

OFFERING CIRCULAR



REPSOL INTERNATIONAL FINANCE B.V.

(A private company with limited liability incorporated under the laws of the Netherlands and having its statutory seat in Rotterdam)

EURO 5,000,000,000

Guaranteed Euro Medium Term Note Programme

Guaranteed by

REPSOL YPF, S.A.

(A sociedad anónima organised under the laws of the Kingdom of Spain)

On October 5, 2001, Repsol International Finance B.V. and Repsol YPF, S.A. (both as defined below) entered into a euro 5,000,000,000 Guaranteed Euro Medium Term Note Programme. A further Offering Circular describing the Programme was issued on October 21, 2002. With effect from the date hereof, the Programme has been updated and this Offering Circular supersedes any previous Offering Circular issued in respect of the Programme. Any Notes to be issued after the date hereof under the Programme are issued subject to the provisions set out herein, save that Notes which are to be consolidated and form a single series with Notes issued prior to the date hereof will be issued subject to the Conditions of the Notes applicable on the date of Issue for the first tranche of Notes of such series. Subject as aforesaid, this does not affect any Notes issued prior to the date hereof.

Under the Guaranteed Euro Medium Term Note Programme described in this Offering Circular (the "Programme"), Repsol International Finance B.V. (the "Issuer"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue Guaranteed Euro Medium Term Notes guaranteed by Repsol YPF, S.A. (the "Guarantor") (the "Notes"). The aggregate nominal amount of Notes outstanding will not at any time exceed euro 5,000,000,000 (or the equivalent in other currencies), subject to increase as provided herein.

Application has been made to list the Notes issued under the Programme on the Luxembourg Stock Exchange and application may be made to list the Notes on the *Mercado Aiaf de Renta Fija*. In relation to Notes listed on the Luxembourg Stock Exchange, this Offering Circular is valid for a period of one year from the date hereof. Unlisted Notes and Notes to be listed on other or additional stock exchanges may also be issued pursuant to the Programme. The relevant Pricing Supplement (as defined on page 5 in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Luxembourg Stock Exchange (or any other stock exchange). Notes will not be issued in the United States or to U.S. persons or for the account or benefit of a U.S. person (as such term is defined in Regulation S of the United States Securities Act of 1933, as amended (the "Securities Act")) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Each Series (as defined on page 5) of Notes will be represented on issue by a temporary global note in bearer form (each a "temporary Global Note") or a permanent global note in bearer form (each a "permanent Global Note"). Global Notes may (or in the case of Notes listed on the Luxembourg Stock Exchange will) be deposited on the issue date with a common depository on behalf of Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg"). The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in "Summary of Provisions Relating to the Notes while in Global Form".

The Programme has been rated by Moody's Investors Service Limited, by Standard & Poor's Rating Services, a division of the McGraw-Hill Companies Inc. and by Fitch Ratings Ltd. Tranches of Notes (as defined in "Summary of the Programme") issued under the Programme may be rated or unrated. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the ratings assigned to the Programme. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Arranger

Merrill Lynch International

Dealers

Banco Bilbao Vizcaya Argentaria, S.A.
BNP PARIBAS
Goldman Sachs International
Merrill Lynch International

Barclays Capital
Citigroup
InverCaixa Valores, S.V.B., S.A.
Santander Central Hispano

Dated: November 4, 2003

Each of the Issuer and the Guarantor accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of each of the Issuer and the Guarantor (each having taken all reasonable care to ensure that such is the case), the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

In this Offering Circular, Repsol YPF refers to Repsol YPF, S.A. and its consolidated subsidiaries, unless otherwise specified.

No person has been authorised to give any information or to make any representation other than those contained in this Offering Circular in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor or any of the Dealers or the Arranger (as defined in “Summary of the Programme”). Neither the delivery of this Offering Circular nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Guarantor since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date of which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Offering Circular and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular or any Pricing Supplement comes are required by the Issuer, the Guarantor, the Dealers and the Arranger to inform themselves about and to observe any such restriction. The Notes have not been and will not be registered under the Securities Act and include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons. For a description of certain restrictions on offers and sales of Notes and on distribution of this Offering Circular, see “Subscription and Sale”.

This Offering Circular does not constitute a recommendation, an offer of, or an invitation by or on behalf of the Issuer, the Guarantor or the Dealers to subscribe for, or purchase, any Notes and is not intended to provide the basis of any credit or other evaluation.

The Dealers and the Arranger have not separately verified the information contained in this Offering Circular. None of the Dealers or the Arranger makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Offering Circular. Neither this Offering Circular or any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Guarantor, the Dealers or the Arranger that any recipient of this Offering Circular or any other financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers or the Arranger undertakes to review the financial condition or affairs of the Issuer or the Guarantor during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers or the Arranger.

In connection with any Tranche (as defined in “Summary of the Programme”), one of the Dealers will act as a stabilising agent (the “Stabilising Agent”). The identity of the Stabilising Agent will be disclosed in the relevant Pricing Supplement. References in the next paragraph to “the issue of any Tranche” are to each Tranche in relation to which a Stabilising Agent is appointed.

In connection with the issue of any Tranche, the Stabilising Agent or any person acting for it may over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period. However, there may be no obligation on the Stabilising Agent or any person acting for it to do this. Such stabilising, if commenced, shall be in compliance with all applicable laws, regulations and rules and may be discontinued at any time and must be brought to an end after a limited period.

In this Offering Circular, unless otherwise specified or the context otherwise requires, references to “Ps.” are to the lawful currency of Argentina, references to “U.S.\$” and “U.S. dollars” are to the currency of the United States

of America and references to “€”, “euro” and “cents” are to the lawful currency/units of currency of the member states of the European Union that adopt the Single Currency in accordance with the Treaty establishing the European Community, as amended, including as amended by the Treaty on European Union.

DOCUMENTS INCORPORATED BY REFERENCE

This Offering Circular should be read and construed in conjunction with each relevant Pricing Supplement, the audited non-consolidated financial statements of the Issuer for the years ended December 31, 2000, December 31, 2001 and December 31, 2002, contained in the annual reports of the Issuer for such years, the most recently published audited consolidated financial statements of the Guarantor for the years ended December 31, 2000, December 31, 2001 and December 31, 2002 and the auditors’ report on the Guarantor’s consolidated financial statements, and any unaudited interim consolidated financial statements published subsequently to such annual financial statements of the Guarantor from time to time (copies of which are available free of charge at the respective offices of the Paying Agents and the Listing Agent listed at the end of this Offering Circular), which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular to the extent that a statement contained in any such document is inconsistent with such contents. The Issuer does not produce interim financial statements.

Any document or statement incorporated by reference is modified or superseded to the extent that a statement in any subsequent document incorporated by reference modifies or supersedes such statement.

SUPPLEMENTAL OFFERING CIRCULAR

Each of the Issuer and the Guarantor has given an undertaking to the Dealers, the Arranger and the Luxembourg Stock Exchange that if at any time during the duration of the Programme there is a significant change affecting any matter contained in this Offering Circular whose inclusion would reasonably be required by investors and their professional advisers, and would reasonably be expected by them to be found in this Offering Circular, for the purpose of making an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and the Guarantor, and the rights attaching to the Notes the Issuer shall prepare an amendment or supplement to this Offering Circular or publish a replacement Offering Circular for use in connection with any subsequent offering of the Notes and shall supply to each Dealer, the Arranger and the Luxembourg Stock Exchange such number of copies of such supplement hereto as such Dealer may reasonably request.

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SUMMARY OF THE PROGRAMME

The following summary is qualified in its entirety by the remainder of this Offering Circular.

Issuer:	Repsol International Finance B.V.
Guarantor:	Repsol YPF, S.A.
Description:	Guaranteed Euro Medium Term Note Programme
Size:	Up to euro 5,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time. The Issuer may increase the issue of the Programme in accordance with the terms of the Dealer Agreement.
Arranger:	Merrill Lynch International
Dealers:	Banco Bilbao Vizcaya Argentaria S.A. Banco Santander Central Hispano S.A. Barclays Bank PLC BNP PARIBAS Citigroup Global Markets Limited Goldman Sachs International InverCaixa Valores, S.V.B., S.A. Merrill Lynch International
	The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Offering Circular to “Permanent Dealers” are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and to “Dealers” are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.
Trustee:	Citicorp Trustee Company Limited
Issuing and Paying Agent:	Citibank, N.A.
Method of Issue:	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a “Series”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in one or more tranches (each a “Tranche”) on the same or different issue dates. The specific terms of each Tranche (which will be supplemented, where necessary, with supplemental terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be set out in a pricing supplement to this Offering Circular (a “Pricing Supplement”).
Issue Price:	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.

Form of Notes:	The Notes may be issued in bearer form only. Each Tranche of Notes will be represented on issue by a temporary Global Note if (i) definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date or (ii) such Notes have an initial maturity of more than one year and are being issued in compliance with the D Rules (as defined in “Summary of the Programme – Selling Restrictions”), otherwise such Tranche will be represented by a permanent Global Note.
Clearing Systems:	Clearstream, Luxembourg, Euroclear and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Guarantor, the Issuing and Paying Agent, the Trustee and the relevant Dealer.
Initial Delivery of Notes:	On or before the issue date for each Tranche, the Global Note representing Notes may (or, in the case of Notes listed on the Luxembourg Stock Exchange, shall) be deposited with a common depository for Euroclear and/or Clearstream, Luxembourg. Global Notes relating to Notes that are not listed on the Luxembourg Stock Exchange may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Guarantor, the Issuing and Paying Agent, the Trustee and the relevant Dealer.
Currencies:	<p>Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer, the Guarantor and the relevant Dealer(s).</p> <p>Issues of Notes denominated in Swiss francs or carrying a Swiss franc related element with a maturity of more than one year (other than Notes privately placed with a single investor with no publicity) will be effected in compliance with the relevant regulations of the Swiss National Bank based on article 7 of the Federal Law on Banks and Savings Banks of November 8, 1934 (as amended) and article 15 of the Federal Law on Stock Exchanges and Securities Trading of March 24, 1995 in connection with article 2, paragraph 2 of the Ordinance of the Federal Banking Corporation on Stock Exchanges and Securities Trading of December 2, 1996. Under the said regulations, the relevant Dealer or, in the case of a syndicated issue the lead manager (the “Swiss Dealer”), must be a bank domiciled in Switzerland (which includes branches or subsidiaries of a foreign bank located in Switzerland or a securities dealer duly licensed by the Swiss Federal Banking Commission as per the Federal Law on Stock Exchanges and Securities Trading of March 24, 1995). The Swiss Dealer must report certain details of the relevant transaction to the Swiss National Bank no later than the relevant issue date for such a transaction.</p>
Maturities:	Subject to compliance with all relevant laws, regulations and directives, any maturity from one month from the date of original issue.
Denomination:	Definitive Notes will be in such denominations as may be specified in the relevant Pricing Supplement, save that unless otherwise permitted by then current laws and regulations, Notes (including

Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of Section 19 of the Financial Services and Markets Act 2000, will have a minimum denomination of £100,000 (or its equivalent in other currencies).

Fixed Rate Notes:

Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Pricing Supplement.

Floating Rate Notes:

Floating Rate Notes will bear interest determined separately for each Series as follows:

- (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2000 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the issue date of the first tranche of a Series or
- (ii) by reference to LIBOR, LIBID, LIMEAN or EURIBOR (or such other benchmark as may be specified in the relevant Pricing Supplement) as adjusted for any applicable margin.

Interest periods will be specified in the relevant Pricing Supplement.

Zero Coupon Notes:

Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest.

Dual Currency Notes:

Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as may be specified in the relevant Pricing Supplement.

Index Linked Notes:

Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula as may be specified in the relevant Pricing Supplement.

Interest Periods and Interest Rates:

The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Pricing Supplement.

Redemption:

The relevant Pricing Supplement will specify the basis for calculating the redemption amounts payable. Unless permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of Section 19 of the Financial Services and Markets Act 2000, must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).

Redemption by Instalments:	The Pricing Supplement issued in respect of each issue of Notes that are redeemable in two or more instalments will set out the dates on which, and the amounts in which, such Notes may be redeemed.
Other Notes:	Terms applicable to high interest Notes, low interest Notes, step-up Notes, step-down Notes, reverse dual currency Notes, optional dual currency Notes, partly paid Notes and any other type of Note that the Issuer, the Guarantor, the Trustee and the relevant Dealer(s) may agree to issue under the Programme will be set out in the relevant Pricing Supplement.
Optional Redemption:	The Pricing Supplement issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders, and if so the terms applicable to such redemption.
Status of Notes:	The Notes and the guarantee in respect of them will constitute unsubordinated and unsecured obligations of the Issuer and the Guarantor, respectively, all as described in “Terms and Conditions of the Notes – Guarantee and Status”.
Negative Pledge:	See “Terms and Conditions of the Notes – Negative Pledge”.
Cross Default:	See “Terms and Conditions of the Notes – Events of Default”.
Early Redemption:	Except as provided in “Optional Redemption” above, Notes will be redeemable at the option of the Issuer prior to maturity only for tax reasons. See “Terms and Conditions of the Notes – Redemption, Purchase and Options”.
Withholding Tax:	All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of the Netherlands or the Kingdom of Spain, as the case may be, subject to customary exceptions, all as described in “Terms and Conditions of the Notes – Taxation”.
Governing Law:	English.
Listing:	Application has been made to list Notes issued under the Programme on the Luxembourg Stock Exchange or as otherwise specified in the relevant Pricing Supplement. As specified in the relevant Pricing Supplement, a Series of Notes may be unlisted.
Selling Restrictions:	United States, United Kingdom, the Netherlands, the Kingdom of Spain, Japan. See “Subscription and Sale”.
	The Issuer and the Guarantor are Category 2 for the purposes of Regulation S under the United States Securities Act of 1933, as amended.
	The Notes will be issued in compliance with U.S. Treas. Reg. §.163-5(c)(2)(i)(D) (the “D Rules”) unless (i) the relevant Pricing Supplement states that Notes are issued in compliance with U.S. Treas. Reg. §.163-5(c)(2)(i)(C) (the “C Rules”) or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute “registration required obligations” under the United States Tax

Equity and Fiscal Responsibility Act of 1982 (“TEFRA”), which circumstances will be referred to in the relevant Pricing Supplement as a transaction to which TEFRA is not applicable.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Pricing Supplement, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) representing each Series. Either (i) the full text of these terms and conditions together with the provisions of the relevant Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Pricing Supplement. Those definitions will be endorsed on the definitive Notes. References in the Conditions to “Notes” are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

The Notes are constituted by the Amended and Restated Trust Deed (as amended or supplemented as at the date of issue of the Notes (the “**Issue Date**”), the “**Trust Deed**”) dated November 4, 2003 between the Issuer, the Guarantor, and Citicorp Trustee Company Limited (the “**Trustee**”, which expression shall include all persons for the time being the trustee or Trustees under the Trust Deed) as Trustee for the Noteholders (as defined below). These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Notes, Receipts, Coupons and Talons referred to below. The Amended and Restated Agency Agreement (as amended or supplemented as at the Issue Date, the “**Agency Agreement**”) dated November 4, 2003 has been entered into in relation to the Notes between the Issuer, the Guarantor, the Trustee, Citibank, N. A. as initial issuing and paying agent and the other agents named in it. The issuing and paying agent, the paying agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the “**Issuing and Paying Agent**”, the “**Paying Agents**” (which expression shall include the Issuing and Paying Agent), and the “**Calculation Agent(s)**”. Copies of the Trust Deed and the Agency Agreement are available for inspection during usual business hours at the principal office of the Trustee (presently at Agency & Trust, 14th Floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB) and at the specified offices of the Paying Agents.

The Noteholders, the holders of the interest coupons (the “**Coupons**”) relating to interest bearing Notes and, where applicable in the case of such Notes, talons for further Coupons (the “**Talons**”) (the “**Couponholders**”) and the holders of the receipts for the payment of instalments of principal (the “**Receipts**”) relating to Notes of which the principal is payable in instalments are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

1 Form, Denomination and Title

The Notes are issued in bearer form (“**Notes**”) in each case in the Specified Denomination(s) shown hereon.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, an Index Linked Redemption Note, an Instalment Note, a Dual Currency Note or a Partly Paid Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown hereon.

Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

Title to the Notes and the Receipts, Coupons and Talons shall pass by delivery. The holder (as defined below) of any Note, Receipt, Coupon or Talon shall (except as otherwise required by law) be deemed to be and may be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on it or its theft or loss) and no person shall be liable for so treating the holder.

In these Conditions, “**Noteholder**” means the bearer of any Note and the Receipts relating to it, “**holder**” (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Note, Receipt, Coupon or Talon and capitalised

terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

2 Guarantee and Status

- (a) **Guarantee:** The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Trust Deed, the Notes, Receipts and Coupons. Its obligations in that respect (the “**Guarantee**”) are contained in the Trust Deed.
- (b) **Status:** The Notes and the Receipts and Coupons relating to them constitute (subject to Condition 3) unsecured and unsubordinated obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Receipts and Coupons relating to them and of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by the laws of bankruptcy and other laws affecting the rights of creditors generally and subject to Condition 3, at all times rank at least equally with all their respective other present and future unsecured and unsubordinated obligations except, in the case of the Guarantor, for obligations which have been notarised or intervened before a *fedatario publico*.

3 Negative Pledge

So long as any of the Notes, Receipts or Coupons remain outstanding (as defined in the Trust Deed), each of the Issuer and the Guarantor undertakes that it will not and the Guarantor will procure that no Subsidiary will create or have outstanding any mortgage, charge, pledge, lien or other security interest (each a “**Security Interest**”) upon the whole or any part of its undertaking, assets or revenues (including any uncalled capital), present or future, in order to secure any Relevant Indebtedness (as defined below) or to secure any guarantee of or indemnity in respect of any Relevant Indebtedness unless (a) all amounts payable by the Issuer and/or the Guarantor under the Notes, the Receipts, the Coupons and the Trust Deed are equally and rateably secured therewith by such Security Interest to the satisfaction of the Trustee or (b) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided either (A) as the Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the Noteholders or (B) as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

For the purposes of these Conditions:

“**Relevant Indebtedness**” means any obligation in respect of present or future indebtedness in the form of, or represented or evidenced by, bonds, debentures, notes or other securities which are, or are intended to be (with the consent of the Issuer), quoted, listed, dealt in or traded on any stock exchange or over-the-counter market other than such indebtedness which by its terms will mature within a period of one year from its date of issue; and

“**Subsidiary**” means any entity of which the Guarantor has control and “control” for the purpose of this definition means the beneficial ownership whether direct or indirect of the majority of the issued share capital or the right to direct the management and policies of such entity, whether by the ownership of share capital, contract or otherwise. A certificate by any two authorised officers of the Guarantor listing the entities that are Subsidiaries at any time shall, in the absence of manifest error, be conclusive and binding on all parties.

4 Interest and other Calculations

- (a) **Interest on Fixed Rate Notes:** Each Fixed Rate Note bears interest on its outstanding principal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date.

If a Fixed Coupon Amount or a Broken Amount is specified hereon, the amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount or, if applicable, the Broken Amount so specified and in the case of the Broken Amount will be payable on the particular Interest Payment Date(s) specified hereon.

(b) **Interest on Floating Rate Notes and Index Linked Interest Notes:**

- (i) *Interest Payment Dates:* Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding principal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Specified Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.
- (ii) *Business Day Convention:* If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.
- (iii) *Rate of Interest for Floating Rate Notes:* The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate plus or minus (as indicated hereon) the Margin (if any). For the purposes of this sub-paragraph (A), “**ISDA Rate**” for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (x) the Floating Rate Option is as specified hereon
- (y) the Designated Maturity is a period specified hereon and
- (z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

For the purposes of this sub-paragraph (A), “**Floating Rate**”, “**Calculation Agent**”, “**Floating Rate Option**”, “**Designated Maturity**”, “**Reset Date**” and “**Swap Transaction**” have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent at or about the Relevant Time on the Interest Determination Date in respect of such Interest Accrual Period in accordance with the following:

(x) if the Primary Source for Floating Rate is a Page, subject as provided below, the Rate of Interest shall be:

(I) the Relevant Rate (where such Relevant Rate on such Page is a composite quotation or is customarily supplied by one entity) or

(II) the arithmetic mean of the Relevant Rates of the persons whose Relevant Rates appear on that Page,

in each case appearing on such Page at the Relevant Time on the Interest Determination Date

(y) if the Primary Source for the Floating Rate is Reference Banks or if sub-paragraph (x)(I) applies and no Relevant Rate appears on the Page at the Relevant Time on the Interest Determination Date or if sub-paragraph (x)(II) above applies and fewer than two Relevant Rates appear on the Page at the Relevant Time on the Interest Determination Date, subject as provided below, the Rate of Interest shall be the arithmetic mean of the Relevant Rates that each of the Reference Banks is quoting to leading banks in the Relevant Financial Centre at the Relevant Time on the Interest Determination Date, as determined by the Calculation Agent and

(z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are so quoting Relevant Rates, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) that the Calculation Agent determines to be the rates (being the nearest equivalent to the Benchmark) in respect of a Representative Amount of the Specified Currency that at least two out of five leading banks selected by the Calculation Agent in the principal financial centre of the country of the Specified Currency or, if the Specified Currency is euro, in the Euro-zone as selected by the Calculation Agent (the “**Principal Financial Centre**”) are quoting at or about the Relevant Time on the date on which such banks would customarily quote such rates for a period commencing on the Effective Date for a period equivalent to the Specified Duration (I) to leading banks carrying on business in Europe, or (if the Calculation Agent determines that fewer than two of such banks are so quoting to leading banks in Europe) (II) to leading banks carrying on business in the Principal Financial Centre; except that, if fewer than two of such banks are so quoting to leading banks in the Principal Financial Centre, the Rate of Interest shall be the Rate of Interest determined on the previous Interest Determination Date (after readjustment for any difference between any Margin, Rate Multiplier or Maximum or Minimum Rate of Interest applicable to the preceding Interest Accrual Period and to the relevant Interest Accrual Period).

(iv) *Rate of Interest for Index Linked Interest Notes:* The Rate of Interest in respect of Index Linked Interest Notes for each Interest Accrual Period shall be determined in the manner specified hereon and interest will accrue by reference to an Index or Formula as specified hereon.

(c) **Zero Coupon Notes:** Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 5(b)(i)).

- (d) **Dual Currency Notes:** In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating the Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified hereon.
- (e) **Partly Paid Notes:** In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up principal amount of such Notes and otherwise as specified hereon.
- (f) **Accrual of Interest:** Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (as well after as before judgment) at the Rate of Interest in the manner provided in this Condition 4 to the Relevant Date (as defined in Condition 7).
- (g) **Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts, Rate Multipliers and Rounding:**
- (i) If any Margin or Rate Multiplier is specified hereon (either (x) generally or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 4(b) above by adding (if a positive number) or subtracting (if a negative number) the absolute value of such Margin or multiplying by such Rate Multiplier, subject always to the next paragraph.
- (ii) If any Maximum or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified hereon, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.
- (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded p) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes “**unit**” means the lowest amount of such currency that is available as legal tender in the country or countries (as appropriate) of such currency.
- (h) **Calculations:** The amount of interest payable in respect of any Note for any period shall be calculated by multiplying the product of the Rate of Interest and the outstanding principal amount of such Note by the Day Count Fraction, unless an Interest Amount (or a formula for its calculation) is specified in respect of such period, in which case the amount of interest payable in respect of such Note for such period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable in respect of such Interest Period shall be the sum of the amounts of interest payable in respect of each of those Interest Accrual Periods.
- (i) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts:** As soon as practicable after the Relevant Time on each Interest Determination Date or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, it shall determine such rate and calculate the Interest Amounts in respect of each Specified Denomination of the Notes for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Trustee, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other

relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange or other relevant authority of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 4(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 8, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

- (j) **Determination or Calculation by Trustee:** If the Calculation Agent does not at any time for any reason determine or calculate the Rate of Interest for an Interest Period or any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, the Trustee shall do so (or shall appoint an agent on its behalf to do so) and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee shall apply the foregoing provisions of this Condition, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.
- (k) **Definitions:** In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

“**Business Day**” means:

- (i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency and/or
- (ii) in the case of euro, a day on which the TARGET System is operating (a “**TARGET Business Day**”) and/or
- (iii) in the case of a currency and/or one or more Additional Business Centres a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Additional Business Centre(s) or, if no currency is indicated, generally in each of the Additional Business Centres.

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period, the “**Calculation Period**”):

- (i) if “**Actual/365**” or “**Actual/Actual – ISDA**” is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365)
- (ii) if “**Actual/365 (Fixed)**” is specified hereon, the actual number of days in the Calculation Period divided by 365
- (iii) if “**Actual/365 (Sterling)**” is specified hereon, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366
- (iv) if “**Actual/360**” is specified hereon, the actual number of days in the Calculation Period divided by 360

- (v) if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified hereon, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month))
- (vi) if “**30E/360**” or “**Eurobond Basis**” is specified hereon, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of a Calculation Period ending on the Maturity Date, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month) and
- (vii) if “**Actual/Actual-ISMA**” is specified hereon,
 - (a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and
 - (b) if the Calculation Period is longer than one Determination Period, the sum of:
 - (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
 - (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

“**Determination Period**” means the period from and including a Determination Date in any year to but excluding the next Determination Date “**Determination Date**” means the date specified as such hereon or, if none is so specified, the Interest Payment Date.

“**Effective Date**” means, with respect to any Floating Rate to be determined on an Interest Determination Date, the date specified as such hereon or, if none is so specified, the first day of the Interest Accrual Period to which such Interest Determination Date relates.

“**Euro-zone**” means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended from time to time.

“**Interest Accrual Period**” means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

“**Interest Amount**” means the amount of interest payable, and in the case of Fixed Rate Notes, means the Fixed Coupon Amount or Broken Amount, as the case may be and in the case of Index Linked Interest Notes, includes the Coupon.

“**Interest Commencement Date**” means the Issue Date or such other date as may be specified hereon.

“**Interest Determination Date**” means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (ii) the day falling two Business Days in London for the Specified Currency

prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro.

“Interest Period” means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

“Interest Period Date” means each Interest Payment Date unless otherwise specified hereon.

“ISDA Definitions” means the 2000 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the issue date of the first Tranche of the relevant Series of Notes, unless otherwise specified hereon.

“Page” means such page, section, caption, column or other part of a particular information service (including, but not limited to, Reuters Markets 3000 (**“Reuters”**) and Moneyline/Telerate (**“Moneyline/Telerate”**)) as may be specified for the purpose of providing a Relevant Rate, or such other page, section, caption, column or other part as may replace it on that information service or on such other information service, in each case as may be nominated by the person or organisation providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to that Relevant Rate.

“Rate of Interest” means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon.

“Reference Banks” means the institutions specified as such hereon or, if none, four major banks selected by the Calculation Agent in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the Benchmark (which, if EURIBOR is the relevant Benchmark, shall be within the Euro-zone).

“Relevant Financial Centre” means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the financial centre as may be specified as such hereon or, if none is so specified, the financial centre with which the relevant Benchmark is most closely connected (which, in the case of EURIBOR, shall be a financial centre within the Euro-zone) or, if none is so connected, London.

“Relevant Rate” means the Benchmark for a Representative Amount of the Specified Currency for a period (if applicable or appropriate to the Benchmark) equal to the Specified Duration commencing on the Effective Date.

“Relevant Time” means, with respect to any Interest Determination Date, the local time in the Relevant Financial Centre specified hereon or, if no time is specified, the local time in the Relevant Financial Centre at which it is customary to determine bid and offered rates in respect of deposits in the Specified Currency in the interbank market in the Relevant Financial Centre and for this purpose “local time” means, with respect to Europe and the Euro-zone as a Relevant Financial Centre, 11.00 hours, Brussels time.

“Representative Amount” means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the amount specified as such hereon or, if none is specified, an amount that is representative for a single transaction in the relevant market at the time.

“Specified Currency” means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated.

“Specified Duration” means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the duration specified hereon or, if none is specified, a period of time equal to the relative Interest Accrual Period, ignoring any adjustment pursuant to Condition 5(b)(ii).

“**TARGET System**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System or any successor thereto.

- (l) **Calculation Agent and Reference Banks:** The Issuer shall procure that there shall at all times be four Reference Banks (or such other number as may be required) with offices in the Relevant Financial Centre and one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding (as defined in the Trust Deed). If any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank, then the Issuer shall (with the prior approval of the Trustee) appoint another Reference Bank with an office in the Relevant Financial Centre to act as such in its place. Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Period or Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall (with the prior approval of the Trustee) appoint a leading bank or investment banking firm engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

5 Redemption, Purchase and Options

(a) Redemption by Instalments and Final Redemption:

- (i) Unless previously redeemed, or purchased and cancelled, as provided in this Condition 5 or the relevant Instalment Date (being one of the dates so specified hereon) is extended pursuant to any Issuer’s or Noteholder’s option in accordance with Condition 5(d) or 5(e), each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified hereon. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused on presentation of the related Receipt, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.
- (ii) Unless previously redeemed, or purchased and cancelled, as provided below or its maturity is extended pursuant to any Issuer’s or Noteholder’s option in accordance with Condition 5(d) or 5(e), each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided hereon, is its nominal amount) or, in the case of a Note falling within sub-paragraph (i) above, its final Instalment Amount.

(b) Early Redemption:

- (i) *Zero Coupon Notes:*
- (A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 5(c) or upon it becoming due and payable as provided in Condition 9 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.
- (B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount

equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

- (C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 5(c) or upon it becoming due and payable as provided in Condition 8 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (as well after as before judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 4(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

- (ii) *Other Notes:* The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 5(c) or upon it becoming due and payable as provided in Condition 8, shall be the Final Redemption Amount unless otherwise specified hereon.
- (c) **Redemption for Taxation Reasons:** The Notes (other than Notes in respect of which the Issuer shall have given a notice of redemption pursuant to Condition 5(d) or in respect of which a Noteholder shall have exercised its option under Condition 5(e) in each case prior to any notice being given under this Condition 5(c)) may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date or, if so specified hereon, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their Early Redemption Amount (as described in Condition 5(b) above) (together with interest accrued to the date fixed for redemption), if (i) the Issuer satisfies the Trustee immediately prior to the giving of such notice that it or (if the Guarantee were called) the Guarantor has or will become obliged to pay additional amounts as provided or referred to in Condition 7 as a result of any change in, or amendment to, the laws or regulations of The Netherlands or (in the case of a payment to be made by the Guarantor) the Kingdom of Spain, or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date, and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such additional amounts were a payment in respect of the Notes (or the Guarantee, as the case may be) then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer (or two authorised officers of the Guarantor, as the case may be) stating that the obligation referred to in (i) above cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above in which event it shall be conclusive and binding on Noteholders and Couponholders.
- (d) **Redemption at the Option of the Issuer and Exercise of Issuer's Options:** If Call Option is specified hereon, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem, or exercise any Issuer's option (as may be described hereon) in relation to, all or, if so provided, some of the Notes on any Optional Redemption Date or Option Exercise Date, as the case may be. Any such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a principal amount at least equal to the minimum principal amount to be redeemed specified hereon and no greater than the maximum principal amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed, or the Issuer's option shall be exercised, on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption or a partial exercise of an Issuer's option, the notice to Noteholders shall also contain the certificate numbers of the Notes to be redeemed or in respect of which such option has been exercised, which shall have been drawn in such place as the Trustee may approve and in such manner as it deems appropriate, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements. So long as the Notes are listed on the Luxembourg Stock Exchange or any other stock exchange and the rules of the relevant stock exchange so require, the Issuer shall, once in each year in which there has been a partial redemption of the Notes, cause to be published in a leading newspaper of general circulation in Luxembourg or as specified by such other stock exchange or other relevant authority, a notice specifying the aggregate nominal amount of Notes outstanding and a list of the Notes drawn for redemption but not surrendered.

- (e) **Redemption at the Option of Noteholders and Exercise of Noteholders' Options:** If Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued to the date fixed for redemption.

To exercise such option or any other Noteholders' option that may be set out hereon (which must be exercised on an Option Exercise Date) the holder must deposit such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent, together with a duly completed option exercise notice ("**Exercise Notice**") in the form obtainable from any Paying Agent, within the notice period. No Note so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

- (f) **Partly Paid Notes:** Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the provisions specified hereon.
- (g) **Purchases:** The Issuer, the Guarantor and any other Subsidiary may at any time purchase Notes in the open market or otherwise at any price (provided that they are purchased together with all unmatured Receipts and Coupons and unexchanged Talons relating to them). Any purchase by tender shall be made available to all Noteholders alike. The Notes so purchased, while held by or on behalf of the Issuer, the Guarantor or any other Subsidiary, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Conditions 8, 11(a) and 12.
- (h) **Cancellation:** All Notes so redeemed or purchased and any unmatured Receipts and Coupons and all unexchanged Talons attached to or surrendered with them will be surrendered for cancellation by surrendering to the Issuing and Paying Agent and may not be reissued or resold and the obligations of the Issuer and the Guarantor in respect of any such Notes shall be discharged.

6 Payments and Talons

- (a) **Payments of Principal and Interest:** Payments of principal and interest shall be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note) (or in the case of partial payment, endorsement thereof), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 6(e)(vi)) or Coupons (in the case of interest, save as specified in Condition 6(e)(ii)), as the case may be, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.
- (b) **Payments in the United States:** Notwithstanding the foregoing, if any Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the

same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States and its possessions with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

- (c) **Payments subject to Fiscal Laws:** All payments are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (d) **Appointment of Agents:** The Issuing and Paying Agent, the Paying Agents and the Calculation Agent initially appointed by the Issuer and the Guarantor and their respective specified offices are listed below. The Issuing and Paying Agent, the Paying Agents and the Calculation Agent act solely as agents of the Issuer and the Guarantor and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer and the Guarantor reserve the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of the Issuing and Paying Agent, any other Paying Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents, provided that the Issuer shall at all times maintain (i) an Issuing and Paying Agent, (ii) one or more Calculation Agent(s) where the Conditions so require, (iii) Paying Agents having specified offices in at least two major European cities (including Luxembourg) so long as the Notes are listed on the Luxembourg Stock Exchange and (iv) such other agents as may be required by the rules of any other stock exchange on which the Notes may be listed in each case, as approved by the Trustee and (v) a Paying Agent with a specified office in a European Union member state (if any) that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council Meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

In addition, the Issuer and the Guarantor shall forthwith appoint a Paying Agent in New York City in respect of any Notes denominated in U.S. dollars in the circumstances described in paragraph (b) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

- (e) **Unmatured Coupons and Receipts and Unexchanged Talons:**
 - (i) Unless the Notes provide that the relative Coupons are to become void upon the due date for redemption of those Notes, Notes should be surrendered for payment together with all unmaturing Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmaturing Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmaturing Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).
 - (ii) If the Notes so provide, upon the due date for redemption of any Note, unmaturing Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.
 - (iii) Upon the due date for redemption of any Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
 - (iv) Upon the due date for redemption of any Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.

- (v) Where any Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
- (vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Note. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note.
- (f) **Talons:** On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Paying Agents in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).
- (g) **Non-Business Days:** If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, “**business day**” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as “**Additional Financial Centres**” hereon and:
 - (i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency or
 - (ii) (in the case of a payment in euro) which is a TARGET Business Day.

7 Taxation

All payments of principal and interest by or on behalf of the Issuer or the Guarantor in respect of the Notes, the Receipts and the Coupons or under the Guarantee shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within The Netherlands or the Kingdom of Spain or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer or, as the case may be, the Guarantor shall pay such additional amounts as shall result in receipt by the Noteholders and Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon presented for payment:

- (a) in the case of a payment by or on behalf of the Issuer, in The Netherlands or, in the case of a payment by or on behalf of the Guarantor, in the Kingdom of Spain and/or
- (b) by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of his having some connection with The Netherlands or, in the case of payments made by the Guarantor, the Kingdom of Spain other than the mere holding of the Note or Coupon and/or
- (c) more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting such Note, Receipt or Coupon for payment on the last day of such period of 30 days (assuming the day to have been a business day for the purpose of Condition 6(g)) and/or
- (d) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council Meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive or law and/or

- (e) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

“**Relevant Date**” means whichever is the later of (i) the date on which payment first becomes due and (ii) if the full amount payable has not been received by the Issuing and Paying Agent or the Trustee on or prior to such due date, the date on which the full amount having been so received, notice to that effect shall have been given to the Noteholders.

Any reference in these Conditions to “**principal**” and/or “**interest**” shall be deemed to include any additional amounts that may be payable under this Condition or any undertaking given in addition to or in substitution for it under the Trust Deed.

8 Events of Default

If any of the following events (each an “**Event of Default**”) occurs and is continuing, the Trustee at its discretion may, and if so requested by holders of at least one-fifth in principal amount of the Notes then outstanding (as defined in the Trust Deed) or if so directed by an Extraordinary Resolution (as defined in the Trust Deed) shall, subject to its being indemnified to its satisfaction, give notice to the Issuer that the Notes are, and they shall immediately become, due and payable at their Early Redemption Amount together with accrued interest:

- (a) **Non-Payment:** the Issuer fails to pay any interest on any of the Notes when due and such failure continues for a period of 14 days; or
- (b) **Breach of Other Obligations:** the Issuer or the Guarantor does not perform or comply with any one or more of its other obligations in the Notes or the Trust Deed which default is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not in the opinion of the Trustee remedied within 30 days after notice of such default shall have been given to the Issuer or the Guarantor by the Trustee; or
- (c) **Cross-Default:** (i) any other present or future indebtedness of the Issuer, the Guarantor or any Principal Subsidiary for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described); or (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period; or (iii) the Issuer, the Guarantor or any Principal Subsidiary fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (c) have occurred equals or exceeds the greater of an amount equal to 0.25 per cent. of Total Shareholders Equity and U.S.\$20,000,000 or its equivalent (as reasonably determined by the Trustee); or
- (d) **Enforcement Proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against the whole or any substantial part of the property, assets or revenues of the Issuer or the Guarantor or any Principal Subsidiary and is not discharged or stayed within 30 days; or
- (e) **Security Enforced:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer, the Guarantor or any Principal Subsidiary becomes enforceable against the whole or any substantial part of the assets or undertaking of the Issuer, the Guarantor or any Principal Subsidiary and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person); or
- (f) **Insolvency:** the Issuer, the Guarantor or any Principal Subsidiary is insolvent or bankrupt, stops, suspends or threatens to stop or suspend payment of all of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or substantially all of the debts of the Issuer, the Guarantor or any Principal Subsidiary; or

- (g) **Winding-up:** an order is made or an effective resolution passed for the winding-up or dissolution of the Issuer, the Guarantor or any Principal Subsidiary, or the Issuer, the Guarantor or any Principal Subsidiary ceases or threatens to cease to carry on all or substantially all of its business or operations, except (i) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by the Trustee or by an Extraordinary Resolution of the Noteholders or (ii) in the case of a Principal Subsidiary, where a substantial part of the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Guarantor or another Subsidiary; or
- (h) **Illegality:** it is unlawful for the Issuer or the Guarantor to perform or comply with any one or more of its obligations under any of the Notes or the Trust Deed; or
- (i) **Analogous Events:** any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs; or
- (j) **Guarantee:** the Guarantee is not (or is claimed by the Guarantor not to be) in full force and effect, provided that in the case of an event falling within paragraphs (b) to (e) or (h) to (j) and, insofar as the relevant events relate to a Principal Subsidiary, (f) and (g), the Trustee shall have certified that in its opinion such event is materially prejudicial to the interests of the Noteholders.

For the purposes of this Condition:

“**Principal Subsidiary**” at any time means a Subsidiary incorporated in a country: (a) the sovereign foreign currency debt of which does not have either a Standard & Poor’s Rating Services, a division of McGraw-Hill Companies Inc. or a Moody’s Investors Services Limited rating of less than A on the day the Event of Default occurs; and (b) which was at November 4, 2003 a member of the Organisation for Economic Co-operation and Development:

- (i) (a) whose net profits before tax and extraordinary items attributable to the Guarantor represent 10 per cent. or more of the consolidated net profits before tax and extraordinary items of the Guarantor and the Subsidiaries taken as a whole (the “**Group**”) attributable to the shareholders of the Guarantor or (b) whose total assets attributable to the Guarantor represent 10 per cent. or more of the consolidated total assets of the Group attributable to the shareholders of the Guarantor, in each case as calculated by reference to the then latest audited financial statements of such Subsidiary (consolidated in the case of a Subsidiary which itself has Subsidiaries) and the then latest audited consolidated financial statements of the Group; or
- (ii) to which is transferred all or substantially all of the business, undertaking or assets of another Subsidiary which immediately prior to such transfer is a Principal Subsidiary, where upon the transferor Subsidiary shall immediately cease to be a Principal Subsidiary and the transferee Subsidiary shall immediately become a Principal Subsidiary under this sub-paragraph,

all as more fully defined in the Trust Deed.

A report by the Auditors (as defined in the Trust Deed), whether or not addressed to the Trustee, that in their opinion a Subsidiary is or is not or was or was not at any particular time or throughout any specified period a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties.

“**Total Shareholders’ Equity**” means the total shareholders equity of the Guarantor, as shown in the then latest audited consolidated accounts of the Guarantor.

9 Prescription

Claims in respect of principal and interest will become void unless presentation for payment is made as required by Condition 6 within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date.

10 Replacement of Notes, Receipts, Coupons and Talons

If any Note, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Issuing and Paying Agent in London or at the specified office of the Paying Agent in Luxembourg, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security and indemnity and otherwise as the Issuer and the Guarantor may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

11 Meetings of Noteholders, Modification, Waiver and Substitution

- (a) **Meetings of Noteholders:** The Trust Deed contains provisions for convening meetings of Noteholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be one or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one person being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Notes, or the dates on which interest is payable in respect of the Notes, (ii) to reduce or cancel the nominal amount of, or interest on, the Notes, (iii) to change the currency of payment of the Notes or the Coupons, (iv) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution, or (v) to modify or cancel the Guarantee, in which case the necessary quorum shall be one person holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in principal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

These Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the relevant Pricing Supplement in relation to such Series.

- (b) **Modification and waiver:** The Trustee may agree, without the consent of the Noteholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed which in the opinion of the Trustee is of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed which is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Noteholders as soon as practicable.
- (c) **Substitution:** The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Noteholders or the Couponholders, to the substitution of certain other entities in place of the Issuer or Guarantor, or of any previous substituted company, as principal debtor or Guarantor under the Trust Deed and the Notes. In the case of such a substitution the Trustee may agree, without the consent of the Noteholders or the Couponholders, to a change of the law governing the Notes, the Receipts, the Coupons, the Talons and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders.
- (d) **Entitlement of the Trustee:** In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from

the Issuer or the Guarantor any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders.

12 Enforcement

At any time after the Notes become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer and/or the Guarantor as it may think fit to enforce the terms of the Trust Deed, the Notes, the Receipts and the Coupons, but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least one-fifth in principal amount of the Notes outstanding, and (b) it shall have been indemnified to its satisfaction. No Noteholder, holder of Receipts or Couponholder may proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

13 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee is entitled to enter into business transactions with the Issuer, the Guarantor and any other Subsidiary and any entity related to the Issuer or the Guarantor or any other Subsidiary without accounting for any profit.

14 Further Issues

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes. Any further securities forming a single series with the outstanding securities of any series (including the Notes) constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of securities of other series where the Trustee so decides.

15 Notices

Notices to Noteholders will be valid if published in a leading newspaper having general circulation in the United Kingdom (which is expected to be the *Financial Times*) and (so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that Stock Exchange so require), in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, if in the opinion of the Trustee such publication shall not be practicable, in an English language newspaper of general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made.

Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this Condition.

16 The Contracts (Rights of Third Parties) Act 1999

The Notes confer no rights on any person pursuant to the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Notes, but this does not affect right or remedy of the third party which exists or is available apart from that Act.

17 Governing Law

(a) **Governing Law:** The Trust Deed, the Notes, the Receipts, the Coupons and the Talons are governed by, and shall be construed in accordance with, English law.

- (b) **Jurisdiction:** The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed, the Notes, Receipts, Coupons or Talons or the Guarantee and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed, the Notes, Receipts, Coupons or Talons or the Guarantee (“**Proceedings**”) may be brought in such courts. Each of the Issuer and the Guarantor has in the Trust Deed irrevocably submitted to the jurisdiction of such courts.
- (c) **Agent for Service of Process:** Each of the Issuer and the Guarantor has irrevocably appointed an agent in England to receive service of process in any Proceedings in England based on any of the Trust Deed, the Notes, Receipts, Coupons or Talons or the Guarantee.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Initial Issue of Notes

Upon the initial deposit of a Global Note with a common depository or Euroclear and Clearstream, Luxembourg (the “Common Depository”), Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof or which it has subscribed and paid.

Notes that are initially deposited with the Common Depository may also be credited to the accounts of subscribers with (if indicated in the relevant Pricing Supplement) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system as the holder of a Note represented by a Global Note must look solely to Euroclear, Clearstream, Luxembourg or such clearing system (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note and in relation to all other rights arising under the Global Notes, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, or such clearing system (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes or so long as the Notes are represented by such Global Note and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note in respect of each amount so paid.

Exchange

Temporary Global Notes

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

- (i) if the relevant Pricing Supplement indicates that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see “Summary of the Programme-Selling Restrictions”), in whole, but not in part, or the Definitive Notes defined and described below and
- (ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Note or, if so provided in the relevant Pricing Supplement, or Definitive Notes.

Permanent Global Notes

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under “Partial Exchange of Permanent Global Notes”, in part or Definitive Notes:

- (i) by the Issuer giving notice to the Noteholders, the Issuing and Paying Agent and the Trustee of its intention to effect such exchange, unless principal in respect of any Notes is not paid when due
- (ii) if the relevant Pricing Supplement provides that such Global Note is exchangeable at the request of the holder, by the holder giving notice to the Issuing and Paying Agent of its election or such exchange and
- (iii) otherwise, (1) if the permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or any other clearing system (an “Alternative Clearing System”) and any such clearing system is closed or business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so or (2) if principal in respect

of any Notes is not paid when due, in each case by the holder giving notice to the Issuing and Paying Agent of its election or such exchange.

Partial Exchange of Permanent Global Notes

For so long as a permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such permanent Global Note will be exchangeable in part on one or more occasions for Definitive Notes (i) if principal in respect of any Notes is not paid when due or (ii) if so provided in, and in accordance with, the Conditions (which will be set out in the relevant Pricing Supplement) relating to Partly Paid Notes.

Delivery of Notes

On or after any due date or exchange the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Issuing and Paying Agent. In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes. In this Offering Circular, “Definitive Notes” means, in relation to any Global Note, the definitive Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Trust Deed. On exchange in full of each permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

Exchange Date

“Exchange Date” means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days, or in the case of failure to pay principal in respect of any Notes when due 30 days, after that on which the notice requiring exchange is given and on which banks are open or business in the city in which the specified office of the Issuing and Paying Agent is located and in the city in which the relevant clearing system is located.

Amendment to Conditions

The temporary Global Notes and permanent Global Notes contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Offering Circular. The following is a summary of some of those provisions:

Payments

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused. Payments on any temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Issuing and Paying Agent or such other Paying Agent as shall have been notified to the Noteholders or such purpose. A record of each payment so made will be endorsed on each Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes.

Prescription

Claims in respect of principal and interest will become void unless presentation or payment is made, as required by Condition 6, within a period of 10 years (in the case of principal) and 5 years (in the case of interest) from the appropriate Relevant Date as defined in Condition 7.

Meetings

The holder of a permanent Global Note shall (unless such permanent Global Note represents only one Note) be treated as being one person or the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a permanent Global Note shall be treated as having one vote in respect of each minimum Specified Denomination of Notes or which such Global Note may be exchanged.

Cancellation

Cancellation of any Note represented by a permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant permanent Global Note.

Purchase

The Issuer, the Guarantor and any other Subsidiary may at any time purchase Notes in the open market or otherwise at any price (provided that they are purchased together with all unmatured Coupons relating to them). Any purchase by tender shall be made available to all Noteholders alike. The Notes so purchased, while held by or on behalf of the Issuer, the Guarantor or any other Subsidiary, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of Noteholders or for the purposes of Conditions 8, 11(a) and 12.

Issuer's Option

Any option of the Issuer provided or in the Conditions of any Notes while such Notes are represented by a permanent Global Note shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream, Luxembourg or any Alternative Clearing System (as the case may be).

Noteholders' Options

Any option of the Noteholders provided or in the Conditions of any Notes while such Notes are represented by a permanent Global Note may be exercised by the holder of the permanent Global Note giving notice to the Issuing and Paying Agent within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time presenting the permanent Global Note to the Issuing and Paying Agent, or to a Paying Agent acting on behalf of the Issuing and Paying Agent, or notation.

Trustee's Powers

In considering the interests of Noteholders while any Global Note is held on behalf of a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Note and may consider such interests as if such accountholders were the holders of the Notes represented by such Global Note.

Notices

So long as any Notes are represented by a Global Note and such Global Note is held on behalf of a clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note, except that so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, notices shall also be published in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*).

Partly Paid Notes

The provisions relating to Partly Paid Notes are not set out in this Offering Circular, but will be contained in the relevant Pricing Supplement and thereby in the Global Notes. While any instalments of the subscription moneys due from the holder of Partly Paid Notes are overdue, no interest in a Global Note representing such Notes may be exchanged or an interest in a permanent Global Note or for Definitive Notes (as the case may be). If any Noteholder fails to pay any instalment due on any Partly Paid Notes within the time specified, the Issuer may forfeit such Notes and shall have no further obligation to their holder in respect of them.

USE OF PROCEEDS

The net proceeds of the issue of Notes under the Programme will be on-lent by the Issuer to, or invested by the Issuer in, other companies within the Group or use by such companies for their general corporate purposes, all in compliance with the Exemption Regulation of 26 June 2002 on the Dutch Act on the Supervision of Credit Institutions.

DESCRIPTION OF REPSOL INTERNATIONAL FINANCE B.V.

Incorporation and Status

The Issuer was incorporated on December 20, 1990 as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) for an indefinite period of time under the laws of the Netherlands. The Issuer is a wholly-owned subsidiary of the Guarantor. The registered office of the Issuer is Koningskade 30, 2596 AA The Hague, the Netherlands. The Issuer is registered with the Dutch Commercial Register under the number 24251372.

Share Capital

The Issuer's authorised capital is €1,502,885,000 divided into 1,502,885 ordinary shares of €1,000 each. Its issued capital is €300,577,000 and its paid up capital is €300,577,000.

Business

The purpose of the Issuer is to finance the business operations of the Guarantor and its subsidiaries. The Issuer may, from time to time, obtain financing (including through loans or issuing other securities) which may rank *pari passu* with the Notes.

Directors

The directors of the Issuer are Godfried Arthur Leonard Rupert Diepenhorst, Javier Sanz Cedrón, José María Perez Garrido, Luis López-Tello Díaz-Aguado and Luis José Pieltain Álvarez-Arenas.

Auditors

The Issuer has appointed Deloitte & Touche Accountants (formerly Arthur Andersen) in the Netherlands as its auditors.

Financial Year

The Issuer's financial year corresponds to the calendar year.

Subsidiaries

As at the date of this Offering Circular the Issuer holds the following investments:

	Percentage ownership
Repsol (UK) Ltd., London	99.99%
Gaviota RE, Luxembourg	99.83%
Repsol Occidental Corp., Delaware	25.00%
Repsol LNG Port Spain, BV., Rotterdam	100.00%
Repsol Netherlands, BV., Rotterdam	66.50%
Repsol Investeringen, BV., Rotterdam	100.00%
Repsol International Capital, Ltd., Cayman Islands	100.00%
Cormoran RE, Luxembourg	99.60%
Repsol YPF Capital, S.L., Madrid	99.99%

Selected Non-consolidated Financial Data

The selected non-consolidated financial data set forth below should be read in conjunction with, and is qualified in its entirety by reference to, the Issuer's audited non-consolidated financial statements incorporated by reference in this Offering Circular:

	2000 ⁽¹⁾ (millions of euro)	2001 ⁽¹⁾ (millions of euro)	2002 ⁽¹⁾ (millions of euro)	2002 (millions of U.S.\$)
Statements of Income				
Financial income and expense	109	193	86	90
Income before provision for income taxes	91	177	76	80
Net income	77	162	57	60
Balance Sheet				
Total non-current assets	9,134	11,062	8,255	8,690
Total current assets	2,533	941	905	952
Total assets	11,667	12,003	9,160	9,642
Long-term liabilities	7,443	7,173	5,114	5,384
Short-term liabilities	3,344	3,748	3,071	3,233
Shareholders equity	880	1,082	975	1,026
Total liabilities and shareholders' equity	11,667	12,003	9,160	9,642

- (1) The financial information expressed in euros is presented for the convenience of the reader and is translated from US dollars at the noon buying rates in New York City for cable transfers into euros as certified for customs purposes by the Federal Reserve Bank of New York on December 31, 2000, 2001 and 2002 which was €1.07, €1.12 and €0.95 per US dollar respectively. The translated amounts should not be construed as a representation that US dollars have been, could have been, or could be in the future, converted into euros at these or any other rates of exchange.

**NON-CONSOLIDATED CAPITALISATION
OF REPSOL INTERNATIONAL FINANCE B.V.**

The following table sets forth the non-consolidated capitalisation of the Issuer as at December 31, 2002:

	As at 31 December 2002 (thousands of U.S.\$)
Short-term debt	
Debts with group and associated companies	1,138,198
Debts with financial institutions	1,868,799
Total short-term debt	3,006,997
Long-term debt	
Debentures, bonds and other issues	5,377,025
Debts with financial institutions	–
Total long-term debt	5,377,025
Short-term financial investments and cash	(194,252)
Deferred income	6,575
Shareholders' equity	
Shares of euro 1,000 nominal value ⁽¹⁾	315,156
Paid in surplus	337,272
Other unappropriated profits and reserves	272,956
Other reserves	41,160
Undistributed earnings for the year	59,530
Total shareholders' equity	1,026,074
Total capitalisation	9,222,419

Except for (i) the issue on May 28, 2003 of €150,000,000 Floating Rate Notes due 2006; (ii) the maturity on June 5, 2003 of €900,000,000 Floating Rate Notes issued on December 4, 2001; (iii) the maturity on August 4, 2003 of €850,000,000 Floating Rate Notes issued on August 2000; and (iv) the issue on July 22, 2003 of €1,000,000,000 5% bonds due 2013 under the €5,000,000,000 Euro Medium Term Note Programme, there has been no material change in the capitalisation of the Issuer since December 31, 2002.

(1) Translated to U.S. dollars at an exchange rate of 0.95 euros per U.S. dollars as of December 31, 2002.

DESCRIPTION OF REPSOL YPF, S.A.

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

Repsol YPF began operations in October 1987 as part of a reorganisation of the oil and gas businesses then owned by Instituto Nacional de Hidrocarburos, a Spanish government agency which acted as a holding company of government-owned oil and gas businesses. In April 1997, the Spanish government sold in a global public offering its entire remaining participation in Repsol YPF. During 1999, and as part of its international growth strategy, Repsol YPF acquired, through a series of acquisitions, YPF, a leading Argentine petroleum company and the former state oil and gas monopolist in Argentina. Since 1999, Repsol YPF has acquired additional shares of YPF and, as of December 31, 2002, Repsol YPF owned 99.04% of YPF.

On June 28, 2000, the general meeting of shareholders approved the change of the company’s name from Repsol, S.A. to Repsol YPF, S.A.

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

Status

Repsol YPF is a limited liability company (*sociedad anónima*) duly organised on November 12, 1986, and existing under the laws of the Kingdom of Spain. The registered office of Repsol YPF is Paseo de la Castellana 278-280, 28046 Madrid, Spain. Its objects are (i) the research, exploration, exploitation, importing, storage, refining, petrochemistry and other industrial operations, transport, distribution, sale, exporting and marketing of hydrocarbons of any kind, their by-products and residues; (ii) the research and development of sources of energy other than those deriving from hydrocarbons and the exploitation, manufacture, importation, storage, distribution, transport, sale, exportation and marketing thereof; (iii) the exploitation of real-estate property and of the industrial property and technology owned by it; (iv) the marketing of all kinds of products in installations attached to service stations and petrol pumps and through the marketing networks established for the products manufactured by it, as well as the provision of services linked to the consumption or use of the latter; and (v) the provision to subsidiaries of such services as planning, commercial management, factoring and technical or financial assistance, except for those activities that are legally reserved for financial or credit institutions.

Repsol YPF is the parent company of the Repsol YPF Group.

Share Capital

The issued capital of Repsol YPF is €1,220,863,463 divided into a single series of 1,220,863,463 shares, in book entry form with a nominal value of €1.00 each. Neither Repsol YPF, nor any other company in which Repsol YPF has a direct or indirect holding of more than 50%, has acquired or is holding any of Repsol YPF’s shares.

Corporate Structure

Repsol YPF engages in all aspects of the petroleum business, including the exploration, development and production of crude oil and natural gas, the transportation of petroleum products, liquified petroleum gas and natural gas, petroleum refining, petrochemical production and the marketing of petroleum products, petroleum derivatives, petrochemicals, LPG and natural gas. Repsol YPF organizes its business along the following areas of activities:

- Upstream:
 - Exploration and Production;

- Downstream:
 - Refining and Marketing
 - Chemicals
 - Liquefied Petroleum Gas (“LPG”)
- Trading & Transport
- Gas and Electricity:
 - Liquid Natural Gas (“LNG”)

Repsol YPF has operations in 28 countries, most significantly in Spain and Argentina. Repsol YPF has a unified global corporate structure with headquarters in Madrid, Spain and Buenos Aires, Argentina. Repsol YPF manages its business as a fully integrated organisation at both the operational and organisational levels. Key functions such as strategic planning, control, finance and human resources are centrally coordinated. In contrast, the operations of Repsol YPF are managed individually on a decentralised geographic basis and globally by division in order to maximize efficiencies and operating synergies arising from the integration of Repsol and YPF. In November 2002, the Board of Directors of Repsol YPF appointed Ramón Blanco Balín as Chief Operating Officer, with the ultimate responsibility for managing the operations of Repsol YPF. Additionally, there are two Executive Vice-Presidents (one for each of Upstream and Downstream), a Chief Financial Officer and the Director Assistant to the Chairman, all reporting directly to the office of the President.

To respond to the challenges presented by the integration of Repsol and YPF and the new economic environment, in 2001 Repsol YPF formulated “RYS XXI” (Repsol YPF of the 21st Century). This framework laid the foundations for a new culture and a new management model based on three pillars:

- strategy-focused management style;
- business units oriented towards outside clients; and
- service units oriented towards business units as “inside clients”.

Repsol YPF has adapted its structure to this program throughout 2002, implementing new and homogeneous practices across the group (including, the use of performance-based service agreements and standard setting framework service agreements) and integrating information channels to support an objective-based management. RYS XXI has enhanced a working culture where business plans, performance-based contracts and service agreements are adopted after careful discussion with, and consideration of new ideas from different corporate bodies, typically structured as committees that provide advisory functions in the context of the decision-making process.

With a view to strengthening the overall management of Repsol YPF, in April 2003 Ramón Blanco Balín was appointed to the Board of Directors and the Board of Directors appointed him *Consejero Delegado*, strengthening his role as Chief Operating Officer.

In July 2003, the Board of Directors approved the new organisational structure thereby completing the process begun last September 2002 with the approval of new Corporate Governance criteria and the appointment of Ramón Blanco Balín as Chief Operating Officer. In the words of the CEO: “this new structure is in keeping with the recent measures adopted by our Board aimed at transparency and professionalisation, it strengthens management bringing it closer to our activities in order to promote growth”.

In the new organisational structure, the Chief Operating Officer, the Corporate Directors (Institutional Affairs and the Assistant to the Chairman, the Chief Financial Officer (CFO), Human Resources, External Relations, Legal Affairs, Planning and Control and Real State Activities) and the Country Manager for Argentina will report Directly to the CEO. The Corporate Audit Management, which is under the Board of Directors’ Audit and Control committee, will also report to the CEO.

The business lines will report directly to the COO. The Executive Vice-Presidency for Exploration and Production will be maintained. The competencies of the Vice-Presidency for Refining and Marketing are divided into five General Management areas: Refining and Marketing Europe, Refining and Marketing Latin America, Chemicals, LPG and Trading-transport (RYTTSA). A new Liquid Natural Gas Management area has been created.

The Country Managers will report to the COO, except for Argentina's that reports directly to the CEO. The Corporate Management for Shared Services will report to the COO, who is also responsible for the coordination activities with Gas Natural SDG.

Economic and Operating Information

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

	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>'02 vs. '01</u>	<u>'01 vs. '00</u>
	(millions of €)			(percentage of change)	
Operating revenue by business segment					
Exploration & Production	5,580	7,305	9,084	(23.61)	(19.58)
Refining & Marketing	31,289	32,491	34,874	(3.70)	(6.83)
Chemicals	2,109	2,355	2,445	(10.45)	(3.68)
Natural Gas & Electricity	3,110	5,900	5,430	(47.29)	8.66
Adjustments & other	(5,598)	(4,398)	(6,091)	(27.29)	27.80
	<u>36,490</u>	<u>43,653</u>	<u>45,742</u>	<u>(16.41)</u>	<u>(4.57)</u>
Operating revenue by geographic segment					
Spain	24,541	28,313	28,664	(13.32)	(1.2)
Rest of Europe	594	419	950	41.77	(55.9)
Argentina	5,415	8,621	10,082	(37.19)	(14.5)
Rest of Latin America	4,115	3,501	2,727	17.54	28.4
North Africa and Middle East	675	1,054	1,387	(35.96)	(24.0)
Far East	286	712	604	(59.83)	17.9
Rest of the World	864	1,033	1,328	(16.36)	(22.2)
	<u>36,490</u>	<u>43,653</u>	<u>45,742</u>	<u>(16.41)</u>	<u>(4.6)</u>

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

	2002	2001	2000
Crude oil reserves⁽¹⁾			
Spain	4,242	6,962	7,174
Argentina	1,399,601	1,487,696	1,571,535
Rest of Latin America	420,165	378,478	330,014
Rest of the world	194,688	421,852	469,748
Gas reserves⁽²⁾			
Spain	—	—	2,755
Argentina	9,431,883	10,122,647	10,653,460
Rest of Latin America	8,395,829	7,475,622	2,529,808
Rest of the world	378,067	994,294	1,208,717
Hydrocarbon production⁽³⁾			
Spain	2,647	2,244	3,949
Argentina	261,293	262,430	275,437
Rest of Latin America	71,522	47,792	28,425
Rest of the world	29,644	57,878	69,177
Refining capacity⁽⁴⁾			
Spain	740	740	740
Argentina	334	334	364
Rest of Latin America	160	102	102
Crude oil processed⁽⁵⁾			
Spain	31.9	32.3	32.9
Argentina	15.2	14.5	16.0
Rest of Latin America	5.7	4.2	3.7
Number of service stations⁽⁶⁾			
Spain	3,653	3,704	3,731
Argentina	1,940	2,018	2,770
Rest of Latin America	906	811	653
Rest of the world	130	103	96
Sales of petroleum products⁽⁷⁾			
Spain	26,785	25,641	25,178
Argentina	8,001	8,550	11,197
Rest of the world	15,305	15,491	15,080
Sales of petrochemical products⁽⁷⁾			
By region:			
Spain	1,257	1,148	1,111
Argentina	539	632	393
Rest of the world	1,730	1,595	1,308
By product:			
Basic	723	712	818
Derivative	2,803	2,663	1,994
LPG sales⁽⁷⁾			
Spain	2,030	2,102	2,247
Argentina	342	363	391
Rest of Latin America	783	696	509
Rest of the world	81	84	83
Natural gas sales⁽⁸⁾			
Spain	18.52	16.92	16.32
Argentina	2.22	2.26	2.48
Rest of Latin America	4.45	3.48	2.83
Rest of the world	1.68	1.10	0.94

(1) Thousands of barrels of crude oil.

(2) Millions of cubic feet of gas.

(3) Thousands of barrels of oil equivalent.

(4) Thousands of barrels per day. Information for 2002 includes 30% of the REFAP refinery (Brazil), 30.71% of Manguinhos Refinery (Brazil) and 50% of the Refinor refinery (Argentina).

(5) Millions of tonnes of oil equivalent. Information for 2002 includes 30% of the REFAP refinery (Brazil) and 50% of the Refinor refinery (Argentina).

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

(7) Thousands of tonnes.

(8) Billion cubic meters. Includes 100% of sales volumes reported by Gas Natural. Since January 1, 2002, Gas Natural reports 100% of the natural gas sales volumes of each of its consolidated subsidiaries, regardless of Gas Natural's stake in such subsidiaries. In prior years, Gas Natural reported the natural gas sales volumes of each of its consolidated subsidiaries based on the consolidation method (global integration or proportional) used to account for each such subsidiary. Since January 1, 2002, Metrogas is accounted for by Repsol YPF under the equity method. In prior years, Metrogas was consolidated by Repsol YPF using the proportional integration method. For comparison and uniformity purposes, 2001 and 2000 natural gas sales volumes have been restated to reflect these reporting changes.

Operations

Exploration and Production

Exploration and Production (“E&P”) accounted for approximately 54%, 52% and 62% of Repsol YPF’s operating income in 2002, 2001 and 2000, respectively.

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

Repsol YPF conducts its E&P activities through YPF, Repsol YPF Brazil, Repsol Exploración and Repsol YPF Bolivia.

Repsol YPF estimates that at December 31, 2002, it had proved net oil and gas reserves of approximately 5,261 million barrels of oil equivalent, a 6.2% decrease in comparison to 5,606 million barrels of oil equivalent at December 31, 2001, which in turn represents a 6.5% increase from 4,942 million barrels of oil equivalent at December 31, 2000. The reserves replacement ratio, excluding acquisitions and sales made during each respective year, was 69.5% and 81.3% of the annual production in 2002 and 2001, respectively, or 5.5% and 279% of the annual production in 2002 and 2001, respectively, including new acquisitions and sales. This change is mainly due to the sale of assets in Indonesia in 2002, which represented net proved reserves of approximately 300 million barrels of oil equivalent. During 2002, Repsol YPF’s average net production was approximately 1,000 thousand barrels of oil equivalent per day compared to 1,015 thousand barrels of oil equivalent per day in 2001.

At December 31, 2002, Repsol YPF had oil and gas exploration and production interests in 20 countries, through concessions and contractual agreements, either directly or through its subsidiaries. Repsol YPF acted as operator in 16 of those countries.

Oil and Gas Reserves

Unless otherwise indicated below, Repsol YPF estimated its proved oil and gas reserves as of December 31, 2002, 2001 and 2000 in accordance with guidelines established by the Securities and Exchange Commission and accounting principles set by the Financial Accounting Standards Board. These standards require that reserve estimates be prepared under existing economic and operating conditions with no provision for price and cost escalations except by contractual arrangements.

	Total	Spain	North Africa and Middle East	Argentina	Rest of Latin America	Far East	Rest of the World
	(thousands of barrels)						
Proved developed and undeveloped net crude oil reserves (including condensate and natural gas liquids)							
Reserves at Dec. 31, 2000	2,378,471	7,174	262,928	1,571,535	330,014	206,768	52
Reserves at Dec. 31, 2001	2,294,988	6,962	203,964	1,487,696	378,478	217,848	40
Reserves at Dec. 31, 2002 ⁽¹⁾	2,018,696	4,242	188,733	1,399,601	420,165	5,918	37

(1) 44.9% of reserves were estimated by Gaffney, Cline & Associates, independent engineers.

	Total	Spain	North Africa and Middle East	Argentina	Rest of Latin America	Far East	Rest of the World
	(millions of cubic feet)						
Proved developed and undeveloped net natural gas reserves							
Reserves at Dec. 31, 2000	14,394,740	2,755	670,999	10,653,460	2,529,808	531,412	6,306
Reserves at Dec. 31, 2001	18,592,563	0	452,060	10,122,647	7,475,622	536,816	5,418
Reserves at Dec. 31, 2002 ⁽¹⁾	18,205,779	0	323,095	9,431,883	8,395,829	50,088	4,884

(1) 31.9% of reserves were estimated by Gaffney, Cline & Associates, independent engineers.

	Total	Spain	North Africa and Middle East	Argentina	Rest of Latin America	Far East	Rest of the World
	(thousands of barrels of oil equivalent)						
Total proved developed and undeveloped net reserves							
Reserves at Dec. 31, 2000	4,942,094	7,665	382,429	3,468,857	780,558	301,410	1,175
Reserves at Dec. 31, 2001 ⁽¹⁾	5,606,220	6,962	284,474	3,290,483	1,709,844	313,452	1,005
Reserves at Dec. 31, 2002 ⁽²⁾	5,261,043	4,242	246,275	3,079,366	1,915,415	14,838	907

(1) Includes 526,618 thousand barrels of crude oil equivalent relating to the minority shareholders of Andina (Bolivia) and 299,988 thousand barrels of crude oil relating to investees in Indonesia, which were deconsolidated at December 31, 2001.

(2) Includes 622,180 thousand barrels of crude oil equivalent relating to the minority shareholders of Andina (Bolivia). Gaffney, Cline & Associates, independent engineers, estimated 37% of Repsol YPF's proved crude oil reserves, condensates, LPG and natural gas reserves.

Latin American reserves include 100% of Astra's reserves since December 31, 2000. At this date, Repsol YPF owned 99.36% of Astra. On January 1, 2001, the merger of Astra into YPF became effective.

Net proved reserves at December 31, 2002 were 5,261 million barrels of oil equivalent (38.4% petroleum and liquids and 61.6% natural gas), a 6.2% decrease compared to net proved reserves of 5,606 million barrels of oil equivalent at December 31, 2001. This decrease in net proved reserves is a result of:

- a decrease of 234 million barrels of oil equivalent from the negative balance between acquisitions of new assets and divestments. This change was mainly due to the sale of assets in Indonesia as of January 1, 2002, which represented net proved reserves of approximately 300 million barrels of oil equivalent, to CNOOC. This decrease was partly offset by an increase of 53 million barrels of oil equivalent from the integration since the first quarter of 2002 of 10% of the Albacora Leste field in Brazil (acquired through the asset swap with Petrobras), and by an increase of 13 million barrels of oil equivalent in Venezuela (Yucal Placer);
- an increase of 116 million barrels of oil equivalent from revisions to previous estimates and the use of technologies to improve production;
- an increase of 138 million barrels of oil equivalent from field extensions and discoveries principally in Bolivia, Argentina and Libya; and

- a decrease of 365 million barrels of oil equivalent from oil and natural gas production.

Production

The following table shows Repsol YPF's net average production of crude oil and natural gas for 2002, 2001 and 2000:

	<u>2002</u>	<u>2001</u>	<u>2000</u>
	(thousands of barrels per day)		
Crude oil net production (including condensate and natural gas liquids)			
Spain	5	5	2
North Africa and Middle East	61	68	97
Argentina	438	444	432
Rest of Latin America	80	72	54
Rest of the World	0	56	51
Total crude oil net production	<u>584</u>	<u>645</u>	<u>636</u>
	(millions of cubic feet per day)		
Natural gas net production			
Spain	13	8	48
North Africa and Middle East	110	109	148
Argentina	1,561	1,544	1,805
Rest of Latin America	648	329	134
Rest of the World	4	85	80
Total natural gas net production	<u>2,336</u>	<u>2,075</u>	<u>2,215</u>
	(thousands of barrels of oil equivalent per day)		
Total crude oil and natural gas production	<u>1,000</u>	<u>1,015</u>	<u>1,030</u>

Repsol YPF net petroleum production in 2002 was 365.1 million barrels of oil equivalent, a 1.4% decrease from 2001. This decrease was mainly due to the sale of assets in Indonesia in 2002, which was partially offset by the production increases in Venezuela, Bolivia, Trinidad and Tobago and Colombia. Average daily net production in 2002 was 584 thousand barrels of crude oil and 2,336 million cubic feet of natural gas. Assuming the acquisitions and dispositions made during fiscal 2002 were given effect as of January 1, 2001, the average daily net production in 2002 would have increased by 5.9%, consisting of a 17.2% increase in gas production and a 0.8% decrease in liquids production.

Repsol YPF net petroleum production in 2001 was 370.3 million barrels of oil equivalent, 1.49% lower than in 2000. This decrease was mainly due to the sale during 2001 of assets in Egypt and the swap of assets in Argentina for a participation in Andina in Bolivia, which favoured long-term growth but affected current production. Average daily net crude oil production in 2001 was 645 thousand barrels and average natural daily gas production was 2,075 million cubic feet. Assuming the acquisitions and dispositions made during fiscal 2001 were given effect as of January 1, 2000, the average daily net production in 2001 would have increased by 1.9%, consisting of a 5.8% increase in liquids production and a 4.2% decrease in gas production.

Crude oil and natural gas production accounted for approximately 58.4% and 41.6%, respectively, of Repsol YPF's total production in barrels of oil equivalent during 2002. Repsol YPF current estimated oil and gas net proved

reserves/production ratio is 14.4, based on total net proved reserves and annual net production for 2002. The gas net proved reserves/production ratio has been estimated at 21.3, based on gas net proved reserves and annual production for 2002. The estimated liquids net reserves/production ratio is 9.5.

Exploration, Development, Acquisitions and Production

Repsol YPF's strategy is based on exploration and the efficient development of the fields it operates, focusing on regions with great potential and conditions favorable to improving Repsol YPF's competitive position, primarily Latin America and North Africa.

The tables below show production costs incurred by Repsol YPF and other details of Repsol YPF's production operations in 2002, 2001 and 2000:

	2002	2001	2000
	(millions of €)		
Exploration, development and acquisitions (incurred costs)			
Exploration	193	309	281
Development	961	1,348	1,098
Acquisitions	1	166	961
Total	<u>1,155</u>	<u>1,823</u>	<u>2,340</u>
	2002	2001	2000
Exploratory concession area ⁽¹⁾	156,926	166,959	231,000
Exploratory drilling tests	43	82	93
Positive	14	29	37
Discoveries and extensions ⁽²⁾	138	219	298
Acquisitions/sales ⁽²⁾	(234)	733	95

(1) Square kilometres.

(2) Millions of barrels of oil equivalent.

At December 31, 2002, Repsol YPF had mineral rights with respect to a total of 260 blocks with a net surface area of 193,602 km² (115 of these blocks were located in Argentina, with a net surface area of 86,518km²), consisting of 141 production blocks with a net surface area of 36,676 km² (84 of which were located in Argentina, with a net surface area of 24,720 km²) and 119 exploratory blocks with a net surface area of 156,926 km² (31 of which were located in Argentina, with a net surface area of 61,798 km²).

During 2002, Repsol YPF finished a total of 43 exploratory wells, 14 of which were successful. In Argentina 26 exploratory wells were finished, 10 of which were successful, and in the rest of the world 17 were finished, 4 of which were successful. One exploratory well was under evaluation at December 31, 2002.

At the end of 2002, Repsol YPF had 13 exploratory wells in progress, 10 of which were located in Argentina and 3 in the rest of the world.

In 2002, finding cost was US\$1.34 per barrel of oil equivalent, compared to US\$1.13 per barrel of oil equivalent in 2001, and to rolling average of US\$1.00 per barrel of oil equivalent for the period 2000-2002.

The following are the most significant activities conducted by Repsol YPF in the countries in which Repsol YPF had exploration and production interests in 2002.

Algeria

At December 31, 2002, Repsol YPF had mineral rights in four blocks. Two of these blocks are production blocks with a net surface area of 553 km², and the other two are the exploratory block 401d in the Berkine basin, with

a net surface of 2,317 km², and block 351c, 352c in the Reggane basin, with a net surface of 5,498 km². In December 2002, the Algerian authorities approved the participation agreement among Repsol YPF and Woodside and Partex to explore and produce oil and gas at the 401d exploration block based on the following shareholding structure: Repsol YPF will be the operator with a 55% stake, Woodside will hold a 35% stake and Partex a 10% stake. The Ministry of Energy and Mines and Sonatrach awarded the concession for block 351c, 352c in the Third International Exploration Round held in the summer of 2002 to Repsol YPF, which was designated operator with a 45% interest, Edison Gas (with a 25% interest) and RWE DEA (with a 30%). Block 351c, 352c has significant gas discoveries and high exploratory potential.

No exploratory wells were finished in 2002.

Net petroleum production in Algeria was 10.8 million barrels of oil equivalent (an average of 29,646 barrels of oil equivalent per day), mainly from the TFT block (operated by Repsol YPF in conjunction with Sonatrach and Total Fina Elf) and, to a lesser extent, from the Issaouane block, operated by Repsol YPF. Oil production was 3.6 million barrels, including condensates and liquids, and 40.3 billion cubic feet of natural gas. Net proved reserves in Algeria at December 31, 2002 were 84.9 million barrels of oil equivalent.

Argentina

At December 31, 2002, Repsol YPF had mineral rights in 115 blocks, including 31 exploratory blocks with a net surface area of 61,798 km², and 84 production blocks located in the Neuquén, San Jorge, Austral, Cuyana and Northwest basins, with a net surface area of 24,720 km².

Net petroleum production in Argentina in 2002 was 261.3 million barrels of oil equivalent (an average of 715,871 barrels of oil equivalent per day). Crude oil production was 159.8 million barrels, including condensates and liquids, and 569.9 billion cubic feet of natural gas. Net petroleum production in Argentina broken down by area was, on average: Neuquén, 453,394 barrels of oil equivalent per day; San Jorge and Austral, 162,131 barrels of oil equivalent per day; Cuyana, 41,797 barrels of oil equivalent per day and Northwest, 58,549 barrels of oil equivalent per day. Net proved reserves in Argentina at December 31, 2002 were 3,079 million barrels of oil equivalent.

Compared to 2001, petroleum production increased by 11.1% in Cuyana and by 3.4% in San Jorge and Austral, and decreased by 2.3% in Neuquén and by 3.1% in the Northwest basin.

During 2002, a total of 26 exploratory wells were finished, 10 of which were successful. During 2002, Repsol YPF made discoveries in Argentina in the Cañadón Amarillo block with the Rincón Blanco x-1 exploratory well located in the Neuquén basin. More discoveries were made in the Neuquén basin with the Rincón Chico xp-101 and Cerro Negro x-1 exploratory wells, and in the San Jorge Gulf basin with the Grimbeek x-610 well in the Manantiales Behr area and with the Western Estancia Saraí x-1 well in the Los Perales-Las Mesetas area.

Effective as of January 2001, Repsol YPF closed an asset swap with Pecom Energía (Perez Companc) whereby Repsol YPF received Pecom Energía's 20.25% interest in Empresa Petrolera Andina in Bolivia and a 50% stake in the fields of Manantiales Behr and Restinga Alí, both located in the San Jorge Gulf in Argentina. In exchange, Repsol YPF transferred to Perez Companc its stake in the Santa Cruz I (30%) and Santa Cruz II (62.2%) oil and gas fields, both in the Austral basin in the south of Argentina.

See "*Bolivia*" below.

In December 2000, Construction of Project Mega was completed. The main objective of this project is to separate liquid petroleum products from natural gas produced mainly at Loma La Lata, for its transport to the petrochemical complex of Bahía Blanca, located on Argentina's Atlantic coast. With Project Mega, Repsol YPF increased its liquids production in Loma La Lata by an average of 42,400 barrels of liquids per day. The drilling activities necessary to respond to seasonal peaks in gas consumption during winter continue at Loma La Lata.

In the Northwest basin, Repsol YPF will acquire 3D seismic for its Palmar Largo field as part of the exploration and development plan for the area, and will continue gas deep drilling in Aguarguague.

During the first half of 2003, Repsol YPF has completed the construction and start up of the LPG plant in the vicinity of El Portón-Buta Ranquil, in the Neuquén basin, and continued with the drilling of high gas-oil ratio wells.

The project aims to remove gas liquids, LPG and gasoline from the associated gas from the El Portón and Chihuido de La Salina gas fields through an LPG plant, with subsequent reinjection of dry gas back into the fields to reduce pressure drops, thereby maintaining liquid recovery rates. Over the life of the project, LPG, crude oil, condensates and gasoline from high gas-oil ratio wells represent reserves of 40 million barrels of oil equivalent per day.

The development of the Cañada Dura oil field, discovered in 2000, is being completed. In 2002, 33 wells were drilled in this oil field and seven more are to be drilled in 2003. The oil field reached a production of 12,425 oil barrels per day in 2002.

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

In the San Jorge Gulf basin numerous projects of secondary recovery have been undertaken through water injection, with very positive results. Development of the drilling projects for 2002 continued, among which is the project Drill 600. Development of the Magallanes discoveries in the Austral basin have continued with the objective of beginning production of the east flank of Block CAM 2A Sur in 2003.

In 2002, Repsol YPF was awarded the oil exploration areas of Bandurria in the Neuquén basin and GAN-GAN and CGSJ-V in the Cañadón Asfalto basin.

Azerbaijan and Kazakhstan

At December 31, 2002, Repsol YPF had mineral rights in one exploratory block in Kazakhstan, operated by Repsol YPF, with a net surface area of 3,025 km².

During 2002, Repsol YPF continued working with the local authorities to relinquish the exploratory block of Kurdashi in Azerbaijan, which is expected to be approved in January 2004. In Kazakhstan, two unsuccessful exploratory wells were finished.

Bolivia

At December 31, 2002, Repsol YPF had mineral rights in 38 blocks, consisting of 13 exploratory blocks with a net surface area of 13,670 km², and 25 production blocks with a net surface area of 1,770 km².

Net petroleum production in Bolivia was 22.7 million barrels of oil equivalent (an average of 62,122 barrels of oil equivalent per day), mainly from fields operated by Andina and the Mamore block. Crude oil production was 6.9 million barrels, including condensates and liquids, and 88.5 billion cubic feet of natural gas. Net proved reserves in Bolivia at December 31, 2002, were 1,293 million barrels of oil equivalent. Net proved reserves allocated to Andina are 1,244 million barrels of oil equivalent.

During 2002, an unsuccessful exploratory well was finished.

Effective as of January 2001, Repsol YPF closed an asset swap with Pecom Energía (Perez Companc) whereby Repsol YPF received Pecom Energía's 20.25% stake in Empresa Petrolera Andina and a 50% stake in the fields of Manantiales Behr and Restinga Alí, in the San Jorge Gulf basin in Argentina. In exchange, Repsol YPF transferred to Perez Companc its stake in the Santa Cruz I (30%) and Santa Cruz II (62.2%) oil and gas fields, both in the Austral basin in the South of Argentina. In addition, Repsol YPF acquired from Pluspetrol Bolivia Corporation the 9.5% stake owned in Andina. The total value of the assets involved in this agreement was \$434.5 million. As a result, Repsol YPF increased to 50% its stake in Empresa Petrolera Andina, partner in the important gas fields of San Alberto and San Antonio in Bolivia. Repsol YPF assumed the control of Andina and therefore consolidates 100% of its income, expense, production and reserves. With this transaction, Repsol YPF consolidated in 2001 its operations in Bolivia, strengthening even more its strategic positioning in the area.

In 2002, Repsol YPF and its partners began the construction of a gas pipeline between Yacuiba and Río Grande. The pipeline is intended primarily to connect the gas produced on the San Alberto and San Antonio fields, where important discoveries have been made, with the Brazilian market. It is expected to be completed in 2003.

Andina (controlled by Repsol YPF), Petrobras and TotalFinaElf hold a 50%, 35% and 15% interest, respectively, in these fields, which are operated by Petrobras. The new gas pipeline will be constructed by Transierra S.A., a company owned by the partners in the San Alberto and San Antonio fields and whose main asset will be the gas pipeline (GASYRG).

At the end of 2001, Repsol YPF, BG Group and BP reached an agreement to start the second stage of the study of a project for the production and sale of gas to be produced at the Margarita field in Bolivia. Work on the second stage started in 2002.

Repsol YPF continues its project of exporting natural gas from the Margarita field for an LNG plant. This project is now in the feasibility stage, pending the authorisation of the local government.

In October 2003, Repsol YPF initiated the drilling of the MGT-X4 well in the north sector of the Margarita field. It is also constructing an EFT (early construction facility) which consists of gas lines and a Dew Point gas plant to process the natural gas from three previously drilled wells in order to export gas to Brazil. This project already has all the authorisations required.

Repsol believes that the political situation in Bolivia will improve.

Brazil

At December 31, 2002, Repsol YPF had mineral rights in eight blocks located offshore, including seven exploratory blocks with a net surface area of 3,872 km², and one production block with a net surface area of 22 km². Net proved reserves in Brazil at December 31, 2002 were approximately 53 million barrels of oil equivalent.

In 2002, Repsol YPF abandoned upon completion of its exploratory commitments the BM-ES-2 block in the Espirito Santo basin and the BM-CAL-1 block in the Camamú Almada basin. No exploratory wells were finished in Brazil in 2002.

As part of the asset swap agreement with Petrobras in 2001, Repsol YPF received a 10% participating interest in the Albacora Leste block, a deep-water oil field located offshore with a potential total estimated at 1,300 million barrels of crude oil. This field is currently under development and it is expected to start production in 2004. The incorporation of this field resulted in an increase in net proved reserves of Repsol YPF of 53 million barrels of oil equivalent in the first quarter of 2003.

In 2002, Repsol YPF entered into a swap of exploratory assets with Chevron Texaco under which Repsol YPF transferred 15% of the BM-C-4 block in exchange for 32% of the BM-C-5 block.

Colombia

At December 31, 2002, Repsol YPF had mineral rights in six blocks, consisting of five exploratory blocks with a net surface area of 3,620 km², and one production block (Cravo Norte) with a net surface area of 17 km².

Net petroleum production in Colombia in 2002 was 1.8 million barrels of crude oil (an average of 4,939 barrels of crude oil per day), an increase from 1.0 million barrels in 2001 due to a decrease in the impact of attacks by the Colombian guerrillas on the pipeline from Cravo Norte. Net proved reserves in Colombia at December 31, 2002, were 6.7 million barrels of crude oil. During 2002, two exploratory wells were finished, one of which was successful (Capachos 1 in the Llanos basin).

During 2002, Repsol YPF acquired 25% of the Cosecha exploratory block, which has a net surface area of 631 km².

Cuba

At December 31, 2002, Repsol YPF had mineral rights in six exploratory blocks, with a net surface area of 10,702 km².

Dubai

At December 31, 2002, Repsol YPF had mineral rights in one production block with a net surface area of 454 km². Crude oil production was 12.6 million barrels (an average of 34,505 barrels of crude oil per day). Net proved reserves in Dubai at December 31, 2002 were 63.1 million barrels of crude oil. No exploratory wells were finished in 2002.

A tertiary recovery horizontal miscible gas inject pilot project is in progress in the Fateh oil field. By the end of 1999, Repsol YPF started the alternate injection of water and gas, with the first results being expected for 2003.

Ecuador

At December 31, 2002, Repsol YPF had mineral rights in three production blocks, with a net surface area of 1,225 km². Net petroleum production in Ecuador was 3.3 million barrels of crude oil (an average of 8,998 barrels of crude oil per day) most of it from block 16, restricted in part by the lack of transportation capacity of the existing pipeline in which Petroecuador has priority. The concession for block 16 expires in January 2012. Net proved reserves in Ecuador at December 31, 2002, were 68.9 million barrels of crude oil. No exploratory wells were finished in 2002.

In February 2001, Repsol YPF and other companies signed an agreement with the government of Ecuador for the construction of a heavy crude oil pipeline (the "OCP project") from the Oriente Basin in eastern Ecuador to the Pacific coast of Ecuador, which is essential for the elimination of a bottleneck affecting the transportation of heavy oil in the area. Construction of the pipeline started in 2001 and is expected to conclude in the second half of 2003. Repsol YPF's share in the OCP project is 25.69%. Repsol YPF believes that, once the pipeline begins operations, it will allow it to more than double its current production in Ecuador. Repsol YPF has entered into a fifteen-year "ship or pay" agreement under which it may transport 100,000 barrels of crude oil per day through this heavy crude oil pipeline from September 2003 (the estimated start date for the heavy crude oil pipeline) to July 2018, which will include the estimated crude oil production from block 16.

Repsol YPF is currently negotiating the expiration dates of mineral rights it holds in production blocks in Ecuador to align them with the expiration dates under transport agreements. This will allow Repsol YPF to adjust its crude oil production to the contracted crude oil transportation capacity.

Egypt

Effective January 1, 2001, Repsol YPF sold all of its remaining assets in Egypt for a total (including 2000 and 2001 sales) of \$578 million. The sale was approved by the Egyptian government during 2001.

Guyana

At December 31, 2002, Repsol YPF had mineral rights in one exploratory block located offshore, with a net surface area of 9,825 km². No exploratory wells were finished in 2002. Repsol YPF has requested the approval of the authorities of Guyana to start a second three-year exploratory period.

Indonesia and Malaysia

At December 31, 2002, Repsol YPF had mineral rights in three blocks, consisting of two exploratory blocks, with a net surface area of 6,366 km², and a production block with a net surface area of 2 km².

Total net petroleum production in 2002 in Indonesia was 0.2 million barrels of oil equivalent (an average of 514 barrels of oil equivalent per day). Crude oil production was 0.02 million barrels, including condensates and liquids, and 1.0 billion cubic feet of natural gas. Net proved reserves at December 31, 2002 were 14.8 million barrels of oil equivalent. During 2002, no exploratory wells were finished.

Effective as of January 1, 2002, Repsol YPF sold to CNOOC Ltd. its interest in the South East Sumatra, Offshore North West Java (ONWJ), Poleng, Offshore West Madura and Blora blocks, in Indonesia, for €671 million (\$592 million), representing capital gains of approximately €49.4 million. The transaction encompasses interests with a net production of approximately 70,300 barrels per day, of which 79.2% is liquids and crude oil and 20.8% is gas,

and net proved reserves of 300.0 million barrels of oil equivalent as of the end of 2001. Repsol YPF was the operator of the South East Sumatra Block.

After complying with the exploratory commitments for the first exploratory period, the South Sokang block was abandoned in June 2002.

Iran

In 2001, OMV, after being awarded the Mehr exploratory block, transferred 33% of its interest to Repsol YPF. The block has a net surface of 792 km² and is located in the foreland folding area of the Zagros range in Iran.

Libya

At December 31, 2002, Repsol YPF had mineral rights in, and operated, four blocks in the Murzuq basin, consisting of three exploratory blocks with a net surface area of 11,388 km², and one production block with a net surface area of 874 km².

Crude oil production in Libya in 2002, which was affected by the quotas assigned by OPEC to Libya, was 5.9 million barrels (an average of 16,282 barrels of crude oil per day), all of it from block NC-115 (El-Sharara field). Net proved reserves in Libya at December 31, 2002 were 98.4 million barrels of crude oil.

During 2002, a total of five exploratory wells were finished, one of which was successful. An important discovery was made in the first quarter of 2002 in the Murzuq basin with the first exploratory well carried out in the NC-190 block.

Repsol YPF is making important crude oil discoveries in the Murzuk basin. In 2002 the appraisal wells D2 and D3 in the NC-186 block added approximately 52 million barrels of oil equivalent to total proved reserves in the structure "D". In the last quarter of 2002, Repsol YPF requested approval from the Libyan authorities to develop field D. In August 2002 Repsol YPF received approval by the National Oil Company of Libya (NOC) to develop field A in the NC-186 block in the Murzuq basin. This field has estimated total oil recovery reserves of approximately 140 million barrels of oil equivalent. Repsol YPF expects to start production in the first quarter of 2004 with an estimated total production of 40,000 barrels of oil equivalent per day. The NC-186 block has a net surface area of 4,300 km² and potential total reserves of more than 300 million barrels of oil equivalent.

In May 2003, Repsol YPF signed a contract with the Libyan National Oil Company (NOC) for the exploration of six blocks in Libya. Repsol YPF will act as the operator with a 60% stake and OMV will hold the remaining 40%. With the award of the concession for these exploration blocks, Repsol YPF has consolidated its position in the Murzuq Basin and initiated exploration activities in the Sirte Basin. The concession includes the M-1 block in the Murzuq Basin, blocks O9 and O10 in the Sirte Offshore Basin, block S36 in the Sirte Basin, and blocks K1 and K3 in the Kufra Basin. The contract contemplates the drilling of 12 exploration wells and the collection of 6,500 km. of seismic data over the next six years, and involves an estimated initial investment of approximately US\$90 million. The M-1 block covers a surface area of 7,865 km² and is estimated by the industry to have the highest potential of all the blocks tendered. This block lies adjacent to NC-115 block.

Mexico

In October 2003, Repsol YPF was awarded a services contract for the development and exploitation of the Reynosa-Monterrey block in the Burgos Basin in northern Mexico. The Reynosa-Monterrey block is in North East Mexico, bordering the US, south of the Rio Grande. The 3,552 km² block includes 16 gas fields already discovered and in operation. The objective is to increase production substantially through additional investments in development.

Repsol YPF plans to invest US\$170 million in the next three years. The acquisition and processing of 700m² of tri-dimensional seismic is expected to begin in the first quarter of 2004, with 8 new development wells to be drilled immediately afterwards. The impact of this investment should be reflected in gas production as of 2005. According to the programme, production is expected to increase five-fold from the current 400,000 m³ daily and reach 2 million m³ per day in 2007.

As a result of this contract, Repsol YPF is the first international company involved in any gas and oil development and exploration activities in Mexico.

Peru

At December 31, 2002, Repsol YPF had mineral rights in four exploratory blocks with a net surface area of 15,443 km². One unsuccessful exploratory well was finished in 2002. In 2002, Repsol YPF abandoned block 27 in the Marañón basin.

Spain

At December 31, 2002, Repsol YPF had mineral rights in 29 blocks, consisting of 16 exploratory blocks located offshore, with a net surface area of 6,232 km², and 13 production blocks, with a net surface area of 1,154 km².

Net petroleum production in Spain in 2002 was 2.6 million barrels of oil equivalent (an average of 7,253 barrels of oil equivalent per day). Crude oil production from Repsol YPF facilities in Casablanca (Mediterranean Sea), Poseidón (Atlantic Ocean), Gaviota (Cantabrian Sea) and, until July 1, 2002, La Lora (on land) was 1.8 million barrels of crude oil and 4.9 billion cubic feet of natural gas. Net proved reserves in Spain at December 31, 2002 were 4.2 million barrels of crude oil.

During 2002, Repsol YPF finished two unsuccessful exploratory wells.

In January, 2002, Repsol YPF was granted all administrative approvals required to carry out off-shore exploratory activities in the Canary Islands, east of the coast of Fuerteventura. During 2003, Repsol YPF will work on the design, gathering and processing of 3D seismic data. This work is expected to allow the drilling of two exploratory wells in 2004 or 2005, if the results are positive and the relevant authorisations are granted. In the third quarter of 2002, Woodside and RWE-Dea joined the project holding a 30% and a 20% interest, respectively. Repsol YPF holds the remaining 50% and will be the operator. At December 31, 2002 the agreement with Woodside and RWE-Dea was subject to approval by the Spanish government.

Effective July 1, 2002, Repsol YPF sold its 50% stake in the La Lora concession, which includes the Ayoluengo field in the province of Burgos, to Northern Petroleum (45%), and to Teredo Oils Limited (5%) for approximately €0.1 million. The current production of this field is 160 barrels of oil equivalent per day.

Activities relating to the underwater storage of natural gas continued at the Gaviota offshore oil field.

Trinidad and Tobago

At December 31, 2002, Repsol YPF had mineral rights in one production block located offshore and 10% of the gas and liquid reserves of BP Amoco Trinidad and Tobago LLC ("BPTT"), a subsidiary of BP, with a combined net surface area of 392 km².

Net petroleum production in Trinidad and Tobago was 10.0 million barrels of oil equivalent (an average of 27,379 barrels of oil equivalent per day), all of it from fields operated by BP. Crude oil production was 2.5 million barrels of liquids, and 42.1 billion cubic feet of natural gas. Net proved reserves in Trinidad and Tobago at December 31, 2002 were 236.3 million barrels of oil equivalent.

Repsol YPF acquired, effective January 1, 2000, 10% of BP's gas and liquid reserves in Trinidad and Tobago through the acquisition of a 10% interest in BPRY, 100% owner of BPTT. This investment was related to the decision to add two new gas liquifaction trains (Trains 2 and 3) to the already existing train (Train 1) at the Atlantic LNG gas liquifaction plant, where the gas from these reserves will be processed. Effective January 1, 2003, Repsol YPF exercised a purchase option to acquire an additional 20% interest in BPRY, raising its interest in BPTT to 30%. After the exercise of this purchase option, Repsol YPF's estimated net share in BPTT's production in 2003 will be 105,000 barrels of oil equivalent per day, representing approximately 10% of Repsol YPF's daily production worldwide. Repsol YPF holds a 20% participating interest in Train 1 and a 25% interest in Trains 2 and 3. Train 1 started operations in April 1999. Train 2 started operations in August 2002 with an installed production capacity of 4.4 billion cubic metres per year. Train 3 has an installed production capacity of 4.4 billion cubic metres per year and started

operations at the end of April 2003, two months ahead of schedule. Total investment in Trains 2 and 3 is estimated at \$1.1 billion. Total installed production capacity of the three trains is approximately 13 billion cubic metres per year. A fourth train with an estimated installed production capacity of 6.5 billion cubic metres per year is currently being designed. With these acquisitions, Repsol YPF strengthened its position in a strategic area for the development of natural gas.

During 2002, three exploratory wells were finished, two of which were successful (Red Mango 2 and Iron Horse 1, both in the Columbus basin). The important discovery made by BPTT to the east of the Trinidad coast (Iron Horse 1) is estimated by the operator at more than 28 billion cubic metres per year (1 TCF).

United States

At December 31, 2002, Repsol YPF had mineral rights in 25 exploratory blocks, with a net surface area of 379 km².

In Round 185, held in March 2003, Repsol YPF was awarded 9 exploratory blocks in the Green Canyon Area and in Round 187, held in August 2003, Repsol YPF was awarded another 10 exploratory blocks in the Alaminos Canyon Area.

Net petroleum production in the United States in 2002 was 0.1 million barrels of oil equivalent. Net proved reserves at December 31, 2002 were 0.9 million barrels of oil equivalent. Repsol YPF finished one unsuccessful exploratory well in 2002. In round 183 held in August 2002, Repsol YPF was awarded the offshore-exploratory blocks GB-314, GB-315 and GB-402 in the Gulf of Mexico.

In August 2003, Repsol YPF announced the discovery of a relevant hydrocarbon column with the exploratory well Neptune 5, located in deep waters of the Central Gulf of Mexico. During this appraisal, located in Atwater Valley 574 block, a net oil pay of more than 150 metres was found, which is significantly larger than those previously recorded within this same exploratory area.

Venezuela

At December 31, 2002, Repsol YPF had mineral rights in seven blocks, consisting of one exploratory block, with a net surface area of 1,970 km², and six production blocks, with a net surface area of 5,494 km².

Net petroleum production in Venezuela in 2002 was 33.8 million barrels of oil equivalent (an average of 92,513 barrels of oil equivalent per day), mainly from Quiriquire, Mene Grande and Quiamare-La Ceiba, all of which are operated by Repsol YPF. Crude oil production was 15.0 million barrels, including condensates and liquids, and 105.6 billion cubic feet of natural gas. Net proved reserves of natural gas and liquids in Venezuela at December 31, 2002 were 257.0 million barrels of oil equivalent.

No exploratory wells were finished in 2002.

In 2001, Repsol YPF and Petróleos de Venezuela, S.A. ("PDVSA"), the Venezuelan state-owned company, signed a gas sale agreement relating to the Quiriquire block. Repsol YPF began gas production from the Quiriquire block in September 2001. The project comprised the upgrade of existing wells, the drilling of additional wells, the development of the field's gas reserves, the increase in the capacity of the treatment and compression gas plants and the construction of a crude oil pipeline between Orocuai and Jusepín. The project was completed in the first quarter of 2002. Average net production in 2002 was 8.2 million cubic metres per day, which peaked in July 2002 with production of 9.0 million cubic metres per day. Repsol YPF is currently in negotiations with PDVSA to increase the volume of gas deliverables to 10.0 million cubic metres per day. This agreement will be in force until the expiry of the exploitation concession which is currently set for 2013.

In 2002, the construction of a new pipeline between La Ceiba and Santa Rosa started. Repsol YPF estimates that the pipeline will be operational in the second half of 2003 and it is expected to significantly improve the safety and efficiency of the current pipeline.

Production in December 2002 and the beginning of 2003 was adversely affected by a general strike. By mid-January 2003, production had reached levels close to those obtained before the strike.

In July 2003, Repsol YPF acquired from Tecpetrol the 25% stake owned by the latter in the Quiamare- La Ceiba block, in Venezuela, thus raising its full share in the block to 75%. Repsol YPF is the operator, in a partnership with Exxon Mobil, owner of the other 25%. As a result of this acquisition, effective as of January 1, 2003, the company has boosted its production in Venezuela by 3,900 barrels per day, and proved reserves by 8.2 million barrels of oil equivalent.

Refining and Marketing

Refining and Marketing operations contributed 25.7% of the total operating income of Repsol YPF for the fiscal year 2002, 28.6% for the fiscal year 2001 and 21.2% for the fiscal year 2000.

Repsol YPF's Refining and Marketing business unit comprises the refining and transportation, as well as the marketing, both at the retail and wholesale level, of petroleum products and the distribution and retail sale of LPG, including butane and propane. Repsol YPF conducts refining activities in three countries as operator and is the leading refinery in the Spanish and Argentine markets. Repsol YPF operates five refineries in Spain with a total installed capacity of 740,000 barrels per day, and four refineries in Latin America (Argentina and Peru) with a total installed capacity of 421,500 barrels per day. Repsol YPF conducts distribution and marketing activities in 11 countries, and is the leader in the Spanish and Argentine markets and one of the principal operators in Peru and Ecuador. Repsol YPF's network of points of sale is made up of 3,653 service stations and gas pumps in Spain and 2,976 service stations and gas pumps outside Spain, mainly in Latin America.

On December 17, 2001, Repsol YPF and Petrobras closed the swap agreement after completing the identification and valuation of the assets to be swapped, the due diligence review and obtaining the approval of the Brazilian and Argentine antitrust authorities. The assets swapped by each company were valued at approximately U.S.\$559 million. Pursuant to the agreement, Petrobras acquired Eg3, the fourth largest refining and marketing company in Argentina, with a network of approximately 700 service stations, and a refinery in Bahía Blanca, with a capacity for 30,500 barrels per day, while Repsol YPF received a 30% interest in the REFAP refinery, in South Brazil, with a refining capacity of 180,000 barrels per day, a network of 240 service stations selling 480 million litres per annum in central, southeast and southern Brazil, and a 10% stake in Albacora Leste, with total reserves of around 1,300 million barrels of oil equivalent.

Refining

Repsol YPF's refineries produce a wide range of petroleum products, including automotive and industrial fuels, lubricants, basic petrochemicals, asphalt and coke. Repsol YPF conducts its refining business in Spain through Repsol Petróleo and Petronor, in which it has 99.97% and 85.98% ownership interests, respectively. Repsol Petróleo and Petronor are, together, the largest domestic refining operation in Spain, with 59% of estimated domestic refining capacity in terms of effective installed capacity in primary distillation as of December 31, 2002. Repsol YPF began refining operations in Latin America in August 1996 with the acquisition, through the consortium Refinadores del Perú (Refipesa) (in which Repsol YPF Peru, B.V. currently has, following the acquisition of YPF, a 78.76% controlling interest) of a 60.04% holding of Refinería La Pampilla, S.A. (Relapasa), whose main asset is the Pampilla refinery. Repsol YPF is the technical operator of the La Pampilla refinery.

Repsol YPF owns and operates three refineries in Argentina: La Plata, Luján de Cuyo and Plaza de Huincul, with a total installed capacity of 319,500 barrels per day which accounts for 51% of Argentina's estimated refining capacity in terms of effective installed capacity in primary distillation as of December 31, 2002. Additionally, Repsol YPF has interests in one refinery in Argentina and two refineries in Brazil.

Installed capacity, supply and production

The following table sets forth the capacities of Repsol YPF's wholly- and partially-owned refineries as at December 31, 2002:

	Primary Distillation	Conversion Index⁽¹⁾	Lubricants
	(thousands of barrels per calendar day)	%	(thousands of tones per year)
Refining capacity and configuration⁽²⁾			
Spain			
Cartagena	100	–	135
La Coruña	120	59	–
Puertollano	140	57	110
Tarragona	160	44	–
Bilbao	220	31	–
Total Repsol YPF (Spain)	740	39	245
Argentina			
La Plata	189	68	255
Luján de Cuyo	106	112	–
Plaza Huincul	25	–	–
Refinor ⁽³⁾	14	–	–
Total Repsol YPF Argentina	334	74	255
Peru			
La Pampilla	102	13	–
Brazil			
REFAP ⁽⁴⁾	54	12	–
Manguinhos ⁽⁵⁾	4	14	–
Total Repsol YPF (Brazil)	58	12	–
Total Repsol YPF	1,234	45%	500

(1) Stated as the ratio of fluid catalytic cracking (or "FCC") equivalent capacity to primary distillation capacity.

(2) Capacities stated according to Repsol YPF consolidation criteria: all refineries reported on a 100% basis, except Refinor (50%), REFAP (30%) and Manguinhos (30.71%).

(3) Total primary distillation capacity of 28,500 barrels per calendar day.

(4) Total primary distillation capacity of 180,000 barrels per calendar day.

(5) Total primary distillation capacity of 14,000 barrels per calendar day.

During 2002, Repsol YPF's refineries processed 52.8 million tonnes of crude oil, of which 27% was from Repsol YPF's own production and the remaining crude was purchased either through contracts or in the "spot" markets. In connection with a long-standing relationship with Pemex, Repsol YPF purchases from Pemex an amount of barrels per day which is fixed annually. In each of 2001 and 2002, that amount was fixed at approximately 103,000 barrels per day. A total of 8.1 million tonnes of crude oil and 4.0 million tonnes of intermediate and finished products were bought and resold in 2002. All of these operations are denominated in U.S. dollars.

The following table sets forth the origin of crude oil processed during 2002, 2001 and 2000.

	2002	2001	2000
Middle East	13%	14%	18%
North Africa	13%	14%	14%
West Africa	8%	10%	8%
Latin America	52%	50%	50%
Europe	14%	12%	10%
	<u>100%</u>	<u>100%</u>	<u>100%</u>

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

	2002⁽¹⁾	2001	2000
Feedstock processed⁽²⁾			
Crude oil.. .. .	52.8	51.0	52.7
Other feedstock	5.1	5.7	6.4
Total.. .. .	<u>57.9</u>	<u>56.7</u>	<u>59.1</u>
Refining production⁽³⁾			
Intermediate distillates	24,336	23,654	24,294
Gasolines	11,657	11,285	12,797
Fuel oil	8,288	7,994	8,851
LPG	1,687	1,704	1,736
Asphalts ⁽⁴⁾	1,504	1,405	1,363
Lubricants	450	406	430
Other (except petrochemical)	3,397	3,476	3,540
Total	<u>51,319</u>	<u>49,924</u>	<u>53,011</u>

(1) Includes 30% of the REFAP refinery production and 50% of the Refinor refinery production.

(2) Millions of tonnes.

(3) Thousands of tonnes.

(4) Includes asphalt production of Asfaltos Españoles S.A. (ASESA), a company owned 50/50 by Repsol YPF and by CEPESA and 50% of its products are marketed by Repsol YPF.

Spain. Repsol YPF's refineries in Spain operated at an average capacity of 86.3% for the year 2002, as compared to 87.4% in 2001 and as compared to an estimated 89.5% for all Spanish refineries in 2002. In 2002, Repsol YPF's five Spanish refineries refined 31.9 million tonnes of crude oil, representing 57% of all crude oil refined in Spain. The geographic distribution of Repsol YPF's refineries and their proximity to the principal Spanish centres of consumption provide significant competitive advantages. Two refineries (at Cartagena and Tarragona) are located on the Mediterranean coast, one (at La Coruña) is located on the northwest coast, the fourth (at Puertollano) is located inland alongside the major pipeline network and the fifth (at Bilbao) is located on the northern coast. The five refineries owned by Repsol YPF in Spain are undertaking a capital investment program for the purpose of adapting their production schemes to the strict European Union product quality requirements which will take effect on January 1, 2005. Pursuant to this program, a hydrocracking unit in Tarragona started operations in mid 2002. Other important projects currently being undertaken are a mild hydrocracking unit in Puertollano, a FCC feed pretreatment unit in La Coruña and an isomerisation unit in the Tarragona refinery.

On August 14, 2003 there was a fire due to the explosion of a tank farm containing 7 tankers in the industrial complex of Repsol YPF in Puertollano. During the fire, 9 workers died and another worker was seriously injured. An internal security plan was immediately activated and the industrial complex entered into a safe shut down. The fire was fully extinguished in 48 hours, on August 16, 2003.

In the last week of October 2003, Repsol YPF began the start up process following the shut down and it expects this to be completed before the end of the year. Repsol YPF is evaluating the economic impact and the costs to be recovered from insurance companies.

At December 31, 2002, Repsol YPF had storage facilities with 30 million barrels of crude capacity and 45 million barrels of refined product capacity.

The Spanish government requires that entities involved in the production or distribution in Spain of petroleum products maintain minimum levels of reserves of those products. Under legislation enacted in 1994, *Corporación de Reservas Estratégicas* (CORES), a Spanish government corporation, was created by the Spanish government to establish, manage and maintain levels of strategic reserves of crude oil and petroleum products. In 2002, 105,800 tonnes of products and 174,300 tonnes of crude oil were sold to CORES. Repsol YPF complies in all material respects with current regulations.

Argentina. Since June 23, 1999, Repsol YPF has owned and operated the refineries of La Plata, Luján de Cuyo and Plaza Huincul, which are owned by YPF. During 2002, Repsol YPF's refineries in Argentina operated at an average capacity of 89.8%, as compared to 87% in 2001.

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

Luján de Cuyo refinery has an installed capacity of 105,500 barrels per day. It is located in the Province of Mendoza and supplies central Argentina. This refinery is equipped with two primary distillation units, a vacuum unit, a FCC unit, an Isomax unit and two coker units.

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

YPF also has a 50% participation in the Refinor refinery, in the Province of Salta.

In 2002, total crude oil processed in Argentina amounted to 15.2 million tonnes.

Peru. La Pampilla, located 25 kilometres north of Lima, Peru, has a total refining capacity of approximately 102,000 barrels per day, which Repsol YPF estimates accounts for more than 50% of Peru's refining capacity at December 31, 2002. During 2002, La Pampilla operated at an average capacity of 76.0%, compared to 77.5% during 2001. La Pampilla's capacity, production and assets are reported by Repsol YPF on a fully consolidated basis. La Pampilla benefits from its proximity to Lima, which Repsol YPF estimates represents more than 50% of Peru's demand for oil, as well as from the distance of alternative sources of supply (the Gulf of Mexico). During 2002, La Pampilla refinery processed 4.0 million tonnes of crude oil.

Repsol YPF is undertaking several projects aimed at increasing the conversion capacity of La Pampilla refinery. In 2002, the revamping of the existing vacuum and FCC units was completed. Other projects currently being undertaken are the construction of a new vacuum unit and a visbreaker. These projects will result in diminished output of fuel oil and a corresponding increase in light refined products of higher added-value.

Brazil. Repsol YPF has a 30.71% interest in the Refinery at Manguinhos, near Río de Janeiro, and a 30% interest in the REFAP Refinery, in South Brazil. The interest in the REFAP Refinery was acquired by Repsol YPF pursuant to a swap agreement with Petrobras.

Sales and Distribution

The following table sets forth the sales of petroleum products, broken down by product and markets (This table does not include LPG sales to Repsol YPF's related distribution companies):

	2002	2001	2000	'02 vs. '01	'01 vs. '00
	(thousands of tonnes)				
Spain					
Gasolines	4,345	4,380	4,472	(0.8)%	(2.1)%
Diesel oil/Kerosene	15,469	14,929	14,998	3.6	(0.5)
Fuel oil	4,763	4,019	3,510	18.5	14.5
Other	2,208	2,313	2,199	(4.5)	5.2
	<u>26,785</u>	<u>25,641</u>	<u>25,179</u>	4.5	1.8
Argentina⁽¹⁾⁽²⁾					
Gasolines	1,292	1,436	2,119	(10.0)%	(32.2)%
Diesel oil/Kerosene	5,061	5,386	7,115	(6.0)	(24.3)
Fuel oil	67	72	238	(6.9)	(69.7)
Other	1,581	1,656	1,725	(4.5)	(4.0)
	<u>8,001</u>	<u>8,550</u>	<u>11,197</u>	(6.4)	(23.6)
Other					
Gasolines	4,170	4,150	4,012	0.5%	3.4%
Diesel oil/Kerosene	5,384	4,712	4,195	14.3	12.3
Fuel oil	3,569	4,656	4,653	(23.4)	0.1
Other	2,182	1,973	2,220	10.6	(11.1)
	<u>15,305</u>	<u>15,491</u>	<u>15,080</u>	(1.2)	2.7
Total					
Gasolines	9,807	9,966	10,604	(1.6)%	(6.0)%
Diesel oil/Kerosene	25,914	25,027	26,308	3.5	(4.9)
Fuel oil	8,399	8,747	8,401	(4.0)	4.1
Other	5,971	5,942	6,143	0.5	(3.3)
	<u>50,091</u>	<u>49,682</u>	<u>51,456</u>	0.8	(3.4)

(1) Since January 1, 2001, the operations of Eg3 are no longer included.

(2) For comparison purposes, the following table sets forth the accumulated year-end sales in 2000 without Eg3's contribution.

	2000	01 vs. 00
Gasoline	1,622	(11.5)%
Diesel oil/Kerosene	5,915	(9.0)%
Fuel oil	122	(41.2)%
Other	1,617	2.4%

In 2002, approximately 16.2% of sales in Spain were of gasoline and 57.8% were of intermediate distillates. In Argentina, 16.1% of sales were of gasoline and 63.3% of intermediate distillates. In 2002, other sales were made principally to the following markets: Europe (Portugal, France and Italy), Latin America and the United States.

Transport of Crude Oil and Distribution of Petroleum Products

Pursuant to the provisions of Royal Decree Law 6/2000, Repsol YPF must reduce its individual stake in Compañía Logística de Hidrocarburos CLH, S.A. ("CLH") to a maximum of 25% and, combined with the stakes of

the other entities with refining capabilities in Spain, to a maximum of 45%. Repsol YPF met these restrictions in March 2003. In order to comply with such provisions, Repsol YPF, Cepsa and BP, the other entities with refining capabilities in Spain, sold 25% of CLH to Enbridge Inc. in March 2002; 5% to DISA Financiación S.A. in June 2002; 5% to China Aviation Oil in July 2002; and 5% to Petrogal Española, S.A. in November 2002. These sales represented aggregate capital gains for Repsol YPF of approximately €293 million. Repsol YPF's participation in CLH and the aggregate participation in CLH of persons with refining capabilities in Spain as of December 31, 2002 was 31.79% (5.33% indirectly held through its affiliate Petronor) and 54.15%, respectively. The sale agreement executed in November of 2001 for the sale of the 25% interest to Enbridge resulted in the deconsolidation of CLH's financial statements as of the fourth quarter of 2001.

In March 2003, Repsol YPF, Cepsa and BP sold 10% of CLH to Oman Oil Company, as a result of which Repsol YPF reduced its participation in CLH to 25% (5.33% indirectly held through its affiliate Petronor).

CLH is the principal transporter of petroleum products in Spain. At December 31, 2002, CLH's transportation network consisted of 3,426 kilometres of refined product pipelines, six tankers and 140 trucks. CLH also owns 40 storage sites (all of them connected to the multiple pipeline network with the exception of Gijón, Motril, and the three located in the Balearic Islands), and 33 distribution facilities in airports, which in the aggregate represents a capacity of approximately 6.2 million cubic metres. CLH also owns six barges with an aggregate capacity of 10,592 dead weight tonnes.

The Puertollano refinery is connected for the supply of crude oil to Cartagena and its docking facilities through a 358 km crude oil pipeline. This crude oil pipeline started operations in 2000 and replaced the Málaga-Puertollano crude oil pipeline.

Repsol YPF owns two crude oil pipelines in Argentina. One connects Puesto Hernández to the refinery of Luján de Cuyo (528 kilometres) and the other connects Puerto Rosales to the refinery of La Plata (585 kilometres) and extends to Shell's refinery in Dock Sud at the Buenos Aires port (50 kilometres). Repsol YPF also owns a plant for the storage and distribution of crude oil in Formosa with an operating capacity of 19,000 cubic metres. Repsol YPF owns 37% of Oldelval, operator of a double 513 kilometres pipeline that connects the Neuquén basin and Puerto Rosales. At December 31, 2002, Repsol YPF had a 18% interest in the 430 kilometres Transandean Pipeline, which transports crude oil from Argentina to Concepción in Chile. Repsol YPF also owns 33.15% of Termap, operator of two storage and port facilities: Caleta Córdova (province of Chubut), which has a capacity of 264,000 cubic metres, and Caleta Olivia (province of Santa Cruz), which has a capacity of 246,000 cubic metres. Finally, Repsol YPF has a 30% interest in Oiltanking Ebytem, operator of the maritime terminal of Puerto Rosales, which has a capacity of 480,000 cubic metres, and of the new crude oil pipeline that connects the Repsol YPF Puerto Rosales – La Plata crude oil pipeline from Brandsen to the ESSO refinery in Campana.

In Argentina, Repsol YPF also operates a network of multiple pipelines for the transportation of refined products with a total length of 1,801 kilometres. Repsol YPF also owns 16 plants for the storage and distribution of refined products with an approximate operating capacity of 970,000 cubic metres. Three of these plants are annexed to the refineries of Luján de Cuyo, La Plata and Plaza Huincul. Ten of these plants have maritime or fluvial connections. Repsol YPF also owns more than 54 airport facilities with a capacity of 14,000 cubic metres, and 27 trucks.

In Chile, Repsol YPF leases two tanks of 10,000 cubic metres each and one tank of 4,500 cubic metres for storage of gasoline and gas oil. These tanks are located at the facilities of Oxiquin, close to the ENAP refinery. The plant is connected through a pipeline to a maritime loading/unloading facility where vessels dock to unload gasoline and gas oil. Repsol YPF also owns a plant for storage and distribution of refining products at Lautaro with a capacity of 900 cubic metres. Additionally, Repsol YPF leases storage capacity from ENAP, one of 4,000 cubic metres at Maipu, and another one of 1,500 cubic metres at Linares.

At December 31, 2002, Repsol YPF leased time charter tankers for the transport of crude oil with a total capacity of 397,921 dead weight tonnes. In addition, Repsol YPF leased tankers with a total capacity of 98,703 and 17,047 cubic metres, respectively, for transporting other products and LPG. In Argentina, Repsol YPF leased time charter tankers for shipping other products and crude oil with a total capacity of 112,500 and 57,000 cubic metres,

respectively. In Peru, Relapasa leased time charter vessels for purposes of transportation of products with a total capacity of 90,000 cubic metres.

Marketing

Repsol YPF's points of sale (service stations and gas pumps) as of December 31, 2002 were as follows:

	Controlled by Repsol YPF⁽¹⁾	Flagged	Total
Marketing operations			
Spain	2,871	782	3,653 ⁽²⁾
Argentina	164	1,776	1,940 ⁽³⁾
Peru	81	43	124
Ecuador	58	65	123
Chile	103	69	172
Brazil	41	446	487 ⁽⁴⁾
Portugal	85	24	109
Italy	—	21	21
Total	3,403	3,226	6,629

- (1) Owned by Repsol YPF or controlled by Repsol YPF under long-term commercial contracts or other types of contractual relationships that secure a long-term direct influence over such points of sale.
- (2) Ten points of sale are under construction.
- (3) Includes 50% of Refinor.
- (4) Includes 100% of Red Wal.

The number of service stations at December 31, 2002 had decreased to 6,629 service stations from 6,636 service stations at December 31, 2001, mainly as a result of the termination of agreements with flagged service stations and the closure of less profitable points of sale. Additionally, the number of sales points of Repsol YPF in Spain, and of YPF in Argentina was slightly reduced as a result of restrictions imposed to increase competition and Repsol YPF's market share in both countries.

Spain. Repsol YPF's marketing strategy in Spain is to increase the number of points of sale with "strong links", meaning those points of sale affiliated under long-term commercial contracts or other types of contractual relationships that secure a more permanent linkage, or that are operated by Repsol YPF. Repsol YPF's strategy also includes increasing its margin through the sales of products other than gas, increasing the loyalty of its customers and retaining the Campsa, Petronor and Repsol brand names, thereby differentiating its products in Spain by positioning each brand individually.

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

	Points of sale by brand
Points of sale	
Campsa	1,707
Repsol	1,496
Petronor	420
No brand	30
Total	3,653⁽¹⁾

- (1) 10 points of sale were under construction.

In Spain, at December 31, 2002, Repsol YPF had “strong links” with 2,871 of its points of sale (of which 945 were operated by Repsol YPF), representing 78.6% of its points of sale, which reflects the high degree of connection within Repsol YPF’s point of sales network. The remaining 21.4% of Repsol YPF’s points of sale were flagged. Repsol YPF operates 25.9% of its total points of sale in Spain.

Repsol YPF supplies oil products not only through its own sales network, but also through other operators. Repsol YPF believes that its network of refineries in Spain positions it to be a competitive supplier of oil products to other operators.

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

The Repsol Supercor Service Stations are specially designed and feature the sale of a wide variety of consumer goods in addition to gasoline. At December 31, 2002 Repsol YPF owned 26 of the 28 stations operated by Gespevesa, which are located principally in Madrid, Barcelona and Málaga.

The Repsol YPF VISA card, launched in November 1998, is the first of its type to be issued by an oil company in Spain and provides special advantages to its holders, including cash-back for purchases of fuel, services and other products at Repsol, Campsa and Petronor service stations belonging to the Solred Network. The card also provides discounts on all services and purchases made at other commercial establishments. BBVA and La Caixa provided support for the launching of Repsol YPF VISA. In 2000, the Solred R.A.C.E Card was launched, providing special advantages for members of a number of clubs and corporate clients.

Repsol YPF believes that, as of December 31, 2002, its competitors in Spain with local refining capacity (Cepsa Elf and B.P. Oil España) owned approximately 27.5% of the points of sale of the Spanish market. Repsol YPF estimates that, as of December 31, 2002, approximately 2,573 service stations are owned or are flagged by companies that do not own refineries in Spain, compared to 2,446 at December 31, 2001 and 2,371 at December 31, 2000.

Among the measures adopted by the Royal Decree Law 6/2000 are the requirement to inform the Ministry of Economy of the current sale prices at the service station’s network and the prohibition to open new points of sale for a period of five years for those wholesale distributors with a market share larger than 30% (three years in the case of wholesale distributors with a market share between 15% and 30%). Repsol YPF’s service stations currently represent 42.5% of the total number of service stations in Spain. Repsol YPF will, therefore, focus on improving the quality of service stations within its network in Spain and on increasing the proportion of stations in its network in Spain that it operates directly. Repsol YPF expects that its market share of service stations in Spain will gradually decline until 2005 and that its sales of gasoline in Spain will not increase materially prior to June 2005. The measures of Royal Decree Law 6/2000 also facilitate the installation of new service stations in large commercial establishments.

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

Argentina. Repsol YPF’s presence in Argentina consists of service stations under the YPF brand. At December 31, 2002 YPF had 1,908 points of sale, of which 133 were directly owned by YPF, 25 were leased to ACA (Argentinean Automobile Club) (Automóvil Club Argentino) and the remainder are affiliated service stations. OPESSA (a 100% subsidiary of Repsol YPF) operates 131 of these, 106 of those directly owned and 25 leased to ACA. 27 of the directly owned stations are operated by third parties.

Additionally, Repsol YPF holds a 50% stake in Refinor through YPF. At December 31, 2002, Refinor had a network of 64 points of sale, of which it operated 13. Repsol YPF estimates that as of December 31, 2002 YPF’s points of sale

together accounted for 28.9% of the Argentine market. In Argentina, Shell, Petrobras, and Esso are Repsol YPF's main competitors, with approximately 15.9%, 11.6% and 12%, respectively, of the points of sale in Argentina.

Peru. Through Repsol Comercial SAC, Repsol YPF's network at December 31, 2002 consisted of 124 points of sale, 81 of which were directly owned and 58 directly operated.

Ecuador. Through Repsol YPF Comercial del Ecuador, Repsol YPF's network at December 31, 2002 consisted of 123 points of sale, 58 of which were directly owned and 21 were directly operated.

Chile. Repsol YPF Chile at December 31, 2002 operated a network of 172 points of sale, 103 of which were "strongly-linked", 30 of which were directly owned, 73 of which were leased and 69 of which were affiliated. OPESA (100% owned by Repsol YPF Chile) directly operated 30 of them, 15 of which were directly owned and 15 of which were leased.

Brazil. Repsol YPF Brazil's network consisted at December 31, 2002 of 487 points of sale (including those swapped with Petrobras), 41 of which were directly owned and directly operated.

In 2001, pursuant to the swap agreement with Petrobras, Repsol YPF received a network of 240 service stations with estimated annual sales of 480 million litres of gasoline and products in central, southeast and southern Brazil, making Repsol YPF a vertically-integrated oil company in the country.

Europe. As of December 31, 2002, Repsol YPF has 109 points of sale in Portugal (87 owned, 24 flagged) 38 of which were directly operated through GESPOST, a wholly-owned subsidiary of Repsol Portugal.

Repsol YPF's total refining and marketing investment outlay for 2002 was €584 million. Repsol YPF also invested significant amounts to increase the number of strongly-linked service stations in its network and to construct new service stations. Repsol YPF intends to continue investing to improve its connection within the service stations network and to increase the number of stations it directly operates.

Other Petroleum Markets. Repsol YPF also sells petroleum products to the industrial, marine and aviation markets. Products sold in these markets include diesel fuel, kerosene, fuel oil, lubricants, asphalt, petroleum coke and other derivative products.

Starting with fiscal 2002, the lubricants, derivatives and asphalts activities will operate as one worldwide business unit. Effective January 2, 2002, the three entities responsible for these activities, Repsol Distribución, Repsol Derivados and Repsol Productos Astálticos, has been merged into a new entity denominated Repsol YPF Lubricantes y Especialidades, S.A. Repsol YPF believes that this new structure, which incorporates the European and Latin American businesses, will facilitate the management of these operations, also contributing to a more streamlined corporate structure.

Repsol YPF, through Repsol Petróleo, holds a 50% interest in Asfaltos Españoles, S.A. (ASESA), a company that produces asphalt. Repsol YPF also has a 100% interest in each of Repsol YPF Lubricantes y Especialidades, S.A. (formerly Repsol Productos Asfálticos) and 100% of Asfalnor (through Petronor), both of which distribute and market asphalt products. In Portugal, the sale and marketing of asphalt is made through Repsol Portugal.

LPG

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

	2002	2001	2000
	(thousands of tonnes)		
Sales volume of LPG⁽¹⁾			
Spain.. .. .	2,030	2,102	2,247
Argentina	342	363	391
Rest of Latin America	783	696	509
Rest of the World	81	84	83
Total	3,236	3,245	3,230
	2002	2001	2000
	(thousands of tonnes)		
Sales volume of LPG⁽¹⁾			
Bottled	2,273	2,298	2,289
Bulk, pipeline and other ⁽²⁾	963	947	941
Total	3,236	3,245	3,230

(1) Includes sales to related distribution companies.

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

Repsol YPF is reorganising its international LPG activities transferring all of its share holding interests in LPG activities to Repsol Butano, which will oversee these activities. The purpose of this reorganisation is to centralise the management of LPG's activities, maximising existing synergies and optimising the transfer of technology among the different units. As of the end of 2002, our LPG retail operations in Argentina, Bolivia, Chile, Ecuador, France, Peru and Morocco had been integrated into Repsol Butano. During 2003 we will incorporate the LPG operations of Repsol Portugal, which were spun off in 2002 into Repsol Butano.

Spain. Repsol YPF's LPG distribution activities are conducted by Repsol Butano, which has been distributing LPG to Spanish household and industrial users for over 40 years and is currently the largest wholesaler and retailer of LPG in Spain. Repsol Butano supplies bottled LPG to more than 11 million customers in Spain, accounting for virtually all of the domestic market. While the vast majority of its sales of bottled LPG are to the household market, it also sells LPG in bulk form (by truck and pipeline) to industrial, commercial and household customers for use as a fuel.

LPG bottling takes place at Repsol Butano's 20 plants located throughout Spain. After LPG is bottled at a plant, it is delivered to Repsol Butano's network of approximately 780 bottled gas distribution agents. The distribution agents deliver LPG to retail customers at home. Repsol Butano has approximately 38 million bottles for the storage and delivery of LPG in circulation.

Bottled LPG is used almost exclusively as a household fuel for cooking, water heaters and, in some cases, heating. The growth of the Spanish economy, with significant increases in residential housing and family income, combined with limited availability of natural gas in some parts of Spain, has allowed Repsol Butano to become the largest bottled LPG distributor in Europe in terms of revenues and volume. Bottled LPG accounted for 70.7% of Repsol Butano's total sales by volume in 2002.

Approximately 29.3% of Repsol Butano's sales in 2002 consisted of bulk LPG. Bulk LPG is used as fuel in the agricultural, industrial and household markets and for transportation. Repsol Butano sells most bulk LPG directly to end users. Bulk LPG is used as an industrial fuel principally by ceramic and glass manufacturers and the farming industry. Bulk LPG is used in the household market, particularly in multiple unit dwellings, for the same uses as

bottled LPG. Most bulk LPG is delivered by tanker trucks. Repsol Butano has begun, however, to distribute LPG via pipelines connected to industrial and household users and believes that such distribution may be an important intermediate step between the bottled LPG market and the natural gas market of the future.

Repsol Butano sold 2.0 million tonnes of LPG in 2002, compared to 2.1 million tonnes in 2001 and 2.3 million tonnes in 2000. In 2002, approximately 49.5% of Repsol Butano's supply of raw material was obtained from Spanish refineries, with the remainder purchased from sources located in the North Sea and Algeria.

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

In October 2000 the Spanish government established a system to determine maximum retail prices of bottled LPG exceeding eight kilograms by reference to a maximum price, set every April and October by the Spanish government on the basis of international prices of LPG during the previous 12 months, and a maximum markup that may be charged over such reference price, which is reviewed annually by the Spanish government. This system has been favorable to Repsol YPF in 2002 because such maximum price has been calculated based on an estimated average price of raw materials of €285 per tonne, as compared to an actual average price of €262 per tonne. Prices of raw materials in the international markets have been, for the first eight months of 2002, lower than the price factored in the calculation for such maximum price, and since September 2002, higher than such reference price, peaking in November 2002 at a price which was €86 per tonne higher than the price factored in the calculation. In April 2002, the Spanish government increased the markup that may be charged over the reference price and which was set in October 2000, by 12.9% to €0.317624/kg.

Argentina. YPF is the largest producer of LPG in Argentina, with total production of 600,000 tonnes in 2002, which represents 28% of total LPG production in Argentina.

On January 1, 2001, the merger of YPF Gas and Repsol Gas that created Repsol YPF Gas S.A. became effective. The predecessor companies had worked together in many aspects since 1999. Repsol YPF holds a 85% interest in Repsol YPF Gas S.A. through Repsol Butano, S.A. and Pluspetrol holds the remaining 15%. Repsol YPF Gas distributed 342,300 tonnes of LPG to the retail market in Argentina in 2002.

Bolivia. In September 2001, Repsol YPF formed a joint venture with SAMO, the first private company in the LPG market, called Repsol YPF Gas de Bolivia. Repsol YPF has a 51% stake in, and control of Repsol YPF Gas de Bolivia. In January 2002, Repsol YPF Gas de Bolivia was transferred from Repsol YPF Bolivia, S.A. to Repsol Butano, S.A. The sales of Repsol YPF Gas de Bolivia in 2002 were approximately 152,000 tonnes of LPG, which would be equivalent to a market share of 44.5%.

Chile. In November 2000, Repsol YPF closed an agreement to acquire 45% of the capital stock of Lipigas Group, leader in the Chilean market, for \$170 million, with an option, valid from 2003 until 2005, to acquire an additional 10%. If Repsol YPF exercises its option to acquire a further 10% interest, the sellers will have a three-year put option to sell the remaining 45%. The shareholders agreement signed with the other partners in the acquisition provides for a shared operating control of the company. On March 21, 2002, Repsol YPF's 45% interest was transferred to Repsol Butano, S.A. Lipigas had annual sales of 370,000 tonnes in 2002, which amounts to a 36.5% market share.

Peru. Repsol YPF owns 100% of Repsol YPF Comercial del Perú (formerly Solgas), a company that had a 27.5% share of the Peruvian LPG market and total sales of 183,000 tonnes in 2002. In 2002, Repsol YPF Comercial del Perú was transferred to Repsol Butano.

Ecuador. In July 1998, Repsol YPF acquired a 75% stake in Duragas, a company which markets LPG in Ecuador, for a total of US\$26.2 million. In April 2001, Repsol YPF acquired the remaining 25% stake in Duragas for a total of €5.9 million. Duragas had sales of 282,000 tonnes of LPG in 2002 and is a leading participant in Ecuador's LPG distribution market with a 40.0% market share. In January 2002, Duragas and its subsidiaries were transferred to Repsol Butano.

Other Markets. Repsol YPF has extended its distribution of LPG to Portugal and France through the same marketing strategies, including home service, that are used by Repsol Butano in Spain. Repsol YPF is also active in Morocco, where in July 1998 it acquired 100% of National Gaz of Morocco, a company engaged in the distribution of LPG. Total annual sales in these countries were 80,000 tonnes of LPG in 2002.

Chemicals

In 2002, Chemicals generated operating income of €97 million, following operating losses of €55 million in 2001.

Repsol YPF leads the Spanish market in basic and derivative petrochemical products, polymers, intermediate products and rubber. Repsol YPF's most significant production facilities are located in Spain (the Puertollano and Tarragona complexes) and Argentina (the La Plata and Bahía Blanca complexes). The Chemicals division of Repsol YPF is responsible for management, feedstock, distribution and marketing, principally in Europe and the Mercosur region. Most of these units are in the same industrial complexes as Repsol YPF's refineries, allowing for a high degree of integration between both businesses.

The following table shows the production capacity for the main products of basic and derived petrochemicals at December 31, 2002:

	<u>Europe</u>	<u>Latin America</u>
	(thousands of tonnes)	
Production capacity		
Basic petrochemicals		
Ethylene	910	–
Propylene	625	175
Butadiene	152	–
Benzene	275	–
BTX (Benzene, Toluene, Mixed Xylenes)	–	244
Derivative petrochemicals		
Polyolefins		
Polyethylene	580 ⁽¹⁾	–
Polypropylene.. .. .	440	85
Intermediate Products		
Propylene oxide, Polyols, Glycols and Styrene Monomer	995	–
Acrylonitrile/MMA	166	–
Rubber	54	45
Others ⁽²⁾	78	–
Industrial Products		
Ortho/Paraxylene	–	63
Ammonia/Urea	–	850
Methanol	–	411
Others ⁽³⁾	–	295

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

(2) Includes styrene derivatives, PMMA (polymethyl methacrylate) and fine chemicals.

(3) Includes oxo-alcohols, maleic anhydride, solvents, cyclohexane, LAB (lineal alkyl benzene), linear alkyl benzene sulphonate, PIB (polyisobutylene) and others.

The table below presents Repsol YPF's sales in 2002, 2001 and 2000 of petrochemical products:

	2002	2001	2000
	(thousands of tonnes per year)		
Petrochemical sales by type of product			
Basic petrochemicals	723	712	818
Derivative petrochemicals	2,803	2,663	1,994
Total	<u>3,526</u>	<u>3,375</u>	<u>2,812</u>
Petrochemical sales by region			
Spain	1,257	1,148	1,111
Argentina	539	632	393
Other	1,730	1,595	1,308
Total	<u>3,526</u>	<u>3,375</u>	<u>2,812</u>

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

- *Polidux*, a wholly-owned subsidiary of Repsol YPF, is located in Monzón, Huesca, Spain. Polidux produces and markets styrene derivatives and polyolefin compounds;
- *Repsol Polivar*, operating in Italy, and *Repsol Brønderslev*, operating in Denmark, are also wholly-owned subsidiaries of Repsol YPF. These two companies produce PMMA (polymethyl methacrylate) products;
- *Profertil*, a 50% subsidiary of Repsol YPF, produces urea and ammonia. Profertil's total annual capacity is 1,024 thousands of tonnes of urea and 676 thousands of tonnes of ammonia. Repsol YPF is Profertil's principal supplier of natural gas, supplying approximately 50% of Profertil's feedstock;
- *General Química*, a wholly-owned subsidiary of Repsol YPF, focuses on the production of, among other things, rubber chemicals and rubber additives agrochemicals and organic dyes. General Química's operations are located in Álava, Spain;
- *Dynasol*, a 50% subsidiary of Repsol YPF, is a joint venture with the Mexican Group DESC in which both companies share rubber production assets;
- *Petroken*, a 50% subsidiary of Repsol YPF, produces polypropylene in Argentina. Petroken's total annual capacity is 170 thousands of tonnes. Repsol YPF has a long-term raw material supply contract with Petroken and is currently Petroken's principal supplier of propylene; and
- *PBBPolisur*: PBB (Petroquímica Bahía Blanca) and Polisur Companies merged on September 3, 2001, to form a new company named PBBPolisur, in which Repsol YPF has a 28% interest. PBBPolisur is leader in the production of ethylene and polyethylenes in Argentina with an annual production capacity of 700 thousands of tonnes of ethylene and 600 thousands of tonnes of polyethylenes. Ethylene is produced in an ethane based cracker, being Mega (a 38% subsidiary of YPF) the main supplier.

Basic Petrochemicals

Repsol YPF's basic petrochemical production is focused on obtaining olefins and aromatics, with an annual capacity of 910,000 tonnes of ethylene in olefins and 519,000 tonnes of aromatics.

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

Repsol YPF's basic and derivative petrochemicals operations are also well integrated.

Repsol YPF's sales of basic petrochemical products increased from 712 thousand tonnes in 2001 to 723 thousand tonnes in 2002, of which 107 thousand tonnes were sold in Spain, 171 thousand tonnes were sold in Argentina and 445 thousand tonnes were sold in other markets. By type of process, 2002 petrochemical sales can be broken down as 450 thousand tonnes of basic petrochemical products obtained by olefin cracker and fluid catalytic cracking refining units and 273 thousand tonnes obtained by aromatics extraction.

Derivative Petrochemicals

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

Polyolefins include a wide variety of plastics which are produced principally in Spain at the Tarragona and Puertollano complexes. In Argentina, Repsol YPF has a 50% stake in the production of Petroken at the La Plata complex.

Intermediate products include a wide variety of petrochemical products, such as styrene, propylene oxide, glycols, polyols, acrylonitrile, rubber, pigments and organic dyes.

Industrial products include a varied group of feedstocks for chemical, industrial, manufacturing and agricultural activities. Industrial products are used in the production of, among other things, solvents, lubricant oils and detergents. Several examples of industrial products which Repsol YPF produces are oxo-alcohols, xylenes, linear alkylbenzene, urea and methanol. Industrial products are produced in Argentina at the La Plata, Bahía Blanca and Plaza Huincul facilities.

Derivative products present a high integration, not only with basic petrochemicals, but also with upstream activities, as evidenced, for instance, by the integration of the ammonia/urea and methonal plants which use natural gas as raw material.

Repsol YPF markets its derivative petrochemical products through a commercial network divided into five regions, the Atlantic, Mediterranean, Northern Europe, Southern Europe and South America regions. Repsol YPF also markets derivative petrochemical products in other regions through sales offices and agents.

Derivative petrochemical products sales in 2002 were 2,803 thousand tonnes, of which 1,150 thousand tonnes were sold in Spain, 368 thousand tonnes in Argentina and 1,285 thousand tonnes in other markets.

Repsol YPF's strategy for petrochemicals is to pursue growth in core strategic areas with the objective of creating a balanced portfolio only made up of those projects capable of adding significant value, further reducing operating costs and maintaining its operating excellence.

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

- Ownership of competitive technology or know-how;
- Integration with its downstream and upstream activities;
- Strong regional leadership; and
- Cost leadership.

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

In this context, during 2000, Repsol YPF commenced operations of the propylene oxide/styrene and derivative complex in Tarragona, Spain, using state-of-the-art technology owned by Repsol YPF, available to only two other companies in the world. The undertaking of this project is in keeping with the strategy of commensurate growth in

those businesses with more added value, integrating them with other business units and giving value to proprietary technology.

In 2001, the Bahía Blanca plant, which produces ammonia and urea, started operations in Argentina as a 50/50 joint venture between Repsol YPF and Agrium, a worldwide leader in fertilizers. This plant and the methanol unit in Plaza Huincul's refinery, which use natural gas as raw material and make possible the monetisation of reserves, are examples of integration between the petrochemical and upstream units. Repsol YPF obtains other important synergies from the latter plant's location at Plaza Huincul's refinery.

Consistent with our leadership in costs and operating excellence, Repsol YPF has taken advantage of the scheduled maintenance turnaround of the Tarragona cracker to improve its selectivity, thereby increasing its capacity for ethylene and propylene and reducing its operating costs through a low investment.

Gas and Electricity

Gas and Electricity activities contributed 19% of the operating income of Repsol YPF for 2002, 21.6% for 2001, and 16.1% for 2000.

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

In April 2002, Repsol YPF unveiled plans to restructure its gas and electricity business. From an operational point of view, the downstream business of Gas and Electricity (including electricity generation and natural gas distribution) would be integrated under Gas Natural, the upstream business of Gas and Electricity would remain under Repsol YPF and the midstream business would be carried out by a joint venture between Gas Natural and Repsol YPF. From an organisational point of view, the vice-presidency of Gas and Electricity has disappeared and its functions have been assumed by the Chief Operating Officer (formerly known as Corporate Vice-president).

In May 2002, Repsol YPF sold 23% of Gas Natural. Since then, Repsol YPF consolidates its remaining 24.04% interest in Gas Natural by the proportional integration method. Repsol YPF began implementing the restructuring of the gas and electricity business in 2002 and has continued through the first months of 2003. Repsol YPF is currently completing an asset restructuring under which Repsol YPF became the owner of 30% of BPTT, 100% owner of the Trinidad and Tobago gas reserves, and Gas Natural will carry out the electricity business.

Repsol YPF and Gas Natural are cooperating to coordinate the "midstream" business through the creation of separate legal entities for those activities that require a separate corporate entity (e.g., integrated projects) or through specific collaboration agreements where mutual assistance and cooperation in carrying out midstream activities can give rise to synergies and other benefits for both parties. Repsol YPF and Gas Natural believe that this is the approach that provides the greatest operating flexibility and transparency to markets.

Natural Gas

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

	2002	2001	2000
	(billions of cubic metres)		
Natural gas sales by market⁽¹⁾			
Household/commercial	5.38	5.23	4.95
Industrial	14.20	14.68	14.29
Thermal plants	1.99	1.03	0.80
Other	5.30	2.83	2.52
Total	26.87	23.77	22.57

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

	2002	2001	2000
	(billions of cubic metres)		
Natural gas sales by region⁽¹⁾			
Spain	18.52	16.92	16.32
Argentina	2.22	2.26	2.48
Rest of Latin America	4.45	3.48	2.83
Rest of the World	1.68	1.10	0.94
Total	26.87	23.77	22.57

(1) Table includes 100% of sales volumes reported by Gas Natural. Since January 1, 2002, Gas Natural reports 100% of the natural gas sales volumes of each of its consolidated subsidiaries, regardless of Gas Natural's stake in such subsidiaries. In prior years, Gas Natural reported the natural gas sales volumes of each of its consolidated subsidiaries based on the consolidation method (global integration or proportional) used to account for each such subsidiary. Since January 1, 2002, Metrogas is accounted for by Repsol YPF under the equity method. In prior years, Metrogas was consolidated by Repsol YPF using the proportional integration method. For comparison and uniformity purposes, 2001 and 2000 natural gas sales volumes have been restated to reflect these reporting changes.

Argentina. Repsol YPF sells approximately 44% of its natural gas production to distribution companies, 41% to industrial clients and electric generators and the remaining 15% is exported, principally to Brazil and Chile. The largest part of Repsol YPF's proven natural gas reserves is located in the Neuquén basin, close to the Buenos Aires market.

Repsol YPF also participates in the distribution of natural gas in Buenos Aires through Metrogas (a subsidiary of YPF) and Gas Natural BAN (a subsidiary of Gas Natural), two of the largest natural gas distributors in Argentina. Since January 1, 2002, Metrogas is consolidated using the equity method.

Natural gas market in Argentina. In 2002, Repsol YPF's natural gas sales were 51.1 million cubic metres per day, a 0.2% increase from 51.0 million cubic metres per day in 2001. Natural gas sales in 2002 and 2001 include export sales volumes to Brazil and Chile, which amounted to 7.8 and 7.9 million cubic metres per day in 2002 and 2001, respectively.

Between 1980 (13,466 million cubic metres) and 2002 (45,770 million cubic metres), natural gas production in Argentina grew significantly, increasing 240% at an annual average rate of 5%. This growth is partially due to the increase in customers in Argentina connected to the distribution systems from 2.5 million to 6.0 million, as well as a higher rate of consumption per client and exports of gas, and the installation of gas fired power generators (combined cycles).

Approximately 74% of YPF's proved natural gas net reserves in Argentina are located in the Neuquén basin, which is strategically located in relation to the principal market of Buenos Aires and is supported by sufficient pipeline capacity during most of the year. Accordingly, Repsol YPF believes that natural gas from this region has a competitive advantage compared to natural gas from other regions. In the past, the capacity of the natural gas

pipelines in Argentina has proven to be inadequate at times to meet peak-day winter demand, and there is no significant storage capacity in Argentina. During the last 10 years, local pipeline companies added approximately 2,000 million cubic feet per day of new capacity. These additions have improved the ability to satisfy peak-day winter demand, directly benefiting Repsol YPF.

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

- The sale of natural gas to the Methanex Plant (methanol producer) located in Cabo Negro-Punta Arenas in Chile, with an annual supply of 95 million cubic feet of gas per day in 2002;
- The supply of approximately 39 million cubic feet of gas per day in 2002 to electric companies in the Santiago (Chile) area through the gas pipeline Gas Andes;
- A 10% interest in the gas pipeline Gasoducto del Pacífico, a project that allows Repsol YPF to supply Chile with gas from the Neuquén basin. In 2002, Repsol YPF supplied an average of 28 million cubic feet of gas per day through this pipeline;
- The supply of gas from the northeast basin to electric companies in the north of Chile, through the gas pipeline of Gas Atacama and Norandino, which during 2002 reached an average of 101 million cubic feet of gas per day in 2002;
- The supply in 2002 of an average of 46 million cubic feet per day to the thermal power plant of Uruguayana (Brazil);
- The Diadema underground gas storage in the San Jorge Gulf basin, with an average deliverability of 18 million cubic feet of gas per day to supply gas to Profertil; and
- A new underground gas storage project in Mendoza, named Lunlunta Carrizal, with an estimated deliverability of 35 million cubic feet per day.

Natural gas distribution in Argentina. Gas Natural has a 72% participation in the Invergas consortium, which holds, together with Gas Natural Argentina, 70% of Gas Natural BAN. Gas Natural BAN, which distributes natural gas in northern Buenos Aires, is one of the main natural gas distributors in Argentina. In 2002, Gas Natural BAN sold approximately 2.22 billion cubic metres of natural gas to 1.2 million customers in Buenos Aires, compared to 2.26 billion cubic metres to 1.2 million customers in 2001 and 2.48 billion cubic metres to 1.2 million customers in 2000.

YPF holds a 45.3% stake in GASA (which Repsol YPF consolidated using the equity method), which in turn holds a 70% stake in Metrogas, a natural gas distributor in southern Buenos Aires as well as one of the main distributors in Argentina. During 2002, Metrogas distributed approximately 5.49 billion cubic metres of natural gas to 1.9 million customers. In 2001, Metrogas sold 6.12 billion cubic metres of gas to 1.9 million customers.

Brazil. In Brazil, Gas Natural distributes natural gas in the metropolitan area and throughout the state of Rio de Janeiro. On April 16, 2000, Gas Natural was awarded a gas distribution concession in São Paulo state, which has an area of 53,000 square kilometres and population of 2.5 million people. The concession area covers 93 municipalities, four of which have more than 100,000 inhabitants. It also has more than 6,000 industries which have potential consumption of approximately 807,000 cubic metres of natural gas per day. This new concession enhances Gas Natural's presence in Brazil, where Gas Natural started operations in July 1997 as operator for Companhia Distribuidora de Gas do Rio de Janeiro CEG and CEG RIO (formerly Riogas). In 2002, it sold approximately 2.57 billion cubic metres of natural gas to 0.6 million customers.

In July 2001, Gas Natural and Iberdrola signed an agreement involving Iberdrola's interests in CEG (Brazil), CEG Rio (Brazil) and Gas Natural ESP (Colombia), and Gas Natural's participation in Gas Natural Mexico. Pursuant to this agreement, Gas Natural acquired in March 2002 an additional 9.9% interest in CEG, 13.1% in CEG Rio and 14.6% in Gas Natural ESP, and sold a 13.25% interest in Gas Natural México.

The agreement signed with Iberdrola increased Gas Natural's interests in CEG to 28.8% from 18.9% and in CEG Rio to 38.3% from 25.1%.

Colombia. Through Gas Natural ESP, Gas Natural distributes natural gas in the capital city, Santa Fé de Bogotá as well as, after the acquisition of Gasorient, in the eastern region of Colombia. Additionally, in 1998, a consortium in which Gas Natural participates obtained a concession to distribute natural gas in the Cundi-Boyacensean area, located northeast of Bogotá. In 2002, Gas Natural sold in Colombia approximately 0.64 billion cubic metres of natural gas to 1.3 million customers.

The agreement signed with Iberdrola increased Gas Natural's interest in Gas Natural ESP to 59.1% from 44.3%.

Mexico

In March 1998, Gas Natural México was awarded a concession to distribute natural gas in Monterrey, one of the largest consumers of natural gas in Latin America with a total population of more than six million inhabitants. In addition to natural gas distribution in Monterrey, Gas Natural México currently distributes natural gas in the cities of Toluca, Nuevo Laredo and Saltillo. In 1998, Gas Natural México obtained the concession for distribution of natural gas in the state of Guanajuato, which has a population of more than two million people. In December 1999, Gas Natural México was awarded the concession for the distribution of natural gas in the El Bajío Norte region which includes the states of Aguascalientes, Zacatecas and San Luis de Potosí, with a combined population of about two million people. With the acquisition of Metrogas during the year 2000, Gas Natural México now distributes gas in Mexico City. In 2002, Gas Natural México sold approximately 1.24 billion cubic metres of natural gas to 0.8 million customers, compared to 0.98 billion cubic metres of natural gas to 0.7 million customers in 2001.

The agreement signed with Iberdrola reduced Gas Natural's interest in Gas Natural México to 86.75% from 100%.

Spain

In May 2002, Repsol YPF sold 23% of Gas Natural SDG, S.A. for approximately €2,008 million, representing capital gains of approximately €1,097 million. After the sale, Repsol YPF holds a 24.04% interest in Gas Natural. Gas Natural is Spain's largest natural gas distributor in terms of revenues and volume. Gas Natural's main activity is the distribution of natural gas to the residential and commercial sector as well as the industrial and electricity sectors. It supplies natural gas to Madrid and Barcelona and, through its holdings in 10 regional distributors, to nearly all of Spain. Repsol YPF estimates that Gas Natural has an approximate 72% market share of the Spanish market. On May 16, 2002, in connection with the sale of 23% of Gas Natural, Repsol YPF and La Caixa d'Estalvis i Pensions de Barcelona, which has a holding of 28.68% in Gas Natural, amended their January 11, 2000 shareholders' agreement with respect to Gas Natural through the execution of a Novation Agreement. On December 16, 2002, Repsol YPF and La Caixa further amended the shareholders' agreement through an Addendum to the Novation Agreement, pursuant to which they agreed as follows:

- Repsol YPF and La Caixa will jointly control Gas Natural in accordance with principles of transparency, independence and professional diligence;
- Repsol YPF and La Caixa will each have the right to nominate five directors out of the 16 directors that compose the Gas Natural Board of Directors. Repsol YPF and La Caixa will vote in favor of each other's nominees. The remaining directors will be independent directors;
- La Caixa will nominate the Chairman of the Board of Directors of Gas Natural and Repsol YPF will nominate the Managing Director. Repsol YPF's and La Caixa's directors will vote in favor of each other's nominees for these positions; and
- The Executive Committee of the Board of Directors of Gas Natural will be composed of six members, consisting of two members nominated by each of Repsol YPF and La Caixa out of the directors they respectively nominated to the Board of Directors of Gas Natural, including the Chairman of the Board of Directors and the Managing Director.

This new agreement will remain effective for as long as both parties hold a minimum participation in Gas Natural of 15%.

As a result of the original shareholders' agreement, Repsol YPF consolidated the results of Gas Natural with its own since January 1, 2000. As of the end of May 2002, Gas Natural is accounted for under the proportional integration method. Repsol YPF believes that the agreement will result in increased flexibility for Repsol YPF to integrate its operations with those of Gas Natural, and thus represents an important step in Repsol YPF's strategy of integrating the gas-electricity chain and strengthening its financial situation.

On June 20, 2003, Repsol YPF and La Caixa further amended their shareholders' agreement with respect to Gas Natural, dated January 11, 2000, through a Second Addendum to the Novation Agreement of May 16, 2002 (as first amended by an Addendum dated December 16, 2002). Pursuant to this Second Addendum, Repsol YPF and La Caixa agreed as follows:

- To increase the number of members of the Board of Directors of Gas Natural to 17 members (six of whom will remain independent) and to include as a member Caixa de Catalunya, which holds, jointly with HISUSA Holding de Infraestructuras y Servicios Urbanos, S.A., an 8% interest in Gas Natural;
- To propose at the Gas Natural annual general shareholders' meeting the appointment of Enrique Locutura Rupérez, Corporate Director of Repsol YPF, to the Board of Directors of Gas Natural, with a view to his later appointment as CEO of Gas Natural;
- To jointly agree, prior to its submission to the Board of Directors of Gas Natural, (i) the strategic plan of Gas Natural, which will include all decisions affecting the strategy of Gas Natural; (ii) the corporate structure of Gas Natural; (iii) the annual budget of Gas Natural; (iv) any business combinations and (v) any acquisition or disposal of strategic assets of Gas Natural; and
- To increase the number of members of the Executive Committee of the Board of Directors of Gas Natural to eight, consisting of three proposed by each of Repsol YPF and La Caixa and two independent directors.

As of September 30, 2003, Repsol YPF's interest in Gas Natural is approximately 27%.

Enagas owns most of the transportation and storage infrastructure in Spain. In June 2002, pursuant to the limitations on ownership of Enagas imposed by Royal Decree Law 6/2000, limiting any participation from any one group to 35%, Gas Natural sold 59.1% of Enagas in a secondary public offering for approximately €917 million (thereby reducing its interest in Enagas to 40.9%) and granted the underwriters of the institutional tranche of the offering the right to buy the additional 5.9% that makes up the 65% interest that must be sold (a "green shoe" option). Repsol YPF's share in the sale proceeds amounted to approximately €221 million, representing capital gains of approximately €97 million. The "green shoe" option on the remaining 5.9% interest in Enagas that Gas Natural must sell to comply with Royal Decree Law 6/2000 expired unexercised in July 2002. Gas Natural must sell an additional 5.9% interest in Enagas to comply with regulatory requirements. During the first half of 2003 Gas Natural sold 1.348% of this interest. Gas Natural intends to sell its interest in excess of 35% when stock market conditions are favorable. Until such time, the voting rights for the shares representing that interest will remain suspended.

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

In 2002, Gas Natural sold approximately 18.52 billion cubic metres of natural gas to 4.2 million customers in Spain, compared to 16.92 billion cubic metres to 3.9 million customers in 2001, and 16.32 billion cubic metres to 3.6 million customers in 2000.

Gas Natural purchases its gas supplies mainly through take-or-pay purchase contracts for LNG with producers in Algeria, Libya and, since 1999, with Trinidad and Tobago and Nigeria, and also through purchases of natural gas from Algerian, Norwegian and Spanish fields. Approximately 51% of Gas Natural's natural gas purchases for Spain in 2002 were from Algeria.

Gas Natural is a party to a 25-year contract to purchase natural gas from Sonatrach, the Algerian state oil and gas company, at prices related to market prices in amounts ranging from 3.2 billion cubic metres in 1996 to 6.0 billion

cubic metres per annum from 2000 through 2020, principally on a take-or-pay basis. Gas Natural has also entered into a long-term contract with a Norwegian company for the supply of piped gas from the North Sea fields of Troll via Belgium and France through the Lacq-Calahorra pipeline. This contract expires in 2030.

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

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

Pursuant to Royal Decree Law 6/2000, 25% of the natural gas supplied by Sonatrach has been allocated for a period of three years (2001-2003) to natural gas marketers for resale to consumers in the unregulated market. The remaining 75% was allocated to Enagas for its supply to distributors that resell this natural gas to consumers at regulated tariffs. After this three-year period, the contract will be assigned preferably to Enagas, who will supply this natural gas first to consumers at regulated tariffs and any remainder will then be sold in the open market.

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

Trinidad and Tobago

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

In the first quarter of 2000 Atlantic LNG received approval from the Trinidad and Tobago government to expand operations, including installation of two additional gas liquification trains in which Repsol YPF holds a 25% stake. Train 2 and Train 3 started operations in 2002 and 2003 respectively. These two new facilities have a combined installed production capacity of almost 9 billion cubic metres per year, of which Repsol YPF has agreed to sell approximately 2.7 billion cubic metres per year pursuant to long-term gas contracts. These two facilities have increased Atlantic LNG's total annual LNG output to approximately 13.0 billion cubic metres per year. Upon completion of the Train 3 in April 2003, 6.5 billion cubic metres per year of LNG will be available to supply Spanish markets, 3.0 billion cubic metres of which will be directly acquired by Repsol YPF for the development of its electricity generation program, and 2.5 billion cubic metres for the conventional natural gas market. Finally, one billion cubic metres will be destined for the market of Gas de Euskadi. The estimated cost of building the two new trains is US\$1.1 billion.

A fourth train, with an estimated installed production capacity of 6.5 billion cubic metres per year, is currently being designed. We expect to complete the construction of this fourth train by the end of 2005 at an estimated cost of US\$1.2 billion.

Repsol YPF believes that one of the crucial advantages of the project in Trinidad and Tobago is its geographical location, which permits the supply under advantageous economic conditions of markets like the United

States, the Caribbean, northern Brazil and Europe, the latter through swap contracts with suppliers. Repsol YPF believes this will enable it to take advantages of price opportunities in the American market and to reduce transport costs, while covering the needs of the Spanish market from other sources.

In September 2003, Repsol YPF started supplying the United States. The company supplied its first cargo, coming from Train 3 of the Atlantic LNG and delivered to the reopened regasification plant in Cove Point, on the East Coast of the United States, to the Norwegian company Statoil.

Transport of LNG

Repsol YPF leased time charter tankers with a total capacity of 416,500 cubic metres for shipping LNG. In addition, Gas Natural leased time charter tankers for shipping LNG with a total capacity of 276,000 cubic metres.

Natural Gas Liquids

Argentina. Repsol YPF developed Mega, a project to increase its ability to separate liquid petroleum products from natural gas and expects to develop transport and distribution networks for these products. Mega allows Repsol YPF, through the fractioning of gas liquid to increase production at the Loma La Lata gas field by approximately 5.0 million cubic metres per day.

YPF owns a 38% interest in Mega, while Petrobras holds 34% and Dow Chemical 28%. Mega includes:

- A separation plant, located in Loma La Lata, in the Province of Neuquén;
- A natural gas liquids fractioning plant, that produces ethane, propane, butane and natural gasolines. This plant is located in the city of Bahía Blanca in the Province of Buenos Aires;
- A pipeline that links both plants and that transports natural gas liquids; and
- Transportation, storage and port facilities in the proximity of the fractioning plant.

Mega required an investment of approximately U.S. \$715 million and commenced operations at the beginning of 2001. Mega's maximum production capacity is 1.35 million annual tonnes of gasoline, LPG and ethane. Repsol YPF is Mega's main supplier of natural gas. The fractioning plant production is used in Repsol YPF petrochemical operations and also exported by tanker to Brazil.

Electricity

Spain. In January 1998, pursuant to the terms of an Industrial Agreement signed in 1997, Repsol YPF and Iberdrola, a Spanish electricity company, committed to form PIESA for the development of three co-generation facilities in Tarragona, La Coruña and Gajano (Santander), with a total capacity of 175 MW. In 2000, another co-generation facility, with 90 MW of capacity, started operations at the petrochemical facilities in Tarragona. The total capacity of these projects, added to the 330 MW already in existence at the refineries and petrochemical centers of Repsol YPF in Spain, brings total capacity to 595 MW. Construction of the Tarragona plant was completed during 2000, while the La Coruña plant and the Gajano plant were completed in 2001.

In April 1998, Repsol YPF jointly with Amoco Power Resources Holding II Ltd. (Amoco Power), Iberdrola and Ente Vasco de Energía (EVE) established two new companies, Bahía de Bizkaia Gas, S.L. (BBG) and Bahía de Bizkaia Electricidad, S.L. (BBE), in each of which Repsol YPF has a 25% stake, to build a regasification facility and 800 MW combined cycle plant (CCGT) in the port of Bilbao. During 1998, the two companies concluded their feasibility studies and began the engineering design for the two facilities. In 2000, the procurement, engineering and construction contracts were awarded and construction began. At the end of 2002, BBE had completed the construction of the combined cycle plant, which is currently in the start-up testing phase, and BBG was at a very advanced stage of construction of the regasification facility, which is starting operations in the second half of 2003.

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

In October 1998, Gas Natural and Endesa, S.A., a Spanish electricity company, reached a commercial agreement whereby Gas Natural will supply the natural gas required by Endesa for the development of its program for the construction of combined cycle power stations. In December 1999, both companies signed the contracts for the construction of four combined cycles, each one with a capacity of 400 MW. Two of these facilities are located in San Roque (Cádiz) and the other two in Sant Adrià del Besós (Barcelona). Once concluded, Gas Natural and Endesa will be owners of one combined cycle on each of the two locations, which will have operating and management independence from each other. The San Roque and Sant Adrià del Besós facilities started operations in March and August of 2002, respectively.

In 1999, Repsol YPF and BP reached two agreements under the strategic alliance signed between them in June 1998. The first agreement refers to the sale of up to 5 billion cubic metres of LNG from Trinidad and Tobago to Spain. The second agreement establishes the basis for the development of new power generation projects in Spain using natural gas. During 2001, Repsol YPF issued a tender for the engineering, procurement and construction of CCGT "Cartagena" and the offers received are currently being evaluated. Steps have been taken to obtain the necessary permits for the construction of the combined cycle plant with a capacity of 1,200 MW in Cartagena. Construction of this plant is scheduled to begin in 2003 and commercial operations are expected to start by the end of 2005, with an estimated total investment of €600 million. In April 2003 Repsol YPF and BP entered into an agreement for the sale of this combined cycle plant to Gas Natural. Simultaneously to this sale, Repsol YPF and Gas Natural have entered into an agreement for the supply of 2.1 billion cubic metres of gas per annum over a period of 20 years.

Argentina-Generation. Repsol YPF participates in four power stations with an aggregate installed capacity of 1,685 MW:

- Central Térmica Tucumán (410 MW combined cycle);
- Central Térmica San Miguel de Tucumán (370 MW combined cycle);
- Filo Morado (63 MW); and
- Central Dock Sud (775 MW combined cycle and 67 MW gas turbines).

In 2002, these plants sold altogether approximately 5,982 GWh.

In August 2002, Central Térmica San Miguel de Tucumán commenced commercial operations of the new combined cycle power plant (370 MW).

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

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

Argentina-Distribution. In May 2001, Repsol YPF completed the sale to EDF International of its stake in Edenor for \$195 million (€219 million). Repsol YPF reported an extraordinary capital gain of €124 million in connection with this sale. Repsol YPF no longer has electricity distribution operations in Argentina.

Environmental Matters

Repsol YPF's operations are subject to environmental protection laws and regulations of the European Union, Spain and its autonomous communities, Argentina and other countries in which the Repsol YPF's operations are located. These laws and regulations address the general impact of industrial operations on the environment, and focus

specifically on certain activities, including emissions and toxic waste disposal. Environmental violations may result in administrative, criminal and tort liabilities.

Environmental factors are an important consideration in planning, designing and operating all Repsol YPF facilities. To advance such interests, Repsol YPF created in 1996 an Environmental Management System (EMS) according to the guidelines of international standard ISO 14001. The goal of this system is to ensure that Repsol YPF complies with all pertinent environmental principles. An Environmental Committee, formed by top management representatives from the operating areas and the Director for Environmental affairs, formulates Repsol YPF's environmental policy and coordinates its implementation among the operating areas. Under the EMS, the operating units must obtain an ISO 14001 Certification for their environmental management systems. At December 31, 2002, eight refineries, 12 chemical plants and 19 Exploration and Production operations, covering almost all major industrial sites of Repsol YPF, were ISO 14001 certified.

Each of Repsol YPF's operating units conduct significant programs to ensure that their operations are carried out in an environmentally acceptable manner. In 2002, 2001 and 2000, Repsol YPF spent €74.8 million, €113 million and €113.9 million, respectively, on environmental programs that included improving effluent treatment equipment, increasing the capacity and efficiency of sulphur recovery units at Repsol YPF's refineries, energy saving and efficiency, reducing air emissions of pollutants from processing units, increasing the injection of produced water in upstream operations and reducing the release of volatile organic compounds when storing gasoline for motor vehicles and delivering it from terminal to service stations. In addition, Repsol YPF invested €74.7 million in 2002, improving and constructing new units in its refineries in order to comply with European Union fuel specifications. Repsol YPF is currently in compliance in all material respects with all Spanish, European Union and other applicable environmental regulations. The aforementioned data on environmental investments has been obtained using the American Petroleum Institute guidelines, adapted to the characteristics and technical criteria of Repsol YPF.

Some of the most relevant issues that could affect Repsol YPF's operations in the future relate to climate change, environmental quality of products and the Integrated Pollution Prevention and Control IPPC European Directive 96/61/EC. Regarding climate change issues, Spain is the only country in which Repsol YPF has significant operations which has a Greenhouse gas emissions cap set by the Kyoto Protocol. In Spain, Repsol YPF's refineries and cogeneration units with an installed capacity of greater than 20 MW are also affected by the European Commission proposal of an EU CO₂ Emission Trading Directive. Although there are still many regulatory uncertainties, Repsol YPF is developing a plan to address the requirements of the Protocol and the Directive proposal. Repsol YPF intends to take any necessary actions to comply with the new specifications set out in the agreement reached by the European Parliament and the European Council to amend the 98/70/CE Directive, and by Resolution SE 222/01 in Argentina. As for the IPPC Directive, Repsol YPF also intends to take any actions in the industrial sites covered or affected by the Directive.

Insurance

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

Description of Property

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

There are several classes of property which Repsol YPF does not own in fee. Repsol YPF's petroleum exploration and production rights are in general based on sovereign grants of a concession. Upon the expiration of the concession, the exploration and production assets of Repsol YPF associated with a particular property subject to the relevant concession revert to the sovereign. In addition, at December 31, 2002, Repsol YPF leased 2,124 service stations to third parties, 1,926 of which were located in Spain and 27 in Argentina, and 3,226 service stations are

owned by third parties and operated under a supply contract with Repsol YPF for the distribution of Repsol YPF products, of which 782 were located in Spain and 1,776 in Argentina.

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

Employees

As of December 31, 2002, Repsol YPF had 30,110 employees. The figures in the tables below at and for the years ended 2001 and 2000 include 100% of Gas Natural's employees at such dates and for such periods. The figures at December 31, 2002 include 24% of Gas Natural's employees at such date and the figures for the year ended December 31, 2002 include 100% of Gas Natural's employees through May 2002 and 24% thereafter.

The following tables provide a breakdown of Repsol YPF's employees by business segment as well as by geographic area, as of December 31, 2002, 2001 and 2000:

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Employees by business segment			
E&P	2,160	3,118	3,148
Refining and Marketing.. .. .	20,391	20,838	22,901
Chemicals	2,494	2,602	3,046
Gas and Electricity	1,508	6,849	6,598
Other Segments	3,557	2,045	1,501
Total	<u>30,110</u>	<u>35,452</u>	<u>37,194</u>
	<u>2002</u>	<u>2001</u>	<u>2000</u>
Employees by geographic area			
Spain	16,038	18,997	20,671
Rest of Europe	472	423	459
Latin America	13,350	14,796	14,640
North Africa and Middle East	96	173	348
Far East	5	918	938
Rest of the World	149	145	138
Total	<u>30,110</u>	<u>35,452</u>	<u>37,194</u>

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

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Employees by professional categories			
Officers	317	391	372
Middle management.. .. .	3,071	3,000	3,109
Technicians	10,387	12,930	12,123
Administrators	2,669	4,478	4,345
Operations staff and subordinates	16,158	16,711	17,438
Total	<u>32,602</u>	<u>37,510</u>	<u>37,387</u>

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

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Permanent and temporary employees			
Permanent	29,933	34,577	34,739
Temporary	2,669	2,933	2,648
Total	<u>32,602</u>	<u>37,510</u>	<u>37,387</u>

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

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

On December 31, 2001, the Second Master Agreement with the most important unions representing Repsol YPF employees in Spain expired. On April 11, 2002, negotiations for a new Master Agreement were suspended until the last quarter of 2002. In September 2002, negotiations were resumed and an agreement was reached to peg salaries to the wholesale price index. In February 2003, the Third Master Agreement was agreed for a term expiring in December 31, 2005. It is estimated that the Third Master Agreement will cover approximately 12,300 employees in Spain.

On December 31, 2002, the labour force adjustment plan affecting the employees not covered by collective bargaining agreement of eleven subsidiaries of Repsol YPF expired.

In Argentina, YPF has collective bargaining agreements covering 3,333 employees active in refining, production, service stations and LPG. With regard to refining, production and service stations, the collective bargaining agreement, which only applies to YPF, was successfully negotiated and executed in October of 2001, with a term expiring on December 31, 2004. The collective bargaining agreement covering LPG employees is binding on the various LPG companies and is negotiated by a commercial chamber representing all the incumbent companies with the participation of Repsol YPF Gas. The collective bargaining agreement was adopted on July 8, 2003 and will be effective until June 30, 2006. Repsol YPF believes that this agreement is characterised by its focus on cost control. With these agreements, Repsol YPF has achieved the objective of consolidating its labour relations.

YPF employees are primarily represented by the SUPEH (*Federación de Sindicatos Unidos Petroleros e Hidrocarbúricos*). Repsol YPF Gas' employees are primarily represented by the FASP and G.P. (*Federación Argentina Sindical del Petróleo y Gas Privados*).

The new government of Argentina enacted labour regulations pursuant to which employees terminated without cause within the first 180 days of 2002 would be entitled to twice the indemnification they would normally be entitled to by law. The application of these regulations, which aim to prevent further increases in unemployment, was extended until March 2003. With a view to mitigating the effects of the 41% surge in retail prices in Argentina, YPF agreed with the labour unions with which it negotiated the three collective bargaining agreements, a series of salary increases for many YPF employees.

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

	<u>2002</u>	<u>2001</u>	<u>2000</u>
	(millions of €)		
Labour-related costs			
Salaries	869	1,328	1,284
Benefits	292	404	364
Total	<u>1,161</u>	<u>1,732</u>	<u>1,648</u>
Average cost per employee (<i>thousands of €</i>)	35,584	46,173	44,079

Extraordinary expenses in connection with labour force restructuring were €54 million in 2002, €103 million in 2001 and €201 million in 2000. Repsol YPF recorded labor force restructuring provisions of €17 million, €65 million and €140 million and in 2002, 2001 and 2000, respectively.

Repsol YPF has defined contribution pension plans in place for employees of its principal operating subsidiaries, Repsol Petróleo, S.A., Repsol Comercial de Productos Petrolíferos, S.A., Repsol Exploración, S.A., Repsol Química, S.A., Repsol Butano, S.A. and Repsol YPF Lubricantes y Especialidades, S.A. Under Spanish law, participation in the plans is open to all employees and is subject to a maximum contribution.

In connection with the incorporation of RYLESA (resulting from the merger of Repsol Distribución S.A., Repsol Derivados S.A. and Repsol Productos Asfálticos S.A.), a new pension plan was set up in 2002 for all the employees of RYLESA which integrates and replaces the pension plans of Repsol Distribución and Repsol Derivados.

YPF also has a defined contribution pension plan for employees of its main subsidiaries (YPF, OPESSA, Repsol YPF Gas) under which YPF makes matching contributions up to a defined limit. Contributions to pension funds with insurance companies contracted under YPF's pension scheme have been suspended due to the impact of the Argentine economic crisis on the pension funds managed by such insurance companies. However, Repsol YPF is still making contributions and depositing salary withholdings in accounts held by Repsol YPF.

In 2002 and 2001, the total annual cost to Repsol YPF of maintaining these plans were €25 million and €26 million respectively.

Maxus Energy Corporation (a YPF subsidiary) has a number of trustee noncontributory pension plans covering substantially all full-time employees. The benefits provided by these plans are based on the number of years of employment and the compensation earned during those years. This company has other noncontributory pension plans for executive officers, select key employees and former employees of the Maxus Group. Maxus also grants benefits for health care, life insurance and other social benefits to some of its employees who retire early. The amounts payable accrue over the employee's years of service. In relation to these programmes, in 2002 an extraordinary expense of €41 million was recorded to cover the shortfall between the existing provision and the guaranteed benefits.

Board of Directors

As of the date of this offering circular, the members of the Board of Directors of Repsol YPF were as follows:

	<u>Position</u>	<u>Year Appointed</u>	<u>Current Term Expires</u>
Alfonso Cortina de Alcocer ⁽¹⁾	Chairman and Director	1996	2004
Manuel González Cid ⁽¹⁾⁽²⁾⁽⁷⁾	Vice-Chairman and Director	2003	2004
Ricardo Fornesa Ribó ⁽¹⁾⁽⁵⁾⁽⁸⁾	Vice-Chairman and Director	2003	2004
Antonio Hernández-Gil Álvarez Cienfuegos ⁽¹⁾⁽³⁾	Vice-Chairman and Director	1997	2005
Ramón Blanco Balín ⁽¹⁾	Director and <i>Consejero Delegado</i>	2003	2007
Gonzalo Anes Alvarez Castrillón ⁽³⁾	Director	1997	2004
PMI Holdings B.V. ⁽¹⁾⁽⁴⁾	Director	1990	2006
Juan Molins Amat ⁽¹⁾⁽³⁾	Director	1994	2006
Antonio Brufau Niubó ⁽⁵⁾	Director	1996	2007
Ignacio Bayón Mariné ⁽³⁾	Director	1997	2007
Marcelino Oreja Aguirre ⁽³⁾	Director	2000	2006
Enrique de Aldama y Miñón ⁽¹⁾⁽³⁾	Director	1996	2006
Gregorio Villalabeitia Galarraga ⁽²⁾	Director	2002	2007
Carmelo de las Morenas Lopez ⁽³⁾⁽⁶⁾	Director	2003	2004
Francisco Carballo Cotanda	Non-Director Secretary	1987	n/a

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

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

(3) Independent outside directors.

(4) Raúl Muñoz Leos serves as representative of PMI Holdings, B.V. (a related company of PEMEX) on the Board of Directors of Repsol YPF. Spanish law permits limited liability companies to serve as members of the Board of Directors. A company serving in such a capacity must appoint a natural person to represent it at the meetings of the Board.

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

(6) Appointed by the Board of Directors meeting of July 23, 2003, to fill a vacancy on the Board caused by the resignation of one Director, subject to the ratification at the next shareholders' meeting.

(7) Appointed by the Board of Directors meeting of April 4, 2003 to fill a vacancy on the Board caused by the resignation of one Director, subject to ratification at the next shareholders' meeting.

(8) Appointed by the Board of Directors meeting of October 28, 2003, to fill a vacancy on the Board caused by the resignation of one Director, subject to ratification at the next shareholders' meeting.

The principal business activities of the Directors of Repsol YPF performed outside Repsol YPF are:

Alfonso Cortina de Alcocer: Director of Institut Français du Pétrole, member of the Trilateral Commission, member of the International Advisory Board of Allianz AG, member of the International Advisory Board of Lafarge, member of the European Round Table of Industrialists and member of the Executive Committee of Fundación para la Innovación Tecnológica (COTEC).

Manuel González Cid: Chief Financial Officer of BBVA and Director of Banca Nazionale del Lavoro.

Ricardo Fornesa Ribó: President of Caja de Ahorros y Pensiones de Barcelona, Member of Fundación “la Caixa”, President of Caixa Holding, S.A., President of Federación Catalana de Cajas de Ahorro, President of Caifor, S.A., President of Inmobiliaria Colonial, 1st Vicepresident of Caixabank France, 1st Vicepresident of Confederación Española de Cajas de Ahorro (CECA), Executive President of Sociedad General de Aguas de Barcelona, S.A.

(AGBAR), President of Fundación AGBAR, President of Fundación de la Universidad Ramón Llull, Board Member of Acción Empresarial de la CEOE, Member of Consell Assessor per al Desenvolupament Sostenible, Member of L'Alt Patronat de L'Institut Europeu de la Mediterrania, Member of the Board of Directors of Asamblea General del Capitulo Español del Club de Roma, Member of Real Academia de Ciencias Económicas y Financieras and Member of Fundación Castellet del Foix and Fundación Carolina.

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

Ramón Blanco Balín: Director of Gas Natural, Director of Enagas, Director of NH Hoteles and Director of ERCROS.

Gonzalo Anes Álvarez Castrillón: Director of Cementos Pórtland, Vice President of the Fundación Duques de Soria.

Raúl Muñoz Leos: General Director of Petróleos Mexicanos.

Juan Molins Amat: General Director and Vice President of Cementos Molins S.A., President of Cementos Avellaneda S.A., President of Corporación Moctezuma, President of Privat Bank, Member of the Board of Directors of the Círculo de Economía, President of Fira 2000, Sponsor—Director of the Fundació Bosch i Gimpera and member of the Parc Científic de Barcelona.

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

Ignacio Bayón Mariné: President of Citroën Hispania S.A., President and Director of Planigesa, S.A. and President of Realía Business, S.A.

Marcelino Oreja Aguirre: President of the FCC Group, Director of Acerinox S.A., President of the Instituto de Estudios Europeos de la Universidad San Pablo C.E.U.

Enrique de Aldama y Miñón: Vice President of CEOE, Director of Corporación TECNOCOM and President of Build2edifica, S.A.

Gregorio Villalabeitia Galarraga: General Director of BBVA, Director of Telefónica, S.A. and Director of Gas Natural, S.D.G., S.A.

Carmelo de las Morenas López: Member of the Finance & Advisory Sub-Committee of the Britannia Steam Ship Insurance Association Limited, Member of the Strategic Advisory Committee of the International Accounting Standards Board, Director of Mussini, Sociedad Anónima de Seguros y Reaseguros and Director of Orobaena.

Management Committee

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

The Management Committee is comprised of the Chairman and a maximum of seven members, consisting of executive directors, institutional outside directors and independent outside directors reflecting the relative weight of each type of director in the composition of the Board of Directors. The appointment of its members requires the vote of two thirds of the members of the Board of Directors.

Alfonso Cortina de Alcocer is the president of the Management Committee, and the other members are Manuel González Cid, Ricardo Fornesa Ribó, Antonio Hernández-Gil Álvarez-Cienfuegos, Ramón Blanco Balín, Raúl Muñoz Leos, as representative of PMI Holdings B.V., Juan Molins Amat and Enrique de Aldama y Miñón.

The Regulations that govern the Management Committee are set out in Repsol YPF's bylaws and the Regulations of the Board of Directors.

The Audit and Control Committee (“Comisión de Auditoría y Control”)

The Audit and Control Committee performs the following functions:

- Periodic inspection of the preparation of financial and economic information of Repsol YPF.
- Formulation and submission to the Board of Directors, for its consideration and subsequent submission to the general shareholders' meeting, of any proposal regarding the designation of the external auditors; and the renewal, termination and terms of their appointment; formulation of the scope of their work; monitoring Repsol YPF's relationship with the external auditors; and assuring their independence.
- Examination of Repsol YPF's compliance with the law and the applicable internal rules.
- Supervision of internal financial control systems and the annual audit.

The Audit and Control Committee is comprised of a minimum of three directors appointed for a four-year term. As of April 4, 2003, the members of the Audit and Control Committee were Ignacio Bayón Mariné, Antonio Brufau Niubó and Marcelino Oreja Aguirre. The executive directors may not sit on the Audit and Control Committee.

On March 26, 2003, the Board of Directors approved the Regulations that govern the Audit and Control Committee.

Nomination and Compensation Committee (“Comisión de Nombramientos y Retribuciones”)

The Nomination and Compensation Committee of the Board of Directors, composed of three directors appointed for a four-year term, is responsible for the nomination of directors, director compensation policy and reporting on director compensation to the Board of Directors. The executive directors may not sit on the Nomination and Compensation Committee.

The members of the Nomination and Compensation Committee are Gonzalo Anes Álvarez-Castrillón, Antonio Hernández-Gil Álvarez-Cienfuegos and Gregorio Villalabeitia Galarraga.

On March 26, 2003, the Board of Directors approved the Regulations that govern the Nomination and Compensation Committee.

Strategy, Investment and Competition Committee (“Comisión de Estrategia, Inversiones y Competencia”)

The Strategy, Investment and Competition Committee was created on September 25, 2002 to inform and make proposals to the Board of Directors regarding relevant strategic decisions and investments in and divestments of assets of such value that require action by the Board of Directors. This Committee also oversees and guarantees compliance with antitrust rules and principles and informs the Board of Directors of such rules and principles. The Strategy, Investment and Competition Committee is comprised of a minimum of three directors appointed for a four-year term. The members of the Strategy, Investment and Competition Committee are Enrique de Aldama y Miñón, Juan Molins Amat and Raúl Muñoz Leos on behalf of PMI Holdings BV.

On March 26, 2003, the Board of Directors approved the Regulations that govern the Strategy, Investment and Competition Committee.

Restrictions

By law, the prior administrative approval of the Ministry of Industry and Energy of Spain is required for certain transactions involving Repsol YPF, including (i) voluntary winding-up or change of corporate purpose; (ii) merger or spin-off; (iii) disposal of, or imposition of liens on, any oil or gas reserves and refinery located in Spain, any natural gas and petroleum products storage facilities as well as certain LPG bottling and storage facilities and any

pipelines; (iv) disposition by Repsol YPF of, or imposition of liens on, shares, or securities convertible into shares, of certain of Repsol YPF's subsidiaries, including Repsol Exploración, Repsol Petróleo, Repsol Comercial de Productos Petrolíferos, Repsol Butano, Repsol Investigaciones Petrolíferas and Petronor; and (v) the acquisition, whether direct or indirect, of shares, or securities convertible into shares, representing at least 10% of the capital stock of Repsol YPF or any of the subsidiaries referred to in this paragraph.

A Judgment of the EC Court of Justice dated May 13, 2003, declared that Spanish "golden share" Law is contrary to the movement of capital in the EU. The Court declared that the rules to deny the approvals are not concrete enough. It is presumed that the Spanish Government will adapt the Law to the requirements of this Judgment.

According to the information available to Repsol YPF, the total amount of voting securities owned by the directors and executive officers (including their immediate families) of Repsol YPF as a group was 567,898 ordinary shares, or 0.0465% of the total number of ordinary shares of Repsol YPF issued and outstanding.

Repsol YPF's reference shareholders beneficially owned the following number of ordinary shares of Repsol YPF as of the date of the latest general shareholders' meeting, held on April 4, 2003:

- *Banco Bilbao Vizcaya Argentaria, S.A. ("BBVA")*. BBVA holds 7.88% (96,156,437 shares) directly and 0.29% (3,549,013 shares) through its wholly-owned subsidiary Corporación Industrial y de Servicios. On February 22, 2000 BBVA filed with the U.S. Securities and Exchange Commission a Schedule 13D reporting ownership of 9.55% of the issued and outstanding shares of Repsol YPF. At April 21, 2002, BBVA held 8.03% of Repsol YPF.
- *La Caixa d'Estalvis i Pensions de Barcelona*. La Caixa holds 10.17% (124,106,507 shares) through La Caixa Holdings. In addition, La Caixa has a 41.4% interest in Repinves, which holds a 5.63% interest in Repsol YPF. On December 28, 2000, the State Secretary of Economy authorized La Caixa to increase its interest in Repsol YPF to 15%.
- *Repinves*. Repinves, which is jointly owned by La Caixa, Caja de Cataluña and Caja de Guipuzcoa, holds 5.63% (68,742,099 shares).
- *Petróleos de México*. Petróleos de México holds its 4.81% interest (58,679,800 shares) in Repsol YPF through PMI Holdings B.V., a company in which it is the sole shareholder, and The Strategic Management Company. All shares of Repsol YPF held by PMI Holdings B.V. have been pledged as collateral.

Additionally, as of April 4, 2003, the following shareholders held greater than 3% of the outstanding shares of Repsol YPF:

- *Brandes Investment*. Brandes Investment indirectly holds a 9.37% beneficial interest (114,380,068 shares) in Repsol YPF. At December 31, 2001, Brandes Investment Partners, L.P. held a 6.7% ownership interest in Repsol YPF. On April 12, 2002, Brandes Investment, L.P. filed with the U.S. Securities and Exchange Commission a Schedule 13G reporting beneficial ownership of 10.7% of the issued and outstanding shares of Repsol YPF at March 31, 2002. On February 14, 2003, Brandes Investment Partners, LLC filed with the U.S. Securities and Exchange Commission a Schedule 13G reporting beneficial ownership of 10.3% of the issued and outstanding shares of Repsol YPF at December 31, 2002, in which Brandes Investment Partners, LLC certified that it had acquired such shares in the ordinary course of business and had not acquired and was not holding such shares for the purpose of or with the effect of changing or influencing the control of Repsol YPF or in connection with or as a participant in any transaction having that purpose or effect.
- *Chase Nominees Ltd*. Chase Nominees Ltd as at January 8, 2003 holds a 5.82% interest (71,023,306 shares) acquired in the ordinary course of its business on behalf of its clients, who are the beneficial owners of these shares. None of these clients are obliged to report to the CNMV its interest in Repsol YPF as long as they are not considered significant participants.
- *Iberdrola, S.A*. Iberdrola holds 3.27% (39,886,470 shares). On May 31, 1999 Iberdrola notified the CNMV that it acquired a 3.59% stake in Repsol YPF. On December 5, 2001, Iberdrola announced its

intention to sell its 3.27% participation in Repsol YPF through 3-year maturity zero coupon bonds convertible into shares of Repsol YPF. Iberdrola holds the 3.27% interest in Repsol YPF only in connection with the conversion of such bonds in December 2004.

Repsol YPF regularly engages in arm's-length transactions with some of its related parties, including significant shareholders, related to financing activities in the ordinary course of business.

On December 31, 2001, YPF entered into a forward oil sale agreement with Repsol YPF providing for the forward sale of a fixed quantity of certain types of crude oil to be delivered monthly during seven years. The agreement was assigned to Hydrocarbons Traders Corp. (HTC) on the same date. In December 2002, in connection with the refinancing of FOS III, HTC assigned the agreement to Oil International Limited (OIL). Also as part of this refinancing, HTC repurchased its outstanding preferred shares, which had been originally purchased by Banco Zaragozano, a Spanish banking institution, and repaid the debt outstanding under a credit agreement in which BBVA was the sole lender.

HTC had also entered into a marketing agreement for the sale of the crude oil with Repsol YPF Trading & Transport, S.A. (RYTTSA), a consolidated subsidiary of Repsol YPF. This agreement was terminated in December 2002. Under the marketing agreement, RYTTSA acted as agent for HTC to arrange for the sale of the crude oil delivered to HTC by YPF.

HTC had also entered into an oil price hedging agreement under which it would receive a fixed price and would pay variable market prices. We understand that BBVA guaranteed HTC's obligations under its hedging agreement. YPF in turn had entered into a separate oil price hedging agreement under which YPF would pay a fixed price and would receive variable market prices. Repsol YPF guaranteed YPF's obligations under the hedging agreement. These hedging agreements were terminated in December 2002.

Auditors

The Guarantor has appointed Deloitte & Touche España S.L. in Spain (formerly Arthur Andersen) as its auditors.

SELECTED CONSOLIDATED FINANCIAL DATA OF THE GUARANTOR

	Year Ended December 31,				
	2002	2001	2000	1999	1998 ⁽¹⁾
	(millions, except per share and ADS amounts)				
Consolidated income statement data					
<i>Amounts in accordance with Spanish GAAP:</i>					
Operating revenues	€36,490	€43,653	€45,742	€26,295	€18,989
Operating income ⁽²⁾	3,323	4,920	6,242	2,629	1,658
Income before income taxes and minority interest	2,850	2,503	4,325	1,743	1,411
Net income	1,952	1,025	2,429	1,011	875
Net income per ADS or share ⁽³⁾⁽⁴⁾	1.60	0.84	2.03	0.97	0.97
Weighted average shares outstanding (millions) ⁽³⁾	1,221	1,221	1,198	1,039	900
<i>Amounts in accordance with U.S. GAAP:</i>					
Revenues.....	€33,050	€41,075	€43,173	€23,909	€17,682
Net income	1,286	980	1,911	1,134	868
Net income per ADS or share ⁽³⁾⁽⁴⁾	1.05	0.80	1.60	1.09	0.97
Consolidated balance sheet data					
<i>Amounts in accordance with Spanish GAAP:</i>					
Property, plant and equipment, net.....	€20,562	€30,436	€31,189	€25,925	€10,305
Total current assets	11,092	12,107	11,617	8,588	5,081
Total assets	38,064	51,439	52,419	42,050	17,351
Long-term debt	8,273	13,488	14,886	10,223	2,275
Short-term debt.....	3,999	7,563	7,187	8,769	2,389
Shareholders' equity	13,586	14,538	15,143	12,526	6,043
Capital stock	1,221	1,221	1,221	1,188	902
<i>Amounts in accordance with U.S. GAAP:</i>					
Total assets	€37,034	€51,613	€52,060	€40,823	€14,184
Long-term debt	8,130	13,140	14,902	8,616	1,350
Shareholders' equity	12,947	13,717	14,505	12,140	5,653
Other Consolidated data					
Cash flow from operating activities	€4,470	€5,489	€5,468	€2,681	€2,171
Cash flow from investing activities	(195)	(3,580)	(5,853)	(16,792)	(1,991)
Cash flow from financing activities	(4,358)	(1,992)	412	14,318	(115)
Dividends per ADS or share ⁽³⁾⁽⁴⁾ :	0.31	0.21	0.50	0.42	0.44

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

- (1) Since January 1, 1999, Repsol YPF has presented its financial statements in euros. Information for 1998 has been translated from amounts in Spanish pesetas to euros at the irrevocable exchange rate of €1.00 = Ptas. 166.386.
- (2) Spanish GAAP operating income excludes certain items that would be included in operating income under U.S. GAAP, principally labor force restructuring, provision for write-down of fixed assets, provision for estimated losses and gains on disposal of shares of majority-owned investments and fixed assets.

- (3) Information for all years is calculated based on the average number of shares outstanding during such year. For the fiscal year 1998, information reflects the number of shares after the stock split in April 1999. Information for 1999 has been calculated based on outstanding capital stock of 900 million shares until July 7, 1999; 1,140 million shares from July 8, 1999 to July 19, 1999; and 1,188 million shares from July 20, 1999. Information for 2000 has been calculated based on outstanding capital stock of 1,188 million shares until September 5, 2000; 1,212,342,464 shares from September 6, 2000 to September 7, 2000; 1,220,508,578 shares from September 7, 2000 to December 14, 2000; and 1,220,863,463 shares from December 15, 2000. Information for 2001 and 2002 has been calculated based on outstanding capital stock of 1,220,863,463 shares.
- (4) Each Repsol YPF ADS represents one share.

RECENT DEVELOPMENTS

Repsol YPF guarantees loan to Bahía de Bizkaia Gas, S.L.

In March 2003 the European Investment Bank loaned €200 million to Bahía de Bizkaia Gas, Repsol YPF's 25% affiliate, and MBIA Insurance Corporation guaranteed the loan. Repsol YPF guaranteed the obligations of Bahía de Bizkaia Gas under such loan and guarantee.

Repsol YPF creates Technical Committee to solve the consequences of the sinking of the Prestige oil tanker

In February 2003, the Spanish government appointed Repsol YPF to design a project to solve the problems originated by the sinking of the Prestige oil tanker in waters off Spain's north-western coast, which resulted in one of the largest fuel oil spills ever. Repsol YPF has formed a working team composed of more than 15 experts, supported by all the technology units of Repsol YPF and its Móstoles technology center. In addition, Repsol YPF set up a Technical Committee to evaluate such project composed of 40 experts from companies with experience in deep waters such as BP, Eni, Petrobras, Statoil and TotalFinaElf. This Committee has announced a series of recommendations and put forward an action plan, with a timetable and an estimated budget for the operations that will take place this summer. On April 24, 2003, the Ministry of Science and Technology, the *Sociedad de Salvamento y Seguridad Marítima* and Repsol YPF entered into a cooperation agreement to address the environmental risks posed by the remaining fuel oil inside the Prestige's tanks.

Repsol YPF joins the Extractive Industry Transparency Initiative (EITI)

In October 2003 Repsol YPF joined the Extractive Industry Transparency Initiative (EITI). Its principal objective is to increase transparency in the payments to the governments of countries, where there are exploration and production activities, of taxes and royalties that should be an important engine for economic and social progress in developing countries that are rich in natural resources.

With the joining of EITI, Repsol YPF makes a commitment to promote and work in collaboration with governments and other companies in the development of a framework of good payment transparency practices for extractive activities in those countries where it operates, especially in Latin America.

LITIGATION

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

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

Spain

In 1993, a preliminary investigation was launched into a fuel leakage from the San Fernando service station, owned by Repsol Comercial de Productos Petroliferos, S.A. ("RCPP"). RCPP and CLH, as they will be held liable in tort for any damages and environmental violations that may be ascertained following the investigation, have agreed to equally share all such liabilities. Mussini, Repsol YPF's insurer, has posted collateral of approximately €1.3 million for the estimated cost of any remediation works. In addition, the owners of the property adjacent to the San Fernando service station have sued RCPP, CLH and the San Fernando service station claiming compensation of €148.2 for each day that remediation works are carried out on the site and €2.7 million for alleged damages resulting from a real estate transaction that failed due to the fuel leakage. Repsol YPF believes that both actions in connection with this matter will be dismissed.

Argentina

Under the Privatisation Law of YPF, the Argentine government assumed certain obligations of YPF as of December 31, 1990. Decree 546/93, concerning the Privatisation Law, set forth limitations concerning legal fees and expenses in connection with these liabilities. The Argentine government will assume these costs as long as the fees and expenses agreed upon are fixed and are not contingent upon the amounts in dispute. YPF is required to keep the Argentine government apprised of any claim against YPF arising from the obligations assumed by the Argentine government.

YPF has been sued by former employees who were laid off as a result of personnel reductions in connection with the privatisation of YPF. Repsol YPF believes that proper reserves have been made in connection with these contingencies. Repsol YPF does not expect the outcome of these lawsuits to have a material adverse effect on its financial condition or future results of operations.

In January 2003, Candlewood Timber Group LLC, a subsidiary of Forestal Santa Barbara S.R.L., sued Pan American Energy LLC, the operator of the joint venture that operates the current exploitation concession in the Acambuco area, claiming damages to its forestry business in the Acambuco area, allegedly resulting from, among others, uncontrolled clearing of forest vegetation and soils and destruction of thousands of valuable hardwood trees by the joint venture. If the claims are sustained, and the result is a finding of gross negligence by the operator, YPF, as a 22.5% partner in the joint venture, would be held liable in such a proportion. The plaintiff is also asking that the joint venture undertake environmental remediation action to clean up the affected sites. Although the extent of complaint has not yet been established, in January 2002 Forestal Santa Barbara sent a letter to the operator of the joint venture claiming compensation of Ps.50 million (approximately US\$14.84 million).

In January 2003, the Argentine National Commission for the Defense of Competition notified YPF of the launch of a formal investigation into alleged anticompetitive practices by YPF in connection with sales of LPG in the domestic and the export market at different prices between October 1997 and March 1999.

On December 9, 2002, YPF filed a declaratory judgment action (*Acción Declarativa de Certeza*) before an Argentine federal court requesting clarification as to the uncertainty generated by opinions and statements of several organisations providing official advice that the right of the hydrocarbon industry to freely dispose of up to 70% of foreign currency proceeds from exports of hydrocarbons products and by-products, as provided by Executive Decree 1589/89, had been implicitly abolished by the new exchange regime established by Executive Decree 1606/02. On December 9, 2002, the federal judge issued an injunction ordering the Argentine government, the Central Bank and the Ministry of the Economy to refrain from interfering with YPF's access to and use of 70% of the foreign exchange proceeds from its hydrocarbon exports. Resolution of an appeal filed by the Central Bank and the Ministry of the Economy against this injunction is still pending before the Federal Court of Appeals. Following the enactment of

Decree No. 2703/02 in December 2002, YPF expanded the object of the declaratory judgment action before the federal court to clear any doubts and uncertainty arising after the enactment of this Decree. YPF will maintain its position before the Federal Court of Appeals without prejudice to any other related actions it may take in order to protect its rights.

The Argentine provinces where oil and gas production activities are carried out have objected to the US dollar/peso exchange rates applied by oil producers, including YPF, to the payment of hydrocarbon royalties. Only the province of Chubut has specified the amount of the claim so far (Ps.7 million, approximately US\$2.08 million).

In October 2002, Autogas, S.A. sued YPF and Repsol YPF Gas claiming Ps.117.13 million (approximately US\$34.76 million) for damages allegedly suffered as a result YPF's abuse of its dominant market position, contractual breaches and violation of trademark legislation between 1994 and 1997. YPF has estimated the potential liabilities that may result from this suit at Ps.7 million (approximately US\$2.08 million).

In May 2002 the Centro de Retirados de la Armada Nacional sued Repsol YPF seeking that it remedy alleged environmental damages in Rio de La Plata, Rio Santiago and Pluma Rio Santiago due to water contamination allegedly caused by the operations of the La Plata refinery. The complaint estimates the cost of compliance at US\$1,391 million. YPF believes that the majority of environmental damages alleged by the plaintiff, if proven, would be attributable to events that occurred prior to YPF's privatisation and would therefore be the sole responsibility of the Argentine government in accordance with the Privatisation Law of YPF. The complaint has not yet been served.

In April 2002 the Sub-Secretary of Energy for the Province of Neuquén imposed a fine on YPF of Ps.27 million (approximately US\$8.01 million), including penalties and interest, for excess gas venting in the Loma La Lata, Cerro Bandera and Filo Morado gas fields, between 1995 and 1997. YPF has appealed the fine.

EDF Internacional S.A. ("EDF") has initiated an international arbitral proceeding under the Arbitration Regulations of the International Chamber of Commerce against Endesa Internacional S.A., Repsol YPF and YPF. EDF claims from Repsol YPF and YPF the payment of US\$69 million (€66 million). EDF claims that under a Stock Purchase Agreement dated March 30, 2001 among Endesa Internacional, S.A. and Astra Compañía Argentina de Petroleo, S.A., as sellers, and EDF, as purchaser, with respect to shares of Electricidad Argentina S.A. and Empresa Distribuidora y Comercializadora Norte, S.A., EDF is entitled to an adjustment in the purchase price it paid due to changes in the exchange rate of the Argentine peso which EDF considers started prior to December 31, 2001. YPF's position is that the change in the exchange rate did not occur prior to January, 2002 and, therefore, EDF is not entitled to the purchase price adjustment. YPF has also lodged a counterclaim against EDF in the amount of US\$13.85 million as a purchase price adjustment. YPF's management believes that EDF's position is without merit.

An action has been brought against YPF for a total amount of US\$457,081,000 by the Confederación Indígena del Neuquén, the Agrupación Mapuche Paynemil, the Agrupacion Lof Comunidad Kaxipayiñ and 95 individual members of these associations. Plaintiffs are claiming damages for contractual termination and damages caused from hydrocarbon exploration and exploitation activities in the Loma La Lata-Sierra Barrosa site in the Province of Neuquén. The claim is based on alleged damages caused to the Mapuche native community and culture, as well as physical and psychological health impairments, sites contamination, environmental and moral damages. The sum of US\$306,981,000 out of the total amount claimed is stated to be for remediation purposes. YPF has notified the Argentine Government of this lawsuit pursuant to the Privatisation Law of YPF. YPF considers this lawsuit to be without merit.

Asociación de Superficiaarios de la Patagonia has filed a lawsuit before the *Corte Suprema de Justicia de la Nación* seeking a declaratory judgement that all the companies with hydrocarbons exploration and exploitation concessions in *Cuenca Hidrocarburifera Nequina* since 1993, including YPF, S.A., be obliged to perform all the activities required to remedy the environmental collective damages caused by their exploration and exploitation activities in such area.

YPF, S.A. is aware of an action brought by the Unión de Usuarios y Consumidores for alleged damages caused to bottled LPG consumers resulting from the alleged practice of differentially pricing LPG in the Argentine and export markets during the period between 1993 and 1997, extended to 2001. In one part of the lawsuit the amount of US\$ 91,200,000 is being claimed as being improper profits and assimilated by the plaintiff to the damages suffered by the

consumers in the period between 1993 and 1997. The lawsuit is against to Repsol YPF, S.A. and has been filed before the Justicia Federal de la Ciudad de la Plata, province of Buenos Aires.

United States

The following is a brief description of certain potential environmental and other liabilities of Maxus Energy Corporation (“Maxus”, a subsidiary of YPF), which became an indirect subsidiary of Repsol YPF after the acquisition of YPF, which mostly arise in connection with the sale of Maxus’ former chemical subsidiary, Diamond Shamrock Chemicals Company (“Chemicals”), to a subsidiary of Occidental Petroleum Corporation (“Occidental”) in 1986. Under the stock purchase agreement related to that sale, Maxus assumed certain liabilities related to past operations of Chemicals. As of December 31, 2002, Maxus had established reserves in the amount of approximately €75 million to cover all material contingencies related to the environmental liabilities assumed under the stock purchase agreement and Maxus believes that these reserves are adequate to cover all material contingencies to the extent that they are probable and reasonably estimable. Nevertheless, changes in the current circumstances, including the assessment of natural resources damages could result in an increase of these liabilities in the future.

On or about September 25, 2002, Occidental sued Maxus and Tierra Solutions, Inc. (“Tierra”, a subsidiary of YPF) in a state court in Dallas, Texas seeking a declaration that Maxus and Tierra have the obligation under the agreement pursuant to which Maxus sold Chemicals to Occidental to defend and indemnify Occidental from and against certain historical obligations of Chemicals, including claims related to “Agent Orange” and vinyl chloride monomer (VCM), notwithstanding the fact that (a) the said agreement contains a 12-year cut-off date for a defence and indemnity with respect to most litigation, and (b) Tierra is not a party to the said agreement. Maxus and Tierra do not believe Occidental’s claims have substantial merit. In this regard, on June 9, 2003 the U.S. Supreme Court affirmed, by a four to four vote, a decision of the Second Circuit Court of Appeals which held that the 1984 settlement of the claims of Vietnam veterans does not preclude certain Vietnam veterans from asserting claims alleging injury due to Agent Orange exposure. While Maxus believes that there are a number of valid defences to any claims that may be asserted by Vietnam veterans who are not bound by the terms of the 1984 settlement, it also believes that Occidental is responsible for any Agent Orange lawsuits filed after the September 4, 1998 cut-off date.

Studies have indicated that sediments of the Newark Bay watershed, including the Passaic River adjacent to Chemical’s former Newark plant, are contaminated with hazardous chemicals from many sources. These studies suggest that the older and more contaminated sediments located adjacent to the former Newark plant generally are buried under more recent sediment deposits. As agreed with Maxus, Tierra is conducting further testing and studies pursuant to an agreement with the U.S. Environmental Protection Agency (the “EPA”) to characterise contaminated sediment and biota, as well as the stability of the sediments, in a six-mile portion of the Passaic River near the plant site. Maxus expects to complete these tests and studies in 2004 at a cost of approximately €3 million after December 31, 2002. Maxus cannot reasonably forecast what remedial program, if any, will be proposed for the Passaic River or the Newark Bay watershed and, therefore, cannot estimate what additional costs, if any, will be required to be incurred. However, it is possible that additional work, including interim remedial measures, may be ordered with respect to the Passaic River.

On September 19, 2003, the New Jersey Department of Environmental Protection and Energy (the “DEP”) issued a directive seeking to address natural resource damages allegedly resulting from almost 200 years of historic industrial and commercial development of the lower 17 miles of the Passaic River and a part of its watershed. The directive was served on approximately 66 entities (including Maxus, Occidental and certain of their affiliates) and asserts that the named entities are jointly and severally liable for the alleged natural resource damages without regard to fault. Maxus and Tierra are currently assessing the directive and determining an appropriate response thereto.

Until 1972, Chemicals operated a chromite ore processing plant at Kearny, New Jersey. According to the DEP, waste from these ore processing operations was used as fill material at a number of sites in and near Hudson County. Tierra, pursuant to an agreement with Maxus, is performing investigation and remediation work at certain chromite ore residue sites in Kearny and Secaucus, New Jersey. While Tierra has participated in the cost of studies and is implementing interim remedial actions and conducting remedial investigations, the ultimate cost of remediation is uncertain. As of December 31, 2002, Maxus had reserved US\$32.9 million (€32 million) for the estimated cost of the investigations and remedial work to be performed. In addition, the DEP has indicated that it expects Occidental and Maxus to participate with the other chromium manufacturers in the funding of certain remedial activities with respect to a number of so-called “orphan” chrome sites located in Hudson County, New Jersey. Occidental and Maxus have

declined participation in the funding at certain remedial activities with respect to those sites for which Maxus believes there is no evidence of residue generated by Chemicals.

Chemicals has also been designated as a potentially responsible party by the EPA under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, with respect to a number of third party sites where hazardous substances from Chemicals' plant operations allegedly were disposed or have come to be located. Numerous potentially responsible parties have been named at substantially all of these sites. At several of these, Chemicals has no known exposure. Although potentially responsible parties are typically jointly and severally liable for the cost of investigations, cleanups and other response costs, each has the right of contribution from other potentially responsible parties and, as a practical matter, cost sharing between them is usually effected by agreement. At a number of these sites, the ultimate response cost and Chemicals' share of such costs cannot be estimated at this time. YPF Holdings Maxus has reserved for its estimated share of costs related to these sites, where such costs are both probable and reasonably estimable.

In February 2001, the Port of Houston Authority (the "Port") sued a number of parties, including Occidental as successor to Chemicals, claiming damages to its property as a result of contamination allegedly emanating from, among other locations, Chemicals' former Greens Bayou facility. Tierra is handling this matter on behalf of Occidental. While some of the contaminating substances may have been manufactured at the Greens Bayou facility prior to its sale, Tierra and Maxus believe that any contamination of Port's property that may have been caused by such facility occurred after the sale and conveyance of the Greens Bayou facility.

There are a number of other former Chemicals' plant sites for which Maxus has agreed to perform environmental remediation work on behalf of Occidental, which Repsol YPF believes will not have a material adverse result on its financial position.

In May 2001, the Texas State Comptroller assessed Midgard Energy Company ("Midgard"), a subsidiary of Maxus, approximately US\$26 million in Texas state franchise taxes, plus penalty and interest (currently estimated to be in excess of US\$47 million), for periods from 1997 back to 1984. The essential basis for the assessments is the Comptroller's characterisation of certain debt as capital contributions. Midgard is appealing the assessment through administrative appeals procedures.

CONSOLIDATED CAPITALISATION OF REPSOL YPF

The following table sets forth the consolidated capitalisation of Repsol YPF as at December 31, 2002 and June 30, 2003:

	As at 31 December 2002 (millions of euros)	As at 30 June 2003 (millions of euros)
Short-term debt		
Debentures and non-convertible bonds	2,321	3,207
Debts with financial institutions	1,678	1,167
Total Short-term debt	3,999	4,374
Long-term debt		
Debentures and non-convertible bonds	6,119	4,213
Debts with financial institutions.....	2,154	2,710
Total Long-term debt	8,273	6,923
Long-term financial investments	(335)	(361)
Short-term financial investments and cash	(4,465)	(4,512)
	(4,800)	(4,873)
Total net indebtedness	7,472	6,424
Subsidies and state financing of investments in exploration	265	300
Shareholders' equity		
Shares of €1 nominal value; outstanding shares 1,220,863,463	1,221	1,221
Other unappropriated profits and reserves	10,596	11,487
Interim Dividend	(183)	-
Undistributed earnings for the year	1,952	1,165
Total Shareholders' equity	13,586	13,873
Minority interest	4,223	4,157
Total Capitalisation	25,546	24,754

At the date of this document, the issued share capital of Repsol YPF S.A. is €1,220,863,463 divided into 1,220,863,463 shares of €1 each. The issued share capital has been fully subscribed and paid in.

Except for (i) the maturity on August 4, 2003 of €850,000,000 Floating Rate Notes issued on August, 2000 and (ii) the issue on July 22, 2003 of €1,000,000,000 5% bonds due 2013 under the €5,000,000,000 Euro Medium term Note Programme, there has been no material change in the capitalisation of the Guarantor since June 30, 2003.

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS OF REPSOL YPF

These financial statements were prepared in accordance with Spanish GAAP.

The following comparative table sets forth the audited consolidated balance sheet of the guarantor as at December 31, 2001 and 2002 and the unaudited interim consolidated balance sheet of the guarantor as at June 30, 2003. In relation to the financial statements referred to below it should be noted that the audit report of Arthur Andersen on the consolidated financial statements of Repsol YPF at and for the year ended December 31, 2001 (which is incorporated by reference in this Offering Circular) included a qualified opinion in respect of the uncertainty surrounding the situation in Argentina.

	As at 31 December 2001	As at 31 December 2002	As at 30 June 2003
	(millions of euro)		
Net fixed assets	39,023	26,637	25,997
Long term financial assets	309	335	361
Cash and current investments	4,187	4,465	4,512
Other current assets	7,920	6,627	6,774
Total assets	51,439	38,064	37,644
Shareholders' equity.....	14,538	13,586	13,873
Provisions.....	1,219	1,165	1,219
Minority interests.....	6,591	4,223	4,157
Non interest bearing liabilities.....	2,513	1,882	1,971
Financial loans	13,488	8,273	6,923
Current financial debt	7,563	3,999	4,374
Other current liabilities	5,527	4,936	5,127
Total equity/liabilities	51,439	38,064	37,644

The following comparative table sets forth the audited consolidated statement of income of the guarantor for the years ended December 31, 2001 and 2002 and the unaudited interim consolidated statement of income for the six months ended June 30, 2002 and 2003:

	As at 31 December 2001	As at 31 December 2002	As at 30 June 2002	As at 30 June 2003
	(millions of euro)			
Operating income	4,920	3,323	1,733	2,075
Financial results	(1,352)	(786)	(635)	(170)
Equity on earnings of unconsolidated affiliates	35	(35)	(44)	80
Goodwill amortisation.....	(323)	(300)	(122)	(88)
Extraordinary items.....	(777)	648	1,092	(32)
Income before income tax and minority interest	2,503	2,850	2,024	1,865
Income tax.....	(988)	(564)	(445)	(597)
Net income before minority interest	1,515	2,286	1,579	1,268
Minority interest	(490)	(334)	(277)	(103)
Net income	1,025	1,952	1,302	1,165

TAXATION

THE NETHERLANDS

This taxation summary solely addresses the principal Dutch tax consequences of the acquisition, the ownership and disposition of Notes to be issued by the Issuer. It does not discuss every aspect of taxation that may be relevant to a particular holder of Notes under special circumstances or who is subject to special treatment under applicable law.

The laws upon which this summary is based are subject to change, perhaps with retroactive effect. A change to such laws may invalidate the contents of this summary, which will not be updated to reflect changes in laws. This summary is based on the tax laws of the Netherlands as they are in force and in effect on the date of this Offering Circular. It assumes that each transaction with respect to Notes is at arm's length.

This is a general summary and the tax consequences as described here may not apply to a holder of Notes. A holder of Notes should consult his own tax adviser for more information about the tax consequences of acquiring, owning and disposing of Notes in his particular circumstances.

Withholding tax

All payments under Notes may be made free of withholding or deduction of, for or on account of any taxes of whatever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein, except where Notes are issued under such terms and conditions that such Notes actually function as equity of the Issuer within the meaning of article 10, paragraph 1, under d, of the Dutch Corporation Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*) and where Notes are issued that are redeemable in exchange for, convertible into or linked to shares or other equity instruments issued or to be issued by the Issuer or by any entity related to the Issuer.

Taxes on income and capital gains

This section "Taxes on income and capital gains" applies to a holder of Notes who is neither resident nor deemed to be resident in the Netherlands for Dutch tax purposes and, in the case of an individual, has not elected to be treated as a resident of the Netherlands for Dutch tax purposes (a "Non-Resident holder of Notes").

General

A holder of Notes will not be subject to income taxation in the Netherlands by reason only of the execution (*ondertekening*), delivery (*overhandiging*) and/or enforcement of the documents relating to the issue of Notes or the performance by the Issuer of its obligations thereunder or under Notes.

Individuals

A Non-Resident holder of Notes who is an individual will not be subject to any Dutch taxes on income or capital gains in respect of any benefit derived or deemed to be derived from Notes, including any payment under Notes and any gain realized on the disposal of Notes, provided that both of the following conditions are satisfied.

1. If he derives profits from an enterprise, whether as an entrepreneur (*ondernemer*) or pursuant to a co-entitlement to the net worth of such enterprise, other than as an entrepreneur or a holder of securities, which enterprise is either managed in the Netherlands or, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands as the case may be, his Notes are not attributable to such enterprise.
2. He does not derive benefits from Notes that are taxable as benefits from miscellaneous activities in the Netherlands (*resultaat uit overige werkzaamheden in Nederland*).

Benefits derived or deemed to be derived from Notes by a Non-Resident holder of Notes who is an individual and who meets condition 1. above will be taxable as benefits from miscellaneous activities in the Netherlands if he, or an individual who is a connected person in relation to him as meant in article 3.91, paragraph 2, letter b, or letter c of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*), has a substantial interest (*aanmerkelijk belang*) (as described below) in the Issuer.

A person has a substantial interest in the Issuer if such person – either alone or, in the case of an individual, together with his partner (*partner*), if any – has, directly or indirectly, either the ownership of shares representing five per cent, or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of shares) of the Issuer, or rights to acquire, directly or indirectly, shares, whether or not already issued, that represent five per cent, or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of shares) of the Issuer or the ownership of profit participating certificates (*winstbewijzen*) that relate to five per cent, or more of the annual profit of the Issuer or to five per cent, or more of the liquidation proceeds of the Issuer.

A person who is only entitled to the benefits from shares or profit participating certificates (for instance a holder of a right of usufruct) is deemed to be a holder of shares or profit participating certificates, as the case may be, and such person's entitlement to such benefits is considered a share or profit participating certificate, as the case may be.

Furthermore, a Non-Resident holder of Notes who is an individual and who meets condition 1. above may, *inter alia*, derive benefits from Notes that are taxable as benefits from miscellaneous activities in the following circumstances, if such activities are performed or deemed to be performed in the Netherlands:

- a. if his investment activities go beyond the activities of an active portfolio investor, for instance in case of the use of insider knowledge (*voorkennis*) or comparable forms of special knowledge; or
- b. if he makes Notes available or is deemed to make Notes available, legally or in fact, directly or indirectly, to certain parties as meant in articles 3.91 and 3.92 of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*) under circumstances described there.

Entities

A Non-Resident holder of Notes other than an individual will not be subject to any Dutch taxes on income or capital gains in respect of any payment under Notes or in respect of any gain realized on the disposal of Notes, provided that (a) if such Non-Resident holder of Notes derives profits from an enterprise that is either managed in the Netherlands or, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands, whether as an entrepreneur (*ondernemer*) or pursuant to a co-entitlement to the net worth of such enterprise (other than as an entrepreneur or as a holder of securities), Notes are not attributable to such enterprise, and (b) such Non-Resident holder of Notes does not have a substantial interest in the Issuer.

A person other than an individual has a substantial interest in the Issuer (x) if it has a substantial interest in the Issuer (as described above under *Individuals*) or (y) if it has a deemed substantial interest in the Issuer. A deemed substantial interest may be present if its shares, profit participating certificates or rights to acquire shares or profit participating certificates in the Issuer have been acquired by such person or are deemed to have been acquired by such person on a non-recognition basis.

Gift and inheritance taxes

A person who acquires Notes as a gift, in form or in substance, or who acquires or is deemed to acquire Notes on the death of an individual, will not be subject to Dutch gift tax or to Dutch inheritance tax, as the case may be, unless:

- (i) the donor or the deceased is resident or deemed to be resident in the Netherlands for purposes of gift or inheritance tax, as the case may be; or

- (ii) Notes are or were attributable to an enterprise or part of an enterprise that the donor or the deceased carried on through a permanent establishment or a permanent representative in the Netherlands at the time of the gift or of the death of the deceased; or
- (iii) the donor makes a gift of Notes, then becomes a resident or deemed resident of the Netherlands, and dies as a resident or deemed resident of the Netherlands within 180 days after the date of the gift.

Other taxes and duties

No Dutch registration tax, transfer tax, stamp duty or any other similar documentary tax or duty, other than court fees, will be payable by a holder of Notes in the Netherlands in respect of or in connection with the execution (*ondertekening*), delivery (*overhandiging*) and/or enforcement by legal proceedings (including the enforcement of any foreign judgment in the courts of the Netherlands) of the documents relating to the issue of Notes or the performance by the Issuer of its obligations thereunder or under Notes.

THE KINGDOM OF SPAIN

General

The following summary is based on the advice of Análisis Asesoramiento e Información, S.L., the Guarantor's special Spanish tax counsel, with respect to taxes imposed by the Kingdom of Spain. It is a summary of the principal Spanish tax consequences of the ownership and disposition of Notes.

This summary is not a complete analysis of listing of all the possible tax consequences of the ownership or disposition of the Notes. Prospective investors should, therefore, consult their tax advisors with respect to the Spanish and other tax consequences taking into consideration the circumstances of each particular case. The statements regarding Spanish tax laws set out below are based on those laws in force at the date of this Offering Circular.

Non-Resident Holder

This paragraph is of application to a non-resident of Spain, whose holding of Notes is not effectively connected to a permanent establishment in Spain through which such person or entity carries on a business or trade in Spain ("Non-Resident Holder").

For Spanish tax purposes the holding of the Notes will not in and of itself cause a non-Spanish resident to be considered a resident of Spain nor to be considered to have a permanent establishment in Spain.

Payments made by the Issuer to a Non-Resident Holder will not be subject to Spanish tax.

An payment by the Guarantor that could be made pursuant to the Guarantee to a Non-Resident Holder will not be subject to an withholding tax levied by Spain, and such Holder will not, by virtue of receipt of an such payment, become subject to other additional taxation in Spain.

A Non-Resident Holder will not be subject to any Spanish taxes on capital gain in respect of an gain realised on the disposal of a Note.

Residents

Spanish tax-residents are subject to Corporate or Individual Income Tax on a worldwide basis. Accordingly, income obtained from the Notes will be taxed in Spain when obtained by persons or entities that are considered resident in Spain for tax purposes. The fact that (i) a Spanish corporation pays interest, or (ii) interest is paid in Spain, will not lead an individual or entity to be considered tax-resident in Spain.

As a general rule, foreign taxes withheld at source on income obtained abroad are deducted when computing Spanish tax liability, provided that they do not exceed the corresponding Spanish tax. Specific rules may apply according to tax treaties.

It is to be noted that if Notes are traded in Spain, general rules governing advanced taxation at source (“*retenciones*”) will be applicable in connection with Spanish tax-resident holders of the Notes, at the rate of 15 per cent. However, if certain requirements set out in Article 57q of the Regulations for corporate income tax are fulfilled, a corporate tax payer will be exempt from “*retenciones*”. The “*retenciones*” are credited against final individual or corporate income tax with no limit; hence, an excess entitles the taxpayer to a refund.

Disclosure Requirements

Law 19/2003 of July 4 on Foreign Capital Transfers and Financial Transactions and on Certain Measures to prevent money laundering (*Ley 19/2003, de 4 de Julio, sobre el Régimen Jurídico de los Movimientos de Capitales y de las Transacciones Económicas con el Exterior y sobre determinadas medidas del blanqueo de capitales*) (“**Law 19/2003**”) which came into force in Spain on July 6, 2003, established new rules governing the issuance of preference shares and debt securities by Spanish financial and other entities, whether directly or through a group subsidiary incorporated in a European Union Member State (other than tax havens as defined in Royal Decree 1080/1991 of July 5, 1991). On the basis that the Issuer is tax resident in the Netherlands, Law 19/2003 may apply to the Notes. In particular, certain reporting requirements (which includes disclosure of the identity of the Noteholders) to be developed by implementing regulations may apply.

EU Directive on the Taxation of Savings Income

The European Council of Economics and Finance Ministers (ECOFIN) adopted on June 3, 2003, Council Directive 2003/48/EC regarding the taxation of savings income in the form of interest payments within the European Community. Pursuant to the Directive, and subject to a number of important conditions being met, member states will be required from January 1, 2005 to provide to the tax authorities of another member state details of payment of interest or similar income paid by a person within its jurisdiction to or for the benefit of an individual resident in that other member state, except that Belgium, Luxembourg and Austria will instead operate a withholding system for a transitional period in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other arrangements relating to information exchange with certain other countries).

SUBSCRIPTION AND SALE

Summary of Dealer Agreement

Subject to the terms and on the conditions contained in the Amended and Restated Dealer Agreement dated November 4, 2003 (the “Dealer Agreement”) between the Issuer, the Guarantor, the Permanent Dealers and the Arranger, the Notes will be offered on continuous basis by the Issuer to the Permanent Dealers. However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

The Issuer will pay each relevant Dealer commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse the Arranger for certain of its expenses incurred in connection with the establishment of the Programme and the Dealers for certain of their activities in connection with the Programme. The commissions in respect of an issue of Notes on syndicated basis will be stated in the relevant Pricing Supplement.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

Selling Restrictions

United States

The Notes have not been and will not be registered under the U.S. Securities Act of 1933 as amended (the “Securities Act”) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Notes having maturity of more than one year are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

Each Dealer has represented and agreed that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver the Notes of any identifiable Tranche, (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of such Tranche as determined, and certified to the Issuer, by the Issuing and Paying Agent, or in the case of Notes issued on syndicated basis, the Lead Manager, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes during the distribution compliance period confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after completion of the distribution of the Notes comprising any Tranche, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

United Kingdom

Each Dealer represents, warrants and agrees that:

- (i) in relation to Notes which have a maturity of one year or more it has not offered or sold and, prior to the expiry of a period of six months from the issue date of such Notes, will not offer or sell any such Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in

acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;

- (ii) in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, Holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the “FSMA”) by the Issuer;
- (iii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (iv) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Notes in, from or otherwise involving the United Kingdom.

The Netherlands

Each Dealer has represented and agreed that the Notes may only be offered anywhere in the world:

- (a) if the applicable Pricing Supplement has been approved by the competent Luxembourg authority and, together with such approval, has been submitted to the Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*); or
- (b) to any individual or legal entity who trades or invests in securities in the conduct of its profession or trade within the meaning of The Netherlands Act on the Supervision of Securities Trade 1995 (*Wet toezicht effectenverkeer 1995*) (which includes credit institutions, securities institutions (including dealers and brokers), investment institutions, insurance companies, pension funds, central governments, large international and supranational organisations and other comparable entities, and other institutional investors including, *inter alia*, treasuries and finance companies of large commercial enterprises, which trade or invest in securities in the conduct of a business or profession) (collectively, “professional investors”), provided that the applicable Pricing Supplement states that the offer is exclusively made to those persons; or
- (c) to persons who are established, domiciled or have their residence (collectively, “are resident”) outside The Netherlands, provided that (i) the offer, the applicable Pricing Supplement and each announcement of the offer states that the offer is not and will not be made to persons who are resident in The Netherlands, (ii) the offer, the Offering Circular, the applicable Pricing Supplement and each announcement of the offer comply with the laws and regulations of any state where the persons to whom the offer is made are resident, (iii) a statement by the Issuer that those laws and regulations are complied with is submitted to the Netherlands Authority for the Financial Markets before the offer is made and is included in the applicable Pricing Supplement and each such announcement; or
- (d) to persons who:
 - (i) are professional investors (as defined in paragraph (b) above); or
 - (ii) are resident (as defined in paragraph (c) above) outside the Netherlands;

provided that (i) the offer, the applicable Pricing Supplement and each announcement of the offer states that the offer is and will only be made to persons who are professional investors or who are resident

outside the Netherlands, (ii) the offer, the Offering Circular, the applicable Pricing Supplement and each announcement of the offer comply with the laws and regulations of any state where the persons to whom the offer is made are resident, (iii) a statement by the Issuer that those laws and regulations are complied with is submitted to the Netherlands Authority for the Financial Markets before the offer is made and is included in the applicable Pricing Supplement and each such announcement; or

- (e) if those Notes have a denomination of at least euro 50,000 (or its foreign currency equivalent); or
- (f) if:
 - (i) those Notes qualify as euro-securities (*euro-effecten*) (which they do if (a) they are subscribed for and placed by a syndicate of which at least two members are established in different States party to the Agreement on the European Economic Area, (b) at least 60 per cent. of those Notes are offered in one or more states other than The Netherlands, and (c) those Notes may only be subscribed for or initially be purchased through a credit institution or another institution which in the conduct of its business or profession provides one or more of the services referred to under 7 and 8 of Annex 1 to EC Directive 2000/12/EC); and
 - (ii) no general advertising or canvassing campaign is conducted in respect of those Notes anywhere in the world; or
- (g) otherwise in accordance with the Act on the Supervision of Securities Trade 1995.

In addition, Zero Coupon Notes and other Notes which qualify as savings certificates defined in the Savings Certificates Act (*Wet inzake spaarbewijze*) may only be transferred or accepted, directly or indirectly, within, from or into The Netherlands through the mediation of either the Issuer or an admitted institution of Euronext Amsterdam N.V., with due observance of the Savings Certificates Act and its implementing regulations (including registration requirements), provided that no mediation is required in respect of (i) the initial issue of those Notes to the first holders thereof, (ii) any transfer and delivery by individuals who do not act in the conduct of a profession or trade, and (iii) the issue and trading of those Notes, if they were physically issued outside The Netherlands and are not distributed in The Netherlands in the course of primary trading or immediately thereafter.

Spain

Each Dealer has represented and agreed that the Notes have not been and will not be offered or sold in Spain by means of an offer (as defined and construed by Spanish law) and has represented and agreed that it will not offer, promote (whether through information or dissemination in media directed at the public in general or through individual promotions) or sell in Spain any Note save in compliance with the requirements of (i) the Spanish Securities Market Law 24/1988 of July 28, 1988, as amended by law 37/1998 of November 16, 1998, law 14/2000 of December 29, 2000, law 24/2001 of December 27, 2001, law 44/2002 of November 22, 2002, law 53/2002 of December 30, 2002 and law 22/2003 of July 9, 2003; (ii) Royal Decree 291/1992 dated March 27, 1992, as amended by Royal Decree 2590/98 of December 7, 1998 and Royal Decree 705/2002 dated July 19, 2002; and (iii) the Order dated July 12, 1993 and the Circular 2/99 dated April 22, 1999 (as amended), issued by the Comision Nacional del Mercado de Valores, relating to issues and public offerings for the sale of securities.

Japan

Each Dealer has represented and agreed that the Notes have not been and will not be registered under the Securities and Exchange Law of Japan (the "Securities and Exchange Law"). Accordingly, each of the Dealers has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the Securities and Exchange Law and other relevant laws and regulations of Japan.

General

These selling restrictions may be modified by the agreement of the Issuer, the Guarantor and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Pricing Supplement issued in respect of the issue of Notes to which it relates or in a supplement to this Offering Circular.

Other than in the United Kingdom, no action has been taken in any jurisdiction by the Issuer, Guarantor or the Dealers that would permit a public offering of any of the Notes, or possession or distribution of the Offering Circular or any other offering material or any Pricing Supplement, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed that it will comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Offering Circular, any other offering material or any Pricing Supplement, in all cases at its own expense.

FORM OF PRICING SUPPLEMENT

The form of Pricing Supplement that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

Pricing Supplement dated [●]

REPSOL INTERNATIONAL FINANCE B.V.
Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
Guaranteed by Repsol YPF, SA
under the Euro 5,000,000,000 Euro Medium Term Note Programme

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated November 4, 2003 [and the supplemental Offering Circular dated [●]]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular [as so supplemented].

[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.]

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) set forth in the Offering Circular dated [original date]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated [current date] [and the Supplemental Offering Circular dated [●]], save in respect of the Conditions which are extracted from the Offering Circular dated [original date] and are attached hereto.]

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Pricing Supplement.]

- | | | |
|----|--|---|
| 1. | (i) Issuer: | Repsol International Finance B.V. |
| | (ii) Guarantor: | Repsol YPF, S.A. |
| 2. | [(i) Series Number: | [●] |
| | [(ii) Tranche Number: | [●] |
| | (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).] | |
| 3. | Specified Currency or Currencies: | [●] |
| 4. | Aggregate Nominal Amount: | |
| | [(i) Series: | [●] |
| | [(ii) Tranche: | [●] |
| 5. | [(i) Issue Price: | [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)] |
| | [(ii) Net proceeds: | [●] (Required only for listed issues) |
| 6. | Specified Denominations: | [●] ¹ |

¹ Notes (including Notes denominated in Sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom, or whose issue otherwise constitutes a contravention of section 19 of the FSMA, and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies).

7. [(i)] Issue Date: [●]
- [(ii)] Interest Commencement Date (if different from the Issue Date): [●]
8. Maturity Date: *[specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]*
9. Interest Basis: [[●] per cent. Fixed Rate]
 [[specify reference rate] +/- [●] per cent. Floating Rate]
 [Zero Coupon]
 [Index Linked Interest]
 [Other (specify)]
 (further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]
 [Index Linked Redemption]
 [Dual Currency]
 [Partly Paid]
 [Instalment]
 [Other (specify)]
11. Change of Interest or Redemption/Payment Basis: *[Specify details of any provision for convertibility of Notes into a other interest or redemption/payment basis]*
12. Put/Call Options: [Put]
 [Call]
 [(further particulars specified below)]
13. Listing: Luxembourg/Other
 (specify)/None]
14. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. **Fixed Rate Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Rate[(s)] of Interest: [●] per cent. per annum [payable [annually / semi-annually/quarterly/monthly] in arrear]
- (ii) Interest Payment Date(s): [●] in each year [adjusted in accordance with [specify Business Day Convention and any applicable Additional Business Centre(s) for the definition of "Business Day"]/not adjusted]
- (iii) Fixed Coupon Amount[(s)]: [●] per [●] in nominal amount
- (iv) Broken Amount: *[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount[(s)] and the Interest Payment Date(s) to which they relate]*
- (v) Day Count Fraction (Condition 4(k)): [●]
(Day count fraction should be Actual/Actual-ISMA for all fixed rate issue other than those denominated in U.S. dollars)

unless agreed otherwise between the relevant Dealer and the Issuer

(vi) Interest Determination Date(s)
(Condition 4(k)):

[Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon] in each year²

(vii) Other terms relating to the method
of calculating interest for Fixed Rate
Notes:

[Not Applicable/give details]

16. Floating Rate Provisions

[Applicable/Not Applicable]
*(If not applicable, delete the remaining sub-paragraphs of
this paragraph.)*

(i) Specified Period(s):

[●]

(ii) Specified Interest Payment Dates:

[●]

(iii) Business Day Convention:

[Floating Rate Business Day Convention/Following
Business Day Convention/Modified Following Business
Day Convention/Preceding Business Day Convention/other
(give details)]

(iv) Additional Business Centre(s)
(Condition 4(k)):

[●]

(v) Manner in which the Rate(s) of
Interest is/are to be determined:

[Screen Rate Determination/ISDA Determination/
other *(give details)*]

(vi) Interest Period Date(s):

[Not Applicable/specify dates]

(vii) Party responsible for calculating the
Rate(s) of Interest and Interest Amount(s)
(if not the [Calculation Agent]):

[●]

(viii) Screen Rate Determination
(Condition 4(b)(iii)(B)):

● Relevant Time:

[●]

● Interest Determination Date:

[[●] [TARGET] Business Days in *[specify city]* for *[specify
currency]* prior to [the first day in each Interest Accrual
Period/each Interest Payment Date]]

● Primary Source for Floating Rate: *[Specify relevant screen page or “Reference Banks”]*

● Reference Banks (if Primary
Source is “Reference Banks”):

[Specify four]

● Relevant Financial Centre:

*[The financial centre most closely connected to the
Benchmark – specify if not London]*

● Benchmark:

[LIBOR, LIBID, LIMEAN, EURIBOR or other benchmark]

● Representative Amount:

*[Specify if screen or Reference Bank quotations are to be
given in respect of a transaction of a specified notional
amount]*

2 Only to be completed for an issue where Day Count Fraction is Actual/Actual-ISMA

- Effective Date: *[Specify if quotations are not to be obtained with effect from commencement of Interest Accrual Period]*
 - Specified Duration: *[Specify period for quotation if not duration of Interest Accrual Period]*
- (ix) ISDA Determination (Condition 4(b)(iii)(A)):
- Floating Rate Option: [●]
 - Designated Maturity: [●]
 - Reset Date: [●]
 - ISDA Definitions:if different from those set out in the Conditions) [●]
- (x) Margin(s): [+/-] [●] per cent. per annum
- (xi) Minimum Rate of Interest: [●] per cent. per annum
- (xii) Maximum Rate of Interest: [●] per cent. per annum
- (xiii) Day Count Fraction (Condition 4 (k)): [●]
- (xiv) Rate Multiplier: [●]
- (xv) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [●]
- 17. Zero Coupon Note Provisions** *[Applicable/Not Applicable] (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Amortisation Yield (Condition 5 (b)): [●] per cent. per annum
 - (ii) Day Count Fraction (Condition 4 (k)): [●]
 - (iii) Any other formula/basis of determining amount payable: [●]
- 18. Index Linked Interest Note Provisions** *[Applicable/Not Applicable] (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Index/Formula: *[Give or annex details]*
 - (ii) Calculation Agent responsible for calculating the interest due: [●]

- (iii) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: [●]
- (iv) Specified Period(s)/Specified Interest Payment Dates: [●]
- (v) Business Day Convention: [Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other *(give details)*]
- (vi) Additional Business Centre(s) (Condition 4(k)): [●]
- (vii) Minimum Rate of Interest: [●] per cent. per annum
- (viii) Maximum Rate of Interest: [●] per cent. per annum
- (ix) Day Count Fraction (Condition 4(k)): [●]

19. Dual Currency Note Provisions

[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Rate of Exchange/Method of calculating Rate of Exchange: *[Give details]*
- (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due: [●]
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [●]
- (iv) Person at whose option Specified Currency(ies)is/are payable: [●]
- (v) Day Count Fraction (Condition 4(k)): [●]

PROVISIONS RELATING TO REDEMPTION

20. Call Option

[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Optional Redemption Date(s): [●]
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [●] per Note of [●]Specified Denomination
- (iii) If redeemable in part:
 - (a) Minimum nominal amount to be redeemed: [●]
 - (b) Maximum nominal amount to be redeemed: [●]

- (iv) Option Exercise Date(s): [●]
- (v) Description of any other Issuer's option: [●]
- (vi) Notice period (if other than as set out in the Conditions): [●]
- 21. Put Option** [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [●]
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [●] per Note of [●] Specified Denomination
- (iii) Option Exercise Date(s): [●]
- (iv) Description of any other Noteholders' option: [●]
- (v) Notice period (if other than as set out in the Conditions): [●]
- 22. Final Redemption Amount of each Note** [per Note of [●] Specified Denomination/Other/See Appendix]
- 23. Early Redemption Amount**
- (i) Early Redemption Amount(s) of each Note payable on redemption for taxation reasons (Condition 5(c)) or an event of default (Condition 8) and/or the method of calculating the same (if required or if different from that set out in the Conditions): [●]
- (ii) Redemption for taxation reasons permitted on days other than Interest Payment Dates (Condition 5(c)): [Yes/No]
- (iii) unmatured Coupons to become void upon early redemption (Bearer Notes only) (Condition 6(e)): [Yes/No/Not Applicable]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

- 24. Form of Notes:** **Bearer Notes**
- (i) Temporary or permanent global Note: [Delete as appropriate]
 [temporary Global Note exchangeable for a permanent Global Note which is exchangeable for Definitive Notes on [●] days' notice/at any time/in the limited circumstances specified in the permanent Global Note
 [temporary Global Note exchangeable for Definitive Notes on [●] days' notice]

- [permanent Global Note exchangeable for Definitive Notes on days' notice/at any time/ in the limited circumstances specified in the permanent Global Note
- (ii) Applicable TEFRA exemption: [C Rules/D Rules/Not Applicable]
25. Additional Financial Centre(s)(Condition 6(g)) or other special provisions relating to payment dates: [Not Applicable/Give details. Note that this item relates to the date and place of payment, and not interest period end dates, to which items 15(ii), 16(iv) and 18(vi) relate]
26. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. If yes, give details]
27. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any)of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/give details]
28. Details relating to Instalment Notes: [Not Applicable/give details]
- (i) Instalment Amount(s):
- (ii) Instalment Date(s):
- (iii) Minimum Instalment Amount:
- (iv) Maximum Instalment Amount:
29. Redenomination, renominatisation and reconventioning provisions: [Not Applicable/The provisions annexed to this Pricing Supplement apply]
30. Consolidation provisions: [Not Applicable/The provisions annexed to this Pricing Supplement apply]
31. Other terms or special conditions⁽¹⁾: [Not Applicable/give details]

DISTRIBUTION

32. (i) If syndicated, names of Managers: [Not Applicable/give names]
- (ii) Stabilising Manager (if any): [Not Applicable/give name]
- (iii) Dealer's Commission:
33. If non-syndicated, name of Dealer: [Not Applicable/give name]
34. Additional selling restrictions: [Not Applicable/give details]

OPERATIONAL INFORMATION

35. ISIN Code: [●]
36. Common Code: [●]
37. Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s):
38. Delivery: Delivery [against/free of] payment
39. The Agents appointed in respect of the Notes are: [●]

GENERAL

40. Additional steps that may only be taken following approval by an Extraordinary Resolution in accordance with Condition 11(a): [Not Applicable/give details]
41. The aggregate principal amount of Notes issued has been translated into euro at the rate of [●], producing a sum of (for Notes not denominated in euro): [Not Applicable/euro [●]]

[LISTING APPLICATION

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the Euro 5,000,000,000 Euro Medium Term Note Programme of Repsol International Finance B. V.]

[STABILISING

In connection with this issue, [*insert name of Stabilising Agent*] (the “Stabilising Agent”) or any person acting for it may over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period. However there may be no obligation on the Stabilising Agent or any person acting for it to do this. Such stabilising, if commenced, shall be in compliance with all applicable laws, regulations and rules and may be discontinued at any time and must be brought to an end after a limited period.]

MATERIAL ADVERSE CHANGE STATEMENT

There has been no significant change in the financial or trading position of the Issuer, the Guarantor or of the Group as a whole since [*insert date of last audited accounts or interim accounts (if later)*] and no material adverse change in the financial position or prospects of the Issuer, the Guarantor or of the Group since [*insert date of last published annual accounts*].

RESPONSIBILITY

The Issuer and the Guarantor accept responsibility for the information contained in this Pricing Supplement which, when read together with the Offering Circular [and the supplemental Offering Circular] referred to above, contains all information that is material in the context of the issue of the Notes.

Signed on behalf of the Issuer:

By: _____ By: _____
Duly authorised Duly authorised

Signed on behalf of the Guarantor:

By: _____
Duly authorised

Note:

(1) If full terms and conditions are to be used, please add the following here:

The full text of the Conditions which apply to the Notes [and which will be endorsed on the Notes in definitive form] are set out in [the Annex hereto], which Conditions replace in their entirety those appearing in the Offering Circular for the purposes of these Notes and such Conditions will prevail over any other provision to the contrary.”

The first set of bracketed words is to be deleted where there is a permanent global Note instead of Notes in definitive form. The full Conditions should be attached to and form part of the pricing supplement.

GENERAL INFORMATION

- (1) In connection with the application to list the Notes issued under the Programme on the Luxembourg Stock Exchange legal notice relating to the issue of the Notes and copies of the Articles of Association (“*Statuten*”) of the Issuer and the By-laws (“*Estatutos*”) of the Guarantor will be deposited with the Luxembourg Trade and Companies Register (“*Registre de Commerce et des Sociétés a Luxembourg*”) where such documents may be examined and copies obtained. The Luxembourg Stock Exchange has allocated the Programme the number 12626.
- (2) The Issuer and the Guarantor have obtained all necessary consents, approvals and authorisations in The Netherlands and the Kingdom of Spain, respectively, in connection with the establishment of the Programme and the guarantee relating to the Programme. The establishment of the Programme was authorised by resolutions of the Board of Managing Directors of the Issuer passed on September 7, 2001 and the update of the Programme was authorised by a resolution of the Board of Directors of the Issuer passed on October 16, 2003. The giving of the guarantee relating to the Programme by the Guarantor was authorised by a resolution of the Board of Directors of the Guarantor passed on July 19, 2001 and the update of the Programme was authorised by a resolution of the Board of Directors of the Guarantor passed on October 28, 2003.
- (3) Except as disclosed in this Offering Circular, there has been no material adverse change in the financial position of the Issuer, the Guarantor or the Guarantor and its subsidiaries and affiliates taken as whole (the “Group”) since December 31, 2002.
- (4) Save as disclosed in this Offering Circular under “Description of Repsol YPF, S.A.-Litigation”, neither the Issuer nor the Guarantor nor any of their respective subsidiaries is involved in any litigation or arbitration proceedings relating to claims or amounts that are material in the context of the issue of Notes under the Programme nor so far as the Issuer or the Guarantor is aware of any such litigation or arbitration pending or threatened.
- (5) Each Note, Receipt, Coupon and Talon will bear the following legend: “Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code”.
- (6) Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems. The Common Code, the International Securities Identification Number (ISIN) and (where applicable) the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Pricing Supplement.
- (7) For so long as Notes may be issued pursuant to this Offering Circular, the following documents will be available (in the case of (v), (vi), (vii) and (ix) free of charge), during usual business hours on any weekday (Saturdays and public holidays excepted), at the office of DEXIA Banque Internationale à Luxembourg S.A.:
 - (i) the Trust Deed (which includes the guarantee relating to the Programme, the form of the Global Notes, the definitive Notes, the Coupons, the Receipts and the Talons)
 - (ii) the Dealer Agreement
 - (iii) the Articles of Association (“*Statuten*”) of the Issuer
 - (iv) the By-laws (“*Estatutos*”) of the Guarantor
 - (v) the audited consolidated annual accounts of the Guarantor for the two years ended December 31, 2002
 - (vi) each Pricing Supplement for Notes that are listed on the Luxembourg Stock Exchange or any other stock exchange
 - (vii) copy of this Offering Circular together with any Supplement to this Offering Circular or further Offering Circular

- (viii) copy of the subscription agreement for Notes issued on a syndicated basis that are listed on the Luxembourg Stock Exchange and
 - (ix) all reports, letters and other documents, balance sheets, valuations and statements by any expert any part of which is extracted or referred to in this Offering Circular.
- (8) Copies of the latest and future annual audited non-consolidated financial statements of the Issuer and copies of the latest and future annual audited consolidated and non-consolidated financial statements and the quarterly and semi-annual unaudited consolidated financial statements of the Guarantor may be obtained free of charge, and copies of the Trust Deed (including the Guarantee) and the Agency Agreement will be available for inspection, at the specified offices of each of the Paying Agents during normal business hours, so long as any of the Notes is outstanding. The Issuer does not publish interim financial statements or consolidated financial statements. The Guarantor does not publish interim non-consolidated financial statements.

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REGISTERED OFFICE OF THE GUARANTOR

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**ISSUING AND PAYING AGENT AND
CALCULATION AGENT**

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ARRANGER

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LISTING AGENT AND PAYING AGENT

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To the Issuer as to Netherlands tax law

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To the Guarantor as to Spanish law

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Spain

To the Guarantor as to Spanish tax law

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Serrano, 209º izda
28016 Madrid
Spain

To the Issuer and the Guarantor as to English law

Freshfields Bruckhaus Deringer
65 Fleet Street
London EC4Y 1HS

To the Dealers and the Trustee as to English law

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AUDITORS

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REPSOL
YPF

