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2011 EARNINGS

Madrid, February 29th 2012
Number of pages: 11

Record reserve replacement ratio of 131%

# REPSOL POSTS NET INCOME OF 2.193 BILLION

- **Repsol's net income was 2.193 billion euros, 53.3% lower than 2010 which included the result from Repsol's agreement with Sinopec in Brazil. Recurring net income (excluding one-time gains) was 2.173 billion euros, 7.9% lower than in 2010.**
- **Earnings were affected by external factors such as the armed conflict in Libya and the strikes and the suspension of the Petróleo Plus program in Argentina.**
- **Repsol's unprecedented exploratory success resulted in a record reserve replacement ratio of 131% for 2011 (162% in the Upstream unit and 112% in YPF).**
- **Repsol added new discoveries, including major finds offshore Brazil and non-conventional discoveries in Vaca Muerta in Argentina.**
- **The company increased its geographical diversification with the acquisition of stakes in blocks in Colombia, Alaska, Ireland, Norway, Portugal, United States and Russia.**
- **In an environment of low international refining margins, the start-up of the new units at the Cartagena and Bilbao refineries will allow Repsol to improve its refining margin between $2/bbl and $3/bbl.**
- **Repsol in November signed a new collective agreement that links salaries to, amongst others, business unit performance. During**

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**2011, the group created 3,299 jobs, 9% of a total workforce of 39,622. (ex Gas Natural Fenosa).**

Repsol posted a net income of 2.193 billion euros in 2011, 53.3% lower than that recorded in 2010 and which included the one-time gain from the agreement between Repsol and China's Sinopec in Brazil.

Earnings were negatively affected by external factors such as the armed conflict in Libya and the strikes and the suspension of the Petróleo Plus program in Argentina.

## UPSTREAM: RECORD RESERVE REPLACEMENT RATIO

The Upstream unit's (exploration and production) recurring operating income was 1.301 billion euros by the end of 2011, a decrease of 11.7% compared to the previous year. Higher international crude oil and gas prices along with lower exploration costs somewhat mitigated the effect of lower production due to external factors and the depreciation of the dollar against the euro.

Repsol's crude realization prices increased 14.4% compared to 2010. Particularly noteworthy was the 29.6% increase in the Repsol gas realization price compared with a 9.1% decline in the Henry Hub index benchmark. Realization prices had a positive impact of 648 million euros on the upstream unit's income.

During 2011, oil and gas production was 298,800 Boepd, 13.2% less than in 2010, mainly due to reduced production of liquids in Libya, and maintenance work in Trinidad and Tobago. In October, operations in Libya resumed and gross production of almost 300,000 Boepd has already been achieved.

Especially significant was the increased reserve replacement ratio for the Upstream unit, which in 2011 rose to 162% from 131% in 2010.

Investments made during the period in this area totalled 1.813 billion euros, 62% more than during 2010. Investment in field development

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represented 43% of the total and was assigned mainly to the United States, Bolivia, Trinidad & Tobago, Venezuela, Peru and Brazil. Investments in exploration were 40% of total investments, and conducted primarily in the United States, Brazil and Angola. The rest of the investment went mainly to the acquisition of Eurotek in Russia.

## 2011: consolidating and incorporating new growth projects

During 2011 multiple operations were carried out in this unit that consolidated and increased a portfolio of assets and projects that will allow Repsol to meet its production growth objectives and reserves replacement ratio.

Especially significant is the start of development of the giant Cardon IV gas field in Venezuela, the new discovery in the Sapinhoa (previously Guará) appraisal well in Brazil which confirms the high potential of the area, as well as the declaration of commercial viability which allows the company to book reserves. Additionally the company increased production in the Margarita-Huacaya fields in Bolivia and the Shenzi field in the United States.

Repsol in 2011 also received approval from the Algerian authorities to start development work in the Reggane gas project in Algeria.

In addition, the company drilled six successful wells: Sapinhoa North, Northeast Carioca, Gávea (rated one of the 10 largest oil discoveries in the world in 2011) and Malombe in Brazil; Buckskin 2 in the United States and A1-130 in Libya (February 2011).

During 2011, Repsol added 720 mboe in contingent resources from successful exploration, acquisitions and revisions of existing fields. During the period, Repsol acquired a total of 79,000 km² of new acreage in 13 countries including Alaska, Ireland, Norway, Colombia and the United States.

In February 2012, Repsol announced two new discoveries; in Sierra Leone (Jupiter) and a highly promising find in Brazil (Pao de Açúcar).

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## LNG: EXCEPTIONAL RESULTS

Recurring operating income at the LNG business in 2011 was 388 million euros, 205.6% higher than the 127 million euros for the previous year. These excellent results are due to higher production and sales from production start-up at the Peru LNG plant as well as higher margins.

## DOWNSTREAM: IMPROVED AND EXPANDED REFINING CAPACITY

Recurring operating income at the Downstream unit (Refining, Marketing, LPG Chemicals and Trading) at the end of 2011 was 1.223 billion euros, 17.1% less than the same period of 2010.

The lower earnings are mainly the result of lower crude refining margins and the absence of the earnings from the Refap refinery in Brazil following its sale at the end of 2010 as well as lower volumes. The chemicals, marketing and LPG businesses show similar results to the previous year.

Investment in this area was 1.712 billion euros in 2011, mainly spent on the strategic projects of to expand and convert the Cartagena refinery and the construction of a coking unit at the Bilbao refinery all of which are now in operation.

Both projects increase the efficiency of the business, boosting Repsol’s refining margins by between $2/bbl and $3/bbl, and lead to an increased production of diesel.

The efficient execution of the Cartagena and Bilbao expansions resulted in a below-budget completion. Total spend was 4.080 billion euros compared with a budgeted 4.304 billion euros. The completion of these projects establishes Repsol as one of the European refiners with the highest conversion rate and marks the successful completion of one of the key projects outlined in the Horizon 2014 strategic planning.

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# YPF: THE VACA MUERTA DISCOVERY; A SUCCESFULL REFLECTION OF INVESTMENT IN EXPLORATION

YPF's recurring operating income in the 2011 totalled 1.352 billion euros, a 16.8% decline from the previous year. The reduced earnings are a result of the effect on production of prolonged strikes, the inflationary effect on costs and the suspension of the Petróleo Plus program.

Production of hydrocarbons was 495,100 boepd, an 8.5% fall from the year-earlier period due to the effect of strikes, which had an 20,200 bbld impact on oil output, and caused a 6,000 boepd drop in gas output.

Noteworthy is the reserve replacement rate which reached 112% in 2011 compared with 84% in 2010, with the crude reserve replacement rate climbing to 169% from 100% in the previous year.

YPF's investment was 2.182 billion euros in the period, of which 1.499 were spent on exploration and production. Development projects represented 72% of the total and 18% was spent on exploration, significantly 128 million euros spent on the Vaca Muerta formation.

On February 8$^{th}$, Repsol YPF announced an increase in the estimate of reserves and resources in the giant Vaca Muerta formation in the Argentine province of Neuquén.

An evaluation carried out by Ryder Scott of a total area of 8,071 km² (1,994,378 acres), of which Repsol YPF holds a net interest of 5,016 km² (1,239,407 acres) determined that in an area of 1,100 km² there are 1.115 Bbbl of oil in associated contingent resources, and 410 Mboe of gas, making a total 1.525 Bboe. YPF's share of the contingent resources would amount to 883 Mbbl of oil and 330 Mboe of gas, resulting in a total of 1.213 Bboe.

The encouraging results obtained so far have prompted Repsol YPF to continue exploring the area to determine the play's full extension and productivity in oil, gas and wet gas. The company aims to drill 20 wells in 2012, solely and jointly with several partners, to continue investigating prospective resources.

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With the current results, Argentina has the opportunity to reproduce the revolution in non-conventional hydrocarbons seen in the United States by developing the resources contained in the Vaca Muerta formation.

## GAS NATURAL FENOSA

Recurring operating income of Gas Natural Fenosa in 2011 was 821 million euros, a decline of 3.3% from the year-earlier period.

The decline is a consequence of lower electricity sales in Spain and lower electricity distribution in Latin America as well as the absence of earnings from asset sales carried out in 2010 and 2011. This was partially offset by higher margins in wholesale gas sales and an improvement in electricity distribution in Spain.

Investments in the period totalled 582 million euros, spent mainly on electricity and gas distribution in Spain and Latin America. This includes the amount spent by Repsol in buying shares of gas Natural Fenosa to keep its stake at 30% after the capital increase subscribed by Sonatrach.

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## REPSOL YPF RESULTS
## (Million Euro)

(Unaudited figures)

*Compiled in accordance with International Financial Reporting Standards*

| | January – December | | Change |
|---|---|---|---|
| | **2010** | **2011** | **%** |
| Net income | 4,693 | 2,193 | (53.3) |
| Operating income | 7,621 | 4,805 | (37.0) |
| Recurring net income | 2,360 | 2,173 | ( 7.9) |
| Recurring operating income | 5,213 | 4,774 | ( 8.4) |

## REPSOL YPF SUMMARISED INCOME STATEMENT
## (Million Euro)

(Unaudited figures)

*Compiled in accordance with International Financial Reporting Standards*

| | January – December | | Change |
|---|---|---|---|
| | **2010** | **2011** | **%** |
| **EBITDA** | 9,196 | 8,440 | (8.2) |
| Operating income | 7,621 | 4,805 | (37.0) |
| Financial expenses | (1,008) | (822) | 18.5 |
| Share in income from companies carried by the equity method | 76 | 75 | (1.3) |
| Income before income tax and income of associates | 6,689 | 4,058 | (39.3) |
| Income tax | (1,742) | (1,514) | 13.1 |
| Income for the period | 4,947 | 2,544 | (48.6) |
| Income attributable to minority interests | 254 | 351 | 38.2 |
| **NET INCOME** | **4,693** | **2,193** | **(53.3)** |

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## BREAKDOWN OF REPSOL YPF OPERATING PROFIT, BY BUSINESSES (Million Euro)

(Unaudited figures)

*Compiled in accordance with International Financial Reporting Standards*

| | January - December | | Change |
|---|---|---|---|
| | 2010 | 2011 | % |
| Upstream | 4,113 | 1,413 | (65.6) |
| LNG | 105 | 386 | 267.6 |
| Downstream | 1,304 | 1,207 | (7.4) |
| YPF | 1,453 | 1,231 | (15.3) |
| Gas Natural Fenosa | 881 | 887 | 0.7 |
| Corporate & others | (235) | (319) | (35.7) |
| **TOTAL** | **7,621** | **4,805** | **(37.0)** |

## "CORE BUSINESS" OPERATING HIGHLIGHTS

| | January – December | | Change |
|---|---|---|---|
| | 2010 | 2011 | % |
| Oil and gas production (Upstream) (Thousand boepd) | 344 | 299 | (13.2) |
| Crude processed (million tons) | 34.4 | 31.5 | (8.4) |
| Sales of oil products (Thousand tons) | 38,613 | 37,805 | (2.1) |
| Sales of petrochemical products (Thousand tons) | 2,618 | 2,659 | 1.6 |
| LPG sales (Thousand tons) | 3,108 | 3,033 | (2.4) |

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## YPF OPERATING HIGHLIGHTS

| | January – December | | Change |
|---|---|---|---|
| | 2010 | 2011 | % |
| Oil and gas production (Thousand boepd) | 541 | 495 | (8.5) |
| Crude processed (million tons) | 15.4 | 14,7 | (4.6) |
| Sales of oil products (Thousand tons) | 14,146 | 14,144 | 0.0 |
| Sales of petrochemical products (Thousand tons) | 1,563 | 1,639 | 4.9 |
| LPG sales (Includes 50% Refinor stake) (Thousand tons) | 422 | 456 | 8.3 |

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# REPSOL YPF COMPARATIVE BALANCE SHEET

**(Million Euros)**

(Unaudited figures)

*Compiled in accordance with International Financial Reporting Standards*

| | DECEMBER 2010 | DECEMBER 2011 |
|---|---|---|
| NON-CURRENT ASSETS | | |
| Goodwill | 4,617 | 4,645 |
| Other intangible assets | 2,836 | 3,138 |
| Property, plant & equipment | 33,585 | 36,759 |
| Real-Estate Investments | 26 | 24 |
| Equity-accounted financial investments | 585 | 699 |
| Non-current financial assets | 1,789 | 2,450 |
| Deferred tax assets | 1,993 | 2,569 |
| Other non-current financial assets | 322 | 344 |
| CURRENT ASSETS | | |
| Non-current assets classified as held for sale (*) | 340 | 258 |
| Inventories | 5,837 | 7,278 |
| Trade and other receivables | 8,398 | 9,222 |
| Other current assets | 171 | 220 |
| Other current financial assets | 684 | 674 |
| Cash and cash equivalents | 6,448 | 2,677 |
| **TOTAL ASSETS** | **67,631** | **70,957** |
| TOTAL EQUITY | | |
| Attributable to equity holders of the parent | 24,140 | 23,538 |
| Attributable to minority interests | 1,846 | 3,505 |
| NON-CURRENT LIABILITIES | | |
| Subsidies | 110 | 118 |
| Non-current provisions | 3,772 | 3,826 |
| Non-current financial debt | 14,940 | 15,345 |
| Deferred tax liabilities | 3,387 | 3,839 |
| Other non-current liabilities | 3,663 | 3,681 |
| CURRENT LIABILITIES | | |
| Liabilities associated with non-current assets held for sale | 153 | 32 |
| Current provisions | 404 | 452 |
| Current financial debt | 4,362 | 4,985 |
| Trade and other payables | 10,854 | 11,635 |
| **TOTAL LIABILITIES** | **67,631** | **70,957** |

(*) Assets and liabilities associated with non-current assets held for sale are included

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