, created to provide Repsol stories and projects from a point of view less concerned with current events, but rather of a didactic nature. *News* is sent to more than 2,000 journalists and has been warmly received. Social network activity also started, more specifically on Twitter, where press releases are announced, as well as the most relevant company and energy sector data.

Another of the 2011 novelties was the Spanish translation and distribution of the well-known book *How the Energy Industry Works* among journalists, institutions, universities and associations, as well as in Repsol offices all over the world. It is a highly didactic work, and thus a tool for everyday use by non-experts in the energy industry.

In order to respond to journalists' requests for information, the General Communications Management makes available to them an email address (prensa@repsol.com), through which more than 4,000 inquiries and requests for information were received in 2011. This figure proves that high media interest in Repsol activities. By means of this channel, the company answers, on a daily basis, quickly and effectively, to the many requests from the media.

As a result of the constant work of the General Communications Management, in March 2011 the Barcelona Chamber of Commerce, Industry and Shipping awarded Repsol the Llotja Award in recognition of its commitment to providing truthful, full and accessible information to journalists, investors, and the general public, mainly through its Annual Reports and its website.

Repsol on the Internet

With 10 years' experience in the digital world, the www.repsol.com website is reputed for its multi-content strategy. By means of this strategy, Repsol seeks to approach various public segments with interesting contents which make it possible to acquire information about and follow the company in real time, as well as to generate close relationships and conversations through its four blogs and its ever-growing social network presence.

This recognition comes from prestigious organizations, with expertise in the medium and in the generation of relationships of trust, which have counted Repsol among the best for another year. The international consultancy KWD, which evaluates almost 1,000 European companies in its annual KWD ranking, points out that Repsol has headed the Spanish ranking for eight consecutive years, and that, moreover, in 2011 it has entered the top 5 of the best European companies. The Spanish Association for Business Accountancy and Administration, among others, has also awarded Repsol – for the sixth time – the AECA Award as the Ibex 35 company with the best financial information on the Internet.

In 2011, repsol.com developed three lines of action to be so successful. Firstly, creating new digitalized contents, audiovisual, interactive, and web-locatable, which makes it easier to learn about Repsol, its brands and products, and the way in which it works. The new Innovation and Technology channel, the Products and Services redesign and the renovated sections, About Us and Corporate Responsibility, are examples of this.

Secondly, being accessible to users through its presence in mobile devices, such as smartphones and tablets through Repsol Guide applications and the generation of contents visible in these environments.

And thirdly, promoting dialogue and interaction through a greater emphasis on the web 2.0, where the new Technological Innovation blog joins the dialogue already started by the blogs of Dani Pedrosa, Marc Márquez and Cuchara de Palo, as well as through the consolidation of the Box Repsol and Repsol Guide profiles, which in 2011 have reached the three-year mark in the main social networks: Facebook and Twitter.

The result has been a monthly average of over 70 million viewed pages and five million visits to the repsol.com website, as well as massive social network activity, reaching 100,000 Facebook followers and 22,000 Twitter followers, which amount to a 67% and 400% increase with respect to 2010, respectively.

Intangible assets mangement

A significant part of the value of a company lies in its intangible assets. A company's brand and reputation are two key strategic values for differentiation and the generation of trust among the various stakeholders.

For this reason, Repsol promotes the management of these intangible assets from the Communications, Corporate Reputation and Brand Strategy Management.

Brand strategy

The brand constitutes a key asset in Repsol's strategy: an intangible asset which can concentrate all the company's value, making them pervasive throughout the organization, and conveying them in each of its relations with the various stakeholders.

For this reason, in 2011 the Strategic Brand Plan was launched, with the aim of giving the brand a strong, consistent and differentiating personality in its verbal and visual expression, managing its implementation in all its points of contact and in its communication with all its audiences, and creating an internal culture which is fully aligned with the brand.

Repsol has been recognized as one of the best Spanish brands in the 2011 Superbrands Awards. This organization recognizes excellence in branding as synonymous with market consolidation, a guarantee of quality and trust for the public in more than 80 countries all over the world.

In 2011 Repsol also ranked among the top-ten Spanish companies in the biannual ranking published by Interbrand, a world-renowned company in brand valuation. In 2011, the Repsol brand came eighth, improving its position with respect to 2009, when it was ninth. Their bet on internationalization, innovation, new technologies, and adaptation to new consumption patterns are the main features of the brands heading the ranking.

Reputation

Repsol understands corporate reputation as the capacity to generate trust, respect and admiration among all our stakeholders. This trust is a differentiating element, as proved by the fact that companies with the best reputations are also those which are most highly valued. A good reputation makes them more competitive because it has direct impact on financial results, talent attraction and loyalty, product recommendation and crisis management.

This is particularly relevant in such sensitive sectors as the energy sector, always in the spotlight due to its direct work with natural resources and its main role in people's welfare. This places very high standards on Repsol's work.

As a pioneering company as regards reputation, Repsol was one of the four founding companies of the Corporate Reputation Forum and in 2011 became one of the sponsors of the *Corporate Excellence Centre for Reputation Leadership*, an idea laboratory in which the main Spanish companies come together to professionalize brand and corporate reputation management on a global level.

In Repsol reputation is managed with the aim of promoting constant improvement of the organization and its external recognition. To this end, its reputation is continually measured, and a Strategic Corporate Reputation Plan has started to be deployed. Special emphasis has also been placed on online reputation management.

In 2011 has maintained and improved its position among the top ten in the main national and international reputation rankings, such as the Spanish Business Reputation Monitor (MERCO) and the *Fortune's World Most Admired Companies* index, both by sector and by country.

Sports sponsorship

In 2011, Repsol took part in the top racing competitions in the world, such as the World Motorcycling Championship, which is the best testing ground for its fuels and lubricants. It is precisely the experience acquired in the development of specific products for top competitions that enables Repsol to remain a leader in the research and development of products that can fulfill its customers' high expectations.

The 2011 season was exceptional as regards the world titles won by the Repsol pilots taking part in international competitions. In MotoGP, Repsol won the World Championship with Casey Stoner. Moreover, Repsol Honda Team was the team World Champion. Repsol's Australian pilot won ten of the seventeen great championships. Dani Pedrosa won three times, and only bad luck prevented him from reaching the end of the season with options to winning the championship. Andrea Dovizioso came third at the end of the season. As an example of the supremacy of the Repsol team, two of our pilots have stepped onto the podium in fifteen of the seventeen main competitions.

Marc Márquez, the latest 125cc World Champion, debuted in the Moto2 category. The Cervera pilot did not disappoint his fans and, after a difficult start to the season, he won seven races and reached the end of the season as the leader in his category. An unfortunate accident in the penultimate race brought his options to winning the championship to an end. Even though he failed to win the prize, the Repsol pilot has been confirmed as a sports and media phenomenon, which makes him a wonderful ambassador for the brand, both on and off the race track.

Repsol won the Trial Indoor and Outdoor World Championship in the men's category and the Outdoor World Championship in the women's category for another year. Toni Bou has won ten world championships. The 26-year old is on the verge of becoming the pilot who has won the most awards ever in the history of this specialty. As for Laia Sanz, she has established herself, with eleven world championships, as the best in her category.

Repsol remained the personal sponsor for Marc Coma, who in January won the 2011 Dakar rally in the motorcycle category.

In the Spain Speed Championship, which has become the best testing ground for the World Championship, the Repsol team took the first three positions in the 125cc category.

Other sponsorships

Repsol is a company committed to Olympic sports through its collaboration with the ADO plan, which helps many young sportspeople to live the dream of taking part in the Olympic Games. In this way, Repsol is betting on consolidating the excellent status of Spanish sports with a view to the 2012 London Olympics.

As a novelty, this year the Group started sponsoring an acrobatic flight team which has won the World Sub-championship, the Spanish Championship, and has taken part in a number of aerial exhibitions.

New Repsol headquarters

Construction on the new Repsol headquarters commenced in November 2008, and works were practically complete in 2011.

In 2011, the above-ground structure was completed and 100% of the façade was executed; installation work came to an end, and the commissioning phase is currently underway. The garden trees were also planted in October. Moreover, the interior landscaping work has started.

The internal refurbishment was also completed in terms of the design of the various areas, and work continued on the design and functioning of the main services, with the collaboration of the members of the Campus Team (which consists of 54 representatives of the various Group units, channeling area participation and opinion in the change project) and trade union representatives. The degree of completion of the internal refurbishment project is 52%.

The 2011 frequency index of accidents involving absence has remained under five, which constitutes a landmark in the building sector.

Finally, work has been performed with all units to study in detail its actual move to the company's campus. Work has been completed with an implementation simulation, checking the functioning of each area, and detecting special needs.

In November and early December, almost 1,000 employees have visited the trial office, which was expressly furbished for the occasion, as well as the most striking areas in the building.

Campus occupancy is scheduled to start between April and June 2012.

The future Repsol headquarters will have a ground floor plus four office and service floors. It will also have two underground facility floors, as well as parking for 1,800 vehicles. The project comprises more than 5,000 square meters, which will provide various services for employees. The buildings will constitute a ring making it possible to enjoy an almost 10,000 square meter garden with trees. In addition, a new green area will be created in the business campus perimeter. Repsol has banked on sustainability since the project design phase.

Annual Report on Corporate Governance 2011

A Ownership structure

A.1 Complete the following table on the capital of the company:

Date latest modification	Capital (€)	Number of shares	Number of voting rights
15-12-2000	1,220,863,463.00	1,220,863,463	1,220,863,463

State whether there are different classes of shares with different associated rights:

NO

A.2 Give details on the direct and indirect holders of significant interests in your company at year-end, excluding directors:

Name of shareholder	Number of direct voting rights	Number of indirect voting rights(*)	% total voting rights
Sacyr Vallehermoso, S.A.	0	122,208,433	10.010
CaixaBank, S.A.	156,794,359		12.843
Petróleos Mexicanos	0	115,884,041	9.492
Blackrock Inc.	0	37,475,651	3.07

(*) Through

Name of the indirect holder of the stake	Through: Name of the direct holder of the stake	Number of direct voting rights	% total voting rights
Sacyr Vallehermoso, S.A.	Sacyr Vallehermoso Participaciones Mobiliarias, S.L.	122,208,433	10.010
Petróleos Mexicanos	Financial entities	115,884,040	9.492
Petróleos Mexicanos	Pemex Internacional España, S.A.	1	0.000
Blackrock Inc.	Blackrock Investment Management (UK) LTD.	37,475,651	3.07

Indicate the principal movements in the shareholding structure during the year:

Name of shareholder	Date of transaction	Description of transaction
Banco Bilbao Vizcaya Argentaria, S.A.	01/25/2011	Falling below 3% of the share capital
Banco Bilbao Vizcaya Argentaria, S.A.	01/28/2011	Exceeding 3% of the share capital
Banco Bilbao Vizcaya Argentaria, S.A.	02/01/2011	Falling below 3% of the share capital
Banco Bilbao Vizcaya Argentaria, S.A.	02/04/2011	Exceeding 3% of the share capital
Banco Bilbao Vizcaya Argentaria, S.A.	02/21/2011	Falling below 3% of the share capital
Banco Bilbao Vizcaya Argentaria, S.A.	04/06/2011	Exceeding 3% of the share capital
Banco Bilbao Vizcaya Argentaria, S.A.	04/15/2011	Falling below 3% of the share capital
Banco Bilbao Vizcaya Argentaria, S.A.	04/18/2011	Falling below 3% of the share capital
Banco Bilbao Vizcaya Argentaria, S.A.	07/05/2011	Exceeding 3% of the share capital
Banco Bilbao Vizcaya Argentaria, S.A.	09/12/2011	Falling below 3% of the share capital
Barclays PLC	07/01/2011	Exceeding 3% of the share capital
Barclays PLC	07/04/2011	Falling below 3% of the share capital
Blackrock, INC	03/07/2011	Exceeding 3% of the share capital
BNP Paribas, Societé Anonyme	07/11/2011	Exceeding 3% of the share capital
BNP Paribas, Societé Anonyme	07/15/2011	Falling below 3% of the share capital
BNP Paribas, Societé Anonyme	07/18/2011	Exceeding 3% of the share capital
BNP Paribas, Societé Anonyme	07/19/2011	Falling below 3% of the share capital
CaixaBank, S.A.	01/19/2011	Exceeding 10% of the share capital
Crédit Agricole, S.A.	08/30/2011	Exceeding 3% of the share capital
Crédit Agricole, S.A.	09/02/2011	Falling below 3% of the share capital
J.P. Morgan Securities LTD.	06/30/2011	Exceeding 3% of the share capital
J.P. Morgan Securities LTD.	07/01/2011	Falling below 3% of the share capital
J.P. Morgan Securities LTD.	07/04/2011	Exceeding 3% of the share capital
J.P. Morgan Securities LTD.	07/05/2011	Falling below 3% of the share capital
J.P. Morgan Securities LTD.	07/07/2011	Exceeding 3% of the share capital
J.P. Morgan Securities LTD.	07/14/2011	Falling below 3% of the share capital
J.P. Morgan Securities LTD.	07/15/2011	Exceeding 3% of the share capital
J.P. Morgan Securities LTD.	07/19/2011	Falling below 3% of the share capital
Petróleos Mexicanos	08/30/2011	Exceeding 5% of the share capital
Repinves, S.A.	01/19/2011	Falling below 5% of the share capital
Sacyr Vallehermoso, S.A.	12/21/2011	Falling below 20% of the share capital
Sacyr Vallehermoso Participaciones Mobiliarias, S.L.	12/21/2011	Falling below 20% of the share capital

A.3 Complete the following tables on directors' shareholding interests in the company:

Name of Director	Number of direct voting rights	Number of indirect voting rights (*)	% total voting rights
Antonio Brufau Niubó	237,602	0	0.019
Isidro Fainé Casas	242	0	0,000
Juan Abelló Gallo	1,000	81,926	0.007
Paulina Beato Blanco	100	0	0.000
Artur Carulla Font	33,344	0	0.003
Mario Fernández Pelaz	4,000	0	0.000

Ángel Durández Adeva	5,950	0	0.000
Javier Echenique Landiríbar	0	17,200	0.001
María Isabel Gabarró Miquel	5,816	1,832	0.001
José Manuel Loureda Mantiñán	50	27,200	0.002
Juan María Nin Génova	242	0	0.000
Pemex Internacional España, S.A.	1	0	0.000
Henri Philippe Reichstul	50	0	0.000
Luis Carlos Croissier Batista	1,200	0	0.000
Luis Suárez de Lezo Mantilla	8,038	0	0.001

(*) Through:

Name of the indirect holder of the stake	Through: Name of the direct holder of the stake	Number of direct voting rights	% total voting rights
Juan Abelló Gallo	Arbarin Sicav, S.A.	81,926	0.007
Javier Echenique Landiríbar	Bilbao Orvieto, S.L.	17,200	0.001
José Manuel Loureda Mantiñán	Prilou, S.L.	27,200	0.002

TOTAL % OF VOTING RIGHTS HELD BY THE BOARD OF DIRECTORS	0.035

Complete the following tables on directors with stock options in the company:

Name of Director	Number of direct option rights	Number of indirect option rights	Number of share equivalents	% total voting rights

A.4

Indicate family, commercial, contractual or corporate relationships among significant shareholders known to the company, if any, except any that are insignificant and those deriving from ordinary commercial business:

Names of related persons or companies	Type of relationship	Brief description

A.5

Indicate commercial, contractual or corporate relationships between significant shareholders and the company and/or its group, if any, except any that are insignificant and those deriving from ordinary commercial business:

Names of related persons or companies	Type of relationship	Brief description
Caja de Ahorros y Pensiones de Barcelona	Corporate	Repsol YPF and Caja de Ahorros y Pensiones de Barcelona (controlling shareholder of Caixaholding Bank, S.A.U. and CaixaBank, S.A.) participate in Gas Natural SDG, S.A., which has as business purpose, among other activities, supply, production, piping and distribution of any type of combustible gas. Repsol YPF and Caja de Ahorros y Pensiones de Barcelona have also signed an agreement in relation to Gas Natural SDG, S.A., considered by both entities as a concerted action of which the *Comisión Nacional del Mercado de Valores* (CNMV) has been duly notified.

A.6

Indicate any shareholders' agreements of which the company has been notified in pursuance of Art. 112 of the Securities Market Act. Describe briefly, if any, indicating the shareholders bound by the agreement:

YES

Involved in the shareholder agreement	% of capital affected	Brief description of the agreement
Sacyr Vallehermoso, S.A., Petróleos Mexicanos and PMI Holdings, B.V.	29.502	On August 29, 2011, Sacyr Vallehermoso, S.A. communicated by means of the Material Fact number 149479 the subscription of a shareholders' agreement with Petróleos Mexicanos in relation to Repsol YPF, S.A., having, among others, the purpose of: (i) regulating the jointly exercise of the voting rights between Pemex and Sacyr; and (ii) establishing certain restrictions to the transfer of shares belonging to Sacyr or Pemex.

Indicate any concerted actions among company shareholders of which the company is aware:

YES

Involved in the concerted action	% of capital affected	Brief description of the agreement
Sacyr Vallehermoso, S.A., Petróleos Mexicanos y PMI Holdings, B.V.	29.502	On August 29, 2011, Sacyr Vallehermoso, S.A. communicated by means of the Material Fact number 149479 the subscription of a shareholders' agreement with Petróleos Mexicanos in relation to Repsol YPF, S.A., having, among others, the purpose of regulating the jointly exercise of the voting rights between Pemex and Sacyr.

Expressly indicate any change or break-up of those agreements or concerted actions, if any, that has taken place during the year:

On December 20, 2011 Sacyr Vallehermoso, S.A. communicated by means of the Material Fact number 155225: (i) the transfer to certain of its lender banks of 122,086,346 shares of Repsol YPF, S.A: representing a 10% of its share capital; (ii) the subsequent reduction to the 10.01% of the stake holding in Repsol of it fully owned affiliate Sacyr Vallehermoso Participaciones Mobiliarias, S.L.U.; and (iii) the modification of the terms and conditions of the shareholders agreement entered into with Petróleos Mexicanos and PMI Holdings, B.V on August 29, 2011, which should, therefore, be considered terminated.

After that, on January 31, 2012 Sacyr Vallehermoso, S.A. and Petróleos Mexicanos communicated, by means of the Material Fact number 157258, the subscription of an early termination agreement, by virtue of which the parties agreed to early terminate the shareholders' agreement, declaring that they had nothing to claim each other and waiving the exercise of any action or right that they might had in accordance to said shareholders agreement.

A.7 Indicate any individuals or entities that exercise or may exercise control over the company in pursuance of Article 4 of the Securities Market Act:

NO

Individual or corporate name

Comments

A.8 Complete the following tables on the company's treasury stock:

At year-end:

Number of direct shares	Number of indirect shares (*)	Treasury stock/capital (%)
122,086,346	0	10

(*) Through:

Individual or corporate name of direct shareholder	Number of direct shares
Total:	0

Give details on any significant variations during the year, according to the provisions of Royal Decree 1362/2007:

Date of notice	Total direct shares acquired	Total indirect shares acquired	% of share capital
20/12/2011	122,086,346		10

Gain/(loss) obtained during the year on trading in own shares (thousand euro)	10,248

A.9 Indicate the terms and conditions of the authorisation granted by the General Meeting to the Board to buy or sell own shares.

The Annual General Meeting of Shareholders of Repsol YPF, S.A. held on second call on April 30, 2010, adopted the following resolution under item six on the Agenda:

"First. To authorize the Board of Directors for the derivative acquisition of shares of Repsol YPF, S.A., by sale, purchase, exchange or any other onerous legal business modality, directly or through controlled companies, up to a maximum number of shares, that added to those already own by Repsol YPF, S.A. and its subsidiaries, not exceeding 10% of the share capital and for a price or equivalent value that may not be lower than the nominal value of the shares nor exceed the quoted price on the stock market.

The shares so acquired may be disbursed among the employees and directors of the Company and its Group or, if appropriate, used to satisfy the exercise of option rights that such persons may hold.

This authorization, which is subject to the compliance of all other applicable legal requirements, shall be valid for 18 months, counted as from the date of the present General Shareholders Meeting, and leaves without effect the authorization granted by the last Ordinary General Shareholders Meeting held on the 14th May 2009.

Second. To authorize the Board of Directors to delegate, pursuant to the provisions of article 141.1 of Joint Stock Companies Act, the delegated powers contemplated in section first of these resolutions."

A.10 Indicate any constraints established in law or the Articles of Association on the exercise of voting rights and legal restrictions on the acquisition and disposal of shares in the capital.

Indicate whether there are any legal constraints on the exercise of voting rights:

YES

Maximum percentage of voting rights that may be exercised by one shareholder by legal constraint	3%

Indicate whether the Articles of Association establish any constraints on the exercise of voting rights:

NO

Maximum percentage of voting rights that may be exercised by one shareholder by a constraint under the Articles of Association

Description of the constraints established in law or the Articles of Association on the exercise of voting rights	Article 34 of Royal Decree-Law 6/2000 establishes certain constraints on the exercising of voting rights in more than one principal operator in any one market or sector. Among others, it lists the fuel production and distribution, liquefied petroleum gas production and supply and natural gas production and supply markets. The principal operators are the entities holding the five largest shares of the market in question. These constraints are as follows: • Individuals or entities directly or indirectly holding more than 3% of the capital or voting rights of two or more principal operators on the same market may not exercise the voting rights corresponding to the excess over that percentage in more than one of such operators. • No principal operator may exercise the voting rights corresponding to an interest of more than 3% in the capital of another principal operator on the same market. These constraints shall not be applicable to parent companies that are principal operators in respect of their subsidiaries that are in the same position, provided this structure is imposed by law or the result of a mere redistribution of securities or assets among group companies. The *Comisión Nacional de Energía* (CNE), regulator of the energy market, may authorise exercise of the voting rights corresponding to the excess provided this does not favour the exchanging of strategic information or imply any risks of coordination of their strategic actions.

Indicate whether there are any legal restrictions on the acquisition and disposal of shares in the capital:

NO

Description of the legal restrictions on the acquisition or transfer of interests in the share capital

A.11

Indicate whether the General Shareholders' Meeting has resolved to take measures to neutralise a takeover bid under Act 6/2007.

NO

If so, explain the measures approved and the terms on which the constraints would become ineffective:

B Management structure of the Company

B.1 Board of Directors

B.1.1 State the maximum and minimum numbers of Directors stipulated in the Articles of Association:

Maximum number of directors	16
Minimum number of directors	9

B.1.2 Complete the following table with details of the members of the Board:

Name of Director	Representative	Position	Date first appointment	Date last appointment	Election procedure
Antonio Brufau Niubó		Chairman	07/23/1996	04/15/2011	Cooptation
Isidro Fainé Casas		Vice-Chairman	12/19/2007	05/14/2008	Cooptation
Juan Abelló Gallo		Vice-Chairman	11/29/2006	04/15/2011	Cooptation
Paulina Beato Blanco		Director	12/29/2005	04/30/2010	Cooptation
Artur Carulla Font		Director	06/16/2006	04/30/2010	General Meeting
Luis Carlos Croissier Batista		Director	05/09/2007	04/15/2011	General Meeting
Mario Fernández Pelaz		Director	04/15/2011	04/15/2011	General Meeting
Ángel Durández Adeva		Director	05/09/2007	04/15/2011	General Meeting
Javier Echenique Landiríbar		Director	06/16/2006	04/30/2010	General Meeting
María Isabel Gabarró Miquel		Director	05/14/2009	05/14/2009	General Meeting
José Manuel Loureda Mantiñán		Director	01/31/2007	04/15/2011	Cooptation
Juan María Nin Génova		Director	12/19/2007	05/14/2008	Cooptation
Pemex Internacional España, S.A.	José Manuel Carrera Panizzo	Director	01/26/2004	04/30/2010	Cooptation
Henri Philippe Reichstul		Director	12/29/2005	04/30/2010	Cooptation
Luis Suárez de Lezo Mantilla		Director and Secretary	02/02/2005	05/14/2009	Cooptation
TOTAL NUMBER OF DIRECTORS					**15**

Indicate any retirements from the board during the year:

Name of director	Type of director at the time of retirement	Date of retirement
Luis del Rivero Asensio	External Proprietary Director	12/20/2011
Carmelo de las Morenas López	External Independent Director	04/15/2011

B.1.3 Complete the following tables on the types of board members:

EXECUTIVE DIRECTORS

Name of director	Committee proposing appointment	Position in company's organisation
Antonio Brufau Niubó	Nomination and Compensation Committee	Executive Chairman
Luis Suárez de Lezo Mantilla	Nomination and Compensation Committee	General Counsel and Secretary of the Board of Directors
TOTAL NUMBER OF EXECUTIVE DIRECTORS		**2**
EXECUTIVE DIRECTORS / TOTAL DIRECTORS (%)		**13.33**

EXTERNAL PROPRIETARY DIRECTORS

Name of director	Committee proposing appointment	Name of significant shareholder represented or that proposed appointment
Isidro Fainé Casas	Nomination and Compensation Committee	CaixaBank, S.A.
Juan Abelló Gallo	Nomination and Compensation Committee	Sacyr Vallehermoso, S.A.
José Manuel Loureda Mantiñán	Nomination and Compensation Committee	Sacyr Vallehermoso, S.A.
Juan María Nin Génova	Nomination and Compensation Committee	CaixaBank, S.A.
Pemex Internacional España, S.A.	Nomination and Compensation Committee	Petróleos Mexicanos
TOTAL NUMBER OF PROPRIETARY DIRECTORS		**5**
INSTITUTIONAL DIR. / TOTAL DIRECTORS (%)		**33.33**

INDEPENDENT NON-EXECUTIVE DIRECTORS

Name of director	Profile
Paulina Beato Blanco	Phd Economics, University of Minnesota, Professor of Economic Analysis, Commercial Expert and Economist of the State. Former Executive Chairperson of Red Eléctrica de España, Director of CAMPSA and major financial institutions. Formerly Chief Economist in the Sustainable Development Department of Inter-American Development Bank and Consultant in the Banking Supervision and Regulation Division of the International Monetary Fund. Currently she is advisor to the Iberoamerican Secretary General (Secretaría General Iberoamericana), professor for Economic Analysis and member of a special Board for promoting Knowledge Society in Andalusia.
Artur Carulla Font	Graduate in Economics. His professional activity began in Arbora & Ausonia, S.L. in 1972, where he held several positions until he was appointed Executive Director. In 1988 he joined Agrolimen, S.A. like Strategy Director. In 2001 he is appointed Managing Director of Agrolimen, S.A. Currently, he is Chairman of Agrolimen, S.A. and its participated companies; Affinity Petcare, S.A., Preparados Alimenticios, S.A. (Gallina Blanca Star), Biocentury, S.L., The Eat Out Group, S.L. and Reserva Mont-Ferrant, S.A..; Director and Secretary of Arbora & Ausonia and Consorcio de Jabugo, S.A.; Member of the Regional Board of Telefónica in Catalonia, member of Advisory Board of EXEA Empresarial, S.L. and member of Advisory Board of Roca Junyent. He is also Vice-Chairman of Círculo de Economía, Vice-Chairman of Foundation ESADE, Member of Foundation Lluis Carulla, Member of IAB (International Advisory Board) of the Generalitat de Catalunya, Member of the Management Board of Instituto de la Empresa Familiar, Member of Foundation MACBA (Museo de Arte Contemporaneo de Barcelona) and Member of FUOC (Fundació per a la Universitat Oberta de Catalunya).
Luis Carlos Croissier Batista	He has been the professor in charge of economic policy of the Universidad Complutense of Madrid. During his long professional tenure, amongst other positions, he was Subsecretary of the Ministry of Industry and Energy, President of the National Institute of Industry (Instituto Nacional de Industria, I.N.I.), Minister of Industry and Energy and President of Spanish Securities Market Commission (Comisión Nacional del Mercado de Valores). Currrently he is Director of Adolfo Dominguez, S.A., Testa Inmuebles en Renta, S.A., Eolia Renovables de Inversiones SCR, S.A., Grupo Copo de Inversiones, S.A., and Sole Director of Eurofocus Consultores, S.L.
Mario Fernández Pelaz	Graduate in Law at Deusto University in 1965. He has been Professor of Mercantile Law in the Faculty of Law of Deusto University and in the Faculty of Business Science at the same University, and Professor of different Masters at Deusto University. In his long professional career, he has served, among other charges, as Minister and later Vice-president of the Basque Government, Chairman of the Central Administration-Basque Government Transfers Mixed Committee, Chairman of the Basque Financial Council, Chairman of the Economic Committee of the Basque Government, Member of the Arbitration Committee of the Basque Autonomous Community. He was also Executive Director of BBVA Group and member of the Executive Committee from 1997 to 2002, and Main Partner of Uría Menéndez from that date to June 2009. Currently he is Chairman of BBK (Bilbao Bizkaia Kutxa) and Executive Chairman of Kutxabank, S.A. He has also published on mercantile and financial matters.
Ángel Durández Adeva	BA Economics, Professor of Commerce, chartered accountant and founding member of the Registry of Economic Auditors. He joined Arthur Andersen in 1965 where he was Partner from 1976 to 2000. Up to March, 2004 he headed the Euroamerica Foundation, of which he was founder, entity dedicated to the development of business, political and cultural relationships between the European Union and the different Latin American Countries. Currently he is Director of Mediaset España Comunicación, S.A., Director of Quantica Producciones, S.L., Member of the Advisory Board of FRIDE (Foundation for the international relations and the foreign development), Chairman of Arcadia Capital, S.L. and Información y Control de Publicaciones, S.A., Member of Foundation Germán Sánchez Ruipérez and Foundation Independiente and Vicepresident of Foundation Euroamérica.
Javier Echenique Landiríbar	Ba Economics and Actuarial Science. Former Director-General Manager of Allianz-Ercos and General Manager of BBVA Group. Currently Chairman of Banco Guipuzcoano, Vice chairman of Banco Sabadell, S.A., Director of Telefónica Móviles México, Actividades de Construcción y Servicios (ACS), S.A., Grupo Empresarial Ence, S.A. and Celistics, L.L.C., Delegate of the Board of Telefónica, S.A. in the Basque region, Member of the Advisory Board of Telefónica Spain, Member of Foundation Novia Salcedo, Foundation Altuna and Member of the Círculo de Empresarios Vascos.
María Isabel Gabarró Miquel	Graduate in Law at the University of Barcelona in 1976. In 1979 she joined the Bar of Notaries. She has been a board member of important entities in different sectors: financial, energy, telecommunications, infrastructure and also property, where she was also a member of the Nomination and Compensation Committee and of the Audit and Control Committee. Currently, she is registered on the Bar of Notaries of Barcelona, since 1986, and is a member of the Sociedad Económica Barcelonesa de Amigos del País.
Henri Philippe Reichstul	Ba Economics, University of São Paulo and Phd at Hertford College, Oxford. Former Secretary of the State Business Budget Office and Deputy Minister of Planning in Brazil. From 1988 to 1999 he held the position of Executive Vice President of Banco Inter American Express, S.A. From 1999 to 2001 he was Chairman of Brazilian State Oil Company Petrobrás. He is Member of the Strategic Board of ABDIB, Member of Coinfra, Member of the Advisory Board of Lhoist do Brasil Ltda., Member of the Supervisory Board of Peugeot Citroen, S.A., Member of the International Advisory Board of Group Credit Agricole, Member of the Board of Directors of Gafisa, Member of the Board of Directors of Foster Wheeler and Vice-Chairman of the Board of the Brazilian Foundation for Sustainable Development.
	TOTAL NUMBER OF INDEPENDENT DIRECTORS **8**
	INDEPENDENT DIRECTORS / TOTAL DIRECTORS (%) **53.33**

OTHER EXTERNAL DIRECTORS	
Name of Director	**Committee proposing appointment**

TOTAL NUMBER OF EXTERNAL DIRECTORS	
EXTERNAL DIRECTORS / TOTAL DIRECTORS (%)	

State reasons why they cannot be considered external proprietary or independent directors:
Indicate any variations during the year in the type of each director:

B.1.4 Explain why proprietary directors have been appointed at the proposal of shareholders with less than a 5% interest in the company, if appropriate:

Indicate whether any formal requests for presence on the Board have not been met from shareholders with an interest equal to or greater than that of others at whose request proprietary directors have been appointed. If so, explain why such requests have not been met:

NO

Name of shareholder	Explanation

B.1.5 Indicate whether any director has retired from office before the end of his/her term, whether he/she explained the reasons for such retirement to the Board, and how, and if done in a letter addressed to the entire Board, explain at least the reasons stated therein:

Name of Director	Retirement reasons
Luis Fernando del Rivero Asensio	On December 20, 2011 Mr. del Rivero communicated to the Company, by means of a letter, his resignation form the position of Director due to the sell, by Sacyr Vallehermoso to its financing entities, of a 10% stake in Repsol.

B.1.6 Indicate the powers delegated to the Managing Director(s), if any:

Name of Director	Brief description

B.1.7 Name the Board members, if any, who are also directors or executives of other companies in the same group as the listed company:

Name of director	Name of group company	Position
Antonio Brufau Niubó	YPF, S.A.	Chairman
Luis Suárez de Lezo Mantilla	YPF, S.A.	Director

B.1.8 Name the company directors, if any, who are on the Boards of non-group companies listed on Spanish stock exchanges, insofar as the company has been notified:

Name of Director	Listed Company	Position
Antonio Brufau Niubó	Gas Natural SDG, S.A.	Vice-Chairman
Isidro Fainé Casas	Abertis Infraestructuras, S.A.	Vice-Chairman
Isidro Fainé Casas	Telefónica, S.A.	Vice-Chairman
Isidro Fainé Casas	CaixaBank, S.A.	Chairman
Luis Carlos Croissier Batista	Adolfo Domínguez, S.A.	Director
Luis Carlos Croissier Batista	Testa Inmuebles en Renta, S.A.	Director
Ángel Durández Adeva	Mediaset España Comunicación, S.A.	Director
Javier Echenique Landiríbar	Banco Sabadell, S.A.	Vice-Chairman
Javier Echenique Landiríbar	Actividades de Construcción y Servicios (ACS), S.A.	Director
Javier Echenique Landiríbar	Grupo Empresarial ENCE, S.A.	Director
José Manuel Loureda Mantiñán	Testa Inmuebles en Renta, S.A.	Director
Juan María Nin Génova	CaixaBank, S.A.	Vice-Chairman and Managing Director
Juan María Nin Génova	Gas Natural SDG, S.A.	Director
Luis Suárez de Lezo Mantilla	Gas Natural SDG, S.A.	Director

B.1.9 Indicate and, if appropriate, explain whether the company has established rules on the number of boards on which its directors may sit:

NO

Description of rules

B.1.10 With regard to recommendation number 8 of the Unified Code, indicate the general policies and strategies of the company reserved for approval by the full board:

	SÍ	NO
Investment and financing policy	X	
Definition of the structure of the group of companies		X
Corporate governance policy	X	
Corporate social responsibility policy	X	
Strategic or business plan, management objectives and annual budget	X	
Pay policy and senior executive performance assessment	X	
Risk management and control policy and regular monitoring of the internal information and control systems		X
Dividend policy, treasury stock policy, especially limits	X	

B.1.11 Complete the following tables on the aggregate directors' remuneration accrued during the year:

a. In the reporting company:

Remuneration	Thousand euro
Fixed remuneration	8,325
Variable remuneration	7,369
Attendance fees	0
Statutory payments	0
Stock options and/or other financial instruments	0
Others	56
TOTAL	**15,750**

Other Benefits	Thousand euro
Advances	0
Loans granted	0
Pension Plans and Funds: Contributions	2,671
Pension Plans and Funds: Obligations contracted	0
Life assurance premiums	294
Guarantees furnished by the company for directors	0

b. For company directors who are on other Boards and/or in the top management of group companies:

Remuneration	Thousand euro
Fixed remuneration	611
Variable remuneration	0
Attendance fees	0
Statutory payments	0
Stock options and/or other financial instruments	0
Others	0
TOTAL	**611**

Remuneration	Thousand euro
Advances	0
Loans granted	0
Pension Plans and Funds: Contributions	0
Pension Plans and Funds: Obligations contracted	0
Life assurance premiums	0
Guarantees furnished by the company for directors	0

c. Total remuneration by type of director:

Types of directors	By company Thousand euro	By group Thousand euro
Executive	11,482	611
External proprietary directors	1,840	0
External independent directors	2,428	0
Other external directors	0	0
TOTAL	**15,750**	**611**

d. Regarding profit attributed to the controlling company:

Total directors' remuneration (thousand euro)	16,361
Total directors' remuneration / profit attributed to parent company (%)	0.74

B.1.12 Name the members of top management who are not executive directors and indicate the aggregate remuneration accrued in their favour during the year:

Name	Position
Pedro Fernández Frial	Executive Managing Director Downstream
Nemesio Fernández-Cuesta Luca de Tena	Executive Managing Director Upstream
Miguel Martínez San Martín	Chief Financial Officer and Executive Managing Director of Participated Entities
Cristina Sanz Mendiola	Executive Managing Director of Human Resources and Organization
Antonio Gomis Sáez	Executive Managing Director of Repsol Argentina
Isidoro Mansilla Barreiro	Audit and Control Director
Miguel Ángel Devesa del Barrio	Chief Financial Officer (C.F.O.)
Begoña Elices García	Executive Managing Director of Communications and Chairman's Office
Mffi Victoria Zingoni	Investor Relations Director
Pedro Antonio Merino García	Studies and Analysis of Environment Director
TOTAL REMUNERATION TOP MANAGEMENT (thousand euro)	**18,022**

B.1.13 Indicate globally whether any golden handshake clauses have been established for the top management, including Executive Directors, of the company or its group in the event of dismissal or change of ownership. State whether these contracts have to be notified to and/or approved by the governing bodies of the company/group companies:

Number of beneficiaries	12

	Board of Directors	General Meeting
Body authorising the clauses	YES	NO

Is the General Meeting informed on the clauses?	NO

B.1.14 Explain the process for establishing the remuneration of the Board members and the relevant articles of the Articles of Association:

Processes for establishing the remuneration of the Board members and articles of the Articles of Association

Article 45 of the Repsol YPF, S.A. Articles of Association provides as follows:

"Directors, in their position as members of the Board of Directors and due to their carrying out the function of supervision and group decision as befits this body, shall be entitled to receive from the Company an amount equivalent to 1.5% of the clear profit, which may only be allocated after attending to the requirements of the legal reserve and others that may be compulsory, and of providing the shareholders with a dividend of at least 4%. The Board of Directors is responsible for fixing the exact amount to be paid within this limit, as well as its distribution among the various Directors, taking into account the positions held by each Director on the Board and its committees. The Company is authorised to make advance payments on account of future participation in profits.

Directors may be additionally remunerated by means of granting company shares, share options or other securities giving the right to obtain shares, or through remunerative systems linked to the stock market value of the shares. The application of these systems must be approved by the General Shareholders' Meeting, which shall determine the value of the shares to be taken as a reference, the number of shares to be given to each Director, the exercise price of any option rights, the period the agreed system should last and as many conditions as deemed appropriate.

The payments established by this article shall be compatible with and independent of the salary, remuneration, termination compensation, pension or compensation of any kind established for those members of the Board of Directors who carry out executive functions, whatever the nature of their relationship with the Company, be it employment (common or special of top management), commercial or for the provision of services. Information regarding these remunerations shall be disclosed in the Annual Report and in the Annual Report on Corporate Governance.

The Company may take out an insurance policy covering civil liability for the Directors and members of the management team."

With regard to the Directors' compensation, Article 5.3.c of the Regulations of the Board of Directors reserves to the full Board of Directors the decision to approve Directors' compensation and, in the case of Executive Directors, any additional consideration for their management duties and other contract conditions.

Article 24 of the Regulations of the Board of Directors of Repsol YPF, S.A. provides as follows:

"Artículo 24. Retribución del Consejero

1. *The position of Director of Repsol YPF, S.A. shall be compensated as provided for in the Articles of Association.*

   The Nomination and Compensation Committee shall propose the criteria it considers appropriate to achieve the purposes of this article to the Board of Directors, and it is the Board's responsibility to approve said proposal and determine the final distribution of the overall sum, within the limits stipulated in the Articles of Association to that end. Within each term of office the Board may order payments, at the intervals it sees fit, to be credited to the amounts owed to each Director for the work done in said period.

2. *Directors' compensation shall be transparent. The Annual Report shall provide an individual breakdown of the compensation received by each Director for the performance of his functions as such during the period, showing the different categories of compensation.*
3. *External Directors shall in all cases be excluded from the Company-funded benefit systems providing assistance in the event of termination of employment, death, or any other circumstances, as well as from long-term incentive programs such as stock purchase options."*

Finally, Article 33 of the Regulations of the Board of Directors provides that the Nomination and Compensation Committee shall propose to the Board its compensation policy, assessing the responsibility, dedication, and incompatibilities demanded of the Directors; and, in the case of the Executive Directors, propose to the Board the additional consideration for their management duties and other contract conditions.

Indicate whether approvals of the following decisions are reserved to the full Board:

Upon recommendation by the chief executive, the appointment and possible removal of senior executives and their compensation clauses.	NO
Directors' compensation and, in the case of executive directors, the additional consideration for their management duties and other contract conditions.	YES

B.1.15 Indicate whether the Board of Directors approves a detailed compensation policy and specify the aspects it regulates:

YES

Amount of fixed remuneration, indicating the details of attendance fees for Board and Committee meetings and an estimate of the fixed annual remuneration	YES
Variable compensation	YES
Principal features of the welfare systems, estimating the annual cost or equivalent amount	YES
Conditions to be respected in the contracts of those performing top management duties and executive directors	YES

B.1.16 Indicate whether the Board submits to voting at the General Meeting, as a separate item on the agenda and with advisory nature, a report on the director compensation policy. If so, explain the aspects of the report on the compensation policy approved by the Board for future years, the most significant changes in those policies in respect of the policy applied during the year and an overall summary of how the compensation policy was applied during the period. Describe the role played by the Compensation Committee and whether external counselling has been used, and if so, the identity of the external advisers:

NO

Issues that the compensation policy report passes upon
The Company plans to submit the approval of the report on the Board remuneration policy to a consultative vote at the next General Meeting of shareholders. In the Board meeting held on February 23, 2011, the Board examined the report on the remuneration policy that had been previously approved by the Nomination and Compensation Committee on its meeting of February 16, 2011. This report was made available to shareholders when the call to meeting was published for the Annual General Meeting held on April 15, 2011. The report contains explanations on the general principles behind the Directors' pay policy, and the break-down of the remuneration structure, differentiating between the fixed remuneration due to membership on the Board of Directors of Repsol YPF, the fixed remuneration due to membership on the Board of Directors of subsidiaries and the fixed remuneration for performing executive duties. The annual and multi-annual variable pays are also included.

Role of the Compensation Committee
According to article 33.4.a) of the Board of Directors Regulation, the Nomination and Compensation Committee is responsible for proposing the Board the remuneration policy for said Board, evaluating in its proposal the responsibilities, dedication, and incompatibilities required to the Directors, as well as for the Executive Directors, propose the Board their additional remuneration for carrying out their executive functions and other conditions of their agreements. To these effects, in the meeting held on February 16, 2011, the Nomination and Compensation Committee informed favourably the Report on the Remuneration Policy of the Repsol YPF's Directors which was subsequently approved by the Board of Directors in the meeting held on February 23, 2011 and made available to the shareholders when the call to meeting was published for the Annual General Meeting held on April 15, 2011.

Has external counselling been used?	YES
Identity of the external counsels	Hay Group

B.1.17 Name any Board members who are also directors or executives of companies holding significant interests in the listed company and/or companies in its group:

Name of director	Name of significant shareholder	Position
Isidro Fainé Casas	Caja de Ahorros y Pensiones de Barcelona	Chairman
Isidro Fainé Casas	Caixa Bank, S.A.	Chairman
José Manuel Loureda Mantiñán	Valoriza Gestión, S.A. (Sacyr Vallehermoso Group)	Chairman
José Manuel Loureda Mantiñán	Vallehermoso División Promoción, S.A. (Sacyr Vallehermoso Group)	Director
José Manuel Loureda Mantiñán	Sacyr, S.A.U. (Sacyr Vallehermoso Group)	Director
José Manuel Loureda Mantiñán	Testa Inmuebles en Renta, S.A. (Sacyr Vallehermoso Group)	Director
José Manuel Loureda Mantiñán	Somague S.G.P.S.,S.A. (Sacyr Vallehermoso Group)	Director
Juan María Nin Génova	Caja de Ahorros y Pensiones de Barcelona	General Manager
Juan María Nin Génova	Caixa Bank, S.A.	Vice-Chairman and Managing Director

Describe any significant relationships other than those contemplated in the previous section between board members and significant shareholders and/or companies in their group:

Name of director	Name of significant shareholder	Description of relationship
Juan Abelló Gallo	Sacyr vallehermoso, S.A.	Representative of Nueva Compañía de Inversiones, S.A. in the position of Vice-Chairman of Sacyr Vallehermoso, S.A.
Juan Abelló Gallo	Sacyr vallehermoso, S.A.	Indirect holder of 9.623% of the share capital of Sacyr Vallehermoso, S.A.
Luis Carlos Croissier Batista	Sacyr vallehermoso, S.A.	Director of Testa Inmuebles en Renta, S.A.
José Manuel Loureda Mantiñán	Sacyr vallehermoso, S.A.	Indirect holder of 12.65% of the share capital of Sacyr Vallehermoso, S.A. through Prilou, S.L. and Prilomi, S.L.
José Manuel Loureda Mantiñán	Sacyr vallehermoso, S.A.	Representative of Prilou, S.L. in the position of Director of Sacyr Vallehermoso, S.A.

B.1.18 Indicate whether any modifications have been made during the year to the Regulations of the Board of Directors:

YES

Description of amendments
On February 23, 2011 the Board of Directors amended Articles 9 *(Calling and place of meeting)*, 25 *(President of the Board of Directors)* and 32 *(Audit and Control Commission)* of the Board of Directors Regulation in order to: (i) include in the corporate governance system of Repsol the position of the Lead Independent Director following the best practices on this matter; and (ii) adapt Article 32, regarding the Audit and Control Commission, to the wording provided in the Additional Rule number 18 of the Securities Market Act regulating the Auditing Committee in entities issuing securities listed in regulated markets by virtue of the Reformation Auditing Act (Act 12/2010 of June 30). Additionally, on September 28, 2011, the Board of Directors amended Articles 19 *(Non compete obligation)* and 22 *(Related-party transactions)* of the Board of Directors Regulation in order to increase the existing protection mechanisms for non-compete obligations and related-party transactions. Article 19 was amended to reinforce the actions to be taken in those cases in which a Director of the Company carries out, either on its own account either on behalf of a third party, activities competing with those carried out by the Company. The aim of the amendment of Article 22 was to reinforce the approval regime for related-party transactions between the Company and its directors, relevant shareholders or related persons. These amendments were made in accordance to the latest law developments on this matter, the international principles on corporate governance such as the American Law Institute Principles and the Green Paper of the European Commission "The EU Corporate Governance Framework" of April 5, 2011.

B.1.19 Describe the procedures for appointment, re-election, assessment and removal of directors. Indicate the competent bodies, the formalities and the criteria to be followed in each of these procedures.

Appointment

Board members are appointed by the General Meeting, without prejudice to the right of the Board to nominate shareholders to fill any vacancies that arise, up to the next succeeding General Meeting.

No-one who is affected by the prohibitions established in section 213 of the Stock Company Act or who is incompatible under prevailing legislation, particularly under the Senior Central Government Positions (Incompatibilities) Act 5/2006 of April 10 and the Senior Positions in the Madrid Regional Government (Incompatibilities) Act 14/1995 of April 21, may be a director or hold any senior position in the company.

Directors shall be persons who, apart from meeting the requirements stipulated for the position in the law and the Articles of Association, have recognised prestige and sufficient professional experience and expertise to perform their duties as such.

Within its powers of proposal to the General Meeting or appointment by cooptation, the Board may not propose as candidates or appoint as Directors any persons affected by any of the incompatibilities or prohibitions established in law, the Articles of Association or regulations or any persons, companies or entities in a situation of permanent conflict of interest with the company, including competitors of the company or their directors, executives or employees, or any persons related to or proposed by them.

Furthermore, persons may not be nominated or appointed as External Independent directors if they:

a. Have been employees or Executive Directors of Group companies, unless 3 or 5 years, respectively, have passed since the end of that relationship.
b. Receive from the Company, or its Group, any sum of money or benefit whatsoever other than Directors' compensation, unless such sum or benefit is insignificant.

   Dividends and pension supplements received by Directors by virtue of a former professional or employment relationship shall not be counted for the purpose of this section, provided such supplements are unconditional and, therefore, the company paying them cannot suspend, modify or revoke them at its own discretion, unless the director in question has defaulted his obligations.
c. Be or have been in the past 3 years a partner of the External Auditor or person responsible for the auditors' report during that time, of the Company or any other company in its Group.
d. Be Executive Directors or Senior Executive of any other company in which any Executive Director or Senior Executive of the Company is an External Director.
e. Have or have had in the past year any significant business relationship with the Company or with any company in its Group, directly or as a significant shareholder, Director or Senior Executive of an entity having or that has had such a relationship.

   Business relationships shall be those of suppliers of goods or services, including financial services, or of advisers or consultants.
f. Be significant shareholders, Executive Directors or Senior Executives of a company that receives, or has received in the past 3 years, significant donations from the Company or its Group.

   Those who are mere sponsors or trustees of a Foundation receiving donations shall not be considered included in this group.
g. Be the spouse, persons having equivalent emotional ties or relatives up to the second degree of an Executive Director or Senior Executive of the Company.
h. Not have been proposed for appointment or re-election by the Nomination and Compensation Committee.
i. Be in any of the cases contemplated in paragraphs a), e), f) or g) above in respect of any significant shareholder or shareholder represented on the Board. For the blood relationship contemplated in g), the limitation shall be applicable not only to the shareholder, but also to its External Proprietary Directors in the Company.

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

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

The Nomination and Compensation Committee, consisting exclusively of External Directors, shall assess candidates' adequate knowledge, experience and expertise to sit on the Board; define, in consequence, the duties and qualifications required of candidates to fill any vacancy and assess the time and dedication required to adequately perform their duties.

This Committee shall also ensure that whenever new vacancies are foreseen or on appointing new directors, the selection procedures are not affected by implicit bias that could entail some kind of discrimination and that women who meet the professional profile sought are deliberately sought and included among the potential candidates, informing the board on the initiatives taken in this respect and the results thereof.

Nominations for the appointment of directors submitted by the Board to the General Meeting and appointments made by cooptation must be approved by the Board (i) upon proposal of the Nomination and Compensation Committee, in the case of External Independent Directors, or (ii) subject to a report by said Committee for other directors.

Any Director affected by proposals for appointment, re-election or retirement shall abstain from participating in the discussions and voting of such matters. Voting on proposals for appointment, re-election or retirement shall be by secret ballot.

Re-election

Directors shall hold office for a maximum of four years, after which they shall be eligible for re-election for one or several periods with an equal maximum duration. Directors appointed by cooptation shall hold office up to the first General Meeting following their appointment, at which their appointment shall be subject to ratification.

The Nomination and Compensation Committee shall be responsible for assessing the quality of their work and dedication of the directors proposed during their previous term in office.

Proposals to the General Meeting for the re-election of Directors shall be approved by the Board (i) upon proposal of the Nomination and Compensation Committee, in the case of External Independent Directors, or (ii) subject to a report by said Committee for other directors.

Assessment

At least once a year, the Board of Directors shall assess its functioning and the quality and efficiency of its work. It shall also annually assess the work of its Committees, based on the reports they submit to it.

The Chairman shall organise and coordinate this regular assessment of the Board with the Chairmen of the Committees.

Cessation

Directors shall retire from office upon expiry of the term for which they were appointed and in all other cases stipulated in law, the Articles of Association and the Regulations of the Board of Directors.

The Board shall not propose the removal of any External Independent Director before the end of the period for which he was appointed, unless it has justified reasons for doing so, based on a report by the Nomination and Compensation Committee. In particular, such a proposal shall be justified if the Director (i) has defaulted the duties corresponding to his position; (ii) is in any of the situations described in section B.1.20 below; or (iii) falls into any of the circumstances described above, by virtue of which he may no longer be considered an External Independent Director.

The removal of External Independent Directors may also be proposed following takeover bids, mergers or other similar corporate operations causing a change in the capital structure of the Company, insofar as may be necessary to establish a reasonable balance between External Proprietary Directors and External Independent Directors, according to the ratio of capital represented by the former to the rest of the capital.

Directors shall also tender their resignations in any of the circumstances defined in the following section.

B.1.20 Indicate the events in which directors are obliged to retire.

Directors shall tender their resignations and step down from the Board, should the latter consider this appropriate, in the following events:

a. If they fall into circumstances of incompatibility or prohibition contemplated in law, the Articles of Association or applicable regulations.
b. If they receive a serious warning from the Nomination and Compensation Committee or the Audit and Control Committee for defaulting their obligations as directors.
c. If, in the opinion of the board, in view of a report by the Nomination and Compensation Committee:
   i. Their remaining on the Board could jeopardise the interests of the company or adversely affect the functioning of the Board or the standing and reputation of the Company; or
   ii. If the reasons why they were appointed disappear. Directors shall find themselves in this position, particularly in the following cases:

      External Proprietary Directors, when the shareholder they represent or that nominated them directors transfers its entire shareholding interest. They shall also offer their resignation and, should the Board deem fit, step down from the Board, in the corresponding proportion, if the shareholder reduces its shareholding interest to a level requiring a reduction in the number of its External Proprietary Directors.

   - Executive Directors, when they cease to hold the executive positions outside the board to which their appointment as director was linked.

B.1.21 Explain whether the Chairman of the Board is the Chief Executive Officer of the company. If so, state what measures have been adopted to limit the risks of one single person accumulating powers:

YES

Measures for limiting risks

According to Article 25 of the Regulations of the Board of Directors of Repsol YPF, S.A., the Chairman of the Board shall be the Chief Executive Officer of the Company. Notwithstanding this, section 5 of said articles provides also that:

"When the Chairman of the Board of Directors holds the role of CEO, the Board shall appoint, upon proposal by the Appointments and Remuneration Committee, an independent director who, under the name of Lead Independent Director, may perform the following tasks:

a. Request to the Chairman of the Board, when he deems appropriate, the calling of the Board.

b. Request the inclusion of items on the Board's meetings agenda according to Article 9.3 of these Regulations.

c. Coordinate and give voice to the concerns of external directors.

d. Lead the Board's evaluation of the Chairman.

e. Call and chair meetings of independent directors as he deems necessary or desirable."

Additionally, Article 9 of the Regulations of the Board of Directors provides that *"The Chairman may call additional Board meetings whenever he deems appropriate. The call shall be mandatory when requested by the Lead Independent Director or by at least one-quarter of the directors, without prejudice to the provision of Article 17.2.e) of these Regulations. The Chairman shall draw up the agenda for meetings, although any of the directors may, prior to call, request the inclusion of any business they consider ought to be transacted at the meeting. Such inclusion is mandatory when the request has been made 48 hours prior to the date specified for the meeting."*

On the other hand, said article 25 also stipulates that the Chairman of the Board shall act at all times in accordance with the decisions and criteria established by the General Shareholders' Meeting and the Board of Directors.

Article 4 of the Regulations of the Board of Directors reserves the following duties and powers to this corporate body:

"The Board shall approve the company strategy and the organisation needed to put it into practice, and oversee and ensure that Management meets the targets set and respects the company's objects and social interest; approve acquisitions and disposals of assets which are, for whatsoever reason, considered especially important for the company or its subsidiaries; establish its own organisation and procedures and those of the Top Management and, in particular, amend these Regulations; exercise any powers that the General Meeting has granted to the Board -which the Board may delegate solely if expressly so indicated in the resolution adopted by the General Meeting- and any other powers granted to it in these regulations."

Similarly, Article 5 of the Regulations of the Board reserves to the Board in full the following issues:

1. Submission of the Annual Accounts and Management Report of Repsol YPF, S.A. and consolidated companies, as well as any other proposals which must legally originate with the Company's administrators, to the Ordinary Shareholders Meeting.
2. The general strategies and policies of the Company, such as:
   a. The Strategic Plan of the Group, management objectives and Annual Budgets;
   b. The investment and financing policy;
   c. The corporate governance policy;
   d. The corporate social responsibility policy;
   e. Top Management pay policy;
   f. Risk management and control policy; and
   g. Dividend policy, treasury stock policy and, especially, the limits thereon.
3. The following decisions:
   a. Appointment of Directors in the event of vacancies, up to the next succeeding General Meeting, and acceptance of resignations tendered by Directors;
   b. Appointment and removal of the Chairman, Vice-Chairmen, Secretary and Vice-Secretary of the Board and the Directors who are to sit on the different Committees contemplated in the Regulations of the Board, and the delegation of powers to any of the Board members, on the terms stipulated in the law and Articles of Association, and revocation of such powers;
   c. Directors' compensation and, in the case of executive directors, additional consideration for their management duties and other contract conditions.
4. The annual and half-year financial reports, which Repsol YPF, being a listed company, is obliged to publish.
5. The following investments and transactions, save when approval corresponds to the General Meeting:
   a. Incorporation of new companies and entities or initial acquisition of stakes in existing companies and entities whenever they entail a long-standing investment of more than six million euro for the Repsol YPF Group or are unrelated to the main activity of the company.

      In other cases, the first paragraph of e) below will be applicable. By exception, decisions on investments in the incorporation of new companies and entities or initial acquisition of stakes in existing companies or entities provided for in sufficient detail in the Group's annual budgets and strategic plan shall be left up to the Chairman.
   b. Creation or acquisition of shares in special purpose vehicles whenever they go beyond the ordinary administration of the company.
   c. Mergers, takeovers, spin-offs or concentrations of strategic importance of interest for any of the major subsidiaries or investees in which any of the companies in the Repsol YPF group has a direct interest.
   d. Sale of shares in companies or other fixed assets with a value of over thirty million euro; the Delegate Committee shall approve such sales valued at between fifteen and thirty million euro, informing the board at the next meeting of all sales authorised.
   e. Approval of investment projects with a value of over thirty million euro; the Delegate Committee shall approve projects valued at between fifteen and thirty million euro, informing the Board at the next meeting of all investments approved.

      By exception, the Chairman shall decide, after discussion by the Management Committee if necessary, whether to approve the following investment projects

      - Those involving the prospecting or working of oil fields in fulfilment of commitments deriving from the corresponding contracts, concessions or licences.
      - Those performed in fulfilment of legal provisions binding on the company concerned, concerning environmental protection, safety of installations, product specifications or similar.
      - Those provided for in sufficient detail in the group's annual budgets and strategic plan.

      In these cases, the Chairman shall report on the approval of these investments to the Board or Delegate Committee, depending on their values and as established in the first paragraph of this point e), wherever possible before commencement of the respective projects.
   f. Notes, debentures or other issues made by Repsol YPF, S.A. or its majority-owned or controlled subsidiaries.
   g. Granting of guarantees to secure the obligations of entities not controlled by the group.
   h. Assignment of rights over the trade name and trade marks, and over any other patents, technology and any form of industrial or intellectual property of economic importance belonging to Repsol YPF, S.A. or group companies.
   i. Creation, investment and supervision of the management of employee pension schemes and any other commitments to employees involving long-term financial responsibilities for the Company.
   j. Signing of long-term commercial, industrial or financial agreements of strategic importance for the Repsol YPF Group.
6. Any other business or matter reserved in these Regulations for approval by the full Board.

The Chairman, or otherwise the Vice-Chairmen, shall implement the resolutions adopted by the Board in accordance with this article, report on any authorisation or approval given where appropriate or issue instructions to carry out the actions required by the resolutions adopted.

Should circumstances so require, the powers of the Board contemplated in 3c), 4 and 5 above may be exercised by the Delegate Committee and subsequently ratified by the full Board.

Apart from all this, the Chairman of the Board of Directors shall receive reports and proposals from the Audit and Control Committee, the Nomination and Compensation Committee and the Strategy, Investment and Corporate Social Responsibility Committee, on matters within their respective competence. For greater guarantee, all the members of these Committees shall be External Directors.

Indicate and, if appropriate, explain whether rules have been established to enable one of the independent directors to request the calling of the Board or the inclusion of new items on the agenda, to coordinate and echo the concerns of external directors and to direct the assessment by the Board of Directors:

YES

Explain the rules

The Board of Directors of Repsol YPF, in its meeting held on February 23, 2011, agreed to amend its regulations to, among other matters, incorporate into Company's system of corporate governance the figure of Lead Independent Director. According to current Article 25,5 of the Regulations of the Board of Directors:

"When the Chairman of the Board of Directors holds the role of CEO, the Board shall appoint, upon proposal by the Nomination and Compensation Committee, an independent director who, under the name of Lead Independent Director, may perform the following tasks:

a. *Request to the Chairman of the Board, when he deems appropriate, the calling of the Board.*
b. *Request the inclusion of items on the Board's meetings agenda according to Article 9.3 of these Regulations.*
c. *Coordinate and give voice to the concerns of external directors.*
d. *Lead the Board's evaluation of the Chairman.*
e. *Call and chair meetings of independent directors as he deems necessary or desirable."*

Additionally, Article 9 of the Regulations of the Board of Directors provides that *"The Chairman may call additional Board meetings whenever he deems appropriate. The call shall be mandatory when requested by the Lead Independent Director or by at least one-quarter of the directors, without prejudice to the provision of Article 17.2.e) of these Regulations. The Chairman shall draw up the agenda for meetings, although any of the directors may, prior to call, request the inclusion of any business they consider ought to be transacted at the meeting. Such inclusion is mandatory when the request has been made 48 hours prior to the date specified for the meeting."*

B.1.22 Are special majorities differing from those stipulated in law required for any type of decision?:

YES

Explain how resolutions are adopted on the Board, indicating at least the quorum and the majorities required for adopting resolutions:

Adopting resolutions		
Description of resolution	**Quorum**	**Type of majority**
Amendment of Article 19 of the Board of Directors Regulation	Half plus one of the Directors	Three quarters of the Board members
Amendment of Article 22 of the Board of Directors Regulation	Half plus one of the Directors	Three quarters of the Board members

B.1.23 Are there any specific requirements, other than those established for directors, to be appointed Chairman?

NO

Description of requirements

B.1.24 Indicate whether the Chairman has casting vote:

YES

Matters in which there is a casting vote

According to Article 36 of the Articles of Association, save where greater majorities have been specifically established, resolutions of the Board shall be approved by the absolute majority of directors attending, and in the event of a tie, the Chairman or acting chairman shall have the casting vote.

B.1.25 Indicate whether the Articles of Association or the board regulations establish any age limit for directors:

NO

Age limit Chairman	
Age limit managing director	
Age limit director	

B.1.26 Indicate whether the Articles of Association or the board regulations establish any limit on the term of office for independent directors:

NO

Maximum term of office	

B.1.27 If there are few or no female directors, explain why and what actions have been taken to remedy this situation.

Explanation of reasons and actions

The appointment of all the Board members has been made objectively, taking account the prestige, expertise and professional experience required to perform their duties, and without any kind of discrimination.

On December 19, 2007, the Board of Directors of Repsol YPF, S.A. approved a new consolidated text of its Regulations, which, among other matters, assigned to the Nomination and Compensation Committee the duty of assessing the necessary knowledge, expertise and experience of the Board, defining in consequence the duties and qualifications required of the candidates for filling each vacancy and assessing the time and dedication required to adequately perform their duties.

Furthermore, Article 33 of the Regulations of the Board of Directors expressly provides that the Nomination and Compensation Committee ensure that whenever new vacancies are foreseen or on appointing new directors, the selection procedures are not affected by implicit bias that could entail some kind of discrimination and that women who meet the professional profile sought are deliberately sought and included among the potential candidates, informing the board on the initiatives taken in this respect and the results thereof.

In particular, state whether the Nomination and Compensation Committee has established procedures to ensure that the selection procedures are not affected by implicit bias that could hamper the selection of female directors and that women with the required profile are deliberately included among the candidates:

NO

Describe the main procedures

B.1.28 Indicate whether there are any formal processes for proxy voting in the board of directors. If so, briefly describe these.

Without prejudice to the directors' duty to attend the meetings of the bodies they belong to or, if they are unable for justified reasons to attend the meetings to which they have been called, to issue the appropriate instructions to the director who is to represent them, if any, each Board member may grant a proxy to another member, with no limit on the number of proxies that may be held by any director for attendance of Board meetings.

Absent directors may grant proxies by any written means, including telegram, telex or telefax addressed to the Chairman or Secretary of the Board.

B.1.29 State the number of meetings held by the Board of Directors during the year, indicating, if appropriate, how many times the Board has met without the Chairman:

Number of Board meetings	12
Number of Board meetings held without the Chairman	0

Number of meetings held by the different Committees of the Board:

Number of meetings of the Delegate Committee	5
Number of meetings of the Audit Committee	10
Number of meetings of the Nomination and Compensation Committee	5
Number of meetings of the Nomination Committee	0
Number of meetings of the Compensation Committee	0

B.1.30 Indicate the number of meetings held by the Board of Directors during the year without the attendance of all its members, counting as non-attendance any proxies made without specific instructions:

Number of non-attendances by directors during the year	1
Non-attendances / total votes during the year (%)	0.52

B.1.31 Indicate whether the individual and consolidated annual accounts presented for Board for approval are previously certified:

YES

If appropriate, name the person(s) who certify the individual or consolidated annual accounts of the company before they are approved by the Board:

Nombre	Cargo
D. Antonio Brufau Niubó	Presidente
D. Miguel Martínez San Martín	Director General Económico Financiero y de Empresas Participadas

B.1.32 Explain the mechanisms, if any, established by the Board to avoid a qualified auditors' report on the individual and consolidated accounts laid before the General Meeting.

The Audit and Control Committee, set up on 27 February 1995, has as main duty, the supporting to the Board in its supervisory duties, through regular checking of the preparation of economic and financial reporting, the effectiveness of its executive controls and the independence of the external auditors, as well as supervising the internal audit department, and checking the compliance with all the legal provisions and internal regulations applicable to the Company.

This Committee has the following duties, among others:

- Supervise the integrity and process of preparing the financial information on the company and its group, ensuring compliance with all requirements, adequate definition of the consolidated group and correct application of the accounting principles.
- Regularly check the internal control and risk management systems, ensuring that the principal risks are identified, handled and reported on adequately.
- Prior to their submission to the board, analyse the financial statements of the company and its consolidated group included in the annual, half-year and quarterly reports and any other financial information that the company is obliged to publish regularly by virtue of being a listed company, with the necessary requirements to ensure that they are correct, reliable, adequate and clear. For this purpose it shall have all the necessary information and such degree of aggregation as it may deem fit, assisted as necessary by the top management of the group, particularly its financial management and the company's auditor. It shall, in particular, see that the annual accounts that are to be submitted to the board are certified by the Chairman, the Managing Director(s), if any, and the Chief Finance Officer (CFO) pursuant to the internal or external regulations applicable from time to time.
- Regularly receive information from the external auditors on the audit plan and results of their work, and check that the executives heed their recommendations.
- Regularly require the auditors, at least one a year, to assess the quality of the group's internal control procedures.
- Be informed of any situations requiring adjustments that may be detected during the work of the external auditors whenever they are significant, considering this to mean any situations which, per se or in combination with others, may cause a material impact or damage to the net worth, results or reputation of the group. This consideration shall be left to the discretion of the external auditors, who shall, in case of doubt, opt for notification. The Chairman of the Committee shall be notified accordingly as soon as the auditors become aware of the situation in question.
- Oversee the degree of fulfilment by the audited units of the corrective measures recommended by the internal audit department in previous audits.

The committee shall be informed of any significant irregularities, anomalies or defaults detected by the internal audit department in the course of its work.

For this purpose, the members of this Committee shall have the necessary experience, capacity and dedication to perform their duties. Moreover, the Chairman shall have experience in business management and a working knowledge of accounting procedures, and at least one of the members shall have the financial experience that may be required by the regulatory bodies of the stock markets on which the stocks or shares of the company are listed.

B.1.33 Is the Secretary of the Board a Director?

YES

B.1.34 Explain the procedures for appointment and removal of the Secretary of the Board, indicating whether a report is issued by the Nomination Committee and whether they are approved by the full Board.

Procedure for appointment and removal

As provided in Article 42 of the Articles of Association, the Board chooses its Secretary and Vice-Secretary, if any, who may or may not be Directors.

Moreover, pursuant to Articles 5 and 33 of the Regulations of the Board of Directors, the Board shall appoint or remove its Secretary and Vice-Secretary, subject to a report by the Nomination and Compensation Committee.

Does the Nomination Committee issue a report on the appointment?	YES
Does the Nomination Committee issue a report on the removal?	YES
Does the full Board approve the appointment?	YES
Does the full Board approve the removal?	YES

Is the Secretary of the Board commissioned especially to see that the good governance recommendations are heeded?

YES

Remarks	Article 42 of the Articles of Association establishes that the Secretary will ensure that the Board actions comply in form and substance with the law and that the company's procedures and rules of governance are respected. Furthermore, in pursuance of Article 27 of the Regulations of the Board of Directors, the Secretary of the Board is commissioned to ensure compliance with any provisions issued by regulatory bodies and heeding of their recommendations, if any, and to ensure that the corporate governance principles of the company are observed.

B.1.35 Describe any mechanisms established by the company to preserve the independence of the auditor, financial analysts, investment banks and rating agencies.

One of the powers of the Audit and Control Committee contemplated in Article 39 of the Articles of Association is that of receiving information on any issues that may jeopardise the independence of the External Auditors.

In development of this provision of the Articles of Association, the Regulations of the Audit and Control Committee establish, as one of its duties, ensuring the independence of the External Auditors, in two ways:

a. Avoiding any factors that may compromise the warnings, opinions and recommendations of the External Auditors, and

b. Establishing and overseeing any incompatibilities between auditing and consultancy services and any others, the limits on concentration of the External Auditor's business and, in general, all other rules established to guarantee the independence of the auditor.

According to these duties, in 2003 the Audit and Control Committee agreed on a procedure to approve previously all the services, auditing or otherwise, provided by the External Auditor, whatever their extent, scope and nature. This procedure is regulated in an Internal Rule mandatory for the whole of the Repsol YPF Group.

In addition, article 32 of the Regulations of the Board of Directors (the *Audit and Control Committee*) provides that the Committee shall receive, annually, from the External Auditor written confirmation of its independence towards the Company or entities related to the same directly or indirectly, as well as the information of the additional services of any type provided to these entities by said Auditors or companies, or by the people or entities linked to the latter, in accordance with that established in the regulations governing the activity of auditors. The Committee shall issue annually, prior to the delivery of the Auditing report, a report stating an opinion on the independence of the Auditors. In any case, this report must make a declaration on the additional services provided and referred to.

Furthermore, Repsol YPF Group has the Investor Relations Division whose responsibilities include ensuring that the information supplied by the Company to the market (financial analysts and investment banks, amount other) is transmitted fairly, commensurate and in useful time and, according with the Repsol YPF Group Internal Conduct Regulations Regarding the Securities Market, that such information is accurate, clear, complete and, when required by the nature of the information, quantified, and shall by no means be misleading or confusing.

B.1.36 State whether the Company has changed its external auditor during the year. If so, name the outgoing and incoming auditors:

NO

Outgoing auditor	
Incoming auditor	

Did the Company have any disagreements with the outgoing auditor? If so, explain what they consisted of:

NO

Description of the disagreement

B.1.37 State whether the firm of auditors does any work for the Company and/or its Group other than standard audit work and if so, declare the amount of the fees received for such work and the percentage it represents of the fees invoiced to the company and/or its group:

YES

	Company	**Group**	**Total**
Cost of work other than auditing (thousands of euro)	455	808	1263
Cost of work other than auditing / Total amount invoiced by the auditors (%)	21.41	14.07	16.05

B.1.38 State whether the auditors' report on the Annual Accounts of the previous year contains any qualifications. If so, indicate the reasons given by the Chairman of the Audit Committee to explain the contents and scope of those qualifications.

YES

Description of reasons

B.1.39 State the number of years in succession that the current firm of auditors has been auditing the annual accounts of the company and/or its group. Indicate the ratio of the number of years audited by the current auditors to the total number of years that the annual accounts have been audited:

	Company	**Group**
Number of years in succession	21	21

	Company	**Group**
Number of years audited by current auditors / No. years that the company has been audited (%)	100	100

B.1.40 Indicate the company board members' shareholdings, reported to the company, in companies engaging in the same or similar activities as those within the company's or group's scope of business. Indicate their positions or duties in these companies:

Name of director	Name of company	% stake	Position or duties
Antonio Brufau Niubó	Gas Natural SDG, S.A.	0.008	Vice-Chairman
Isidro Fainé Casas	Gas Natural SDG, S.A.	0.011	–
José Manuel Loureda Mantiñán	Valoriza Gestión, S.A.	0.000	Chairman
José Manuel Loureda Mantiñán	Vallehermoso División Promoción, S.A.	0.000	Director
Juan María Nin Génova	Gas Natural SDG, S.A.	0.000	Director
Luis Suárez de Lezo Mantilla	Gas Natural SDG, S.A.	0.002	Director
Luis Suárez de Lezo Mantilla	Repsol – Gas Natural LNG, S.L.	0.000	Director

B.1.41 Indicate, with details if appropriate, whether there is an established procedure for directors to receive external advice:

YES

Details of procedure

The Regulations of the Board of Repsol YPF, S.A. expressly recognise the directors' right to advisory services. Article 23 provides as follows:

- The Directors shall likewise have the power to propose to the Board, by majority vote, the contracting at the Company's expense of legal advisers, accountants, technical, financial, and commercial experts, and experts of any other kind they consider necessary to the Company's interests, to provide assistance in the performance of the Directors' functions in regard to concrete problems of some magnitude and complexity relating to their positions.
- Said proposals must be submitted to the Chairman of the Company through the Secretary of the Board. The Board of Directors may veto their approval on the grounds that they are unnecessary to the performance of the assigned functions, or that the number is disproportionate to the importance of the problem and to the Company's assets and income, or that the technical assistance in question could be adequately provided by experts within the Company.

Furthermore, the Regulations of the Board of Directors establish that the Audit and Control Committee, the Nomination and Compensation Committee and the Strategy, Investment and Corporate Social Responsibility Committee may obtain counselling from lawyers or other independent professionals, in which case the Secretary of the Board shall, at the request of the Chairman of the Committee, take whatever action may be necessary to engage the services of such lawyers or other professionals, which shall be provided directly to the corresponding Committee.

B.1.42 Indicate, with details if appropriate, whether there is an established procedure for directors to obtain sufficiently in advance any information they may need to prepare the meetings of the governing bodies:

YES

Details of procedure

The Regulations of the Board of Directors of Repsol YPF, S.A. establish that the notice of call to Board meetings shall be sent to each director at least 48 hours prior to the date specified for the meeting, and shall include the agenda. The minutes of the previous meeting shall be enclosed, regardless of whether they have been approved, and any information considered necessary and that is available.

The Regulations of the Board of Directors of Repsol YPF, S.A. contemplate procedures to ensure that directors have the necessary information sufficiently in advance to prepare Board meetings. In this regard, Article 23 provides as follows:

The Directors shall have access to all the Company's services and may obtain, with the broadest possible powers, the information and advising they need on any aspect of the Company provided they request it in connection with the performance of their functions. The right to information extends to the subsidiaries, whether national or foreign, and shall be channelled through the Chairman or the Secretary of the Board of Directors or of the appropriate Board Committee, who shall respond to Directors' requests and directly furnish them the information, offering them access to appropriate sources or taking all necessary measures to answer questions.

B.1.43 Indicate, with details if appropriate, whether the company has established rules obliging directors to report and, if necessary, resign in any cases that could be detrimental to the company's reputation:

YES

Explain the rules

According to Article 16 of the Regulations of the Board of Directors, Directors shall offer their resignation and, should the board deem fit, step down as directors if, in the opinion of the Board, in view of a report by the Nomination and Compensation Committee, their remaining on the board could jeopardise the interests of the company or adversely affect the functioning of the board or the standing and reputation of the company.

In this regard, Article 17 of the Regulations of the Board of Directors provides that Directors shall notify the board as soon as possible and keep it up to date on any situations in which they may be involved and that could be detrimental to the standing and reputation of the company, to enable the board to assess the circumstances, particularly in pursuance of the preceding paragraph.

B.1.44 Indicate whether the Company has been notified by any Board member that he has been sued or is being tried for any of the offences contemplated in Article 124 of the Joint Stock Companies Act:

NO

Name of Director	Criminal Case	Comments

Indicate whether the Board has studied the case. If so, give a reasoned explanation of the decision made as to whether or not the director in question should remain in office.

NO

Decision made	Reasoned explanation
Should or shouldn't remain in office	

B.2 Board of Directors Committees

B.2.1 List all the committees of the Board of Directors and their members:

DELEGATE COMMITTEE

Name	Position	Type
Antonio Brufau Niubó	Chairman	Executive
Isidro Fainé Casas	Member	Proprietary
Juan Abelló Gallo	Member	Proprietary
Javier Echenique Landiríbar	Member	Independent
Artur Carulla Font	Member	Independent
Pemex Internacional España, S.A.	Member	Proprietary
Henri Philippe Reichstul	Member	Independent
Luis Suárez de Lezo Mantilla	Member & Secretary	Executive

AUDIT AND CONTROL COMMITTEE

Name	Position	Type
Ángel Durández Adeva	Chairman	Independent
Paulina Beato Blanco	Member	Independent
Javier Echenique Landiríbar	Member	Independent

NOMINATION AND COMPENSATION COMMITTEE

Name	Position	Type
Artur Carulla Font	Chairman	Independent
María Isabel Gabarró Miquel	Member	Independent
José Manuel Loureda Mantiñán	Member	Proprietary
Juan María Nin Génova	Member	Proprietary
Mario Fernández Pelaz	Member	Independent

STRATEGY, INVESTMENT AND CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Name	Position	Type
Juan María Nin Génova	Chairman	Proprietary
Juan Abelló Gallo	Member	Proprietary
Luis Carlos Croissier Batista	Member	Independent
María Isabel Gabarró Miquel	Member	Independent
José Manuel Loureda Mantiñán	Member	Proprietary
Pemex Internacional España, S.A.	Member	Proprietary

B.2.2 Indicate whether the following duties correspond to the Audit Committee:

Supervise the integrity and process of preparing the financial information on the company and its group, ensuring compliance with all requirements, adequate definition of the consolidated group and correct application of the accounting principles	YES
Regularly check the internal control and risk management systems, ensuring that the principal risks are identified, handled and reported on adequately	YES
Guarantee the independence and efficiency of the internal audit department; propose the selection, appointment, re-election and removal of the chief audit officer; propose the budget for this department; receive regular information on its activities; and check that the top management heeds the conclusions and recommendations of its reports	YES
Establish and oversee a mechanism whereby employees may report, confidentially and, if appropriate, anonymously, any potentially important irregularities, especially financial and accounting irregularities, that they may detect within the company	YES
Submit proposals to the Board for the selection, appointment, re--election and replacement of the external auditors and the terms and conditions of their engagement	YES
Regularly receive information from the external auditors on the audit plan and results of their work, and check that the executives heed their recommendations	YES
Guarantee the independence of the external auditors	YES
In the case of groups, encouraging the group auditors to audit the group companies.	YES

B.2.3 Describe the rules of organisation and procedure and the responsibilities attributed to each Committee.

Delegate Committee

The Delegate Committee consists of the Chairman of the Board and up to a maximum of seven directors from the three existing categories (executive, proprietary and independent), endeavouring to maintain a similar proportion to that existing on the Board of Directors. Its members shall be appointed with a majority of at least two-thirds of the current Board members.

All the powers of the Board are permanently delegated to the Delegate Committee, except those that may not be lawfully delegated and those considered as such by the Articles of Association or the Regulations of the Board of Directors.

The Chairman of the Delegate Committee shall be the Chairman of the Board and the Secretary shall be the Secretary of the Board, who may be assisted by the Vice-Secretary.

Whenever the business is sufficiently important, in the opinion of the Chairman or three members of the Delegate Committee, the resolutions adopted by the Delegate Committee shall be submitted to the full Board for ratification. The same shall be applicable in any business referred by the Board to be studied by the Delegate Committee, while reserving the ultimate decision thereon. In all other cases, the resolutions adopted by the Delegate Committee shall be valid and binding with no need for subsequent ratification by the Board.

At the end of the meeting, the Secretary issues the minutes of the resolutions adopted, that will be reported to the Board at the following full Board meeting, and makes available to the Board members a copy of the minutes. Five meetings were held in 2011.

Audit and Control Committee

The Audit and Control Committee consists of at least three directors appointed by the Board on the basis of their experience and expertise in accounting, auditing or risk management. Executive directors may not sit on this Committee.

The Board shall appoint the members of this Committee for a term of four years. Without prejudice to one or several re-elections, they shall retire at the end of that term, when they retire from the Board or whenever so resolved by the Board, subject to a prior report by the Nomination and Compensation Committee. The chairman shall hold office as such for a maximum of four years, after which he shall not be eligible for re-election until one year has passed, without prejudice to his continuation or re-election as member of the Committee.

This Committee, set up on 27 February 1995, supports the Board in its supervisory duties, through regular checking of the preparation of economic and financial reporting, executive controls, supervision of the systems for recording and controlling the company's hydrocarbon reserves, the internal audit department and the independence of the external auditors, as well as checking compliance with all the legal provisions and internal regulations applicable to the company. This Committee is competent to submit proposals to the Board regarding the appointment of external auditors, extension of their appointment, their removal and the terms of their engagement. It shall also inform the General Meeting, through its Chairman, on any issues raised by shareholders regarding matters within its competence.

Its duties shall also include knowing and guiding the company's environmental and safety policies and objectives and drawing up an Annual Report on its activities, on which it shall report to the Board.

The Committee shall appoint one of its members to be Chairman, who shall necessarily be an External Independent Director; the Secretary shall be the Secretary of the Board.

The Committee shall meet as often as necessary, in the opinion of the Chairman, to perform the duties commissioned to it, although an annual calendar of meetings shall be drawn up before the end of each year for the following year, as well as an Action Plan for each year, informing the Board accordingly. Meetings shall be called whenever so requested by any two of its members. Ten meetings were held in 2011.

The Chairman of the Committee shall regularly report to the Board on the actions taken by the Committee.

At least once a year, the Committee shall assess its functioning and the quality and efficiency of its work, reporting to the full Board.

The Secretary of the Committee shall issue minutes of the resolutions adopted at each meeting, which shall be made available to Board members.

Nomination and Compensation Committee

This Committee consists of no fewer than three directors appointed by the Board, taking account of the expertise, skills and experience of the directors and the duties of the Committee. Most of its members shall be External Independent Directors.

The Board shall appoint the members of this Committee for a term of four years. Without prejudice to one or several re-elections, they shall retire at the end of that term, when they retire from the Board or whenever so resolved by the Board, subject to a prior report by the Audit and Control Committee.

This Committee, which was set up on 27 February 1995, has the duties of proposing and reporting to the Board on the selection, appointment, re-election and removal of Directors, Managing Director, Chairman, Vice-Chairman, Secretary, Vice-Secretary and the Directors who are to sit on the different Committees of the Board; proposing the Board compensation policy and, in the case of Executive Directors, the additional consideration for their management duties and other contract conditions; reporting on the appointment of Senior Executives of the Company and their general pay policy and incentives; reporting on the compliance by Directors of the corporate governance principles or the obligations established in the Articles of Association or the Regulations of the Board; and, in general, proposing and informing on any other business related with the above at the request of the Chairman or the Board of Directors.

The Chairman of this Committee shall be one of its members, who shall necessarily be an External Independent Director, and the Secretary shall be the Secretary of the Board.

The Committee shall meet whenever the Board or Chairman of the Board requests reports or proposals within the scope of its duties, and whenever called by the Chairman of the Committee, requested by two Committee members or when reports are required to be able to adopt the corresponding resolutions. Five meetings were held in 2011.

The Chairman of the Committee shall regularly report to the Board on the actions taken by the Committee.

At least once a year, the Committee shall assess its functioning and the quality and efficiency of its work, reporting to the full Board.

The Secretary of the Committee shall issue minutes of the resolutions adopted at each meeting, which shall be made available to Board members.

Strategy, Investment and Corporate Social Responsibility Committee

On December 2007, the Board of Directors of Repsol YPF, S.A. resolved, within the modification of its Regulations, to change the name of the Strategy, Investment and Competition Committee, set up on 25 September 2002, to Strategy, Investment and Corporate Social Responsibility Committee.

The Strategy, Investment and Corporate Social Responsibility Committee consists of no fewer than three directors appointed by the Board, taking account of the expertise, skills and experience of the directors and the duties of the Committee. Most of its members shall be External or Non-Executive Directors.

The Board shall appoint the members of this Committee for a term of four years. Without prejudice to one or several re-elections, they shall retire at the end of that term, when they retire from the Board or whenever so resolved by the Board, subject to a prior report by the Nomination and Compensation Committee.

This Committee has the duties of reporting on the principal highlights, landmarks and reviews of the Group's strategic plan; major strategic decisions for the Repsol YPF Group; and investments or divestments in assets which, by virtue of their value or strategic nature, the Executive Chairman believes should be first considered by the Committee.

It must also be familiar with and steer the policy, objectives and guidelines of the Repsol YPF Group on Corporate Social Responsibility and inform the Board thereon; check and report on the Corporate Responsibility Report of the Repsol YPF Group before it is submitted to the Board; and, in general, perform any other duties related with the matters within its competence and requested by the Board or its Chairman.

One of the members of this Committee shall be appointed Chairman and the secretary shall be the Secretary of the Board.

The Committee shall meet with the established frequency or whenever called by its Chairman or requested by two of its members. Two meetings were held in 2011.

The Chairman of the Committee shall regularly report to the Board on the actions taken by the Committee.

At least once a year, the Committee shall assess its functioning and the quality and efficiency of its work, reporting to the full Board.

The Secretary of the Committee shall issue minutes of the resolutions adopted at each meeting, which shall be made available to Board members.

B.2.4 Indicate, where appropriate, the powers of advising, consultation and, where appropriate, delegations of each Committee:

Committee	**Brief description**
Delegate Committee	See B.2.3
Audit and Control Committee	See B.2.3
Nomination and Compensation Committee	See B.2.3
Strategy, Investment and Corporate Social Responsibility Committee	See B.2.3

B.2.5 Indicate the existence, if appropriate, of regulations of the board committees, where they are available for consultation and any modifications made during the year. State whether an annual report has been issued voluntarily on the activities of each Committee.

Delegate Committee

The internal regulation of the Delegate Committee is currently set out in the Articles of Association and the Regulations of the Board of Directors.

The Articles of Association and the Regulations of the Board of Directors are entered in the Madrid Trade Registry and accessible to the public through the company's web site (www.repsol.com).

Audit and Control Committee

The internal regulation of the Audit and Control Committee is currently set out in the Articles of Association and the Regulations of the Board of Directors.

The Articles of Association and the Regulations of the Board of Directors are entered in the Madrid Trade Registry and accessible to the public through the company's web site (www.repsol.com).

The Audit and Control Committee has drawn up a Report of its activities during 2011.

Strategy, Investment and Corporate Social Responsibility Committee

The internal regulation of the Strategy, Investment and Corporate Social Responsibility Committee is currently set out in the Regulations of the Board of Directors.

The Regulations of the Board of Directors are entered in the Madrid Trade Registry and accessible to the public through the company's web site (www.repsol.com).

Nomination and Compensation Committee

The internal regulation of the Compensation Committee is currently set out in the Regulations of the Board of Directors.

The Regulations of the Board of Directors are entered in the Madrid Trade Registry and accessible to the public through the company's web site (www.repsol.com).

B.2.6 Does the composition of the Delegate Committee reflect the participation on the Board of the different types of Director?

YES

If no, explain the composition of your Executive Committee

C Related party transactions

C.1 Indicate whether the full Board has reserved approval, subject to a favourable report by the Audit Committee or any other committee commissioned this task, of any transactions that the company may enter into with directors, significant shareholders or shareholders represented on the Board, or with persons related to them:

YES

C.2 List any significant transactions involving a transfer of resources or obligations between the company and/or companies in its group and significant shareholders of the company:

Name of significant shareholder	Name of company or group company	Nature of the relationship	Type of transaction	Amount Thousand euro
Sacyr Vallehermoso, S.A.	Grupo Repsol YPF	Commercial	Services received	5,858
Sacyr Vallehermoso, S.A.	Grupo Repsol YPF	Commercial	Purchase of tangible assets, intangible or other assets	124
Sacyr Vallehermoso, S.A.	Grupo Repsol YPF	Contractual	Leases	887
Sacyr Vallehermoso, S.A.	Grupo Repsol YPF	Corporate	Dividends and other distributed profits	256,510
Sacyr Vallehermoso, S.A.	Grupo Repsol YPF	Commercial	Services rendered	9,873
Sacyr Vallehermoso, S.A.	Grupo Repsol YPF	Commercial	Sales of goods (finished or outstanding)	68,674
Sacyr Vallehermoso, S.A.	Grupo Repsol YPF	Commercial	Other incomes	143
Sacyr Vallehermoso, S.A.	Grupo Repsol YPF	Contractual	Purchase of goods (finished or outstanding)	202
Sacyr Vallehermoso, S.A.	Grupo Repsol YPF	Contractual	Commitments acquired	41,700
Sacyr Vallehermoso, S.A.	Grupo Repsol YPF	Contractual	Bonds and guarantees received	35,777
Caixabank ,S.A.	Grupo Repsol YPF	Commercial	Financial expenses	26,418
Caixabank ,S.A.	Grupo Repsol YPF	Contractual	Leases	422
Caixabank ,S.A.	Grupo Repsol YPF	Commercial	Services received	2,004
Caixabank ,S.A.	Grupo Repsol YPF	Commercial	Other expenses	10,639
Caixabank ,S.A.	Grupo Repsol YPF	Contractual	Financial incomes	35,846
Caixabank ,S.A.	Grupo Repsol YPF	Commercial	Sales of goods (finished or outstanding)	124
Caixabank ,S.A.	Grupo Repsol YPF	Commercial	Other incomes	249
Caixabank ,S.A.	Grupo Repsol YPF	Commercial	Services rendered	1,752
Caixabank ,S.A.	Grupo Repsol YPF	Commercial	Sales of tangible assets, intangible or other assets	187,133
Caixabank ,S.A.	Grupo Repsol YPF	Contractual	Financing agreements, loans and capital contributions (lender)	65
Caixabank ,S.A.	Grupo Repsol YPF	Contractual	Financing agreements: loans and capital contributions (borrower)	782,258
Caixabank ,S.A.	Grupo Repsol YPF	Contractual	Bonds and guarantees received	33,826
Caixabank ,S.A.	Grupo Repsol YPF	Contractual	Bonds and guarantees provided	91,764
Caixabank ,S.A.	Grupo Repsol YPF	Corporate	Dividends and other distributed profits	201,099
Petróleos Mexicanos	Grupo Repsol YPF	Commercial	Services received	357
Petróleos Mexicanos	Grupo Repsol YPF	Contractual	Purchase of goods (finished or outstanding)	2,750,907
Petróleos Mexicanos	Grupo Repsol YPF	Commercial	Other expenses	421
Petróleos Mexicanos	Grupo Repsol YPF	Contractual	Financial incomes	489
Petróleos Mexicanos	Grupo Repsol YPF	Commercial	Services rendered	29,892
Petróleos Mexicanos	Grupo Repsol YPF	Commercial	Sales of goods (finished or outstanding)	40,256
Petróleos Mexicanos	Grupo Repsol YPF	Commercial	Other incomes	3,810
Petróleos Mexicanos	Grupo Repsol YPF	Contractual	Bonds and guarantees provided	100,291
Petróleos Mexicanos	Grupo Repsol YPF	Contractual	Commitments acquired	543,524
Petróleos Mexicanos	Grupo Repsol YPF	Corporate	Dividends and other distributed profits	61,614
Petróleos Mexicanos	Grupo Repsol YPF	Commercial	Financial expenses	28

C.3 List any significant transactions involving a transfer of resources or obligations between the company and/or companies in its group and the directors or executives of the company:

Name of director or executive	Name of company or group company	Nature of the transaction	Type of transaction	Amount Thousand euro
Company Executives	Repsol YPF Group	Contractual	Financing Agreements : credits and capital contributions (lender)	584

C.4 List any significant transactions with other companies in the group that are not eliminated in the consolidated financial statements and which do not, by virtue of their object or terms, correspond to the normal business of the Company:

Name of group company	Brief description of the transaction	Amount Thousand euro

C.5 Indicate whether any company directors have been in any conflicts of interest during the year, pursuant to Article 127 ter of the Joint Stock Companies Act.

YES

Name of Director	Description of the conflict of interest situation
Antonio Brufau Niubó	a. All the resolutions regarding the Chairman's remuneration have been passed without the participation of the Chairman. b. The resolution regarding the submission to the Annual General Meeting of his re-election as member of the Board has been passed, on the Board's meeting of February 23, 2011, without the participation of said Director. c. The resolutions regarding his re-election as Chairman of the Board and member of the Delegate Committee have been passed, on the Board's meeting of April 15, 2011, without the participation of said Director.
Luis Suárez de Lezo Mantilla	All the resolutions regarding the Secretary's remuneration have been discussed and passed without the participation of the Secretary.
Luis Carlos Croissier Batista	a. The resolution regarding the submission to the Annual General Meeting of his re-election as member of the Board has been passed, on the Board's meeting of February 23, 2011, without the participation of said Director. b. The resolution regarding his re-election as member of the Strategy, Investment and Corporate Social Responsibility Committee has been passed, on the Board's meeting of April 15, 2011, without the participation of said Director.
Luis del Rivero Asensio	a. The resolution regarding the submission to the Annual General Meeting of his re-election as member of the Board has been passed, on the Board's meeting of February 23, 2011, without the participation of said Director. b. The resolutions regarding his re-election as First Vice-Chairman of the Board and member of the Delegate Committee have been passed, on the Board's meeting of April 15, 2011, without the participation of said Director. c. The resolutions regarding his dismissal as First Vice-Chairman of the Board and member of the Delegate Committee have been passed, on the Board's meeting of October 26, 2011, without the participation of said Director. d. The resolution related to the authorization for the acquisition of treasury shares representing the 10% of Repsol's share capital was approved on the Board's meeting of December 18, 2011, without the participation of said Director.
Juan Abelló Gallo	a. The resolution regarding the submission to the Annual General Meeting of his re-election as member of the Board has been passed, on the Board's meeting of February 23, 2011, without the participation of said Director. b. The resolution regarding his re-election as member of the Strategy, Investment and Corporate Social Responsibility Committee has been passed, on the Board's meeting of April 15, 2011, without the participation of said Director. c. The resolutions regarding his appointment as Vice-Chairman of the Board and member of the Delegated Committee have been passed, on the Board's meeting of October 26, 2011, without the participation of said Director. d. The resolution related to the authorization for the acquisition of treasury shares representing the 10% of Repsol's share capital was approved on the Board's meeting of December 18, 2011, without the participation of said Director.
Jose Manuel Loureda Mantiñan	a. The resolution regarding the submission to the Annual General Meeting of his re-election as member of the Board has been passed, on the Board's meeting of February 23, 2011, without the participation of said Director. b. The resolutions regarding his re-election as member of the Nomination and Compensation Committee and of the Strategy, Investment and Corporate Social Responsibility Committee have been passed, on the Board's meeting of April 15, 2011, without the participation of said Director. c. The resolution related to the authorization for the acquisition of treasury shares representing the 10% of Repsol's share capital was approved on the Board's meeting of December 18, 2011, without the participation of said Director. d. Additionally, the resolution regarding the favourable report on the treasury shares acquisition was passed previously by the Nomination and Compensation Committee on December 18, 2011 without the participation of said Director.
Ángel Durández Adeva	a. The resolution regarding the submission to the Annual General Meeting of his re-election as member of the Board has been passed, on the Board's meeting of February 23, 2011, without the participation of said Director. b. The resolution regarding his re-election as Chairman of the Audit and Control Committee has been passed, on the Board's meeting of April 15, 2011, without the participation of said Director.

C.6 Explain the mechanisms established to detect and resolve possible conflicts of interests between the company and/or its group, and its directors, executives or significant shareholders.

The Regulations of the Board of Directors require directors to avoid any direct or indirect conflicts of interest with the Company's interests, notifying the Board whenever any such conflicts inevitably exist. In the event of a conflict, the director affected shall abstain in the discussion and decision dealing with the issues giving rise to the conflict.

Any directors affected by proposals for appointment, re-election or removal shall abstain in the discussions and voting dealing with those matters. Ballots shall be secret.

Directors shall inform the Nomination and Compensation Committee of any other professional obligations they may have and any material change in their professional situation, as well as any affecting the nature or condition by virtue of which they have been appointed Director.

Finally, directors shall tender their resignations and step down from the Board, should the latter deem fit, whenever they incur in any of the events of incompatibility or disqualification established in law, the Articles of Association or Regulations.

In this regard, Articles 19-22 of the Regulations of the Board of Directors set out the obligations to be met by Directors in respect of non-competition, use of corporate information and assets and taking advantage of business opportunities, and the requirements established in respect of related party transactions between the Company and the Directors, significant shareholders represented on the Board or persons related to them.

Similarly, the Repsol YPF Group Internal Conduct Regulations regarding the Securities Market, applicable to directors, top management and the executives of certain departments and divisions with access to privileged information of the company or its group and who carry out tasks related with the Securities Market, contemplate the preclusion and solving of conflicts of interest in Articles 8.3. and 8.4., as follows:

"To control potential conflicts of interest, the executives and employees of Repsol YPF Group must inform the person responsible for their respective Area, sufficiently in advance for timely decisions to be made and before conducting the transaction or concluding the business in question, of any situation which may potentially involve, and in each concrete circumstance that actually involves, the appearance of a conflict of interest with Repsol YPF, S.A. or any company of its Group.

If the person affected is a member of the Board of Directors, the conflict must be reported to the Board of Directors, which, if it considers fit, will apply for the opinion of the Audit and Control Committee.

In case of a doubt about the existence of a conflict of interest, the executives and employees of Repsol YPF Group must act prudently and inform the person responsible for their respective Area or the Board of Directors, as the case may be, about the specific circumstances of the case, for the appropriate consideration of the situation by the latter.

The general principle to be considered in the resolution of all kind of conflicts of interest is abstention. Therefore, persons subject to conflicts of interest must refrain from making decisions that could affect the individuals or legal entities with which said conflict is posed. They must likewise *refrain from exerting any influence on said decision-making and must act with full loyalty to the Repsol YPF Group in all cases. In any situation of conflict of interest between the executives and employees of Repsol YPF Group and Repsol YPF or any company within the Group, the former must act in all moments with loyalty to the Repsol YPF Group, giving preference to the interest of the Repsol YPF Group over its own interests."*

Finally, the Ethics and Conduct Regulation for Repsol YPF Employees stipulates in Article 6.4, with regard to executives, that *"Repsol YPF recognizes and respects the financial and business activities of its employees that are not directly related to the activities carried out for the Company provided that these are legal and do not represent a conflict of interests with their responsibilities as Repsol YPF employees.*

Repsol YPF employees should avoid any situation that could give rise to any conflict between their personal interests and those of the Company and will abstain from representing the Company, taking part in or influencing decisions in any situation in which, the employee or any close relative has a personal interest. Employees should always act in accordance with their responsibilities, loyally and defending the interests of Repsol YPF.

Furthermore, employees may not undertake any tasks, jobs, or render any services in the benefit of companies in the sector or those that engage in activities that may, directly or indirectly, compete, or could compete, with those of Repsol YPF.

Repsol YPF employees, who could be affected by a conflict of interests, will inform the head of their Area before undertaking any transaction or closing any business deal, in order to make the appropriate decisions in each specific case thereby avoiding compromising their impartial job performance."

C.7 Are more than one of the Group companies listed in Spain?

NO

Name the subsidiaries listed in Spain:

Listed subsidiaries

State whether they have publicly and accurately defined their respective areas of activity and any possible business relationships among them, as well as those between the listed dependent company and the other companies within the Group:

Describe the possible business relationships between the parent company and the listed subsidiary, and between the subsidiary and the other companies within the Group

Describe the mechanisms established to resolve possible conflicts of interest between the listed subsidiary and the other companies within the Group:

Mechanisms for the resolution of possible conflicts of interest

D Risk control systems

D.1 General description of the risk policy of the company and/or its group, including details and assessment of the risks covered by the system, together with justification that those systems adapt to the profile of each type of risk.

Repsol YPF operates in numerous countries, under numerous regulatory frameworks and in all areas of the oil and gas business. Consequently, Repsol YPF is exposed to:

- market risks, deriving from the price volatility of oil, natural gas and by-products, exchange rates and interest rates,
- financial risks, including those related to Repsol's liquidity and solvency positions as well as the counterparty risks, deriving from financial arrangements and commercial commitments with suppliers or clients,
- risks related to the strategy of the Company, portfolio management and allocation of resources connected to internal decisions which shall be approved by the Executive Committee or the Board of Directors,
- regulatory and compliance risks related to regulatory changes and to the compliance of the applicable regulation on legal, tax, security and environmental, reporting and corporate governance matters,
- operating risks related to the effectiveness and efficiency of the transactions which could take place in case the existing internal processes were not suitable or wrong (including the risks of accidents and natural catastrophes, uncertainty regarding the geological characteristics of oil and gas fields, safety and environmental risks and reputation risks, such as those relating to corporate ethics and the social impact of Repsol YPF's business),
- economic environment risks related with external factors to the Company such as the macroeconomic context, the sector in which it performs its activity, country risk, natural disasters, competitors, relations with partners and the different perceptions of the interested parties.

The Company considers the most important risks to be those that could hamper it in achieving the goals established in its Strategic Plan. Repsol YPF manages its assets and businesses prudently. Nevertheless, many of the risks mentioned above are inherent in the activities it performs, are beyond the control of the company and cannot be entirely eliminated.

Repsol YPF has an organisation, procedures and systems that enable it to identify measure, assess, prioritize and control the risks to which the group is exposed, and decide to what extent those risks are to be assumed, managed, reduced or avoided. Risk analysis is an integral element in the group's decision-making processes, both in the centralised governing bodies and in the management of the different businesses, paying special attention in all cases to the existence of several risks at the same time or the effects of diversification that may occur on an aggregate level.

The following independent analysis, supervision and control units specialise in different areas of risk management exist:

Audit Projects Unit, focusing on the permanent assessment and improvement of existing controls to ensure that potential risks of whatsoever nature (strategic, operational, financial, environment, regulatory, etc...) that could hamper achievement of the strategic goals of the Repsol YPF Group are identified, measured and controlled at all times. When performing said duty it is specially foreseen that the existing controls of the Company guarantee properly the compliance with the applicable regulation, the safeguarding of the assets, the reliability of the financial information and the managing and prevention of fraud.

Credit Risk Management Unit, responsible for:

- monitoring and controlling the Group's credit risk,
- coordinating the development of specific rules and regulations concerning market and credit risks of the different business units and corporate areas of the Group and establishing methods for measuring and assessing such risks according to the best practices,
- analysing and controlling the credit risk generated by the Group's activities, establishing individual third-party credit risk limits,

- defining the criteria regarding the funding and use of provisions for insolvency, refinancing and judicial claiming of debts,
- acceptance, validation and guarding of guarantees delivered to third parties,
- the solvency analysis of the financial counterparties,
- the approval of extensions in client payment conditions.

Market Middle Office Unit, responsible for:

- calculating, monitoring, controlling and assessing at market the liquidity positions, foreign exchange and interest rate risk positions,
- measuring of the risk position and analysis of sensitivity of the result and the value of products and instruments traded for different risk factors,
- developing and validation of the methodology for measuring and assessing instruments and positions according to best market practices.

Risk Monitoring Unit, responsible for:

- coordinating the development of specific rules and regulations concerning commodities price risk of the different business units and corporate areas of the Group, and establishing methods for measuring and assessing these risks according to best practices,
- monitoring and controlling Group's commodities price risk.

Insurance Unit, responsible for:

- analysing and assessing any accidental risks that could affect the assets and activities of the Group,
- defining the most efficient financing policy for these risks, through an optimum combination of self-insurance and risk transfer measures,
- taking out such insurance cover as may be considered convenient in each case,
- negotiating the compensations deriving from insured accidents.

Safety and Environment Unit, responsible for:

- defining and monitoring the company's safety and environmental strategic policies and objectives,
- establishing the corporate rules and regulations (policy, rules, procedures, manuals and guidelines) on safety and environment throughout the company worldwide and the mechanisms required to publicise them,
- identifying and leading corporate safety and environment projects, counselling business units in their implementation and monitoring the progress,
- establishing key indicators of performance, monitoring the company's performance in safety and environmental matters and proposing actions for improvement,
- promoting the creation of working groups and exchanging of the best practices in safety and the environment,
- coordinating safety and environmental audits and following them up.

Corporate Responsibility Unit, within the Direction of Corporate Responsibility and Institutional Services, responsible for advising, promoting and coordinating the joint Company's Corporate Responsibility strategy. The Direction of Corporate Responsibility and Institutional Services is responsible of the following duties:

- Monitoring the Company's performance in the 7 principles of the CR, reporting to the Board of Director's Investment, Strategy and Corporate Responsibility Committee, the Executive Committee and the Corporate Responsibility Committee.
- Monitoring the tools to coordinate the CR system.
- Propose to the Corporate Responsibility Committee the strategic guidelines of the CR and coordinate in collaboration with the units of the Company the development of the CR multi-annual plans.
- Coordinating the dialogue with the Company's stakeholders at corporate level and submitting their expectations to the Corporate Responsibility Committee.
- Proposing corporate government elements, such as corporate regulations, manuals or guides, goals, indicators and other management tools of CR.
- Consolidate the CR information in a corporate level and coordinate the development of the Company's communication tools on CR at this level, such as the Annual Report on CR, the Repsol YPF's CR website; and prepare the necessary information for quotation in selective sustainability index or required by the shareholders or investors in relation to ethical and social-environmental criteria.
- Identification and leading of projects and initiatives on CR, advising the units in its implementation and tracking.

Compliance and Risk Unit: responsible for monitoring the models for examining and evaluating the internal control and risk procedures, by means of:

- The Internal Control over Financial Information Reporting System ("SCFIR") responsible for defining, monitoring, and continue evaluation of the design and functioning of the Group's SCFIR (on the basis of the COSO model) which ensures reasonably the reliability of the Group's financial reporting in case it operates adequately.
- Compliance Regulation Programme: responsible for checking the compliance with the formal legal obligations with Public Entities (Governments, Public Administrations and/or Public Authorities) in relation to the activities performed in different countries which contribute to reduce the compliance risks of the Group.
- Fraud Prevention Programme for the Spanish companies of the Group (in collaboration with other areas): consisting on a formal framework programme containing all the proceedings, regulations and internal controls of the Spanish companies that are under management which enables, reasonably, to identify, document, evaluate, control, reduce and update the penal risks associated to the activities performed by said companies.
- Risks Map: responsible for providing the Group of a common and uniform methodology for identifying and evaluating the critical risks by all the areas involved, looking after the correct implementation of the method guidelines provided and reporting, periodically, the results obtained to the relevant Responsible or Bodies of the Group that may be determined from time to time.

Reserves Control Unit, which aims to make sure that the estimates of Repsol YPF proved reserves comply with prevailing legislation on the different Securities Markets on which the company is listed. It also makes internal audits of reserves, coordinates reserves external audits and assesses the quality controls on reserve reporting, making the appropriate suggestions within a process of continuous improvement and application of best practices.

There are also several functional and business committees responsible for the oversight of the risk management activities performed within their respective areas of responsibility.

D.2 Indicate whether any of the risks (operating, technological, financial, legal, reputational, tax...) affecting the company and/or its group have actually materialised during the year.

YES

If so, indicate the underlying circumstances and whether the established control systems worked adequately.

Risks occurred during the year	Causes of risks	Operation of Control Systems
Risks inherent to the Company's business.	Circumstances of business development.	Control systems established by the Company have worked correctly, making possible to manage the risks appropriately.

D.3 Is there a Committee or other governing body responsible for establishing and supervising the control systems?

YES

If so, state its duties.

Name of Committee or governing body

Audit and Control Committee

Description of duties

The main duty of the Audit and Control Committee, as advisory body to the Board of Directors, is to support the Board in its oversight duties, among other actions by regularly checking the risk management and internal control systems, to ensure that the principal risks are identified, managed and adequately publicised.

With this aim, the Audit and Control Committee monitors the development of the Annual Corporate Audit Plan, drawn up to assess and oversee the correct functioning and adequacy of the established control systems, to ensure that they are sufficient to identify, manage and/or mitigate the operating, financial and reputation risks of the Repsol YPF Group. The Corporate Audit Department informs the Committee on any material irregularities, anomalies or defaults of the audited units reporting to the Board whenever they are considered to represent a significant risk for the Group.

Moreover, the Audit and Control Committee ensures that the procedures and systems for recording and internal control of the measuring, assessment, classification and entering in the accounts of the Group's hydrocarbon reserves are sufficient, adequate and efficient.

Finally, the Committee is informed by the corresponding divisions of the company and steers the environmental and safety policies, guidelines and objectives of the Repsol YPF Group.

D.4 Identification and description of processes for compliance with the different regulations affecting the company and/or its group.

The Audit and Control Committee supports the Board in its oversight duties, watching over the compliance with all legal and internal laws and regulations applicable to the company. It oversees compliance with applicable national and international rules and regulations on market conduct and data protection and ensures that the Internal Codes of Conduct and Professional Ethics and of Market Conduct applicable to Group employees meet all the legal requirements and are adequate for the company.

The Audit and Control Committee also supervises the preparation and integrity of the financial information on the Company and the Group, checking compliance with the applicable legal requirements and correct application of the accounting principles.

E General meeting

E.1 Indicate whether there are any differences between the quorums for General Meetings and the minimums stipulated in the Joint Stock Companies Act and, if appropriate, explain.

NO

	% quorum different from that established in Art. 102 Joint Stock Companies Act for general cases	**% quorum different from that established in Art. 103 Joint Stock Companies Act for the special cases of Art. 103**
Quorum required on first call		
Quorum required on second call		

Description of differences

E.2 Explain whether there are any differences between the system used for adopting corporate resolutions and the system stipulated in the Joint Stock Companies Act, and if so give details:

NO

	Qualified majority other than that established in section 103.2 of the Joint Stock Companies Act for the cases set forth in section 103.1	**Other instances in which a qualified majority is required**
% established by the entity for the adoption of resolutions		

Describe the differences

E.3 Describe any shareholders' rights in respect of General Meetings differing from those established in the Joint Stock Companies Act.

According to Article 23 of the Articles of Association, general meetings may be attended by shareholders holding any number of shares, provided they have been recorded in the corresponding accounting record five days prior to the date of the meeting and the shareholder has obtained the attendance card proving that the above requirements have been met. Attendance cards shall be issued by the institutions indicated in law and shall be non-transferable.

The Regulations of the Board of Directors of Repsol YPF S.A. provide as follows regarding shareholders' right to participate and information:

"6.3.The Board of Directors shall take all the measures it sees fit to ensure that the Shareholders Meeting performs its proper functions. To that end it shall place all the legally demandable information, as well as information which is not legally required but is of interest to the Shareholders and can reasonably be furnished, at the Shareholders' disposal prior to the Shareholders Meeting. It shall likewise respond with the greatest possible diligence to information requests and questions from shareholders prior to the Shareholders Meetings or while they are underway.

6.4.The information given to Shareholders and other financial market participants by the Company shall be complete, accurate, fair, symmetrical, and timely.

To achieve maximum transparency and immediacy in the dissemination of information, the Company shall make use of the generally available procedures and technologies to which companies and private citizens have access. To that end, the Board of Directors shall intensify the use of the Company's Web page and determine the contents to be transmitted through that medium, which shall include among other documents the Articles of Association, the Board of Directors' Regulations, the quarterly and annual reports, the notices of Shareholders Meetings, their regulations and the resolutions or decisions adopted at the previous meeting, and any other information considered of interest."

Furthermore, pursuant to Article 5 of the Regulations of the General Shareholders Meeting, concerning shareholders' right to information and participation, the notice of call to General Meetings shall state *"the place and times at which shareholders may consult the documents to be laid before the general meeting and such other reports as may be required by law or decided by the board, without prejudice to the right of shareholders to request and receive, free of charge, copies of all the above-mentioned documents".*

Article 5 of the Regulations of the General Shareholders Meeting also provides that *"in addition to the requirements stipulated in law or the Articles of Association, as from the date of publication of the notice of call to the general meeting, the company shall publish on its web site the text of all proposed resolutions submitted by the board in connection with the items on the agenda, including, with regard to proposals for the appointment of directors, the information contemplated in Article 47.13 of the Articles of Association* ((i) professional and biographic profile, (ii) list of other boards they are on, (iii) indication of the type of director, indicating, in the case of proprietary directors, the shareholder they represent or with which they have ties, (iv) date of first appointment as company directors, and subsequent appointments, and (v) company shares and options they hold).

An exception may be made to this rule for proposals which the law and Articles of Association do not require to be made available to shareholders as from the notice of call, if the board considers there are just grounds for not doing so.

If a supplementary notice of call is published, the company shall thereafter publish on its web site the text of the proposals contained in that supplementary notice, provided they have been sent to the company."

Article 6.1. of the Regulations for the General Shareholders Meeting further provides that:

"Through the Shareholders' Information Office of the Company's web page, shareholders may at any time, upon entering proof of identification as such, raise any questions or make suggestions relating to the activities and interests of the Company and which they consider should be discussed at a General Shareholders' Meeting.

Once a General Shareholders' Meeting has been called and up to seven consecutive days before the date set for the meeting on first call, shareholders may utilize the same means to comment upon or make suggestions in writing regarding the proposals included on the Agenda thereof.

The Company's Departments will examine the shareholders' questions, suggestions and comments, and the responses will be disclosed, grouped together as pertinent, on the Company web page or, if the Board of Directors considers it appropriate, they will be considered at the General Shareholders' Meeting, even if they are not included on the Agenda."

Apart from the foregoing and with a view to facilitating access by shareholders to the information on the company, Repsol set up the Shareholders' Information Office mentioned above, offering shareholders a free call service and an e-mail address at which they may request whatever information they may require. Shareholders may also visit the Office, where they will receive personal attention.

E.4 Describe the measures adopted, if any, to encourage the participation of shareholders at General Meetings.

To encourage shareholders to participate in general meetings, Article 6 of the Regulations of the General Shareholders Meeting, establishes shareholders' right to information and participation, indicating that they may raise any questions or make any suggestions in connection with the company's activities or interests which they consider ought to be discussed by the General Meeting, through the Shareholders' Information Office or the company's web site (www.repsol.com).

Apart from these measures, which are expressly contemplated in the Repsol YPF, S.A. Rules of Corporate Governance, the company also encourages shareholders to participate in general meetings with the following measures:

- Publication of the notice of call sufficiently in advance on the Official Commercial Registry Bulletin (*Boletín Oficial del Registro Mercantil –BORME*), in the media with the widest distribution, inserting a copy on the company's web site (www.repsol.com) and on any other means that the Board of Directors decides in order to provide more publicity to the calling. A copy is also sent to the National Securities Stock Commission (*Comisión Nacional del Mercado de Valores*) and to the stock exchanges on which its shares are listed and to the depositaries of its shares, so that they can issue the necessary attendance cards.
- Warning in the notice of call that the general meeting will be held on second call.
- Practices to encourage attendance, by delivering gifts and even, if appropriate, paying attendance premiums.
- Holding general meetings at a large-capacity location with ideal conditions for the procedure and following of the meeting, providing transport.
- Possibility of exercising or delegating the vote through distance means (post or electronic means), providing for shareholders:
  - A form prepared for postal votes on the company's web site and at the Shareholders' Information Office.
  - An application on the web site to exercise or delegate the vote by electronic means, for all shareholders having a recognised or advanced electronic signature based on a recognised, valid electronic certificate issued by the Spanish Public Certification Entity (CERES).
- Possibility of fractioning votes through the voting platform and delegation by post and electronic means.
- Assistance and personalized guidance for all shareholders who wish to participate through staff of the Shareholders' Information Office.
- Possibility of connecting to a live broadcast of the meeting through the company's web site (www.repsol.com).
- Publication through the company's web site (www.repsol.com) of the proposed resolutions corresponding to the items on the Agenda and the Board's report on each of the proposed resolutions to be laid before the General Meeting.
- Enabling, with the occasion of the General Shareholders' Meeting, an Electronic Shareholders Forum in the web site of the Company (www.repsol.com), which will be accessible for both individual shareholders and voluntary associations that may be established in accordance with current regulations, in order to facilitate communication prior to the General Shareholders' Meeting. Proposals claiming to be a complement to the agenda posted on the announcement, applications to support such proposals, initiatives to achieve the percentage sufficient to execute a right for minorities under the law, as well as offers or requests for voluntary representation may be published in the Forum.

E.5 Indicate if the Chairman of the Board chairs the General Meeting. List any measures adopted to ensure the independence and correct operation of the General Meeting:

Details of measures

The Board traditionally requests, on its own initiative, the presence of a Notary to attend the General Meeting and issue minutes thereof.

Consequently, neither the Chairman nor the Secretary of the General Meeting participate in the preparation of the minutes, for which a notary or other public attesting officer is engaged, with the consequent guarantee of neutrality for the shareholders.

E.6 Indicate any modifications made during the year to the Regulations of the General Shareholders Meeting.

The Annual Shareholders Meeting held on April 15, 2011, approved the following amendments of its Regulations:

i. Section 6 of Article 3 ("Powers of the shareholders' meeting").

ii. Sections 1 and 9 of Article 5 ("Calling").

iii. First and second paragraphs of Article 8 ("Representation").

iv. Section 5 of Article 13 ("Deliberation and passing of resolutions").

v. Section (iv) of Article 14 ("Voting of resolution proposals").

vi. Section 2 of Article 15 ("Minute of the Shareholders Meeting").

The above amendments were made to adapt the text of the Regulations of the General Shareholders Meeting to the Companies Act.

The CNMV was notified of the amendments in a letter dated June 2, 2011 and they have been entered in the Madrid Trade Register.

The Regulations of the General Shareholders Meeting may be consulted on the company's web site (www.repsol.com).

E.7 Give details of attendance of General Meetings held during the year:

Details of attendance

			% Distance voting		
Date General Meeting	**% attending in person**	**% attending by proxy**	**Electronic vote**	**Others**	**Total**
04/15/2011	0.056	64.81	0.003	2.39	67.259

E.8 Give a brief account of the resolutions adopted at the General Meetings held during the year and percentage of votes with which each resolution was approved.

Only one General Shareholders Meeting of Repsol YPF, S.A., the Annual General Meeting, was held during 2011, on 15 April 2011, at which the following resolutions were adopted with the majorities indicated below:

1. Review and approval, if appropriate, of the Annual Financial Statements and the Management Report of Repsol YPF, S.A., of the Consolidated Annual Financial Statements and the Consolidated Management Report, for the fiscal year ended 31st December 2010, and of the proposal of application of its earnings.

   Votes for 664,376,571 shares, votes against 90,653 shares, abstentions 138,863 shares.

2. Review and approval, if appropriate, of the management by the Board of Directors during year 2010.

   Votes for 653,525,750 shares, votes against 4,497,642 shares, abstentions 6,582,695 shares.

3. Appointment of the External Auditor of the Company and its consolidated Group for 2011 fiscal year.

   Votes for 662,586,049 shares, votes against 1,014,923 shares, abstentions 1,005,115 shares.

4. Amendment of Articles 9, 11, 19, 24, 27, 29, 32, 39, 44, 50 and 56 of the By-Laws; and of articles 3, 5, 8, 13, 14 y 15 of the Regulations for the General Shareholders Meetings.

   Votes for 660,677,276 shares, votes against 1,397,189 shares, abstentions 2,531,622 shares.

5. Amendment of Article 52 of the By-Laws, related to the application of the earnings.

   Votes for 664,068,124 shares, votes against 130,922 shares, abstentions 407,041 shares.

6. Amendment of Articles 40 and 35 of the By-Laws, related to the posts and meetings of the Board of Directors.

   Votes for 659,279,646 shares, votes against 3,972,590 shares, abstentions 1,353,851 shares.

7. Re-election as Director of Mr. Antonio Brufau Niubó.

   Votes for 548,540,616 shares, votes against 80,044,446 shares, abstentions 24,460,875 shares.

8. Re-election as Director of Mr. Luis Fernando del Rivero Asensio.

   Votes for 652,249,957 shares, votes against 9,084,325 shares, abstentions 3,271,805 shares.

9. Re-election as Director of Mr. Juan Abelló Gallo.

   Votes for 652,305,622 shares, votes against 9,024,315 shares, abstentions 3,276,010 shares.

10. Re-election as Director of Mr. Luis Carlos Croissier Batista.

    Votes for 661,921,474 shares, votes against 908,115 shares, abstentions 1,776,498 shares.

11. Re-election as Director of Mr. Ángel Durández Adeva.

    Votes for 662,138,233 shares, votes against 1,611,048 shares, abstentions 856,806 shares.

12. Re- election as Director of Mr. Jose Manuel Loureda Mantiñán.

    Votes for 647,550,869 shares, votes against 11,482,567 shares, abstentions 5,572,651 shares.

13. Appointment as Director of Mr. Mario Fernández Pelaz

    Votes for 662,276,701 shares, votes against 653,007 shares, abstentions 1,676,379 shares.

14. Delivery shares plan for the beneficiaries of the multiannual compensation plan.

    Votes for 644,301,950 shares, votes against 14,919,212 shares, abstentions 5,384,925 shares.

15. Acquisition shares plan 2010-2012.

    Votes for 660,195,839 shares, votes against 2,001,568 shares, abstentions 2,408,680 shares.

16. Authorization for the issue of fix rent securities, convertible and/or exchangeable for shares of the Company or exchangeable for shares of other companies, and warrants, with the power to exclude, in full or in part, the pre-emptive subscription rights of shareholders.

    Votes for 639,491,756 shares, votes against 22,014,168 shares, abstentions 3,100,163 shares.

17. Delegation of the Powers to complement, develop, execute, amend and formalize the resolutions adopted by the General Shareholders Meeting.

    Votes for 664,120,545 shares, votes against 308,091 shares, abstentions 177,451 shares.

E.9 State whether any restrictions are established in the Articles of Association requiring a minimum number of shares to attend General Meetings:

NO

Number of shares required to attend General Meetings

E.10 Describe and justify the company's policies on proxy votes at General Meetings.

According to Article 8 of the Regulations of the General Shareholders Meeting, all shareholders entitled to attend may be represented at general meetings by another person, who need not be a shareholder. Proxies shall be granted in writing or by distance communication, especially for each general meeting.

For this purpose, apart from the possibility of sending proxies for attendance and voting at general meetings through the members of "Sociedad de Gestión de Sistemas de Registro, Compensación y Liquidación de Valores S.A." (Iberclear), shareholders also have the Shareholders' Information Office, where they may deliver proxies by post or by hand, and another office opened exclusively for this purpose at the registered office, Paseo de la Castellana no. 278, where attendance cards may be received and the corresponding gifts are handed out.

An application is made available on the web site for electronic proxies, available for shareholders who have a recognised or advanced electronic signature based on a recognised, valid electronic certificate issued by the *Entidad Pública de Certificación Española* (CERES).

E.11 Indicate whether the company is aware of the policies of institutional investors regarding their participation or otherwise in company decisions:

NO

Describe the policy

E.12 Indicate the address and access to the corporate governance contents on the company's web site.

The information on corporate governance, regulated in Article 539 of the Companies Act, Order ECO/3722/2003 of 26 December, and the *Comisión Nacional del Mercado de Valores* (CNMV) Circular 1/2004 of 17 March, is published in the section "Shareholders and investors" on the company's web site (www.repsolypf.com).

F Extent of compliance with the corporate governance recommendations

Indicate the degree of compliance by the company with the recommendations of the Unified Good Governance Code.

In the event of non-compliance with any recommendations, explain the recommendations, standards, practices or principles applied by the company.

1. The bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

See sections: A.9, B.1.22, B.1.23 and E.1, E.2.

Comply

2. When a dominant and a subsidiary company are stock market listed, the two should provide detailed disclosure on:

a. The type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other group companies;

b. The mechanisms in place to resolve possible conflicts of interest.

See sections: C.4 and C.7

Not applicable

3. Even when not expressly required under company law, any decisions involving a fundamental corporate change should be submitted to the General Shareholders' Meeting for approval or ratification. In particular:

a. The transformation of listed companies into holding companies through the process of subsidiarisation, i.e. reallocating core activities to subsidiaries that were previously carried out by the originating firm, even though the latter retains full control of the former;

b. Any acquisition or disposal of key operating assets that would effectively alter the company's corporate purpose;

c. Operations that effectively add up to the company's liquidation.

Comply

4. Detailed proposals of the resolutions to be adopted at the General Shareholders' Meeting, including the information stated in Recommendation 28, should be made available at the same time as the publication of the Meeting notice.

Comply

5. Separate votes should be taken at the General Shareholders' Meeting on materially separate items, so shareholders can express their preferences in each case. This rule shall apply in particular to:

a. The appointment or ratification of directors, with separate voting on each candidate;

b. Amendments to the bylaws, with votes taken on all articles or groups of articles that are materially independent.

See section: E.8

Comply

6. Companies should allow split votes, so financial intermediaries acting as nominees on behalf of different clients can issue their votes according to instructions.

See section: E.4

Comply

7. The Board of Directors should perform its duties with unity of purpose and independent judgement, according all shareholders the same treatment. It should be guided at all times by the company's best interest and, as such, strive to maximise its value over time.

It should likewise ensure that the company abides by the laws and regulations in its dealings with stakeholders; fulfils its obligations and contracts in good faith; respects the customs and good practices of the sectors and territories where it does business; and upholds any additional social responsibility principles it has subscribed to voluntarily.

Comply

8. The board should see the core components of its mission as to approve the company's strategy and authorise the organisational resources to carry it forward, and to ensure that management meets the objectives set while pursuing the company's interests and corporate purpose. As such, the board in full should reserve the right to approve:

a. The company's general policies and strategies, and in particular:

i. The strategic or business plan, management targets and annual budgets;

ii. Investment and financing policy;

iii. Design of the structure of the corporate group;

iv. Corporate governance policy;

v. Corporate social responsibility policy;

vi. Remuneration and evaluation of senior officers;

vii. Risk control and management, and the periodic monitoring of internal information and control systems;

viii. Dividend policy, as well as the policies and limits applying to treasury stock.

See sections: B.1.10, B.1.13, B.1.14 and D.3

b. The following decisions:

i. On the proposal of the company's chief executive, the appointment and removal of senior officers, and their compensation clauses.

See section: B.1.14.

ii. Directors' remuneration and, in the case of executive directors, the additional consideration for their management duties and other contract conditions.

See section: B.1.14.

iii. The financial information listed companies must periodically disclose.

iv. Investments or operations considered strategic by virtue of their amount or special characteristics, unless their approval corresponds to the General Shareholders' Meeting;

v. The creation or acquisition of shares in special purpose entities resident in jurisdictions considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.

c. Transactions which the company conducts with directors, significant shareholders, shareholders with board representation or other persons related thereto ("related-party transactions").

However, board authorisation need not be required for related-party transactions that simultaneously meet the following three conditions:

1st. They are governed by standard form agreements applied on an across-the-board basis to a large number of clients;

2nd. They go through at market rates, generally set by the person supplying the goods or services;

3rd. Their amount is no more than 1% of the company's annual revenues.

It is advisable that related-party transactions should only be approved on the basis of a favourable report from the Audit Committee or committee handling the same function; and that the directors involved should neither exercise nor delegate their votes, and should withdraw from the meeting room while the board deliberates and votes.

Ideally the above powers should not be delegated with the exception of those mentioned in b) and c), which may be delegated to the Delegate Committee in urgent cases and later ratified by the full board.

See sections: C.1 and C.6

Partial compliance

The Company complies with this recommendation, except for the following sections:

a.iii. Owing to the complexity and large number of companies in the Repsol YPF Group at present, it has not been considered convenient to expressly include the contents of this recommendation in the company's internal regulations.

a.vii. The Company complies with this recommendation, except regarding the periodic monitoring of internal information and control systems. In this regard, since recommendation 50.1 of the Unified Code assigns duties to the Audit and Control Committee involving supervision of the information, internal control and risk management systems, and Repsol YPF has been subject to the US Sarbanes-Oxley Act (Section 404) until June 2011, according to which the Audit Committee must oversee and control the functioning of the Internal Financial Reporting Control system, the Company has considered it convenient to assign that Committee the duty of supervising the risk management, internal control and information systems of the company, without prejudice to reporting to the Board on these matters.

b.i. The Regulations of the Board of Directors does not reserve to the Board the removal of senior officers. The Company considers that this power over the top management should be reserved for the chief executive, since these positions come under his trust and responsibility, without prejudice to reporting to the Board. Nevertheless, the Board of Directors reserves the power to approve any guarantee or golden parachute clauses for senior executives of the company in cases of dismissals or changes of ownership, when the conditions exceed those normally established on the market.

b.v. The Company complies with this recommendation, except regarding the creation or acquisition of shares in companies domiciled in countries or territories considered tax havens. In this regard, the Company has opted for the Audit and Control Committee to receive information on these matters and ensure that these transactions correspond to appropriate purposes, and for the Top Management to take the appropriate measures to identify and adequately manage them, without prejudice to reporting to the Board on these matters.

Furthermore, this recommendation includes a vague concept (transactions which might impair the transparency of the Group), which the company has not considered it convenient to include in its internal regulations, owing to the uncertainty that could arise in its application.

9. In the interests of maximum effectiveness and participation, the Board of Directors should ideally comprise no fewer then five and no more than fifteen members.
See section: B.1.1

Comply

10. External directors, proprietary and independent, should occupy an ample majority of board places, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.
See sections: A.2, A.3, B.1.3 and B.1.14.

Comply

11. In the event that some external director can be deemed neither proprietary nor independent, the company should disclose this circumstance and the links that person maintains with the company or its senior officers, or its shareholders.
See section: B.1.3

Not applicable

12. That among external directors, the relation between proprietary members and independents should match the proportion between the capital represented on the board by proprietary directors and the remainder of the company's capital.

This proportional criterion can be relaxed so the weight of proprietary directors is greater than would strictly correspond to the total percentage of capital they represent:

1. In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings, despite the considerable sums actually invested.
2. In companies with a plurality of shareholders represented on the board but not otherwise related.

See sections: B.1.3, A.2 and A.3

Comply

13. The number of independent directors should represent at least one third of all board members.
See section: B.1.3

Comply

14. The nature of each director should be explained to the General Meeting of Shareholders, which will make or ratify his or her appointment. Such determination should subsequently be confirmed or reviewed in each year's Annual Corporate Governance Report, after verification by the Nomination Committee. The said Report should also disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 5% of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.
See sections: B.1.3 and B.1.4

Comply

15. When women directors are few or non existent, the board should state the reasons for this situation and the measures taken to correct it; in particular, the Nomination Committee should take steps to ensure that:

a. The process of filling board vacancies has no implicit bias against women candidates;
b. The company makes a conscious effort to include women with the target profile among the candidates for board places.

See sections: B.1.2, B.1.27 and B.2.3.

Comply

16. The Chairman, as the person responsible for the proper operation of the Board of Directors, should ensure that directors are supplied with sufficient information in advance of board meetings, and work to procure a good level of debate and the active involvement of all members, safeguarding their rights to freely express and adopt positions; he or she should organise and coordinate regular evaluations of the board and, where appropriate, the company's chief executive, along with the chairmen of the relevant board committees.
See section: B.1 42

Comply

17. When a company's Chairman is also its chief executive, an independent director should be empowered to request the calling of board meetings or the inclusion of new business on the agenda; to coordinate and give voice to the concerns of external directors; and to lead the board's evaluation of the Chairman.
See section: B.1.21

Comply

18. The Secretary should take care to ensure that the Board's actions:
   a. Adhere to the spirit and letter of laws and their implementing regulations, including those issued by regulatory agencies;
   b. Comply with the company bylaws and the regulations of the General Shareholders' Meeting, the Board of Directors and others;
   c. Are informed by those good governance recommendations of the Unified Code that the company has subscribed to.

   In order to safeguard the independence, impartiality and professionalism of the Secretary, his or her appointment and removal should be proposed by the Nomination Committee and approved by a full board meeting, the relevant appointment and removal procedures being spelled out in the board's regulations.

   See section: B.1.34

Comply

19. The Board should meet with the necessary frequency to properly perform its functions, in accordance with a calendar and agendas set at the beginning of the year, to which each director may propose the addition of other items.

   See section: B.1.29

Comply

20. Director absences should be kept to the bare minimum and quantified in the Annual Corporate Governance Report. When directors have no choice but to delegate their vote, they should do so with instructions.

   See sections: B.1.28 and B.1.30

Comply

21. When directors or the Secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, the person expressing them can request that they be recorded in the minute book.

Not applicable

22. The board in full should evaluate the following points on a yearly basis:
   a. The quality and efficiency of the board's operation;
   b. Starting from a report submitted by the Nomination Committee, how well the Chairman and chief executive have carried out their duties;
   c. The performance of its committees on the basis of the reports furnished by the same.

   See section: B.1.19

Comply

23. All directors should be able to exercise their right to receive any additional information they require on matters within the board's competence. Unless the bylaws or board regulations indicate otherwise, such requests should be addressed to the Chairman or Secretary.

   See section: B.1.42

Comply

24. All directors should be entitled to call on the company for the advice and guidance they need to carry out their duties. The company should provide suitable channels for the exercise of this right, extending in special circumstances to external assistance at the company's expense.

   See section: B.1.41

Comply

25. Companies should organise induction programmes for new directors to acquaint them rapidly with the workings of the company and its corporate governance rules. Directors should also be offered refresher programmes when circumstances so advise.

Comply

26. Companies should require their directors to devote sufficient time and effort to perform their duties effectively, and, as such:
   a. Directors should apprise the Nomination Committee of any other professional obligations, in case they might detract from the necessary dedication;
   b. Companies should lay down rules about the number of directorships their board members can hold.

   See sections: B.1.8, B.1.9 and B.1.17

Partial compliance

The Company complies with this recommendation, except regarding the rules on the number of directorships its directors may hold. It considers the obligations that Directors are to meet by virtue of their office, as stipulated in Article 17 of the Regulations of the Board of Directors, sufficient to guarantee the efficient performance by directors of their duties:

- Constantly devote such time and efforts as may be necessary to regularly oversee the issues concerning administration of the company.
- Be informed and adequately prepare meetings of the board and any other delegated and advisory committees to which they belong, obtaining sufficient information and such collaboration or assistance as they may deem fit.
- Attend meetings of all committees they are on and participate actively in the debates, such that their opinions may contribute effectively to the decision-making process. If they are justifiably unable to attend any meetings to which they have been called, they shall duly instruct another director to represent them.
- Carry out any specific task commissioned by the board that is reasonably within his dedication commitment.
- Inform the Nomination and Compensation Committee of any other professional obligations they may have and any material changes in their professional situation, as well as any that may affect the nature or condition by virtue of which they have been appointed director.

The Nomination and Compensation Committee shall inform the Board on directors' performance of these obligations.

27. The proposal for the appointment or renewal of directors which the board submits to the General Shareholders' Meeting, as well as provisional appointments by the method of co-option, should be approved by the board:
   a. On the proposal of the Nomination Committee, in the case of independent directors.
   b. Subject to a report from the Nomination Committee in all other cases.

   See section: B.1.2

Comply

28. Companies should post the following director particulars on their websites and keep them permanently updated:
   a. Professional experience and background;
   b. Directorships held in other companies, listed or otherwise;
   c. An indication of the director's classification as executive, proprietary or independent; in the case of proprietary directors, stating the shareholder they represent or have links with.
   d. The date of their first and subsequent appointments as a company director, and;
   e. Shares held in the company and any options on the same.

Comply

29. Independent directors should not stay on as such for a continuous period of more than 12 years.

   See section: B.1.2

Comply

30. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.

   See sections: A.2, A.3 and B.1.2

Comply

31. The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where just cause is found by the board, based on a proposal from the Nomination Committee. In particular, just cause will be presumed when a director is in breach of his or her fiduciary duties or comes under one of the disqualifying grounds enumerated in section III.5 (Definitions) of this Code.

    The removal of independents may also be proposed when a takeover bid, merger or similar corporate operation produces changes in the company's capital structure, in order to meet the proportionality criterion set out in Recommendation 12.

    See sections: B.1.2, B.1.5 and B.1.26

Comply

32. Companies should establish rules obliging directors to inform the board of any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, with particular mention of any criminal charges brought against them and the progress of any subsequent trial.

    The moment a director is indicted or tried for any of the crimes stated in article 124 of the Public Limited Companies Law, the board should examine the matter and, in view of the particular circumstances and potential harm to the company's name and reputation, decide whether or not he or she should be called on to resign. The board should also disclose all such determinations in the Annual Corporate Governance Report.

    See sections: B.1.43, B.1.44

Comply

33. All directors should express clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors unaffected by the conflict of interest should challenge any decision that could go against the interests of shareholders lacking board representation.

    When the board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next Recommendation.

    The terms of this Recommendation should also apply to the Secretary of the board; director or otherwise.

Not applicable

34. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Irrespective of whether such resignation is filed as a significant event, the motive for the same must be explained in the Annual Corporate Governance Report.

    See section: B.1.5

Comply

35. The company's remuneration policy, as approved by its Board of Directors, should specify at least the following points:

    a. The amount of the fixed components, itemised where necessary, of board and board committee attendance fees, with an estimate of the fixed annual payment they give rise to;

    b. Variable components, in particular:

        i. The types of directors they apply to, with an explanation of the relative weight of variable to fixed remuneration items;

        ii. Performance evaluation criteria used to calculate entitlement to the award of shares or share options or any performance-related remuneration;

        iii. The main parameters and grounds for any system of annual bonuses or other, non cash benefits; and

        iv. An estimate of the sum total of variable payments arising from the remuneration policy proposed, as a function of degree of compliance with pre-set targets or benchmarks.

    c. The main characteristics of pension systems (for example, supplementary pensions, life insurance and similar arrangements), with an estimate of their amount or annual equivalent cost.

    d. The conditions to apply to the contracts of executive directors exercising senior management functions. Among them:

        i. Duration;

        ii. Notice periods; and

        iii. Any other clauses covering hiring bonuses, as well as indemnities or 'golden parachutes' in the event of early termination of the contractual relation between company and executive director.

    See section: B.1.15

Comply

36. Remuneration comprising the delivery of shares in the company or other companies in the group, share options or other share-based instruments, payments linked to the company's performance or membership of pension schemes should be confined to executive directors.

    The delivery of shares is excluded from this limitation when directors are obliged to retain them until the end of their tenure.

    See sections: A.3, B.1.3

Comply

37. External directors' remuneration should sufficiently compensate them for the dedication, abilities and responsibilities that the post entails, but should not be so high as to compromise their independence.

Comply

38. In the case of remuneration linked to company earnings, deductions should be computed for any qualifications stated in the external auditor's report.

Comply

39. In the case of variable awards, remuneration policies should include technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, atypical or exceptional transactions or circumstances of this kind.

Comply

40. The board should submit a report on the directors' remuneration policy to the advisory vote of the General Shareholders' Meeting, as a separate point on the agenda. This report can be supplied to shareholders separately or in the manner each company sees fit.

    The report will focus on the remuneration policy the board has approved for the current year with reference, as the case may be, to the policy planned for future years. It will address all the points referred to in Recommendation 34, except those potentially entailing the disclosure of commercially sensitive information. It will also identify and explain the most significant changes in remuneration policy with respect to the previous year, with a global summary of how the policy was applied over the period in question.

    The role of the Remuneration Committee in designing the policy should be reported to the Meeting, along with the identity of any external advisors engaged.

    See section: B.1.16

Partial compliance

The company prepared the Report on the Directors' Remuneration Policy, which is made available to shareholders, for their information, at the Ordinary General Shareholders Meeting.

41. The notes to the annual accounts should list individual directors' remuneration in the year, including:

    a. A breakdown of the compensation obtained by each company director, to include where appropriate:

        i. Participation and attendance fees and other fixed director payments;

        ii. Additional compensation for acting as chairman or member of a board committee;

iii. Any payments made under profit-sharing or bonus schemes, and the reason for their accrual;

iv. Contributions on the director's behalf to defined-contribution pension plans, or any increase in the director's vested rights in the case of contributions to defined-benefit schemes;

v. Any severance packages agreed or paid;

vi. Any compensation they receive as directors of other companies in the group;

vii. The remuneration executive directors receive in respect of their senior management posts;

viii. Any kind of compensation other than those listed above, of whatever nature and provenance within the group, especially when it may be accounted as a related-party transaction or when its omission would detract from a true and fair view of the total remuneration received by the director.

b. An individual breakdown of deliveries to directors of shares, share options or other share-based instruments, itemised by:

i. Number of shares or options awarded in the year, and the terms set for their execution;

ii. Number of options exercised in the year, specifying the number of shares involved and the exercise price;

iii. Number of options outstanding at the annual close, specifying their price, date and other exercise conditions;

iv. Any change in the year in the exercise terms of previously awarded options.

c. Information on the relation in the year between the remuneration obtained by executive directors and the company's profits, or some other measure of enterprise results.

Comply

42. When the company has a Delegate Committee, the breakdown of its members by director category should be similar to that of the board itself. The Secretary of the board should also act as secretary to the Delegate Committee.

See sections: B.2.1 and B.2.6

Comply

43. The board should be kept fully informed of the business transacted and decisions made by the Delegate Committee. To this end, all board members should receive a copy of the Committee's minutes.

Comply

44. In addition to the Audit Committee mandatory under the Securities Market Law, the Board of Directors should form a committee, or two separate committees, of Nomination and Remuneration.

The rules governing the make-up and operation of the Audit Committee and the committee or committees of Nomination and Remuneration should be set forth in the board regulations, and include the following:

a. The Board of Directors should appoint the members of such committees with regard to the knowledge, aptitudes and experience of its directors and the terms of reference of each committee; discuss their proposals and reports; and be responsible for overseeing and evaluating their work, which should be reported to the first board plenary following each meeting;

b. These committees should be formed exclusively of external directors and have a minimum of three members. Executive directors or senior officers may also attend meetings, for information purposes, at the Committees' invitation.

c. Committees should be chaired by an independent director.

d. They may engage external advisors, when they feel this is necessary for the discharge of their duties.

e. Meeting proceedings should be minuted and a copy sent to all board members.

See sections: B.2.1 and B.2.3

Comply

45. The job of supervising compliance with internal codes of conduct and corporate governance rules should be entrusted to the Audit Committee, the Nomination Committee or, as the case may be, separate Compliance or Corporate Governance committees.

Comply

46. All members of the Audit Committee, particularly its chairman, should be appointed with regard to their knowledge and background in accounting, auditing and risk management matters.

Comply

47. Listed companies should have an internal audit function, under the supervision of the Audit Committee, to ensure the proper operation of internal reporting and control systems.

Comply

48. The head of internal audit should present an annual work programme to the Audit Committee; report to it directly on any incidents arising during its implementation; and submit an activities report at the end of each year.

Comply

49. Control and risk management policy should specify at least:

a. The different types of risk (operational, technological, financial, legal, reputational...) the company is exposed to, with the inclusion under financial or economic risks of contingent liabilities and other off-balance -sheet risks;

b. The determination of the risk level the company sees as acceptable;

c. Measures in place to mitigate the impact of risk events should they occur;

d. The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance -sheet risks.

See section: D

Comply

50. The Audit Committee's role should be:

1. With respect to internal control and reporting systems:

a. Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.

b. Review internal control and risk management systems on a regular basis, so main risks are properly identified, managed and disclosed.

c. Monitor the independence and efficacy of the internal audit function; propose the selection, appointment, reappointment and removal of the head of internal audit; propose the department's budget; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.

d. Establish and supervise a mechanism whereby staff can report confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties , in particular financial or accounting irregularities, with potentially serious implications for the firm.

2. With respect to the external auditor:

a. Make recommendations to the board for the selection, appointment, reappointment and removal of the external auditor, and the terms and conditions of his engagement.

b. Receive regular information from the external auditor on the progress and findings of the audit programme, and check that senior management are acting on its recommendations.

c. Monitor the independence of the external auditor, to which end:

i. The company should notify any change of auditor to the CNMV as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.

ii. The Committee should ensure that the company and the auditor adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other requirements designed to safeguard auditors' independence;

iii. The Committee should investigate the issues giving rise to the resignation of any external auditor.

d. In the case of groups, the Committee should urge the group auditor to take on the auditing of all component companies.

See sections: B.1.35, B.2.2, B.2.3 and D.3

Comply

51. The Audit Committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

Comply

52. The Audit Committee should prepare information on the following points from Recommendation 8 for input to board decision-making:

a. The financial information that all listed companies must periodically disclose. The Committee should ensure that interim statements are drawn up under the same accounting principles as the annual statements and, to this end, may ask the external auditor to conduct a limited review.

b. The creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.

c. Related-party transactions, except where their scrutiny has been entrusted to some other supervision and control committee.

See sections: B.2.2 and B.2.3

Partial compliance

The Company complies with this recommendation, except for paragraph b) on entities resident in tax havens and transactions that might impair the transparency of the group.

In this respect, Article 32 of the Regulations of the Board of Directors establishes that the Audit and Control Committee shall be informed on the creation or acquisition of shares in companies domiciled in countries or territories considered tax havens. The Committee shall also see that these transactions correspond to appropriate purposes and that top management takes the necessary measures to identify and adequately handle them.

Furthermore, this recommendation includes a vague concept (transactions which might impair the transparency of the Group), which the company has not considered it convenient to include in its internal regulations, owing to the uncertainty that could arise in its application.

53. The Board of Directors should seek to present the annual accounts to the General Shareholders' Meeting without reservations or qualifications in the audit report. Should such reservations or qualifications exist, both the Chairman of the Audit Committee and the auditors should give a clear account to shareholders of their scope and content.

See section: B.1.38

Comply

54. The majority of Nomination Committee members – or Nomination and Remuneration Committee members as the case may be – should be independent directors.

See section: B.2.1

Comply

55. The Nomination Committee should have the following functions in addition to those stated in earlier recommendations:

a. Evaluate the balance of skills, knowledge and experience on the board, define the roles and capabilities required of the candidates to fill each vacancy, and decide the time and dedication necessary for them to properly perform their duties.

b. Examine or organise, in appropriate form the succession of the chairman and the chief executive, making recommendations to the board so the handover proceeds in a planned and orderly manner.

c. Report on the senior officer appointments and removals which the chief executive proposes to the board.

d. Report to the board on the gender diversity issues discussed in Recommendation 14 of this Code.

See section: B.2.3

Partial compliance

As mentioned in respect of Recommendation 8 above, the Company considers that the power to remove senior officers of the company should be reserved to the chief executive, since they are positions within his trust and responsibility.

56. The Nomination Committee should consult with the company's Chairman and chief executive, especially on matters relating to executive directors.

Any board member may suggest directorship candidates to the Nomination Committee for its consideration.

Comply

57. The Remuneration Committee should have the following functions in addition to those stated in earlier recommendations:

a. Make proposals to the Board of Directors regarding:

i. The remuneration policy for directors and senior officers;

ii. The individual remuneration and other contractual conditions of executive directors.

iii. The standard conditions for senior officer employment contracts.

b. Oversee compliance with the remuneration policy set by the company.

See sections: B.1.14, B.2.3

Comply

58. The Remuneration Committee should consult with the Chairman and chief executive, especially on matters relating to executive directors and senior officers.

Comply

G Other information of interest

If you consider there to be an important principle or aspect regarding the corporate governance practices applied by your company that have not been mentioned in this report, indicate them below and explain the contents.

This section may be used to include any other information, clarification or qualification relating to the previous sections of the report.

In particular, state whether the company is subject to any laws other than the laws of Spain on corporate governance and, if this is the case, include whatever information the company may be obliged to supply that differs from the information included in this report.

1. Note on section A.2.

Due to the fact the company's shares are issued in book-entry form, the company does not have up-to-date information on the identity of its shareholders or details of their stakes. Therefore, the details set out in this section are obtained from the last information supplied by *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, Sociedad Anónima Unipersonal* (IBERCLEAR), and from the information sent by shareholders to *Comisión Nacional del Mercado de Valores* (CNMV).

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

2. Note on section A.8.

The amount of 10,248 thousand Euros refers to the patrimonial effect generated due to transactions with shares issued by the Company.

On the other hand, pursuant to the Material Fact of January 11, 2012 with registry number 156304, Repsol YPF has communicated the placement among professional and qualified investors of 61,043,173 of its own shares, representing 5% of the share capital, acquired on December 20th, 2011, retaining 61,043,173 treasury shares, representing 5% of the share capital.

3. Note on section A.10

With regard to the legal restrictions on the purchase or sale of shares in the capital, under Supplementary Provision 11th to the Hydrocarbons Act 34/1998, as drafted in Royal Decree-Law 4/2006 of February 24, prior administrative authorisation by the *Comisión Nacional de Energía* must be sought for certain acquisitions or investments in companies that engage in regulated activities or activities subject to significant oversight by administrative bodies that implies special regulation.

On July 28, 2008, the European Court of Justice determined that Spain had, through the imposition of this requirement of administrative authorisation by the *Comisión Nacional de Energía*, failed to fulfil its obligations under Articles 43 and 56 of the EC Treaty.

4. Note on section B.1.11.

Following the former practice of Repsol YPF, S.A. and to supplement the information supplied in section B.1.11., the sums accrued by members of the Board during 2011, individually and by types of remuneration, or other benefits, are set out in this Annual Report on Corporate Governance.

a. Due to membership of the Board

Under the system established and approved by the Nomination and Compensation Committee, the amounts of the annual remunerations earned in 2010 and 2011 by virtue of membership of each of the Group's managing bodies are as follows:

Governing Body		
Euro	**2010**	**2011**
Board of Directors	172,287	176,594
Delegate Committee (DC)	172,287	176,594
Audit and Control Committee (ACC)	86,144	88,297
Strategy, Investment and Corporate Social Responsibility Committee (SICRC)	43,072	44,149
Nomination and Compensation Committee (NCC)	43,072	44,149

The amount of the remunerations earned by the members of the Board of Directors for belonging to same in 2011 and payable against the aforesaid assignment in the Articles of Association was EUR 4.974 million, itemised as follows:

		Board Committees				
Director	**Board**	**DC**	**ACC**	**NCC**	**SICRC**	**TOTAL**
BRUFAU NIUBÓ, Antonio	176,594	176,594	–	–	–	353,188
SUÁREZ DE LEZO MANTILLA, Luis	176,594	176,594	–	–	–	353,188
PEMEX INTER. ESPAÑA S.A.	176,594	176,594	–	–	44,149	397,337
DE LAS MORENAS LÓPEZ, Carmelo [1]	58,865	–	29,432	–	–	88,297
REICHSTUL, Henri Philippe	176,594	176,594	–	–	–	353,188
BEATO BLANCO, Paulina	176,594	–	88,297	–	–	264,891
ECHENIQUE LANDIRIBAR, Javier	176,594	176,594	88,297	–	–	441,486
CARULLA FONT, Artur	176,594	176,594	–	44,149	–	397,337
DEL RIVERO ASENSIO, Luis [2]	161,878	132,446	–	–	–	294,324
ABELLÓ GALLO, Juan	176,594	29,432	–	–	44,149	250,175
LOUREDA MANTIÑÁN, José Manuel	176,594	–	–	44,149	44,149	264,891
CROISSIER BATISTA, Luis Carlos	176,594	–	–	–	44,149	220,743
FAINÉ CASAS, Isidro	176,594	176,594	–	–	–	353,188
NIN GÉNOVA, Juan María	176,594	–	–	44,149	44,149	264,891
DURÁNDEZ ADEVA, Ángel	176,594	–	88,297	–	–	264,891
GABARRO MIQUEL, Mª Isabel	176,594	–	–	44,149	44,149	264,891
FERNANDEZ PELAZ, Mario [3]	117,729	–	–	29,432	–	147,162

[1] Carmelo de las Morenas López resigned from his position of Director on April 15, 2011.

[2] Luis del Rivero Asensio resigned from his position of Director on December 20, 2011.

[3] Mario Fernández Pelaz was appointed Director on April 15, 2011.

It should also be noted that:

- The members of the Board of Directors of Repsol YPF, S.A. have not been granted any loans or advances by any Group company, jointly controlled entity or associate.
- No Group company, jointly controlled entity or associate has pension or life insurance obligations to any former or current member of the Board of Directors of Repsol YPF, S.A., except in the case of the Executive Chairman and the General Counsel whose remunerations, as Executive Directors, are governed by the obligations provided for in their contracts for services, which envisage a defined contribution system.

b. Due to the holding of executive positions and performing executive duties

The fixed monetary remuneration earned in 2011 by the Board members who had performed executive duties in the Group during the year totalled EUR 3.351 million, corresponding EUR 2.368 million to Antonio Brufau and EUR 0.983 million to Luis Suárez de Lezo.

Additionally, the remuneration in kind (housing, etc.), annual variable and multi-annual variable calculated on the basis of the degree to which targets of the Medium Term Incentives Program 2008-2011, accrued by Antonio Brufau, totalled EUR 1.942 million. The remuneration in kind, annual variable and multi-annual variable, multi-annual as a participant of the above program, earned by Luis Suárez de Lezo, totalled EUR 1.033 million.

Furthermore, on an extraordinary basis, a special bonus has been accrued in 2011 connected to the increase of results in 2010 of an amount of EUR 2.772 millions for Antonio Brufau and 1.678 millions for Luis Suárez de Lezo.

The referred amounts do not include those indicated in the section e) below.

c. Due to membership of the Boards of Directors of subsidiaries

The remuneration earned in 2011 by the members of the Board of Directors of Repsol YPF, S.A. in their capacity as directors of other Group companies, jointly controlled entities and associates amounted to EUR 0.611 million, according to the following details:

Euros	YPF	Gas Natural	TOTAL
Antonio Brufau	85,281	289,800	375,081
Luis Suárez de Lezo	83,668	151,800	235,468

d. Due to third-party liability insurance premiums

The Board members are covered by the same third-party liability insurance policy as that covering all the directors and executives of the Repsol YPF Group.

e. Due to retirement and disability insurance policies and contributions to pension plans and long service bonus

The cost of retirement, disability and death insurance policies, and contributions to pension plan and the long service bonus, including the corresponding on account payments, if any, incurred by the Company in relation to Board members who discharged executive duties at the Group during 2011 totalled EUR 2.965 million, of which EUR 2.671 million corresponded to Antonio Brufau and EUR 0.294 million to Luis Suárez de Lezo.

f. Indemnity payments to members of the Board of Directors

No director has received any indemnity payment from Repsol YPF in 2011.

g. Transactions with Directors

Apart from the remuneration earned, the dividends corresponding to the shares they hold and, in the case of External Proprietary Directors, the transactions with significant shareholders, the directors of Repsol YPF did not perform any relevant transaction other than in the normal course of business or other than on an arm's-length basis with the Company or with Group companies.

Notwithstanding the above, the Company has implemented the Delivery Share Plan for Beneficiaries of Pluriannual Remuneration Programmes which has been approved by the shareholders on the Annual General Meeting that took place last April 15, 2011. The purpose of sail Plan is to enable its beneficiaries (among which are the Executive Directors and the other members of the Executive Committee), to invest in Repsol's shares up to the 50% of the gross amount that they will receive in accordance with the pluriannual remuneration programme so that if the beneficiary holds the shares during a period of three years and the other conditions of the Plan are met, they will have the right to receive from the Company shares in Repsol YPF to the proportion of one share for every three shares acquired initially.

Both the CEO and the General Counsel have adhered to the Plan subscribing the maximum amount permitted.

h. Related with Company's profit

Remuneration accrued by Executive Board Members, as detailed under sections a, b and c of this note, amounted to EUR 11.482 million, representing the 0.52% of the period's profit.

5. Note on section B.1.12.

For the purposes of this Annual Report on Corporate Governance, Repsol YPF considers "senior management" to members of the Executive Committee of Repsol YPF Group, the other executives who report directly to the Executive Chairman and the Director of Audit and Control.

This description, for informational purposes only, does not replace or is configured as interpreting element of other "senior management" concepts establish in the rules applicable to the Company (as Royal Decree 1382/1985), and has not the effect of creating, recognition, modification or termination of rights or legal or contractual obligations.

The information about senior management supplied in paragraph B.1.12 does not include the managerial staff with condition of executive director.

In addition, it should be noted that until June 16, 2011 Miguel Ángel Devesa del Barrio was the CFO and Miguel Martínez San Martín COO. From that date Miguel Martínez San Martín became the CFO and Executive Managing Director of Participated Entities and Ms. Mª Victoria Zingoni, Director of Investor Relations and Mr. Pedro Antonio Merino García, Director of Studies and Analysis of the Environment began to report directly to the Executive Chairman.

The amount of EUR 18.022 million corresponds to the total remuneration of senior management includes the remuneration of senior management mentioned in paragraph B.1.12. This amount includes, extraordinarily, a special bonus connected with the increase of the results in 2010 which has been accrued in 2011.

This amount does not include the cost of contributions to pension plans, life insurance, contingent plans and award for permanency, which totalled EUR 2.056 million.

6. Note on section B.1.18

On January 25, 2012 and according to the Material Fact number 157042 communicated by the Company, the Board of Directors resolved, unanimously, further to the proposal of the Nomination and Compensation Committee and in line with international best practices and recommendations on Corporate Governance, to amend articles 19 and 22 of the Board of Directors' Regulation with the aim of strengthening the mechanisms to protect the Company's corporate interest in the event of conflicts of interest arising from the designation of a competitor as a Director and the approval of related-party transactions.

The new wording of articles 19 and 22 of the Board of Directors' Regulation is the following:

"Article 19. Non compete obligation

1. *Directors may not engage, on their own or someone else's behalf, in activities whose exercise constitute competition with the Company unless the following requirements are met:*
   a. *it is reasonably foreseeable that the competitive situation will not cause harm to the Company or that the foreseeable harm shall be compensated by the expected benefit that the Company can reasonably get for allowing this situation of competition;*
   b. *that, having received advice from an independent external consultant renowned in the financial community and once the affected shareholder or Director has been heard, the Nomination and Compensation Committee issues a report assessing compliance with the requirement under paragraph (a) above, and*
   c. *that the General Shareholders Meeting agrees expressly to waive the prohibition of competition by the affirmative vote of a majority of disinterested social capital, i.e. the capital present and represented on the General Shareholders Meeting net of shares linked to the affected Director. If the General Shareholders Meeting excuses the non-competition obligation without fulfilling this special majority and the report of the Nomination and Compensation Committee has been unfavourable to the waiver, the Directors shall submit to the courts the compatibility of the resolution with the corporate interest.*
2. *At the time of convening the general meeting called to decide on the waiver of the prohibition of competition, the Board shall make available to the shareholders the reports of the Nomination and Compensation Committee and the independent external consultant referred to in paragraph 1. (b) above and, if appropriate, its own report. The resolutions of the General Shareholders Meeting pursuant to the provisions of this Article shall be submitted under a separate item on the agenda.*
3. *If the competition situation appears after the appointment of a Director, the concerned Director must resign immediately from office.*
4. *For the purposes of this article:*
   a. *it will be deemed that a person is carrying out, on its own behalf, competing activities with the Company when said activities are carried out, directly or indirectly, through controlling companies according to Article 42 of the Commercial Code.*

b. it will be deemed that a person is engaged on another person's behalf in activities that are competitive when the former has a significant stake or holds a management position in a competitor or another concerted company for the development of a common policy and, in any case, when he has been appointed as Director of the Company at the request of one of those, and

c. it will be deemed not in competition with the Company (i) companies controlled by it (in the sense of Article 42 of the Commercial Code), and (ii) companies with which Repsol YPF, SA has established a strategic alliance, even if they have the same, similar or complementary purpose, provided the strategic alliance is in force. Directors appointed at the request of the Company or in consideration of a participation it has in the capital of a competitor shall not be considered under the prohibition of competition, for this reason alone.

5. Directors may not provide advice or representation services to competing entities with the Company, unless the Board of Directors, following a favourable report from the Nomination and Compensation Committee, authorizes them with the affirmative vote of two thirds of the Board members not affected by the conflict of interest. If these requirements are not complied with, the authorization shall be granted by the General Shareholders Meeting. With the same requirements the Board of Directors may also waive the conflict of interest incompatibility referred to in Article 13.1 above.

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

"Article 22 .- Related-party transactions.

1. The transactions performed by the Company, directly or indirectly, with directors, significant shareholders represented on the Board or persons related thereto ("related-party transactions"), shall be subject to substantive and procedural requirements provided in this article.

2. Related-party transactions (i) exceeding the amount of the 5% of the assets of the Group according to the last consolidated annual accounts approved by the General Shareholders Meeting; (ii) aimed at strategic assets of the Company, (iii) that involve transfer of technology relevant to the Company, or (iv) aimed at establishing mechanisms for collaboration and strategic alliances and which are not mere execution agreements of alliances previously established, can only be entered into if the following conditions are satisfied:

a. the transaction is fair and efficient from the standpoint of the Company's corporate interest;

b. after obtaining the relevant report of an independent expert renowned in the financial community on the reasonableness and arm's length terms of the related-party transaction, the Nominating and Compensation Committee issues a report assessing the compliance of the requirement under paragraph (a) above, and

c. the General Shareholders Meeting authorizes the related-party transaction with the favourable vote of a majority of disinterested social capital, i.e. the capital present and represented on the General Shareholders Meeting net of shares linked to the director or shareholder involved in the transaction. If the General Shareholders Meeting authorizes the related-party transaction without complying with the special majority and the report of the Nomination and Compensation Committee has been unfavourable to the authorization, the Directors shall submit to the courts the compatibility of the resolution with the Company's corporate interest Notwithstanding the above, in those cases in which due to special circumstances it is not advisable to wait until the next General Shareholders Meeting, the transaction may be approved by the Board of Directors provided that: (i) the report of the Nomination and Compensation Committee indicated in section (b) above is favourable, and (ii) the resolution is passed with the affirmative vote of at least two thirds of the Board members not affected by the conflict of interest. In this case the Board will inform the following General Shareholders Meeting about the terms and conditions of the transaction.

At the time of convening the general meeting called to decide on the authorization of the related-party transaction, the Board shall make available to the shareholders the reports of the Nomination and Compensation Committee and the independent external consultant referred to in paragraph (b) above and, if appropriate, its own report.

3. Related-party transactions other than those referred to in paragraph 2 above will require only the approval of the Board on the report of the Nomination and Compensation Committee. Exceptionally, when reasons of urgency so require, the appropriate transactions may be authorized by the Executive Committee, with subsequent ratification by the full Board.

4. This authorisation shall not be necessary for related-party transactions that meet the following three conditions:

i. they are performed under contracts with standard terms and conditions that are generally applied to customers contracting the type of product or service in question;

ii. they are made at prices or rates generally established by the person acting as supplier of the good or service in question or, for transactions involving goods or services for which there are no pre-established prices or rates, on arm's length terms, similar to the market conditions applied in similar commercial relationships maintained with unrelated customers; and

iii. the value of the transaction does not exceed 1% of the annual revenues of the company.

Authorisation by the board shall not be required either in insignificant transactions corresponding to the normal business of the company, made on arm's length terms.

5. Related-party transactions shall be assessed from the point of view of equal treatment and market conditions and shall be described in the Annual Corporate Governance Report and the regular reporting of the company pursuant to the terms of applicable laws and regulations.

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

7. Note on section C.2.

In the case of Sacyr Vallehermoso, S.A. and Petróleos Mexicanos commitments acquired correspond to volume of purchases commitments in force at 31 December, 2011 net of volume of sales commitments.

The guarantees cancelled during 2011 amount to EUR 1,145 thousand.

The lease data refer to those leasings in which the Group acts as lessee net from those in which it acts as lesser.

Additionally to the related party transactions mentioned above, at 31 December 2011 the Group has another transactions with "la Caixa" Group, totalled EUR 1,321 million, which include short term investments in a sum of EUR 416 million, exchange rate hedging tools in a sum of EUR 173 million and interest rate hedging tools in a sum of 209 million.

8. Good Tax Practice Code

Repsol YPF is adhered to the Good Tax Practice Code, sponsored by the Large Business Forum and the State Tax Agency, and complies with the provisions contained therein.

Binding definition of Independent Director:

Indicate whether any of the independent directors have or have had any relationship with the company, its significant shareholders or its executives, which, if sufficiently significant or important, would have meant that the director could no longer be considered independent, pursuant to the definition set out in section 5 of the Unified Good Governance Code:

NO

This annual report on corporate governance was approved by the Board of Directors of the Company on 28 February 2012.

Indicate whether any Directors have voted against or abstained in connection with the approval of this Report.

NO

Name of the director that did not vote in favor of the approval of this report	Reasons (opposed, abstained, absent)	Explain the reasons

Annex to Repsol YPF, S.A. 2011 Corporate governance annual report

This Annex contains information supplementing the Corporate Governance Annual Report pursuant to Article 61 bis of the Securities Market Act 24/1988 of 28 July, as amended by the Sustainable Economy Act 2/2011 of 4 March.

Since the new contents are not included in the current model of Corporate Governance Annual Report approved by the National Securities Market Commission Circular 4/2007 of 27 December, this Annex sets out the additional information required by the Securities Market Act, Article 61 bis.

1. Securities that are not traded on a regulated eu market, indicating the different classes of shares, if any, and the rights and obligations conferred for each class of shares

All the Repsol YPF, S.A. (the "**Company**", or "**Repsol YPF**") shares have the same voting and economic rights; no shareholders have different voting rights.

The Repsol YPF shares are issued in book-entry form and are listed in the electronic dealing system (continuous electronic market) of the stock exchanges of Spain (Madrid, Barcelona, Bilbao and Valencia) and Buenos Aires (Bolsa de Comercio de Buenos Aires). On December 31, 2011 the Repsol YPF shares issued as *American Depositary Shares* (ADSs) are listed on the OTCQX market.

In addition, the shares and ADSs of the subsidiary YPF, S.A. are listed on the Bolsa de Comercio de Buenos Aires and the New York Stock Exchange (NYSE), respectively, and the shares of Refinería La Pampilla, S.A. are listed on the Lima Stock Exchange.

2. Restrictions on the transferability of securities and voting rights

This information is set out in Section A.10 and the Note to Section A.10 included in point G (*Other Information of Interest*) in the Corporate Governance Annual Report.

3. Rules for amending the company's Articles of Association

The Repsol YPF's Articles of Association do not establish any conditions differing from those set out in the Companies Act for amending said Articles. Since the last paragraph of Article 27 of the Articles of Association, on the maximum number of votes that may be cast by a shareholder following the reform of the Companies Act is not applicable, the last paragraph of Article 22 of the Articles of Association on amendment of that Article 27 is not applicable either.

On the other side, Article 22 of the Articles of Association establishes that in order to adopt valid resolutions to modify the Articles of Association, ordinary or extraordinary shareholders' meetings must be attended, in person or by proxy, by shareholders holding at least fifty per cent (50%) of the subscribed voting capital on first call, or twenty-five per cent (25%) of that capital on second call.

When attended by shareholders representing less than fifty per cent (50%) of the subscribed voting capital, resolutions to alter the articles may only be validly adopted with the favourable vote of two-thirds of the capital present or represented at the general meeting.

4. Significant resolutions passed by the company which enter into force or are modified or terminated in the event of takeover of the company following a tender bid, and the ensuing effects

The Company participates in hydrocarbon exploration and operation through joint ventures with other state-owned and private oil companies. The contracts regulating the relationships between members of those joint ventures generally grant the other members a right of pre-emption over the interest of any member that is taken over whenever the value of that interest is significant in respect of the total assets of the transaction or when other conditions established in the contracts are met.

In addition, the laws regulating the oil and gas industry in several countries in which the Company operates require prior authorisation by the competent authorities for any transfer of all or part of the licences for exploration or operating concessions granted, and sometimes also for any change in the control of the concessionaire(s), especially for operators of mining areas.

Moreover, the agreements signed between Repsol YPF and Caja de Ahorros y Pensiones de Barcelona in respect of Gas Natural SDG, S.A., announced through regulatory disclosures to the National Securities Market Commission (CNMV); the Industrial Action Agreement between Repsol YPF and Gas Natural SDG, S.A. contemplated in those agreements and announced in a regulatory disclosure on 29 April 2005; and the Shareholders' Agreement between Repsol YPF and Gas Natural SDG regarding Repsol-Gas Natural LNG, S.L. contemplate a change in the control structure of any of the parties as grounds for termination.

5. Agreements between the company and its executives and employees establishing indemnities for resignation, unfair dismissal or termination of their contracts due to a takeover bid

The consequences established in law and collective agreements of the termination of employment or service relationships between employees and the company are not homogenous but vary according to the employee(s) in question, the position they hold, the type of contract they have, the laws and regulations governing their employment or services relationship and other factors.

This notwithstanding, the Company has a single legal statute for executives, set down in the Executive Agreement, which regulates the indemnity payable in different cases of termination of employment, establishing as grounds for compensation those stipulated in prevailing laws. For members of the Executive Committee, these grounds include resignation by the executive following a business succession or major change in ownership of the company bringing about a renewal of the governing bodies or alteration of the contents and approach of the company's main business activity. The indemnities of existing members of the Executive Committee are calculated according to each executive's age, seniority and salary.

A deferred economic compensation is contemplated for Executive Directors on termination of their relationship with the Company, provided that termination is not a consequence of default of their obligations or of their own will whenever this is not justified by any of the grounds contemplated in their contracts. The details of compensations are set out in the Compensation Policy Report, which will be submitted to shareholders at the Annual Shareholders' Meeting 2012.

6. Description of the principal characteristics of the system of internal control and risk management over the financial reporting process (sifcr) of the Repsol YPF Group

6.1 Introduction

According to the reference frameworks on internal control, companies must have models enabling them to implement, manage and assess their control systems in order to guarantee their effectiveness.

In this regard, the Repsol YPF Group (the "Group") has an internal control model based on the generally accepted reference methodology framework COSO (*Committee of Sponsoring Organizations of the Treadway Commission*), developed through a process consisting of five components:

1. The company's control environment is the foundation for the other components; it is the control awareness within an organisation. The aim pursued with this component is to establish and promote a collective attitude to achieve effective internal control over the organisation's processes.
2. Risk assessment points to the need to assess all risks inherent in the company's business and consists of identifying and analysing any factors that could hamper achievement of its strategic objectives and, based on that analysis, designing control activities to reduce the risks and determine how they should be managed.
3. The control activities refer to the policies and procedures designed to mitigate the risks identified, which should exist in all duties and at all levels of the company, focusing on the prevention and detection of errors and fraud.
4. Information and communication focuses on the need to identify, gather and report significant information in such a way and within a time that will enable each part of the organisation to assume its responsibilities. Management must put across a clear message to all employees regarding the importance of the responsibilities of each one in respect of control.
5. Monitoring the functioning of the system, since it is necessary to assess the quality of its performance, its adequate design, adaptation, implementation and effectiveness. The aim pursued by observing this component is to assess on the effectiveness, detecting and correcting any deficiencies identified in the internal control system.

As part of this internal control model, the Group has implemented a System of Internal Control over Financial Reporting ("SICFR") in accordance the best practices in internal control over financial reporting, which responds to and complies with the requirements established by Securities Market Law 24/1988 of 28 July, as amended by Sustainable Economy Law 2/2011 of 4 March and other legislation in force.

The SICFR has enabled the Group, since its implementation, to respond to the requirements established in US laws and regulations during the time that Repsol YPF was registered with the U.S. Securities and Exchange Commission ("SEC"), particularly the Sarbanes-Oxley Law, following the guidelines issued by the SEC, and the Public Company Accounting Oversight Board ("PCAOB"). Among other issues, those regulations require an opinion by the External Auditor on the effectiveness of the SICFR, which has always been unqualified.

The Argentinean subsidiary YPF, S.A. is currently still registered with the SEC so is bound by the requirements established in the US laws and regulations on internal control over financial reporting.

6.2 The company's control environment

The control environment lays down the guidelines for the Group's behaviour and has a direct influence on employees' level of awareness of control. It is the foundation for all other internal control aspects, providing discipline and structure.

The control environment includes the following elements, tangible and intangible:

- Integrity and ethical values
- Commitment to competence in the different organizational units
- Organisational structure and governability
- Management Philosophy and operating style
- Assignment of authority and responsibilities
- Human Resources policies and procedures

The Governing Bodies and the Management have a strong influence over the control environment through the establishing of rules, a code of conduct and other behavioural patterns, through its actions and behaviour, and by effectively promulgating policies and written procedures.

The SICFR is fully integrated within the organisation through the establishment of an outline of roles and responsibilities for the different bodies and functions, which are duly approved and promulgated within the Group, especially the following:

6.2.1 Board of Directors:

According to the Articles of Association, the Repsol YPF Board of Directors is responsible for governing, managing and administrating the company's businesses and interests in all aspects that are not specifically reserved for the Shareholders´ General Meeting. It focuses on its general function of supervision and the consideration of matters of special importance for the Company.

The Regulations of the Board of Directors define the powers to be exercised by the Board, such as presenting the separate and consolidated Annual Financial Statements and Management Reports at the Ordinary Shareholders' Meeting. The Board must draw up those documents in clear, precise terms, endeavouring to avoid a qualified report by the external auditors. The Board must ensure that they give a true and fair view of the equity, financial position and results of the Company and the Group, pursuant to the applicable legal provisions. It must also approve the risk management and control policy and the annual and half-year financial statements which the Company, as a listed company, is obliged to publish regularly.

The Regulations also establish the Board's responsibility for approving the Company's codes of ethics and conduct, regulating its own organisation and functioning and those of the Senior Management, and specific duties related with the Company's trading on stock markets.

The Board deals directly with the members of the Senior Management of the Company and the external auditors, respecting at all times the independence of the latter.

In pursuance of Article 31 of its Articles of Association, at 31 December 2011 the Repsol YPF Board has fifteen members: two executive directors, five proprietary directors and eight independent directors.

The Board of Directors has set up the following Committees, the Delegate Committee with decision-making powers and the others with supervisory, reporting, advisory and proposal duties:

a. The ***Audit and Control Committee*** of Repsol YPF, set up on 27 February 1995, which main object, according to the Regulations of the Board of Directors, is to support the Board of Directors in its oversight duties, through regular checking of the financial reporting process, the effectiveness of the executive controls and independence of the External Auditor, as well as checking compliance with all legal provisions and internal regulations applicable to the company.

According to the Regulations of the Board of Directors, the duties of the Audit and Control Committee related with the financial reporting process include the following:

- Supervise the process of preparing and presenting, as well as the integrity of, the regulated financial information on the Company and its Group, compliance with all requirements, adequate definition of the scope of consolidation and correct application of the accounting principles.
- Watch over the independence and efficiency of the internal audit department; analyse and approve, if appropriate, the Annual Internal Audit Plan and oversee the degree of fulfilment by the audited units of the corrective measures recommended by the internal audit department in previous actions. The Audit and Control Committee shall inform the Board of any cases that may entail a major risk for the Group.
- Prior to their submission to the Board, analyse the financial statements of the company and its consolidated Group included in the annual, half-year and quarterly reports and any other financial information that the company is obliged to publish regularly by virtue of being a listed company, with the necessary requirements to ensure that they are correct, reliable, adequate and clear. For this purpose it shall have all the necessary information and such degree of aggregation as it may deem fit, assisted as necessary by the top management of the Group, particularly the Finance and Affiliated Companies Department, and with the opinion and recommendations of the external auditor.
- Provide that the Annual Financial Statements to be submitted to the Board of Directors for authorisation are certified by the Executive Chairman and the Chief Financial Officer and Executive Director Affiliated Companies, pursuant to the internal or external regulations applicable from time to time.
- Check all significant changes in the accounting principles applied and the presentation of financial statements, ensuring that adequate notification is given thereof, expressly stating that the committee has checked them.

- Examine the draft ethic and conduct codes and amendments thereto prepared by the corresponding area of the Group and issue an opinion before proposals are submitted to the corporate bodies.
- Oversee with special diligence compliance with the rules on securities market conduct and supervise all actions of the company's Internal Transparency Committee.
- Supervise the sufficiency, adequacy and effective functioning of the recording and internal control systems and procedures in the measuring, valuation, classification and accounting of the hydrocarbon reserves of the Repsol YPF Group, ensuring that they are included in the Group's regular financial reporting in accordance with the sector standards and applicable laws and regulations.

According to the Regulations of the Board of Directors, the Audit and Control Committee is responsible for receiving confidential, anonymous communications expressing their concern over possible dubious practices in accounting or auditing. The Audit and Control Committee has established adequate procedures, mechanisms and controls to receive, process and follow-up any communications received through the communication channel for the Audit and Control Committee, through which the Committee can be informed on any issues related with accounting, internal control and auditing. This channel is available to employees and third parties through the corresponding applications on the corporate web site and the internal portal.

All the members of the Audit and Control Committee are external independent directors with expertise and experience in accounting and auditing. The Chairman of the Committee also has extensive experience in business, risk and financial management and a thorough knowledge of accounting procedures.

The Board appoints the members of this Committee for a term of four years. Without prejudice to their possible reappointment, they shall step down from the Committee on expiry of the aforesaid term, when they cease to be directors or whenever so resolved by the Board following a report by the Nomination and Compensation Committee. The Chairman is appointed for a maximum term of four years, after which he cannot be re-elected until one year after leaving the position, without prejudice to his continuation or re-election as member of the Committee.

b. According to the Articles of Association and the Regulations of the Board of Directors, the ***Delegate Committee*** of Repsol YPF has been permanently delegated all the powers of the Board of Directors except those whose delegation is prohibited by law, the Articles of Association and/or the aforesaid Regulations.

The Delegate Committee consists of the Chairman of the Board and seven directors from the three different groups of directors (executive, proprietary and independent), in a proportion similar to that existing within the Board of Directors.

c. According to the Articles of Association and the Regulations of the Board of Directors, the ***Nomination and Compensation Committee*** of Repsol YPF, set up on 27 February 1995, has among others, duties related to the appointments and compensation of both Directors and Senior Executives of the Company.

Additionally it shall inform the Board of Directors in cases concerning non-compete obligations, use of corporate information and assets, business opportunities and related-party transactions as well as on compliance by directors with the corporate governance principles or the obligations established in the Articles of Association or Regulations of the Board of Directors.

Finally, it also reviews the Corporate Governance Annual Report before its approval by the Board of Directors to check the nature attributed to each director (executive, proprietary, independent or external).

The Nomination and Compensation Committee is entirely made up of external directors, three of which are independent and the other two proprietary. They all have adequate expertise, skill and experience to perform the duties of the Committee.

d. ***The Strategy, Investment and Corporate Social Responsibility Committee*** of Repsol YPF was created on 25 September 2002. According to the Regulations of the Board of Directors, it is responsible, among other duties, for:

- Inform the Board of Directors and/or Delegate Committee on the principal highlights, landmarks and reviews of the Group's strategic plan and any other major strategic decisions within the Group.
- Inform on investments or divestments in assets which, by virtue of their value or strategic nature, the Executive Chairman believes should be first considered by the committee.

- Know and steer the policy, objectives and guidelines of the Repsol YPF Group on corporate social responsibility and inform the board thereon; check and report on the Corporate Responsibility Report of the Repsol YPF Group before it is submitted to the Board.

The Strategy, Investment and Corporate Social Responsibility Committee is made up entirely of external directors, two of whom are independent and the remaining four proprietary. They all have adequate expertise, skills and experience for the Committee's duties.

6.2.2 Internal Transparency Committee:

The Internal Transparency Committee of Repsol YPF was set up on 29 January 2003 and, as established in its Regulations, its main object is to promote and strengthen whatever policies may be necessary to ensure that the information provided for shareholders, markets and regulatory bodies is true and complete, present fairly its financial position and the results of its operations and is reported within the deadlines and in compliance with any other requirements stipulated in the applicable laws and standards and the general market and good governance rules binding on the Company, providing support for the Executive Chairman and the Chief Financial Officer and ED Affiliated Companies.

According to its Regulations, the Internal Transparency Committee has the following duties, among others:

- Supervise the establishment and maintenance of the procedures for preparing the information that the Company is obliged to publish according to the applicable rules and regulations or, in general, any information it may announce to the markets, and the controls and procedures designed to ensure that (1) such information is recorded, processed, summarised and announced accurately and in due time and that (2) the information is compiled and submitted to the senior management, including the Executive Chairman and the Chief Financial Officer and ED Affiliated Companies, enabling decisions to be made in advance on the information to be publicly announced and proposing such improvements as it may deem fit.
- Check and ensure that the information set out in the documents to be published, especially announcements or disclosures to be made to the regulators and agents operating on the securities markets on which the Repsol YPF shares are traded, are correct, reliable, adequate and clear.

The members of the Internal Transparency Committee are: the Corporate Director of Tax and Economic Affairs, as Chairman, the Corporate Director for Legal Affairs, as Secretary, the Media Director, Strategy Director, Audit and Control Director, Administrative Economic Director, Investor Relations Director, Corporate Governance Affairs Director, Reserves Control Director, Management Control Director, a representative of General Management of Human Resources and Organisation, a representative of General Management Upstream, a representative of General Management Downstream and a representative of the General Management of YPF.

6.2.3 The Audit and Control Department:

Reporting to the General Counsel and Secretary of the Board of Directors, this Department assesses whether the design and functioning of the internal control and risk management systems in the Group are reasonable, helping to improve them and including any processes to ensure that:

- Any risks that may affect the organisation are adequately identified, measured, ranked and controlled, especially those affecting financial reporting.
- All operations are performed efficiently and effectively.
- The operations are performed in accordance with the applicable laws and regulations and the internal policies, rules and procedures established within the Group, assessing their adequacy and guaranteeing their compliance.
- The assets are adequately protected and reasonably controlled.
- The most important financial, management and operating information is adequately prepared.

It also monitors the assessment of design and functioning of the Group's SICFR reporting the Audit and Control Committee about the results obtained.

6.2.4 Business Units and Corporate Areas identified as "owners of the controls":

Within the Group, the different Business Units and Corporate Areas identified as "owners of the controls" are responsible of guarantying the present validity, implementation and functioning of the controls and the adequate design of related processes. Of those Units, those with an especially important role in the development, maintenance and operation of the SICFR are described below:

a. The Unit that prepares the financial statements and corresponding financial report and defines the inventory of SICFR controls and processes required to guarantee the reliability of the financial information, in coordination with the Audit and Control Department, as a result of its process of defining and assessing the Group SICFR.

b. The unit that is responsible for ensuring compliance with all tax obligations; giving tax advice; monitoring, assessing and implementing changes in legislation; pinpointing, controlling, monitoring and assessing tax risks; handling tax disputes and conflicts and preparing the tax information for financial statements. According to the Code of Good Tax Practices, this unit is also responsible for reporting annually to the Audit and Control Committee on the tax policies applied by the Company.

c. The Unit that monitors, analyses, reviews and interprets the accounting regulations and standards set out in the different regulatory frameworks applicable to the Group.

d. The Unit that ensures the continuity and development of business plans, guaranteeing efficient utilisation of financial resources, optimisation of financial results and adequate monitoring and control of financial, market and credit risks.

e. The Unit that that defines the Annual Training Plan, lays down the instructions and criteria for developing the regulatory framework and establishes the guidelines for defining the organisational structure and sizing of the Group.

f. The Unit that makes sure that the estimates of proved hydrocarbon reserves of the Repsol YPF Group comply with prevailing legislation on the different securities markets on which the Company is listed. It also makes internal audits of reserves, coordinates certification of reserves by external auditors and assesses the quality controls on reserve reporting, making the appropriate suggestions within a process of continuous improvement and application of best practices.

g. The Units that provide adequate legal assistance to the Group on issues related with corporate governance and business or corporate areas. This assistance is provided through: (i) legal counselling to provide the necessary legal basis for the actions and decisions of the different corporate and business areas; (ii) preventive legal security to see that the Group acts at all times in accordance with all applicable laws and internal regulations; (iii) defence in legal proceedings; and (iv) legal and corporate management.

6.2.5 Other issues concerning the company's control environment

Internal regulations have been developed to define the lines of responsibility and authority related with the organisational structure, establishing the organisational criteria and principles to ensure adequate sizing and distribution of tasks. These internal regulations have been formally approved and distributed throughout the entire Group through the internal communication network.

A specific body of rules has been developed, identifying the units participating in the preparation of the financial statements and the duties and responsibilities assigned to each unit.

Apart from the internal rules and regulations contemplated hereinabove, such as the Articles of Association, the Regulations of the Board of Directors and the Regulations of the Internal Transparency Committee, the Group also has a "*Code of Conduct and Professional Ethics of the Employees of Repsol YPF*", approved by the Board of Directors following a favourable report by the Audit and Control Committee, which is applicable to all the Group's employees. This code develops the ethical values of the Repsol YPF Group (integrity, transparency, responsibility and safety), the minimum rules of conduct that should guide all employees during the performance of their professional work and the penalties applicable when those rules are broken. Among other aspects, the code lays down the basic principles for action in information transparency, processing of reserved and confidential information and adequate reflection of transactions in the Company's financial records.

As a general rule, the new employees receive a copy of the Code of Conduct and Professional Ethics on joining the Group and sign an acknowledgement of receipt. Employees also regularly receive information on the applicable rules of ethics.

There is a communication channel on the Code of Conduct and Professional Ethics of the Employees of Repsol YPF, which provides an effective means for submitting consultations or reporting possible breaches of conduct under the code. This channel is accessible to both Group employees and third parties, through internal and/or external communication networks, particularly through the corresponding applications on the corporate web site and the internal portal.

The Ethics Committee, formally created on 4 December 2006, oversees compliance with the Code by all employees of the Repsol YPF Group and resolves the communications received through the channel. The Secretary of this Committee is responsible for processing, confidentially, all communications received through this channel.

According to the Regulations of the Repsol YPF Ethics Committee, the committee consists of the General Counsel and Secretary of the Board of Directors, the Managing Director for Human Resources and Organisation, the Audit and Control Director, the Corporate Director of the Repsol YPF Legal Services and the Corporate Director of Industrial Relations, Occupational Legal Management and Safety in the Workplace.

The Group also has an "*Internal Code of Market Conduct*", approved by the Board of Directors following a favourable report by the Audit and Control Committee, which meets the requirements stipulated in Spanish law, developing aspects such as rules of conduct for dealings in financial instruments and securities issued by the Group, treatment of inside information, reporting of important information, treasury stock dealing, prohibition of price rigging and the handling and management of conflicts of interest. The Company has formally established mechanisms promoting promulgation and compliance with the Code throughout the organisation.

As regards training programmes and regular refresher courses for employees, the Group has a formally approved *Training Plan* to support and promote the achievement of the Group's challenges and objectives through training and learning, by means of an integral, homogenous management of training requirements, coordination of that training and assessment of its impact and results.

Along these lines, internal regulations have been drawn up establishing powers and responsibilities in respect of training.

The units involved in preparing and checking the financial information and assessment of the SICFR have a special Training Plan designed to meet the specific training needs of these employees to perform their duties correctly.

6.3 Assessment of financial reporting risks

The Group has a risk map structured into five major types: strategic, operational, financial, environmental and regulatory or compliance (the "Map"). It defines the units participating in the management, control and supervision of each risk, the parameters and controls established and the applicable rules and regulations.

The Map is updated each year by the head of each of the different risks identified, within a process coordinated by the Audit and Control Department.

Within the compliance risks, the Group has identified a type called accounting and reporting risks.

An ***inventory of financial reporting risks*** has been drawn up to cover the principal risks affecting the reliability of the financial reporting, based on the following categories:

- General environment risks
- Risks in monitoring changes in regulation
- Business transaction risks
- Estimate and subjective calculation risks
- Preparation of financial statement risks

This document, which is subject to annual review, identifies, measures, assesses and categorises the Group's financial reporting risks.

Updates of the inventory of financial reporting risks are subject to final approval by the Executive Committee and the Audit and Control Committee.

This inventory covers the principal risks associated with the process of preparing the financial statements (separate and consolidated) and other different risks (operational, financial, tax compliance, labour, regulatory, etc.) insofar as they have any effect on financial reporting.

The problems associated with the risk of fraud in financial reporting have also been considered an important factor to be taken into account when designing and implementing the SICFR. Accordingly, a ***model for preventing fraud in financial reporting*** has been developed, set out in the manual "Management of fraud risks in financial reporting", based on the framework established by the AICPA (*American Institute of Certified Public Accountants*) in its document "*Consideration of Fraud in a Financial Statement Audit*", *Section 316* (*Standard Auditing Statement 99*) and by the *Public Company Accounting Oversight Board* (PCAOB) in its document "*An Audit of Internal Control over Financial Reporting that it is Integrated with an Audit of Financial Statements*" (*Auditing Standard number 5*). This model for preventing fraud in financial reporting identifies a significant number of controls to cover the risk of fraud in financial reporting.

The Group has also a ***segregation of duties model*** to prevent and reduce the risk of fraud in the financial reporting process and matrixes of incompatibilities defined for each of the major processes have been implemented in the reporting systems covered by the SICFR, enabling it to establish continuous, routine monitoring of any conflicts and detect any cases in which the functions are not performed according to the previously defined profiles.

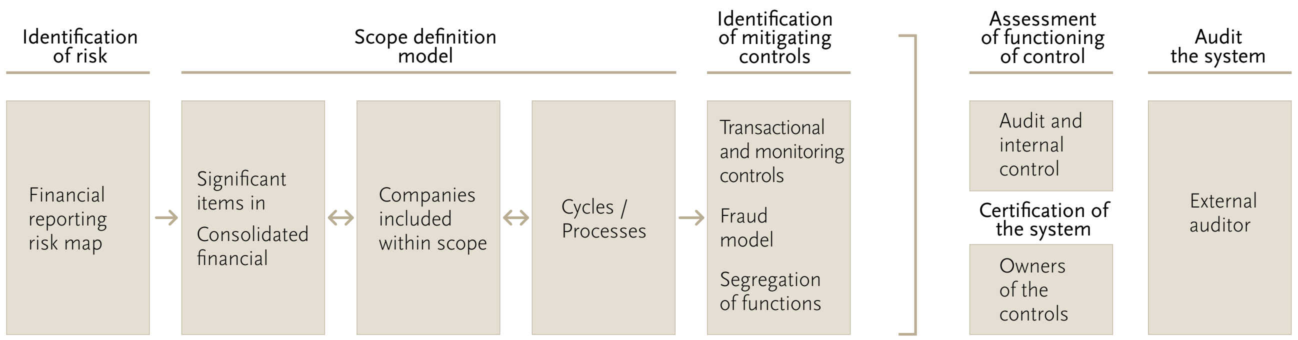
6.4 Control activities

The financial information review and authorisation processes performed by the Board of Directors, Audit and Control Committee and the Internal Transparency Committee have been described hereinabove in the section "The company's control environment".

The ***Manual of Internal Control of Financial Reporting***, reviewed annually and distributed throughout the Group, describes the methods and main features of the SICFR implemented.

The Group has developed corporate applications covering the processes of monitoring, assessment of functioning and certification of the SICFR, enabling it to maintain and update the model expeditiously and efficiently.

Broadly speaking, the SICFR consists of the following phases:



First of all, the ***scope of the model*** is defined by identifying the financial reporting risks and associating them with important items, companies and processes of the consolidated financial statements, considering both qualitative and quantitative criteria.

The scope of the Group's SICFR does not include controls over the companies that are integrated in the consolidated financial statements under the method of proportional consolidation, since the Group does not have the exclusive power to implement its own system, modify the existing controls in those companies or to assess their effectiveness. The contribution of the Repsol YPF Group's jointly controlled companies to the main consolidated aggregates at December 31, 2011 is the following:

Millions of euros	Companies integrated proportionally	Total Group
Current assets	8,275	20,329
Non-current assets	14,520	50,628
Current liabilities	(4,395)	(17,104)
Non-current liabilities	(8,205)	(26,810)
Operating incomes	9,890	63,732
Operating expenses	(7,836)	(58,927)
Net Income attributable to the parent	1,095	2,193

The most relevant companies controlled jointly by the Group on December 31, 2011 are included in Note 25 of the consolidated financial statements

The SICFR model is structured in cycles defined as the set of transaction flows, for which operations are systematized and documented. Business transaction cycles (fixed assets, inventories, acquisitions and income) are identified for the major companies and cross cycles (salaries and human resources, financial management, collections and payments, data processing environment, risk hedging and insurance, environmental management, legal and regulatory management, tax management, financial reporting, credit risk management, estimation of hydrocarbon reserves and *Entity and Company level*) which work in the same way for all the companies included within the scope.

Each cycle consists of ***processes***, which are assigned a degree of criticality, and a set of ***control objectives*** intended to reduce the risks associated with the ***potential errors*** (validity, valuation, cut-off, integrity, recording and presentation) in the preparation of financial reporting. Following this assignment, the controls that will cover the risks of the process will be defined.

The following types of controls are defined in the SICFR:

- Controls implemented on a process level, used by the Group to guarantee reaching the control objectives of each process.
- Controls implemented on a global level for the entire Group, including general and global controls in relation to the issues included under previous section of this document "The company's control environment", general computer controls, Group-level cross-process controls and anti-fraud controls.

Considering that the information systems affect the Group's transaction flows, some ***general computer controls*** have been identified to reasonably guarantee the reliability, integrity, availability and confidentiality of the information contained in the most relevant applications for financial reporting.

The general computer controls have a direct effect on the achievement of several control objectives and are considered in the assessment of the SICFR, grouped into the following areas:

- Development of information systems
- Modifications of information systems
- Operations
- Control of access to programmes and data

The controls over applications have the following characteristics:

- They contribute towards guaranteeing the precision, accuracy, authority and validity of the transactions effected in the applications.
- They apply to interfaces with other systems to check that inputs are complete and accurate and outputs are correct.
- In general, they are integrated within the programme logics to prevent and/or detect unauthorised transactions.

The scope of the general computer controls is delimited firstly by the applications covered in the business transaction cycles and cross cycles and secondly by the infrastructure used for those applications, such as technological platforms, servers, data bases or data processing centres.

The Group has internal rules on information systems, which lay down the general guidelines and principles of action for the different processes in this area covered by the general computer controls.

Controls for outsourced activities have been identified within the financial reporting processes to provide reasonable cover for the financial reporting risks and associated control objectives. The Reserves Control Unit engages external firms to audit the reserve estimates made by the operating units within the Group. The most relevant issues identified in these audits serve as basis to determine the reserves, in accordance to the Group Reserves Manual, being presented to the Executive Committee and the Control and Audit Committee.

Methods have also been developed to establish homogenous criteria on estimates and valuations made in the preparation of financial reporting, particularly those concerning crude and natural gas reserves, provisions for lawsuits and other contingencies, calculation of corporate income tax and deferred tax assets, assets impairment test and derivative financial instruments.

The functioning of all the controls of the model is assessed based on their scores in terms of impact on the financial statements and probability of failure. The control tests provide evidence on which to base the report on effectiveness of the SICFR issued by the Group Management at year end.

An internal procedure has also been established defining the calculation methods to be used to assess and classify the deficiencies detected during the assessment of the SICFR. These methods contemplate quantitative and qualitative factors and are based on the reference framework for assessing financial reporting internal control deficiencies developed jointly by the leading firms of auditors, listed companies and other institutions.

At year end, the Company requires the owners of the controls comprising the SICFR to issue a certificate on the validity and effectiveness of the processes and controls for which they are responsible. These are annual certificates in cascade, ending with the certificate issued by the Executive Chairman and the Chief Financial Officer and Executive Director of Affiliated Companies.

The SICFR documents consist essentially of the following: flowcharts of the processes covered by the SICFR, control matrixes identified therein, results of the tests on design and functioning of the controls and certificates of the validity and effectiveness of the controls by their respective owners.

6.5 Information and communication

The Group has integrated information systems both for the bookkeeping of transactions and for preparing the separate and consolidated financial statements. It also has centralised coding and parameterization processes which, together with the Accounting Criteria Manual, guarantee the homogeneity of the information. Finally, there are also tools for processing information on how to obtain and prepare the breakdown of information contained in the notes of the annual report. The systems related with the process of preparation and reporting of economic and financial information conform to the security standards established by the general computer controls.

In this regard, there is a unit responsible for monitoring, analysing and reviewing the accounting laws and regulations contained in the different regulatory frameworks applicable to the elaboration of the consolidated Financial Statements, and for analysing and answering consultations on the interpretation and adequate application of those laws and regulations. The organisational units involved in preparing financial information are formally informed of any new laws, regulations or accounting techniques and the results of the different analyses made.

The Accounting Criteria Manual establishes the accounting rules, policies and principles adopted by the Group. The Manual is revised and updated every six months and whenever there are material changes in the laws and regulations. The Manual is distributed throughout the organisation through its internal communication network.

6.6 Supervision of the functioning of the system

The financial reporting review processes performed by the Board of Directors, Audit and Control Committee and the Internal Transparency Committee have been described hereinabove in the section "The company's control environment".

In addition to the supervising mechanisms described above, the Audit and Control Committee analyses and approves, if appropriate, the Annual Internal Audit Plan and any other occasional or ad hoc plans that may be required following changes in regulation or to meet the needs of the Group's business organisation.

The annual internal audit plan is designed to assess and supervise the correct functioning and adequacy of the control systems established and to ensure that they enable identification, management and/or reduction of the operating, financial and reputational risks of the Group. As mentioned earlier, the Audit and Control Committee must be informed on the degree of fulfilment of the corrective measures recommended by the Internal Audit Department in previous actions and relies on that department to obtain information on any significant irregularities, anomalies and defaults by audited units, informing the Board of any cases that may entail a major risk for the Group.

Within the annual internal audit plan and based on a defined test plan, the Audit and Control Department performs its design and effectiveness testing strategy on an annual basis.

The Audit and Control Department is responsible for informing the owners of the controls on the results of the tests made on the design and functioning of effectiveness of the SICFR and any weakness detected in the updating and assessment process of the system.

After year-end, the Audit and Control Department reports to the Internal Transparency Committee and the Audit and Control Committee on the outcome of the SICFR assessment. The Audit and Control Committee is also informed of any deficiencies detected by the Audit and Control Department during its assessment of the effectiveness of the SICFR.

As mentioned in the section "The company's control environment", the Audit and Control Commission's duties include establishing liaisons with the external auditor to receive regular information on the audit plan and results of its implementation, and on any other issues concerned with the auditing process and corresponding laws and standards. It also checks that the management team heeds the recommendations made by the external auditor.

The Audit and Control Committee also regularly requires the external auditor, at least once a year, to assess the quality of the internal control procedures and systems, discusses with the external auditor any significant weaknesses detected during the audit and requests an opinion on the effectiveness of the SICFR.

The Group Management has made its assessment of the effectiveness of the SICFR in 2011 and did not detect any significant deficiency, concluding that the SICFR is effective, based on the criteria established by COSO.

6.7 Report of the External Auditor

The Group has submitted to the review of the External Auditor, the effectiveness of its SICFR in relation to the financial information contained in the consolidated financial statements of the Group at December 31, 2011. It is attached herein the Report issued by the External Auditor in relation to its assessment on the effectiveness of the SICFR.

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Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

AUDITORS' REPORT ON THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (SICFR)

To the Board of Directors of Repsol YPF, S.A.:

We have examined the information relating to the System of Internal Control over Financial Reporting (SICFR) of Repsol YPF, S.A. and Subsidiaries ("the Repsol YPF Group") contained in the accompanying "Description of the Principal Characteristics of the System of Internal Control and Risk Management over the Financial Reporting Process (SICFR) of the Repsol YPF Group". This examination includes an evaluation of the effectiveness of the SICFR in relation to the financial information contained in the Repsol YPF Group's consolidated financial statements at 31 December 2011, prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Repsol YPF Group. The objective of this system is to contribute to the transactions performed being presented fairly under the aforementioned accounting framework and to provide reasonable assurance in relation to the prevention or detection of any errors that might have a material effect on the consolidated financial statements. The aforementioned system is based on the rules and policies defined by Repsol YPF Group management in accordance with the guidelines established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its report "Internal Control-Integrated Framework".

A system of internal control over financial reporting is a process designed to provide reasonable assurance on the reliability of financial information in accordance with the accounting principles and standards applicable to it. A system of internal control over financial reporting includes policies and procedures that: (i) enable the records reflecting the transactions performed to be kept accurately and with a reasonable level of detail; (ii) guarantee that these transactions are only performed in accordance with the authorisations established; (iii) provide reasonable assurance as to the proper recognition of transactions to make it possible to prepare the financial information in accordance with the accounting principles and standards applicable to it; and (iv) provide reasonable assurance in relation to the prevention or timely detection of unauthorised acquisitions, use or sale of the company's assets which could have a material effect on the financial information. The limitations inherent to any system of internal control over financial reporting might give rise to errors, irregularities or fraud that might not be detected. Also, the projection to future periods of an evaluation of internal control is subject to risks, including the risk that the internal controls are rendered inadequate as a result of future changes in the applicable conditions or that there is a reduction in the future in the degree of compliance with the policies or procedures established.

Repsol YPF Group management is responsible for maintaining the system of internal control over the financial information included in the consolidated financial statements and for evaluating its effectiveness. Our responsibility is limited to expressing an opinion on its effectiveness, based on the work performed by us in accordance with the requirements established in Standard ISAE 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) for the issuance of reasonable assurance reports.

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

A reasonable assurance engagement includes understanding the system of internal control over the financial information contained in the consolidated financial statements, evaluating the risk of there being material errors therein, performing tests and evaluations of the design and operating effectiveness of the system, and performing such other procedures as we consider appropriate. We consider that our examination provides a reasonable basis for our opinion.

In our opinion, at 31 December 2011, the Repsol YPF Group maintained, in all material respects, an effective system of internal control over the financial information contained in its consolidated financial statements, and this internal control system is based on the rules and policies defined by Repsol YPF Group management in accordance with the guidance established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its report "Internal Control-Integrated Framework". Also, the disclosures contained in the information relating to the SICFR which is included in the Repsol YPF Group's corporate governance annual report at 31 December 2011 are in accordance, in all material respects, with the requirements established by Securities Market Law 24/1988 of 28 July, as amended by Sustainable Economy Law 2/2011 of 4 March, and other legislation in force.

As described in the accompanying "Description of the Principal Characteristics of the System of Internal Control and Risk Management over the Financial Reporting Process (SICFR) of the Repsol YPF Group", the SICRF does not include controls over the companies that are integrated in the consolidated financial statements under the method of proportional consolidation, since Repsol YPF Group does not have the exclusive power to implement its own system, modify the existing controls in those companies or to assess their effectiveness. The contribution of the Repsol YPF Group's jointly controlled companies to the main consolidated aggregates at 31 December 2011 is detailed in section 6.4 of the accompanying "Description of the Principal Characteristics of the System of Internal Control and Risk Management over the Financial Reporting Process (SICFR) of the Repsol YPF Group". As a result, our work did not include an examination of the effectiveness of the internal control system over the generation of the financial information of the aforementioned companies included in the consolidated financial statements of the Repsol YPF Group.

This examination does not constitute an audit of financial statements and is not subject to the Consolidated Audit Law approved by Legislative Royal Decree 1/2011 of 1 July, and, therefore, we do not express an audit opinion under the terms of the aforementioned legislation. However, we have audited, in accordance with the audit regulations in force in Spain, the consolidated financial statements of Repsol YPF, S.A. and Subsidiaries prepared by the directors of Repsol YPF, S.A. in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Repsol YPF Group, and our report dated 28 February 2012 expresses an unqualified opinion on the aforementioned consolidated financial statements.

DELOITTE, S.L.

Jorge Izquierdo Mazón

28 February 2012


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