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FIRST-HALF EARNINGS
PRESS RELEASE
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REPSOL POSTS NET INCOME OF 1.036 BILLION EUROS

- **Net income, excluding YPF, fell 14.6% to 903 million euros due to the negative effect of oil prices on the value of inventories, of 328 million euros. Including YPF, which is no longer consolidated in the Repsol Group, earnings declined 22.9%.**

- **Operating income for the Upstream unit, the company's growth engine, grew 41.9% to 1.144 billion euros, based on the return to normality in Libya, increased production and better companywide oil and gas realisation prices.**

- **The Downstream unit posted operating income of 227 million euros, affected by the lower value of hydrocarbons inventories. The Repsol Group's integrated refining margin improved 85.7% from the year earlier following the completion of the Cartagena and Bilbao refineries' expansion and improvement programmes.**

- **Total hydrocarbons production for the first half was 3.8% higher. Liquids production increased 21.8%**

- **The company has liquidity of 7.8 billion euros, with 3.1 billion euros in cash and 4.7 billion in undrawn credit lines.**

- **During the first half Repsol presented its 2012-2016 Strategic Plan based on four pillars: High growth in Upstream, maximisation of returns from Downstream and LNG, a solid financial position and competitive shareholder return.**

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Repsol posted net income for the first half of the year of 1.036 billion euros, a 22.9% decline from the year-earlier period, when net income was 1.344 billion euros.

Excluding YPF, which is no longer consolidated into the Repsol Group, first half net income, was 903 million euros, 14.6% lower due to the decline in the value of inventories which the company holds as part of the country's strategic reserve.

Net income from the company's continued operations excluding the effect of inventories (current cost of supply) rose 3.1% to 894 million euros from 867 million in the same period of the previous year.

Operating income for the first six months of the year was 1.966 billion euros, affected by the aforementioned effect of the inventory valuations. Excluding this effect, operating income (CCS) rose 10.4% to 1.972 billion euros.

The Upstream unit (exploration and production) continued the strong performance seen the first quarter, with operating income rising 41.9% to 1.144 billion euros. Earnings from the LNG business grew 41.1%.

Operating income from the Downstream unit (refining, marketing, liquid petroleum gas, new energy, chemicals and trading) was directly affected by the lower value of inventories based on the benchmark prices. Added to this was the effect of the current economic situation, whose impact on the chemicals and marketing businesses was partially compensated by improved refining and LPG margins.

STRATEGIC PLAN: BUILDING ON OUR STRENGTHS

During the second quarter, Repsol outlined its 2012-2016 Strategic Plan in which, together with ambitious business targets, the company established a policy of financial discipline to reinforce the group's solidity in the coming years following the unlawful expropriation of YPF.

The strategic planning includes investments of over 19 billion euros, financed from the company's cash flow as well as the selective divestment of non-core assets, as well as guaranteeing competitive shareholder return.

Additionally, the company expects to almost double in the next five years the net income posted in 2011, excluding YPF, from the upstream business, cash generation from downstream and the LNG business.

The plan, which builds on Repsol's strengths, will multiply the group's EBITDA by 1.9 times from 2011, excluding YPF.

In line with the 2012-2016 strategic planning, Repsol has this year already completed divestments worth 1.85 billion euros as part of the objective of divesting up to 4.5

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billion euros. The latest was the sale o of Repsol Butano Chile for approximately $540 million.

The company currently has liquidity, excluding Gas Natural, of 7.8 billion euros, including 3.1 billion in cash and 4.7 billion in undrawn credit lines.

The Repsol' Group's net debt, excluding Gas Natural Fenosa, was 5.170 billion euros at the end of the first half of the year.

On May 31st Repsol's Annual General Shareholders' Meeting approved the 2011 accounts as well as a new system of shareholder remuneration which allows a choice between receiving cash or company shares.

Repsol applied the flexible dividend mechanism for the final dividend payment from 2011 earnings, with owners of 63.64% of the company's free of charge allocation rights opting to receive new shares.

Due to the discriminatory and unlawful expropriation of YPY, Repsol has in the second quarter taken legal action to protect and recover the value and interests of its shareholders. Repsol has taken legal steps addressing the violation of the Treaty for Reciprocal Protection of Investments between the Kingdom of Spain and the Republic of Argentina, the unconstitutionality of the intervention of YPF and the temporary occupation of the shares subject to expropriation as well as the failure by the State of Argentina to comply with the obligation to launch a takeover bid for all of YPF's shares before taking control of the company.

The earnings from the first half of the year take into account the confiscation of YPF, whose accounts are no longer consolidated in those of the Repsol Group. The profit and loss statement reflects a total net loss of 38 million euros based on a valuation of the shares in YPF subject to expropiation, the market value of the shares still held by Repsol and the accounting for the loan made to the Petersen Group to purchase a stake in YPF. (Explanatory note follows)

> *The total net loss includes the effects of (i) derecognizing the assets, liabilities, and minority interests of YPF and Repsol YPF Gas, for a total amount of 4.174 billion euros, as well as translation differences corresponding to the companies subject to expropriation, for a total amount of 605 million euros; (ii) a provision for loans and guarantees related to the financing granted to the Petersen Group, amounting to 1.456 billion euros, as indicated in the abovementioned paragraphs; (iii) recognizing a deferred tax asset amounting to 524 million; and (iv) recognizing the Group's ownership interest in YPF and Repsol YPF Gas consisting of both, the shares subject to expropriation and the remaining shares owned, as explained in the above paragraphs, amounting to 5.673 billion euros.*

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REPSOL

UPSTREAM: INCREASED PRODUCTION AND OPERATING INCOME

The Upstream unit's operating income at the end of the first half of 2012 was 1.144 billion euros, 41.9% higher than the year earlier period. This increase is mainly due to higher production in Libya, the start-up of the first phase of the Margarita gas field in Bolivia, and higher crude oil and gas realization prices achieved by Repsol.

Especially significant was the increase in Repsol's gas realization price, which rose 12.1% due to the start-up of new assets in Bolivia which contrasts with the sharp 40.5% decline in the Henry Hub prices.

Repsol crude oil realisation prices rose 8%, beating the international benchmark crude oil prices in this period- a 2.3% rise in Brent and 0.3% fall for WTI. Repsol's higher realization prices had a positive impact on the profit of 164 million euros net of royalties.

Total hydrocarbons production for the period was 321,665 barrels of oil equivalent per day, a 3.8% increase compared to 2011. Particularly significant was the 21.8% increase of liquids' production.

Oil production in Libya tripled compared to the first half of last year, returning to pre-war levels. Production also increased at Shenzi (United States) following the lifting of the drilling moratorium.

Gas production in Trinidad and Tobago fell 12.6%, primarily due to maintenance work and a scheduled shutdown for improvements to facilities. In Bolivia, gas production increased 12.9%.

The completion and start-up of Phase 1 of the Margarita-Huacaya project in Bolivia, has increased gas processing capacity to 9 million cubic metres a day. The project includes a second phase that, once operational, will increase capacity to 15 million cubic metres a day in 2014.

Operating income at the LNG business in the first half of 2012 was 237 million euros, compared to 168 million euros for the same period the previous year. The 41.1% improvement was mainly due to better LNG commercialisation margins.

During the semester, investments in the Upstream unit were 1.109 billion euros, 40.6% more than in the first six months of 2011. Investments in development represented 54% of the total and went primarily to the United States, Trinidad and Tobago, Brazil, Venezuela, and Bolivia, whereas exploration investments (24% of the total) were mainly in the United States and Brazil.

For the next few years, the Upstream unit will absorb nearly 80% of the investments included in the 2012-2016 Strategic Plan, centred on 10 key growth projects, that include some of Repsol's greatest worldwide exploration successes of recent years.

The development of these projects will increase hydrocarbon production at an average annual rate of 7% to reach 500,000 barrels per day by 2016. These production levels will drive an increase in reserves with an average replacement rate above 120% for the period.

DOWNSTREAM: IMPROVED REFINING MARGEN

The start-up of the expanded Cartagena and Bilbao refineries allowed for a significant increase in distilled volumes in Spain, although the economic crisis negatively affected the Chemicals business and sales at petrol stations. The most significant negative effect was value of inventories, which reduced operating income by 328 million euros.

The utilisation rate of the company's refining capacity was 68% as a consequence of the maintenance halts at a number of refineries and the adaptation to the new crude mix in substitution of Iranian imports.

This explains the 62.8% fall in the Downstream unit's operating income during the first half of 2012, which was 277 million euros for the period.

Operating income, excluding the value of inventories that the company holds as part of Spain's strategic reserve, fell 32.9% to 283 million euros.

In the first half of 2012, the integrated refining margin rose 85.7% to 3.9 dollars per barrel, demonstrating the strength of the business after the expansions and improvements of the Cartagena and Bilbao refineries.

Operating investment in the Downstream unit was 295 million euros for the semester, 54.3% less than the first half of 2011 as a result of the completion of the expansion and conversion project in Cartagena and the fuel oil reduction unit in Bilbao.

GAS NATURAL FENOSA

The operating income of Gas Natural Fenosa for the first half of the year was 475 million euros, compared with 512 million euros in the same period in 2011.

Gas Natural Fenosa's operating investments through June totalled 185 million euros (+18.6%), spent mainly on electricity and gas distribution in Spain and Latin America.

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

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REPSOL CONTINUED OPERATIONS RESULTS
(Million Euro)
(Unaudited figures)

	January – June		Change
	2011	2012	%
Net income	1,057	903	-14.6
Operating income	2,109	1,966	-6.8
Recurrent net income	1,016	950	-6.5
Recurrent operating income	2,022	2,011	-0.5

REPSOL SUMMARISED INCOME STATEMENT
(Million Euro)
(Unaudited figures)

	January – June		Change
	2011	2012	%
EBITDA	**3,089**	**3,331**	**7.83**
Operating income	2,109	1,966	-6.78
Financial expenses	(374)	(433)	15.78
Share in income from companies carried by the equity method-Net of tax	33	66	100.00
Income before income tax	1,768	1,599	-9.56
Income tax	(645)	(674)	4.50
Income for the period from continued operations	1,123	925	-17.63
Income attributable to minority interests from continued operations	(66)	(22)	-66.67
NET INCOME FROM CONTINUED OPERATIONS	**1,057**	**903**	**-14.57**
Net income from interrupted operations	287	133	-53.66
NET INCOME	**1,344**	**1,036**	**-22.92**

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BREAKDOWN OF REPSOL
OPERATING PROFIT, BY BUSINESSES ex YPF (*)
(Million Euro)
(Unaudited figures)

	January - June		Change
	2011	2012	%
Upstream	806	1,144	41.9
LNG	168	237	41.1
Downstream	744	277	-62.8
Gas Natural Fenosa	512	475	-7.2
Corporate & adjustments	(121)	(167)	38.0
TOTAL	**2,109**	**1,966**	**-6.8**

"CORE BUSINESS" OPERATING HIGHLIGHTS

	January – March		Change
	2011	2012	%
Oil and gas production (Thousand boepd)	310	322	3.8
Crude processed (million tons)	15.0	16.7	11.7
Sales of oil products (Thousand tons)	18,709	19,977	6.8
Sales of petrochemical products (Thousand tons)	1,376	1,137	-17.3
LPG sales (Thousand tons)	1,380	1,388	0.6

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REPSOL YPF COMPARATIVE BALANCE SHEET

(Million Euros)

(Unaudited figures)

	DECEMBER 2011	JUNE 2012
NON-CURRENT ASSETS		
Goodwill	4,645	2,684
Other intangible assets	3,138	3,114
Property, plant & equipment	36,759	28,070
Real-Estate Investments	24	25
Equity-accounted financial investments	699	738
Non-current financial assets	-	5,653
Deferred tax assets	2,450	1,269
Other non-current financial assets	2,569	3,109
YPF consolidated net value (*)	344	251
CURRENT ASSETS		
Non-current assets classified as held for sale (*)	258	464
Inventories	7,278	5,639
Trade and other receivables	9,222	7,815
Other current assets	220	120
Other current financial assets	674	473
Cash and cash equivalents	2,677	3,953
TOTAL ASSETS	**70,957**	**63,377**
TOTAL EQUITY		
Attributable to equity holders of the parent	23,538	26,732
Attributable to minority interests	3,505	762
NON-CURRENT LIABILITIES		
Subsidies	118	72
Non-current provisions	3,826	2,193
Non-current financial debt	15,345	15,357
Deferred tax liabilities	3,839	2,895
Other non-current liabilities	3,682	3,698
CURRENT LIABILITIES		
Liabilities associated with non-current assets held for sale	32	107
Current provisions	452	183
Current financial debt	4,985	3,020
Trade and other payables	11,635	8,358
TOTAL LIABILITIES	**70,957**	**63,377**

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