



**REPSOL S.A. and investees composing the
REPSOL GROUP**

INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
AND INTERIM MANAGEMENT REPORT FOR THE SIX-MONTH
PERIOD ENDED JUNE 30, 2012

This document is a translation of a report originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails.

Repsol, S.A. and investess composing the Repsol Group
Consolidated Balance Sheets at June 30, 2012 and December 31, 2011

ASSETS	Note	Millions of euros	
		06/30/2012	12/31/2011
Intangible assets:		5,798	7,783
a) Goodwill		2,684	4,645
b) Other intangible assets	4	3,114	3,138
Property, plant and equipment	4	28,070	36,759
Investment properties		25	24
Investments accounted for using the equity method		738	699
Non-current assets held for sale subject to expropriation	3	5,653	-
Non-current financial assets	6	1,269	2,450
Deferred tax assets		3,109	2,569
Other non-current assets	6	251	344
NON-CURRENT ASSETS		44,913	50,628
Non-current assets held for sale	4	464	258
Inventories		5,639	7,278
Trade and other receivables		7,815	9,222
a) Trade receivables		5,933	6,555
b) Other receivables		1,522	2,147
c) Income tax assets		360	520
Other current assets		120	220
Other current financial assets	6	473	674
Cash and cash equivalents	6	3,953	2,677
CURRENT ASSETS		18,464	20,329
TOTAL ASSETS		63,377	70,957

The accompanying explanatory notes 1 to 15 are an integral part of the Consolidated Balance Sheet at June 30, 2012.

Repsol, S.A. and investees composing the Repsol Group
Consolidated Balance Sheets at June 30, 2012 and December 31, 2011

EQUITY AND LIABILITIES	Note	Millions of euros	
		06/30/2012	12/31/2011
EQUITY			
Issued share capital	4	1,256	1,221
Share premium		6,428	6,428
Reserves		247	247
Treasury Shares and own equity investments	4	(1,338)	(2,572)
Retained earnings and other reserves	4	18,529	17,186
Net income attributable to the shareholders of the parent		1,036	2,193
Interim dividend		-	(635)
EQUITY		26,158	24,068
Financial assets available for sale		(41)	(4)
Other financial instruments		280	-
Hedge transactions		(205)	(181)
Translation differences		540	(345)
ADJUSTMENTS FOR CHANGES IN VALUE		574	(530)
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT		26,732	23,538
MINORITY INTERESTS		762	3,505
TOTAL EQUITY		27,494	27,043
Grants		72	118
Non-current provisions		2,193	3,826
Non-current financial liabilities	6	15,357	15,345
a) Bank borrowings, bonds and other securities		15,115	15,137
b) Other financial liabilities		242	208
Deferred tax liabilities		2,895	3,839
Other non-current liabilities		3,698	3,682
NON-CURRENT LIABILITIES		24,215	26,810
Liabilities related to non-current assets held for sale	4	107	32
Current provisions		183	452
Current financial liabilities:	6	3,020	4,985
a) Bank borrowings, bonds and other securities		2,967	4,902
b) Other financial liabilities		53	83
Trade and other accounts payables:		8,358	11,635
a) Trade payables		3,904	4,757
b) Other payables		4,131	6,522
c) Income tax liabilities		323	356
CURRENT LIABILITIES		11,668	17,104
TOTAL EQUITY AND LIABILITIES		63,377	70,957

The accompanying explanatory notes 1 to 15 are an integral part of the Consolidated Balance Sheet at June 30, 2012.

Repsol, S.A. and investees composing the Repsol Group
Consolidated Income Statements for the interim periods ended June 30, 2012 and 2011

	Note	Millions of euros	
		06/30/2012	06/30/2011 ⁽¹⁾
Sales	5	27,836	24,803
Services rendered and other income	5	869	547
Change in inventories of finished goods and work in progress inventories		(42)	356
Income from reversal of impairment losses and gain on disposal of non-current assets		14	95
Allocation of grants on non financial assets and other grants		2	6
Other operating income		399	523
OPERATING REVENUE	5	29,078	26,330
Supplies		(21,878)	(19,395)
Personnel expenses		(971)	(909)
Other operating expenses		(2,943)	(2,843)
Depreciation and amortization of non-current assets		(1,287)	(1,044)
Impairment losses recognized and losses on disposal of non-current assets		(33)	(30)
OPERATING EXPENSES		(27,112)	(24,221)
OPERATING INCOME	5	1,966	2,109
Finance income		68	82
Finance expense		(510)	(432)
Change in the fair value of financial instruments		139	(313)
Net exchange gains/ (losses)		(130)	289
Impairment losses and gain/(losses) on disposals of financial instruments		-	-
FINANCIAL RESULT		(433)	(374)
Share of results of companies accounted for using the equity method - net of tax		66	33
NET INCOME BEFORE TAX		1,599	1,768
Income Tax		(674)	(645)
Net income for the period from continuing operations		925	1,123
Net income for the period from continuing operations attributable to minority interests		(22)	(66)
NET INCOME FOR THE PERIOD FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE PARENT		903	1,057
Net income for the period from discontinued operations after taxes	3	242	371
Net income for the period from discontinued operations attributable to minority interests	3	(109)	(84)
NET INCOME FOR THE PERIOD FROM DISCONTINUED OPERATIONS ATTRIBUTABLE TO THE PARENT	3	133	287
TOTAL NET INCOME ATTRIBUTABLE TO THE PARENT		1,036	1,344

EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
		Euros	Euros (2)
Basic	4	0.87	1.07
Diluted	4	0.87	1.07

(1) Includes de necessary modifications with respect to the interim condensed consolidated financial statements corresponding to the six-month period ended June 30, 2011 in connection with the expropriation process of YPF, S.A. and Repsol YPF Gas, S.A. shares in accordance with the contents of Note 2, *Comparison of information*.

(2) Includes the necessary modifications with respect to the interim condensed consolidated financial statements for the first six months of 2011 in connection with the capital increase carried out as a part of the shareholder compensation scheme known as "Flexible Repsol Dividend" described in Note 4.

The accompanying explanatory notes 1 to 15 are an integral part of the Consolidated Income Statement for the six-month period ended June 30, 2012.

Repsol, S.A. and investees composing the Repsol Group
Consolidated Statements of Recognized Income and Expenses corresponding to the interim
periods ended June 30, 2012 and 2011

	Millions of euros	
	<u>06/30/2012</u>	<u>06/30/2011</u>
CONSOLIDATED NET INCOME FOR THE INTERIM PERIOD		
(from the Income Statement) (1)	1,167	1,494
INCOME AND EXPENSES RECOGNIZED DIRECTLY IN EQUITY:		
From measurement of financial assets available for sale	(45)	1
From other financial instruments	280	-
From cash flows hedges	(39)	(22)
Translation differences	198	(1,520)
From actuarial gains and losses and other adjustments	-	(1)
Entities accounted for using the equity method	1	17
Tax effect	13	12
TOTAL	408	(1,513)
AMOUNT TRANSFERRED TO THE CONSOLIDATED INCOME STATEMENT:		
From measurement of financial assets available for sale	(2)	-
From cash flow hedges	15	44
Translation differences	605	3
Tax effect	-	(13)
TOTAL	618	34
TOTAL RECOGNIZED INCOME/ (EXPENSES)	2,193	15
a) Attributable to the parent company	2,140	17
b) Attributable to minority interests	53	(2)

(1) Corresponds to the addition of the following consolidated income statement headings: "*Net income for the period from continuing operations*" and "*Net income for the period from discontinued operations after taxes*".

The accompanying explanatory notes 1 to 15 are an integral part of the Consolidated Statement of Recognized Income and Expenses corresponding to the six-month period ended June 30, 2012.

Repsol, S.A. and investees composing the Repsol Group

Consolidated Statements of Changes in Equity corresponding to the interim periods ended June 30, 2012 and 2011

Millions of euros

	Equity attributable to equity holders of the parent							
	Equity							Total equity
	Issued share capital	Share premium and reserves	Treasury shares and own equity investments	Net income for the year attributable to equity holders of the parent	Adjustments for changes in value	Total equity attributable to equity holders of the parent	Minority interests	
Closing balance at 12/31/2010	1,221	19,343	-	4,693	(1,117)	24,140	1,846	25,986
Adjustments	-	-	-	-	-	-	-	-
Initial adjusted balance	1,221	19,343	-	4,693	(1,117)	24,140	1,846	25,986
Total recognized income/ (expenses)	-	(1)	-	1,344	(1,326)	17	(2)	15
Transactions with shareholders or owners								
Dividend payments	-	(641)	-	-	-	(641)	(177)	(818)
Transactions with treasury shares or own equity instruments (net)	-	-	-	-	-	-	-	-
Changes in the scope of consolidation	-	488	-	-	305	793	1,476	2,269
Other changes in net equity								
Transfers between equity accounts	-	4,729	-	(4,693)	(36)	-	-	-
Other changes	-	(2)	-	-	-	(2)	1	(1)
Closing balance at 06/30/2011	1,221	23,916	-	1,344	(2,174)	24,307	3,144	27,451
Total recognized income/ (expenses)	-	(9)	-	849	1,624	2,464	518	2,982
Transactions with shareholders or owners								
Dividend payments	-	(635)	-	-	-	(635)	(227)	(862)
Transactions with treasury shares or own equity instruments (net)	-	(12)	(2,572)	-	-	(2,584)	-	(2,584)
Changes in the scope of consolidation	-	(10)	-	-	7	(3)	61	58
Other changes in net equity								
Transfers between equity accounts	-	(22)	-	-	12	(10)	10	-
Other changes	-	(2)	-	-	1	(1)	(1)	(2)
Closing balance at 12/31/2011	1,221	23,226	(2,572)	2,193	(530)	23,538	3,505	27,043
Adjustments	-	-	-	-	-	-	-	-
Initial adjusted balance	1,221	23,226	(2,572)	2,193	(530)	23,538	3,505	27,043
Total recognized income/ (expenses)	-	-	-	1,036	1,104	2,140	53	2,193
Transactions with shareholders or owners								
Share capital increase/ (reduction)	35	(35)	-	-	-	-	-	-
Dividend payments	-	(242)	-	-	-	(242)	(50)	(292)
Transactions with treasury shares or own equity instruments (net)	-	65	1,234	-	-	1,299	-	1,299
Changes in the scope of consolidation	-	-	-	-	-	-	-	-
Other changes in net equity								
Transfers between equity accounts	-	2,193	-	(2,193)	-	-	-	-
Other changes	-	(3)	-	-	-	(3)	(2,746)	(2,749)
Closing balance at 06/30/2012	1,256	25,204	(1,338)	1,036	574	26,732	762	27,494

The accompanying explanatory notes 1 to 15 are an integral part of the Consolidated Statement of Changes in Equity corresponding to the six-month period ended June 30, 2012.

Repsol, S.A. and investees composing the Repsol Group

Consolidated Statement of Cash Flows corresponding to the interim periods ended June 30, 2012 and 2011

	Millions of euros	
	06/30/2012	06/30/2011 ⁽¹⁾
Net income before taxes	1,599	1,768
Adjustments to the income	1,732	1,321
Depreciation and amortization of non-current assets	1,287	1,044
Other adjustments to the result (net)	445	277
Changes in working capital	(139)	(1,060)
Other cash flows from operating activities:	(747)	(557)
Dividens received	37	17
Income tax received /(paid)	(637)	(488)
Other proceeds from/ (payments for) from operating activities	(147)	(86)
Cash Flows from Operating Activities (2)	2,445	1,472
Payments for investments activities:	(1,863)	(1,917)
Group companies, associates and business units	(57)	(90)
Property, plant and equipment, intangible assets and investment properties	(1,674)	(1,537)
Other financial assets	(132)	(290)
Proceeds form divestments:	395	589
Group companies, associates and business units	43	72
Property, plant and equipment, intangible assets and investment properties	19	221
Other financial assets	333	296
Other cash flows	2	(6)
Cash Flows used in Investment Activities (2)	(1,466)	(1,334)
Proceeds from/ (payments for) equity instruments	1,313	-
Acquisition	(56)	-
Disposal	1,369	-
Disposal in ownership interest in subsidiaries without loss of control	-	-
Proceeds from/(payments for) financial liabilities	108	(1,264)
Issues	5,443	2,738
Return and redemption	(5,335)	(4,002)
Payments for dividends and payments on other equity instruments	(685)	(671)
Other cash flows from financing activities	(110)	(702)
Interest payments	(413)	(419)
Other proceeds form/ (payments for) financing activities	303	(283)
Cash Flows used in/ (from) Financing Activities (2)	626	(2,637)
Effect of changes in exchange rates	15	(110)
Net Increase / (Decrease) in cash and cash equivalents	1,620	(2,609)
Cash Flows from Operating Activities from discontinued operations	874	564
Cash Flows Used in Investment Activities from discontinued operations	(872)	(738)
Cash Flows Used in Financing Activities from discontinued operations	(339)	2,099
Effect of changes in exchange rates from discontinued operations	(7)	(28)
Net Increase / (Decrease) in cash and cash equivalents from discontinued operations	(344)	1,897
Cash and cash equivalents at the beginning of the period	2,677	6,448
Cash and cash equivalents at the end of the period	3,953	5,736
COMPONENTS OF CASH AND CASH EQUIVALENT AT THE END OF THE PERIOD	06/30/2012	06/30/2011
(+) Cash and banks	1,271	3,986
(+) Other financial assets	2,682	1,750
TOTAL CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3,953	5,736

(1) Includes the necessary modifications with respect to the interim condensed consolidated financial statements corresponding to the six-month period ended June 30, 2011 in connection with the expropriation process of YPF, S.A and Repsol YPF Gas, S.A shares in accordance with the contents of Note 2, *Comparison Information*.

(2) Corresponds to the cash flows from continuing operations.

(3) In 2011 this includes the cash flows from the sale of YPF shares amounting to €1,831 million.

The accompanying explanatory notes 1 to 15 are an integral part of the Consolidated Statement of Cash Flows for the interim period ended June 30, 2012.

REPSOL, S.A. AND INVESTEEES COMPOSING THE REPSOL GROUP

Explanatory notes to the interim condensed consolidated financial statements for the six-month period ended June 30, 2012.

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(1) GENERAL INFORMATION

Repsol, S.A. (previously Repsol YPF, S.A.) and investees composing the Repsol Group (hereinafter “Repsol”, “the Repsol Group” or “the Group”) constitute an integrated group of oil and gas companies which commenced operations in 1987.

The Repsol Group is engaged in all the activities relating to the oil and gas industry, including exploration, development and production of crude oil and natural gas, transportation of oil products, liquified petroleum gas (LPG) and natural gas, refining, the production of a wide range of oil products and the retailing of oil products, oil derivatives, petrochemicals, LPG and natural gas, as well as the generation, transportation, distribution and supply of electricity. The Group operates in more than 40 countries and its Head Office is in Spain. From 1999 until the first quarter of 2012 the Group also operated in Argentina through YPF and Repsol YPF Gas. A significant part of the Group’s investment in these companies is subject to an expropriation process by the Argentinean Government (see section a) *Expropriation of Repsol Group shares in YPF, S.A. and Repsol YPF Gas, S.A.* of Note 3 *Changes in the structure of the Group*).

Repsol, S.A. is registered at the Madrid Mercantile Registry in volume 3893, folio 175, sheet no. M-65289, entry 63^a. Its Employer Identification Number is A-78/374725 and its National Classification of Economic Activities Number is 742.

The corporate name of the parent of the Group of companies that prepares and files these interim condensed consolidated financial statements is Repsol, S.A. The Ordinary General Shareholders Meeting held on May 31, 2012 voted to change the name of the company from Repsol YPF, S.A to Repsol, S.A. This change was registered at the Madrid Mercantile Registry on June 12, 2012.

The Ordinary General Shareholders Meeting held on May 31, 2012 also voted to move the Head Office to Calle Méndez Alvaro, 44, Madrid. This change was registered at the Madrid Mercantile Registry on July 4, 2012. The Shareholder’s Information Offices provisionally located at Paseo de la Castellana, 278 until it moves to the new Head Office. Its phone number is: 900.100.100.

Repsol, S.A. is a private-law entity incorporated in accordance with Spanish legislation, and is subject to the Revised Text of the Spanish Corporations Law approved by Legislative Royal Decree 1/2010 dated July 2, 2010 and to the legislation governing listed corporations.

Repsol, S.A.’s shares are represented by book entries and are all admitted to trading on the Spanish Stock Exchanges (Madrid, Barcelona, Bilbao, and Valencia) and the Buenos Aires Stock Exchange (Bolsa de Comercio de Buenos Aires).

At June 30, 2012, the share capital of Repsol YPF comprised 1,220,863,463 shares with a par value of 1 euro each. In July, 2012 share capital was increased as a result of the capital increase approved by the Ordinary General Shareholders Meeting held on May 31, 2012 (point ten of the meeting agenda). It serves as an instrument for the shareholder remuneration scheme known as “Flexible Repsol Dividend”, included in Note 4 section d) *Equity-1. Share Capital and reserves*. In accordance with applicable accounting policies, this capital increase has been recognized in the Financial Statements at June 30, 2012.

These interim condensed consolidated financial statements for the six-month period ended June 30, 2012 were prepared by the Board of Directors of Repsol, S.A. at their meeting on July 25, 2012.

(2) BASIS OF PRESENTATION

The interim condensed consolidated financial statements are presented in millions of euros (except for any other information in which another currency or parameter is specified), and were prepared based on the accounting records of Repsol, S.A. and its investees and they are presented i) in accordance with International Financial Reporting Standards (IFRSs) as endorsed by the European Union at June 30, 2012, and particularly, pursuant to the requirements established in IAS 34 *Interim Financial Reporting* which established the accounting principles in relation with interim financial statements, and ii) in conformity with Art. 12 of RD 1362/2007 and iii) the disclosures of information required in Circular 1/2008, of January 30, issued by Spanish securities market regulator (the CNMV for its acronym in Spanish).

In this regard, the interim condensed consolidated financial statements present fairly the Group's consolidated equity and the financial position at June 30, 2012, as well as the results of operations, the changes in consolidated equity and consolidated cash flows that have occurred during the six-month period ended on that date.

Pursuant to the provisions of IAS 34, interim financial information is prepared only with the intention of updating the content of the last annual consolidated financial statements prepared by the Group, emphasizing new activities, events and circumstances that occur during the half-year and not duplicating the information previously published in the consolidated financial statements for the year 2011. Therefore, for an adequate understanding of the information that is included in these interim condensed financial statements, they must be read in conjunction with the consolidated financial statements of the Repsol Group for year 2011, which were approved by the General Shareholders' Meeting of Repsol, S.A., held on May 31, 2012.

Regulatory framework

Liquid Hydrocarbons, Oil and Petroleum Derivatives

On June 19, 2012, the Spanish Supreme Court rendered a sentence on the administrative appeal filed by the Spanish Association of Liquefied Petroleum Gas Operators (AOGLP by its acronym in Spanish) against Ministerial Order ITC/2608/2009 dated September 28. The Sentence partially confirmed the appeal filed and declared the invalidity of Ministerial Order ITC/2608/2009 dated September 28, which amended Ministerial Order ITC/1858/2008 dated June 26 on price updating for bottled LPG.

The declaration of invalidity of Ministerial Order ITC/2608/2009 is firm and determines its expulsion from the legislative system as from the notification of the ruling. The invalidity will force the Government to modify its currently used formula for setting the maximum before-tax sales prices for bottled LPG, within a period of 60 days from July 5, 2012 date of its notification to the Government.

Natural Gas

Royal Decree Law 13/2012, of March 30, transposes into Spanish law Directive 2009/73/EC of the Parliament and of the Council of July 13, 2009, which requires an amendment of Law 34/1998, of October 7, of the hydrocarbon sector and introduces the concept of separation of ownership of assets, understood to be a situation in which the network owner is appointed network controller and is separated from any company with interests in production and supply.

The abovementioned Royal Decree Law also transposes Directive 2009/28/EC of the Parliament and of the Council, of April 23, 2009, on the promotion of the use of energy from renewable sources and amends and repeals Directives 2001/77/EC and 2003/30/EC.

Electricity sector regulation in Spain

The aforementioned Royal Decree Law 13/2012, of March 30, transposes the directives on domestic electricity and gas markets and on electronic communications, adopting measures for the correction of deviations from deficit between the costs and revenues in the electricity and gas sectors. These amendments in said Royal Decree Law refer to a reduction of the electricity sector deficit.

Accounting policies: New standards, interpretations and amendments

- A) In relation with the accounting policies framework applicable at December 31, 2011, the IASB only issued one amendment that was endorsed by the European Union and which is mandatory applicable to the annual periods beginning on January 1, 2012: *IFRS 7 Disclosures: Transfers of financial assets (Amendments)*

Taking into account the transactions of the Group, at the date of authorizing these interim condensed consolidated financial statements, the Group do not foresee any significant impact in its annual consolidated financial statements disclosures as a consequence of applying IFRS 7 amendments.

- B) Below there is a list of the standards, interpretations and amendments issued by the IASB and endorsed by the European Union at June 30, 2012, whose mandatory first time application will be in the periods subsequent to 2012:

Mandatory application in 2013

- Amendments to IAS 1 *Presentation of Items of Other Comprehensive Income*
- Amendments to IAS 19 *Employee Benefits*

The Group estimates that the application of the above-listed amendments would not have a significant impact on the Group's Consolidated Financial Statements; however, certain additional disclosures may be included.

- C) Below there is a list of the standards, interpretations and amendments issued by the IASB and mandatorily applicable from January 1, 2012, but pending to be endorsed by the European Union at June 30, 2012:

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

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

- D) Below there is a list of the standards and amendments issued by the IASB at June 30, 2012, mandatorily applicable for the first time in reporting periods after 2012 and pending to be endorsed by the European Union.

Mandatory application in 2013

- IFRS 10 *Consolidated Financial Statements*(*)
- IFRS 11 *Joint Arrangements*(*)
- IFRS 12 *Disclosure of Interests in Other Entities* (*)
- Amendments to IFRS 10, 11 and 12 *Transition Guide*
- IFRS 13 *Fair Value Measurement*
- IAS 27 revised *Separate Financial Statements* (*)
- IAS 28 revised *Investments in Associates and Joint Ventures* (*)
- Improvements to IFRS 2009-2011
- Amendments to IFRS 1 *Government loans*
- Amendments to IFRS 7 *Offsetting Financial Assets and Financial Liabilities*
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*

Mandatory application in 2014:

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

Mandatory application in 2015:

- IFRS 9 - *Financial Instruments* (**)

(*) These standards were issued by the IASB and they are effective for the annual periods beginning on or after January 1, 2013. However, the Accounting Regulatory Committee (ARC), in its meeting on June 1, 2012, decided to postpone the adoption of these standards by the European Union, until the first annual period beginning on or after 1 January 2014 although early application will be permitted. At the date of authorizing these financial statements for issue, these standards are pending to be endorsed by the European Union and accordingly, the terms of the final Regulation.

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

In relation with IFRS 11 *Joint Arrangements*, , the Company is in the process of analyzing all its joint arrangements in order to determine and document their proper classification as either joint operations or joint ventures, according to IFRS 11 criteria. The recognition of operations under the new standard will not affect the Group's consolidated equity or net income. The application of this new, in the case of joint arrangements that will be classified as joint ventures, as they are currently accounted for by using the proportionate method of consolidation allowed in the prevailing IAS 31, will require the Group to reclassify the amounts currently integrated proportionately to the headings of the equity method of accounting of the balance sheet and the income statement.

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

Accounting Policies

As described in Note 3 of the notes to the consolidated financial statements for the year 2011, in the preparation of these interim condensed consolidated financial statements, Repsol has applied the same accounting policies applied in 2011.

The accounting criteria applied for recognition of the effects related to the expropriation process of Repsol Group shares in YPF, S.A. and in Repsol YPF, Gas, S.A. are stated in these interim condensed consolidated financial statements, in the corresponding section of

Note 3 *Changes in the structure of the Group.*

Comparison of information

As a result of the expropriation process of YPF, S.A. and Repsol YPF Gas, S.A. shares, the income statement and the statement of cash flows for the six-month period ended June 30, 2011 have been restated for comparative purposes with information from the first six-month period of 2012, with respect to the information published in the interim condensed consolidated financial statements for the first six-month period of 2011, as described in *Comparison of information* of section a) *Expropriation of shares of the Repsol Group in YPF, S.A. and Repsol YPF Gas, S.A.* in Note 3 *Changes in the structure of the Group*, and in Note 5 *Segment Reporting*.

The profit per share at June 30, 2011 has being modify compared with that stated in the interim condensed consolidated financial statements at June 30, 2011, in accordance with the accounting standards, as the average number of outstanding shares considered in the calculation should be based on the new number of shares issued after the capital increase carried out as part of the compensation scheme to shareholders known as the "Flexible Repsol dividend" described in section d) 1. *Share Capital and Reserves* of Note 4, that has been recognized with accounting effects June 30, 2012.

Changes in estimates

Management estimates have been used to quantify certain assets, liabilities, income, and expenses that are recorded in the interim condensed consolidated financial statements. These estimates are made based on the best available information and they refer to:

- 1) The expense for income tax, which, pursuant to IAS 34, is recognized in interim periods based on the best estimate of the average weighted tax rate that the Group expects for the annual period;
- 2) The evaluation of possible impairment losses on certain assets (see note 4, section e);
- 3) The market value of certain financial instruments, among which is worth mentioning the financial instruments in the first six-month period of 2012 arising as a consequence of the expropriation process of YPF and Repsol YPF Gas (see Note 3);
- 4) The provision for legal and arbitration proceedings and other contingencies; and
- 5) Crude oil and gas reserves.

Despite the fact that the estimates described above are made based on the best available information on the date on which the facts are analyzed, possible future events might require their revision (upward or downward) at year end 2012 or in subsequent years.

During the six-month period ended June 30, 2012, not significant changes have being taken in the methodology for calculating the estimates made at year end 2011.

Relative importance

When determining the information to be included in these interim condensed consolidated financial statements under the different items in the financial statements or other matters, the Repsol Group, pursuant to IAS 34, has taken into account their relative importance in relation to the interim condensed consolidated financial statements for the six-month period.

Seasonality

Among the activities of the Group, the LPG and natural gas businesses are the ones most affected by seasonality due to their connection to weather conditions, with more activity in the winter and less in the summer in the northern hemisphere.

(3) CHANGES IN THE STRUCTURE OF THE GROUP

Repsol prepares its consolidated financial statements including its investments in all its subsidiaries, associates and joint ventures. Appendix I of the consolidated financial statements at December 31, 2011 details the main subsidiaries, associates and joint ventures, held directly or indirectly by Repsol, S.A., which were included in the scope of consolidation at that date.

Appendix I to these interim condensed consolidated financial statements details the changes in the scope of consolidation of the Group that have taken place during the first half of 2012.

The principal changes in the scope of consolidation that have taken place during the interim period ended at June 30, 2012 and their impact on the accompanying interim condensed consolidated financial statements are detailed below.

a) Expropriation of Repsol Group shares in YPF, S.A. and Repsol YPF Gas, S.A.

YPF and Repsol YPF Gas Intervention Decree and Expropriation Law

On April 16, 2012, the National Executive Power of Argentina announced the submission to the legislative body of a draft bill on the sovereignty of the Republic of Argentina over its oil and gas resources, declaring of public interest and a priority the self-sufficiency in oil and gas and its exploitation, industrialization, transport and marketing; Section 7 of the draft bill declared of public utility and subject to expropriation 51% of YPF, S.A., represented by an equal percentage of Class D shares of YPF held, directly or indirectly, by Repsol and its subsidiaries. The stake held by the Repsol Group in YPF, S.A. on that day was 57.43%.

On that same date, April 16, 2012, the Argentinean Government enacted a Decree ("Decreto de Necesidad y Urgencia"), effective on the same day as its approval, which ordered the temporary intervention of YPF, S.A. for a 30-day period, appointing a Government minister as the Intervenor of YPF, S.A., who would be empowered with all the faculties of its Board of Directors.

Repsol communicated in a "relevant event" filed with the Spanish CNMV on April 16, 2012 its rejection of the Argentinean government's expropriation measures. On April 18, 2012, the Argentinean Government passed a resolution which extended the scope of the aforementioned Decree to Repsol YPF Gas, S.A., an Argentinean company engaging in the fractioning, bottling, transportation, distribution, and marketing of LPG in which Repsol Butano, S.A. had an 84.997% shareholding.

On April 23, 2012, YPF, S.A.'s Intervenor agreed to suspend the General Shareholder's Meeting set for April 25, 2012 which had been called to review the 2011 financial statements of YPF, S.A., as well as the proposal of capitalizing accumulated results through a paid up share capital issue totaling 5,789,200,000 Argentinean pesos, approved by the Board of Directors on March 21, 2012.

After rapid parliamentary adoption proceeding, on May 7, 2012, Law 26,741 (the "YPF Expropriation Law") was published in Argentina's Official State Gazette, becoming effective immediately, and establishing the following:

- The self-supply, exploration, export, operation, industrialization, transportation, and commercialization of hydrocarbon are declared of "national public interest".
- In order to guarantee compliance with the objectives indicated above, 51% of YPF, S.A.'s equity, represented by an equivalent percentage of Class D shares in that company, held directly or indirectly by Repsol and its controlling or controlled companies, is declared of "national public interest" and subject to expropriation, together with, 51% of the equity of Repsol YPF Gas, equivalent to 60% of the Class A shares of Repsol Butano, S.A. and its controlling or controlled companies.
- The future distribution of the shares subject to expropriation was determined: 51% to the federal government and 49% to the governments of the provinces that compose the National Organization of Hydrocarbon Producing States, as established in the transfer conditions set out in regulatory framework stipulations. However, the National Executive Office, directly or through an appointed public entity, shall exercise all the voting rights associated with the shares subject to expropriation until the transfer of political and economic rights to the provinces that compose the National Organization of Hydrocarbon Producing States is completed.
- Independently or through the designated body, the executive branch of the Argentinean government will execute all the rights conferred by the shares subject to expropriation, in the terms established in Argentinean expropriation legislation for "temporary occupation".
- The expropriation process will be governed by Law 21,499 (the National Expropriations Act), with the Argentinean government acting as the expropriating authority. The price of the assets subject to expropriation is to be determined in conformity with Article 10 of the Law and its related provisions, based on the appraisal of the National Appraisal Board.

On May 7, 2012, the President of Argentina's securities market regulator (the CNV for its acronym in Spanish) called a General Meeting of YPF, S.A. shareholders to be held on June 4, 2012.

That same day, Mr. Miguel Matías Galuccio was appointed General Manager of the YPF, S.A. during the intervention by the Executive Branch of the Argentinean Government.

During the Shareholder's Meeting held on June 4, 2012, Mr. Galuccio was appointed Chairman of the Board, and was simultaneously ratified in the above position. During the Meeting, among other actions taken, all the Members and Alternate Members of the Board of Directors and the Supervisory Committee were removed, with their substitutes named. At Repsol's proposal, of the 17 new Board Members, the Shareholder's Meeting appointed an independent Board member.

On June 15, 2012, the suspension of the call to the Ordinary General Board Meeting of April 25, 2012, previously ordered by the Intervenor, was suspended and a new meeting called for July 17, 2012. Among others, the following agreements were reached at this meeting:

- a. To approve the financial statements and the Supervisory Committee's report for 2011;
- b. To not approve the management of the Members of the Board neither the Supervisory Committee for 2011, and exceptionally, approve the management of those members appointed by the Class A shares, corresponding to the Federal Government;
- c. To allocate (i) 5,751 million Argentinian pesos to an investment reserve; and (ii) 303 million Argentinian pesos to a dividend payment reserve, authorizing the Board of Directors to determine when such dividends would be distributed, in a period not to exceed December 31, 2012.

Repsol considers the expropriation to be clearly illicit and gravely discriminatory (as it only affected YPF, S.A. and Repsol YPF Gas, S.A. and no other gas companies in Argentina, while also only expropriating one of the shareholders of YPF, S.A. and Repsol YPF Gas, S.A., Repsol). It also views that the national public interest is unjustified, and that the entire transaction blatantly fails to comply with Argentina's obligations in the privatization process of YPF.

Repsol also considers that the expropriation violates the most fundamental principles of legal certainty and confidence of the international investment community. Therefore, Repsol expressly and fully reserves the right to take all available corresponding actions at its disposal to preserve its rights, the value of all its shareholders' assets and interests under prevailing Argentinean law, standard rules and practices of securities markets in which YPF is present, and international law, including the "Agreement between the Argentinean Republic and the Kingdom of Spain on the Reciprocal Promotion and Protection of Investments" signed in 1991.

Specifically, under the section *Procedures initiated as a consequence of the expropriation of the Group's YPF shares* in Note 10, Repsol began legal proceedings (i) based on the "Agreement between the Argentinean Republic and the Kingdom of Spain on the Reciprocal Promotion and Protection of Investments", (ii) based on the unconstitutional nature of the YPF Intervention, and the temporary occupation by the Argentinean government of the rights over 51% of Class D YPF shares held by Repsol (iii) based on the Argentinean government's lack of performance of its obligation to make a Tender Offer for the YPF, S.A. shares prior to taking control over the company.

Accounting treatment

According to the facts mentioned above, loss of control of YPF and Repsol YPF Gas from Repsol has taken place; consequently, it was deconsolidated; thus, Repsol's assets, liabilities, and minority interests were derecognized, as well as the corresponding translation differences.

In accordance with the prevailing accounting regulation, from the date of loss of control, the YPF and Repsol YPF Gas activities were considered discontinued operations, and therefore the results contributed to the Group from both companies were recognized under their specific headings. At June 30, 2012 the amounts contributed by YPF and Repsol YPF Gas to "Net Income for the period attributable to the Parent from discontinued operations" from the results net of taxes and minority interests, since the beginning of the current year until the loss of control date, amounted to €147 million and €2 million, respectively.

The following table includes a breakdown of the assets, liabilities, and minority interests of YPF and Repsol YPF Gas which formed part of the scope of Consolidated Balance Sheet and that were derecognized:

ASSETS	Millions of euros (1)		
	YPF	Repsol YPF Gas	Total
Intangible assets:	2,040	4	2,044
a) Goodwill	1,804	4	1,808
b) Other intangible assets	236		236
Property, plant and equipment	8,781	32	8,813
a) Investments in areas with reserves	5,886	-	5,886
b) Other exploration costs	120		120
c) Machinery and installations	1,085	7	1,092
d) Items for transportation	51	1	52
e) Other tangible assets	1,639	24	1,663
Investments accounted for using the equity method	33	1	34
Non-current financial assets	83	-	83
Deferred tax assets	210	3	213
Other non-current assets	97	-	97
NON-CURRENT ASSETS	11,244	40	11,284
Inventories	1,270	3	1,273
Trade and other receivables	1,120	29	1,149
Other current assets	73	-	73
Other current financial assets	12	-	12
Cash and cash equivalents	229	22	251
CURRENT ASSETS	2,704	54	2,758
TOTAL ASSETS	13,948	94	14,042
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT	(589)	(16)	(605)
MINORITY INTEREST	2,735	7	2,742
Grants	46	-	46
Non-current provisions	1,623	5	1,628
Non-current financial liabilities	741	-	741
Deferred tax liabilities	1,063	-	1,063
Other non-current liabilities	30	-	30
NON-CURRENT LIABILITIES	3,503	5	3,508
Current provisions	172		172
Current financial liabilities	1,250		1,250
Trade payables and other payables	2,157	39	2,196
CURRENT LIABILITIES	3,579	39	3,618
TOTAL LIABILITIES AND MINORITY INTEREST	9,228	35	9,263
NET VALUE	4,720	59	4,779

(1) The assets, liabilities, and minority interests of each of the companies correspond to those recognized on the consolidated balance sheet at March 31, 2012.

(2) They correspond to the accumulated translation differences in equity related to the Group's ownership interest in YPF and Repsol YPF Gas.

Accumulated translation differences in net equity in the Group's ownership interest in YPF and Repsol YPF Gas generated until loss of control were transferred to the headings related to discontinued operations on the accompanying income statement.

Other assets and liabilities related to investments in YPF have been identified as affected by the change in control and the expropriation process. This includes the loans and guarantees granted for the Petersen Group's financing of the acquisition of its ownership interest in YPF, S.A. The accounting effects of the valuation of these transactions were recognized in the income statement headings related to discontinued operations, since they are closely linked to the expropriation process of the Group's shares in YPF.

The Group granted the Petersen Group two loans, one granted in February 2008 for the 14.9% acquisition of YPF, S.A. and the other one for the acquisition of an additional 10% stake in May 2011; totaling at March 31, 2012 €1,518 million. These loans are guaranteed by pledged YPF Class D shares in the form of American Depositary Shares owned by the Petersen Group.

On May 30, 2012, Repsol, exercising its contractual rights, notified the Petersen group companies of the early termination of their loan agreements. In accordance with the terms of the guarantee, and in its condition of pledgee and through the collateral agent, Repsol may exercise the voting rights corresponding to YPF's pledge shares, amounting to 5.38% of YPF's share capital.

At June 30, 2012, the Group recognized a loss on the value of these loans net of the market value of the YPF pledge shares, totaling a gross amount of €1,402 million.

The Banco Santander granted a loan of up to \$198 million to Petersen, drawn down in the amount of \$109 million guaranteed by Repsol. As collateral of its obligation under the guarantee, the Petersen Group pledged 2,210,192 Clase D YPF shares, in the form of American Depositary Shares, in favor of Repsol. On March 31, 2012, the corresponding amount guaranteed by Repsol amounted to \$96 million (€72 million).

On May 18, 2012, the Banco Santander, sent a notice of partial default to the Petersen Group, stating that a partial default of the loan agreement had occurred resulting from the failure of Petersen to repay the May 15, 2012 installment; however, it did not accelerate the Petersen Group's obligations under the loan. By virtue of the guarantee, the Banco Santander demanded payment of the amount from Repsol as guarantor of the loan, Repsol paid \$4.6 million (€3.6 million).

On June 30, 2012 a provision for the associated risks and expenses was recognized for a gross amount of €4 million, that covers the maximum amount of the liabilities assumed by Repsol, less the amount corresponding to the realizable value of the securities pledged as guarantee, representing 0.56% of YPF S.A.'s capital.

The Group does not consider that these events will lead to other consequences for Repsol arising from the execution of the contracts with the Petersen Group.

Repsol Group's ownership interest in YPF, S.A. and Repsol YPF Gas, S.A. from the shares subject to expropriation which still belong to the Group and the remaining shares, as a result of the loss of control are recognized by its nature, that is, as financial instruments. Specifically, the shares subject to expropriation were initially recognized at the amount of €5,373 million under "*Non-current assets held for sale subject to expropriation*" (€5,343 million corresponding to YPF, S.A.'s shares subject to expropriation and €30 million corresponding to Repsol YPF Gas, S.A. shares); the

remaining shares, which were not included in the expropriation, were recognized as "Available-for-sale financial assets" at an initial amount of €300 million (€280 million corresponding to YPF and €20 million corresponding to Repsol YPF Gas).

Subsequently, changes in value of both shares classified as *Non-current assets held for sale subject to expropriation*, and those recognized in *Available-for-sale financial assets*, are recorded directly in equity as *Adjustments for changes in value*, until ownership of the shares is transferred or they are determined to be definitively impaired, at which time the accumulated profits or losses previously recognized in equity will be transferred to the income statement.

Shares' valuation, regarding recognition purposes, was held in accordance with IAS 39. The accounting standard reference to fair value or realizable value makes it necessary to distinguish between the shares subject to expropriation and the remaining shares held by Repsol.

For the former, recognized under "*Non-current assets held for sale subject to expropriation*," fair value calculation must take as reference the expected recoverable amount as a consequence of the expropriation process, that is, the price or compensation that the Argentinean government would finally pay to Repsol. When estimating this value, Repsol took into account the valuation criteria it can reasonably expect to be applied by the state bodies and courts responsible for deciding on the price or indemnity relating to the shares subject to expropriation. Since this price or indemnity has yet to be set and may have to be decided through legal proceedings in which circumstances beyond control of the Group will influence the outcome, it should be borne in mind that the estimated recoverable amount is uncertain in terms of both quantity and the date and manner in which it will be settled. Any modifications to the hypotheses considered reasonable in terms of jurisdictional proceedings and valuation of rights subject to expropriation could generate positive and negative changes in the amount recognized for the interest in YPF, S.A. and Repsol YPF Gas, S.A. and hence in its impact on the Group's financial statements.

Repsol considers that there are solid and clear legal grounds to receive an indemnity from the Argentinean State for the damages suffered as a result of expropriation, amounting to the market value of the expropriated shares prior to expropriation. In addition, Repsol considers there are legal avenues to require compensation, which may be decided upon in the course of the expropriation procedure or through ICSID arbitration. The market value of the shareholdings can be determined for these purposes with valuation methods habitually accepted in the financial community (discounted cash flow, sum-of-the parts, multiple comparable transactions, etc.), providing results consistent with those arising from application of the stipulations included in the YPF, S.A. by-laws, which establish a precise and objective rule for determining the consideration required should the Argentinean State take control of the interest.

Articles 7 and 28 of the YPF, S.A. by-laws establish that if the Argentinean State takes control of the company, and the foreseen acquisition is equal to or greater than 15% of YPF share capital, the acquirer must launch a tender offer for all YPF, S.A. shares; which acquisition price will be paid in cash and calculated in accordance with a predetermined criteria. Application of these criteria results in a valuation of \$18,300 million (€14,535 million, as per the exchange rate at the closing of June 30, 2012) for 100% of YPF shares, and \$9,333 million (€7,413 million) for the 51% subject to expropriation. However, despite this reference, the Group must bear in mind the risks and uncertainties inherent in valuation, which are inevitable when estimates must be made regarding future events,

particularly when such events are beyond Repsol's control. Consequently, the Group has applied conservative criteria when recognizing the shares subject to expropriation, to avoid a situation in which a higher valuation would require initial recognition of net profit from the expropriation process which, at this time, is still of a contingent nature.

Regarding YPF, S.A. shares, recorded under "*Available-for-sale financial assets*" (included in the heading "*Non-current financial assets*" on the accompanying balance sheet), they were valued at their market value, which corresponds to their quoted price given that the shares are listed and actively traded.

Finally, since they are not traded on any active market, all Repsol YPF Gas, S.A. shares were valued using criteria analogous to those applied to the expropriated YPF, S.A. shares.

The income tax effect of all the facts described has originated the recognition of a deferred tax asset amounting to €24 million.

The net effect recognized in the Group's income statement as a result of all the effects described above in connection with the expropriation process, amounts to a loss of €38 million net of tax, recognized under "*Net income after tax for the period from discontinued operations.*"

Since initial recognition until June 30, 2012, "*Non-current assets held for sale subject to expropriation*" related to YPF and Repsol YPF Gas increased by €80 million, mainly due to appreciation of the US dollar against the euro, while "*Available-for-sale financial assets*" decreased by €1 million, mainly as a result of YPF share price performance. Both effects were recognized in equity under "*Adjustments for changes in value*" (in the first case under the heading "*Other financial assets*" and in the second case under "*Financial assets held for sale*").

Results from discontinued operations

In 2012 this caption recognizes the results of consolidating the operations of YPF, Repsol YPF Gas, and their Group companies up to the moment of losing control. In addition, this item also includes the impact in the income statement derived from the loss of control caused by the expropriation process.

A breakdown by nature of results corresponding to discontinued operations follows:

	Millions of euros	
	06/30/2012	06/30/2011
Operating Revenue	2,817	5,155
Operating Expense	(2,378)	(4,542)
Operating Income	439	613
Financial Result	1	22
Share of results of companies accounted for using the equity method	3	3
Income from discontinued operations before taxes	443	638
Income tax related to the results before taxes	(163)	(267)
Results after taxes from discontinued operations	280	371
Results after taxes of the valuation of the assets and liabilities related to the expropriation (2)	(38)	-
NET INCOME FOR THE PERIOD FROM DISCONTINUED OPERATIONS AFTER TAXES	242	371
Net income from discontinued operations attributable to minority interest (1)	(109)	(84)
NET INCOME FROM DISCONTINUED OPERATIONS ATTRIBUTABLE TO THE PARENT	133	287

- (1) These headings include results contributed by YPF and Repsol YPF Gas, as well as financial results related to the loan granted to the Petersen Group up to the moment of losing control.
- (2) Includes the effects of (i) derecognizing the assets, liabilities, and minority interests of YPF and Repsol YPF Gas, as well as translation differences corresponding to the companies subject to expropriation, totaling € 4,779, that includes €605 million of translation differences; (ii) a provision for loans and guarantees related to the financing granted to the Petersen group, amounting to €1,456 million, as indicated in the abovementioned paragraphs; (iii) recognizing a deferred tax asset amounting to €24 million; and (iv) recognizing the Group's ownership interest in YPF and Repsol YPF Gas consisting of both, the shares subject to expropriation and the remaining shares owned, as explained in the above paragraphs, amounting to €5,673 million.

Comparative information

The income statement for the six-month period ended June 30, 2011 was restated to make it comparable, with respect to the information published in the interim condensed consolidated financial statements for the six-month period ended June 30, 2011, classifying the operations affected by expropriation process of the YPF, S.A. and Repsol YPF Gas, S.A. shares held by the Group under the headings referring to discontinued operations, in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations."

In addition, the cash flow statement for the six-month period ended June 30, 2011 included in the accompanying interim condensed consolidated financial statements was restated to make it comparable, with respect to the information published in the interim condensed consolidated financial statements for the six-month period ended June 30, 2011. Thus, the cash flows corresponding to YPF, S.A. and Repsol YPF Gas, S.A. transactions were reclassified in accordance with prevailing accounting standards to specific line items showing the cash flows for discontinued operations as well as operating, investment, and financing activities.

b) Other changes in the scope of consolidation

In June 2012, Repsol acquired 30.95% of the Portuguese company Windplus, S.A. through a capital increase. This company was incorporated in 2009 in Portugal for development of WindFloat technology for the generation of eolic floating off-shore wind energy. €4 million was invested in this transaction and no goodwill was recognized.

This business combination has been accounted for on a provisional basis. The impact on net income at June 30, 2012 was not material. Had the operation taken place on January 1, 2012, it is estimated that the additional contribution to consolidated revenue and net income for six-month period would not have been material.

(4) DESCRIPTION OF TRANSACTIONS DURING THE PERIOD

Note 3 of these interim condensed consolidated financial statements describes in detail the effects of the expropriation process of the Repsol Group shares in YPF, S.A. and in Repsol YPF, Gas, S.A. Other significant changes recognized in the first six months of 2012 and the most significant changes which took place in the first six months of 2011 under headings in the consolidated balance sheet are described below.

Libya was immersed in a military conflict during 2011. Consequently, production has been suspended since March 5, 2011, and gradually resumed at the end of 2011. In 2011, 3.1% of the Group's total hydrocarbon production, excluding that of YPF, was generated in Libya. During the first six months of 2012 total production in Libya was 12.8% of the Group's production, excluding the part corresponding to YPF, reaching similar production levels prior to the conflict.

a) Other intangible assets

In the first quarter of 2012, the Group has reached an agreement with the US company SandRidge Energy to acquire approximately 1,500 Km² of mining acreage in the Mississippian Lime area, through a 16% stake in the area known as Original Mississippian and through a 25% stake in the Mississippian extension, both of which are located in the the producing areas of Oklahoma and Kansas (United States). The initial investment amounted to \$250 million (€194 million). The remainder will be paid over a three year period for a total amount investment of €1.000 million.

b) Property, plant and equipment

The main investments made in the first half of 2012 corresponded to exploration and production assets in United States (€27 million), Brazil (€20 million), Trinidad & Tobago (€8 million), Venezuela (€74 million), Perú (€67 million), and Bolivia (€5 million). In addition, during this period, significant investments were made in refining assets in Spain (€96 million). Moreover, in 2012 the investments made by YPF and Repsol YPF Gas and its investees prior to the loss of control amounted to €28 million.

Also in the first half of 2012, €802 million were also reclassified from property, plant, and equipment under construction, principally to the heading machinery and facilities, due to the start up of the expansion and upgrade work performed at the Petronor refinery.

The main investments made in the first half of 2011 corresponded to exploration and production assets in United States (€107 million), Brazil (€105 million), Venezuela (€5 million), Trinidad & Tobago (€37 million), Bolivia (€68 million), Peru (€51 million) and Spain (€26 million). In addition, during this period, significant investments were made in refining assets in Spain (€481 million) corresponding to the increase-capacity at the

Cartagena Refinery, and the construction of the coke unit and other ancillary facilities at the Petronor refinery (in Bilbao). Investments made during this period by YPF and Repsol YPF Gas and its investees amounted to €741 million, which corresponded primarily to exploration and production assets in Argentina.

c) Non-current assets and liabilities held for sale

Assets classified as held for sale and associated liabilities during the six-month period ended June 30, 2012

Repsol has reached an agreement to sale its Liquefied Petroleum Gas (LPG) business in Chile, through its subsidiary Repsol Butano Chile, S.A. As a consequence of this transaction, at June 30, 2012, the Group has classified these assets and liabilities as assets and liabilities held for sale, amounting to €140 million (net) in accordance with the following detail:

	<u>Millions of euros</u>
	<u>2012</u>
Goodwill	92
Tangible assets and other intangible assets	90
Other non-current assets	9
Current assets	32
TOTAL ASSETS	<u>223</u>
Minority interests	4
Non-current liabilities	44
Current liabilities	35
TOTAL LIABILITIES AND MINORITY INTERESTS	<u>83</u>
NET VALUE	<u>140</u>

On June 30, 2011, Gas Natural Fenosa agreed to sell approximately 245,000 gas supply customers and associated contracts in the Madrid region for €1 million. Since the date of agreement, these assets have been classified as non-current assets held for sale. Having secured all the required permits, the sale to Endesa was closed on February 29, 2012. The transaction generated a €6 million pre-tax gain. The amounts in millions of euros are stated at the Group's proportionate interest in Gas Natural Fenosa.

Assets classified as held for sale during the six-month period ended June 30, 2011 and associated liabilities

On February 7, 2011, Gas Natural Fenosa agreed to sell approximately 300,000 gas supply points in the Madrid region to a company of the Group Madrileña Red de Gas for €136 million. From the date this agreement was reached, these assets were classified as non-current assets held for sale. Upon receipt of the corresponding permits, the sale was closed on June 30, 2011, generating a pre-tax gain of €84 million. The amounts in millions of euros are stated at the Group's proportionate interest in Gas Natural Fenosa.

On August 2, 2010 Gas Natural Fenosa and Enel Green Power agreed to terminate the renewable energy venture held by both parties until that time through Enel Unión Fenosa Renovables, S.A. (EUFER). From that time the portion of the assets and liabilities recognized in Gas Natural Fenosa's consolidated balance sheet to be spun out to Enel Green Power were recognized as non-current assets and liabilities held for sale. Having secured all required permits, the transaction was closed on May 27, 2011. For accounting purposes this transaction was considered a swap between the assets and liabilities which were derecognized at their carrying amount in the consolidated balance sheet and the

business acquired which was recognized and measured at fair value, based on a valuation from independent third parties. This business combination generated a pre-tax accounting loss of €1 million in 2011. The amounts in millions of euros are stated at the Group's proportionate interest in Gas Natural Fenosa.

d) *Equity*

1. *Share Capital and reserves*

On May 31, 2012, The Ordinary General Shareholders' Meeting approved two capital increases for the instrumentation of the shareholders remuneration scheme called "Flexible Dividend Programme", which allows the shareholders to decide whether they will receive their compensation, in cash or in Repsol shares.

Subsequent to the general meeting held on May 31, the Board of Directors approved the execution of the first capital increase. Free-of-charge allocation rights were admitted to trading on Spanish Stock Exchanges between June 21, and July 5, 2012. Holders of 63.64% of the free-of-charge allocation rights (of a total of 776,935,821 rights) opted to receive new shares of Repsol in the proportion of one share per every 22 rights.

Moreover, during the period established for that purpose, the holders of 36.36% of the free-of-charge allocation rights (443,893,565 rights), accepted the irrevocable commitment to purchase rights assumed by Repsol at a fixed price of 0.545 euros (gross) per right. Accordingly, Repsol acquired the abovementioned rights for a total amount of €42 million and waived the shares corresponding to the free-of-charge allocation rights acquired by virtue of the mentioned commitment. As a consequence of the previous, it was recognized a decrease in equity under "*Prior year results and other reserves*" and, the payment obligation with the shareholders who had accepted this irrevocable purchase commitment.

The final number of shares of 1 euro par value issued in the capital increase was 35,315,264, representing an increase of approximately 2.89% of the share capital of Repsol before the capital increase.

This capital increase was filed with the Madrid Mercantile Registry on July 10, 2012 and the new shares were listed on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges through the Spanish Automated Quotation System (*Mercado continuo*, by its name in Spanish) on July 13, 2012. Repsol will also apply for the listing of the new shares in the Buenos Aires Stock Exchange.

Subsequent to the capital increase, Repsol, S.A.'s share capital amounted to €1,256,178,727 fully subscribed and paid in, consisting of 1,256,178,727 shares with a nominal value of 1 euro each.

This capital increase was filed with the Mercantile Register prior to the authorization of these interim condensed consolidated financial statements for issue, and, accordingly, was recognized in the Group financial statements with accounting effects June 30, 2012, in compliance with prevailing accounting criteria.

2. *Treasury shares and own equity investments*

In January 2012, Repsol made a placement among professional and qualified investors of 61,043,173 of its own shares (treasury shares), representing 5% of Repsol share capital at a price of 22.35 euros per share for a total amount of €1,364 million. Repsol

agreed with the placing entities that the remaining 5% of the treasury shares that was still held on that date will have a lock up period of 90 days. At the date of authorizing this interim condensed consolidated financial statements for issue the lock up period was finalized.

Under the framework of the Share Acquisition Plan approved by the Ordinary General Shareholders' Meeting held on April 15, 2011, during the first six months of 2012, the Group acquired a total of 264,398 shares, representing 0.021% of share capital recognized at June 30, 2012 (amounting to 1,256,178,727 euros) at a cost of €4.4 million. These shares have been delivered to the employees of the Repsol Group who subscribed to the plan.

Additionally, during the first six months of 2012, the Group purchased 3,566,237 treasury shares, representing 0.28% of share capital recognized at June 30, 2012, with a nominal value of 1 euro per share, amounting to €52 million. At June 30, 2012 these shares had not been sold.

At June 30, 2012, the treasury shares held by Repsol or any of its Group companies, represented 5.1% of share capital recognized on that same date. In July 2012, the Group received a total of 2,936,791 new shares corresponding to treasury shares, representing 0.23% of Repsol share capital, as a result of the capital increase described in section 1. *Share Capital and reserves* above.

At December 31, 2011, the treasury shares held by Repsol or any of its Group companies, represented 10% of its share capital. At June 30, 2011 neither Repsol nor any of its Group companies held treasury shares.

3. *Earnings per share*

At June 30, 2012 and 2011 earnings per share were the following:

	<u>2012</u>	<u>2011</u>
Net income attributable to the parent company (millions of euros)	1,036	1,344
Net income attributable to the parent company from discontinued operations (millions of euros)	133	287
Weighted average number of outstanding shares at June, 30	1,190,466,357	1,256,178,727

EARNINGS PER SHARE ATTRIBUTABLE TO THE PARENT COMPANY

(Euros)

	<u>2012</u>	<u>2011</u>
Basic		
EPS attributable to the parent company	0.87	1.07
EPS attributable to the parent company from discontinued operations	0.11	0.23
Diluted		
EPS attributable to the parent company	0.87	1.07
EPS attributable to the parent company from discontinued operations	0.11	0.23

Issued Share Capital was increased in July 2012 as part of a shareholder compensation scheme, known as the "Flexible Dividend Programme", described in Section 1. *Share Capital and reserves* above, which was recognized with accounting effects as of June 30, and therefor issued share capital at that date consisted of 1,256,178,727 shares.

Outstanding issued shares at June 30, 2011 amounted to 1,220,863,463 shares.

However, the weighted average number of shares outstanding at that date had been modified compared to that used to calculate the profit per share in the interim condensed consolidated financial statements at June 30, 2011 to include the effect of this capital increase, in accordance with the applicable accounting regulations.

e) Impairment of assets

Repsol performs an impairment test of its intangible assets, its property, plant and equipment, and other fixed assets, as well as its goodwill, at least annually, or whenever any indicator of impairment exists, in order to determine whether there is an impairment of assets.

During the interim periods ended June 30, 2012 and 2011 no material asset impairment provisions have been registered.

(5) SEGMENT REPORTING

The Group's organizational structure is oriented at achieving the Group company's growth plans as well as setting the base for future developments.

As a result of the expropriation process, the portion of Repsol Group shares in YPF, S.A. and Repsol YPF Gas, S.A. subject to expropriation was classified as *Non-current assets held for sale subject to expropriation* and the share in both companies not subject to expropriation as *Available-for-sale financial assets*. The activities of both companies and others relating to the expropriation process were considered discontinued operations (see section *Results from discontinued operations* under section a) *Expropriation of Repsol Group shares in YPF, S.A. and Repsol YPF Gas, S.A.* of Note 3. *Changes in the structure of the Group*).

Accordingly, the YPF operations no longer comply with the segment definition. Furthermore, until the intervention date, investment in Repsol YPF Gas and loans granted to the Petersen Group were presented in Downstream and Corporation segments respectively, and are no longer included therein. The following information presented by segment relating to the first six months of 2011 has been restated with regard to that previously published in the six-month interim financial statements for the first six months of 2011 in compliance with IFRS 5, *Non-current assets held for sale and discontinued operations* and IFRS 8 *Operating Segments* without including the activities mentioned within the Operating Segments.

The Group's operating segments at June 30, 2012 were as follows:

- Upstream, corresponding to the exploration and development operations of crude oil and natural gas reserves;
- LNG, corresponding to the Liquid Natural Gas business;
- Downstream, corresponding to Refining & Marketing for oil products, Chemicals and LPG, and
- Gas Natural Fenosa, through its strategic participation in Gas Natural SDG, S.A., whose main activities are the marketing of natural gas and the generation, distribution, and marketing of electricity.

The principal figures of the Group's income statement attending to this organization are shown below:

Operating revenues by segment

Millions of euros SEGMENTS	Operating revenue from customers		Operating revenue among segments		Total operating revenue	
	06/30/2012	06/30/2011 (1)	06/30/2012	06/30/2011 (1)	06/30/2012	06/30/2011 (1)
Upstream	1,837	1,486	709	395	2,546	1,881
LNG	1,308	1,273	178	103	1,486	1,376
Downstream	22,305	20,428	55	77	22,360	20,505
Gas Natural Fenosa	3,620	3,139	165	85	3,785	3,224
Corporate	8	4	153	184	161	188
(-) Adjustments and eliminations of operating revenue among segments (2)			(1,260)	(844)	(1,260)	(844)
TOTAL	29,078	26,330	-	-	29,078	26,330

(1) The information relating to the first six months of 2011 has been restated to make it comparable with respect to the information published in the interim condensed consolidated financial statements for the period ended June 30, 2011, taking into account that YPF and Repsol YPF Gas do not form a part of Repsol's operating segments at June 30, 2012.

(2) These correspond primarily to the elimination of commercial transactions between segments.

Results by segment

SEGMENTS	Millions of euros	
	06/30/2012	06/30/2011 (1)
Upstream	1,144	806
LNG	237	168
Downstream	277	744
Gas Natural Fenosa	475	512
Corporation	(167)	(121)
Total operating income related to reported	1,966	2,109
Results unassigned (Financial results)	(433)	(374)
Other results (Results of companies accounted for the equity method)	66	33
NET INCOME BEFORE TAX	1,599	1,768
Income Tax	(674)	(645)
Net income for the period from continuing operations	925	1,123
Net income from continuing operations attributable to minority interests	(22)	(66)
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO PARENT FROM CONTINUING	903	1,057
Net income for the period from discontinued operations after taxes	242	371
Net income from discontinued operations attributable to minority interests	(109)	(84)
NET INCOME FROM DISCONTINUED OPERATIONS ATTRIBUTABLE TO THE PARENT	133	287
TOTAL NET INCOME ATTRIBUTABLE TO THE COMPANY	1,036	1,344

(1) The information relating to the first six months of 2011 has been restated to make it comparable; with respect to the information published in the interim condensed consolidated financial statements for the period ended June 30, 2011, taking into account that YPF, Repsol YPF Gas and Petersen loans do not form a part of Repsol's operating segments at June 30, 2012.

The following table details total assets by segment:

Segments	Millions of euros	
	06/30/2012	06/30/2011⁽¹⁾
Upstream	12,078	11,025
LNG	4,380	4,425
Downstream	19,500	19,806
YPF	-	14,037
Gas Natural Fenosa	12,703	12,968
Corporate (2)	8,586	8,696
Total Assets by segment (3)	57,247	70,957
Assets from discontinued operations (See Note 3) (1) (4)	6,130	-
TOTAL ASSETS	63,377	70,957

- (1) At December 31, 2011 YPF was considered a business segment. Furthermore, the Downstream segment included €74 million of assets corresponding to Repsol YPF Gas, while the Corporate segment included €35 million corresponding to financial assets owned by YPF and Repsol YPF Gas. After loss of control (Note 3), the Group's assets in both companies are considered assets from discontinued operations.
- (2) At June 30, 2012 and December 31, 2011 this includes financial assets amounting to €4,785 million and €3,303 million, respectively.
- (3) Each segment includes its correspondent investments accounted for using the equity method.
- (4) Includes assets related to the YPF and Repsol YPF Gas expropriation process (Note 3).

In addition, the distribution of the net amount of turnover (comprising “Sales” and “Services rendered and other income” headings on the accompanying interim consolidated income statement), by geographic area depending on the markets to which they correspond, is as follows:

Geographic area	Millions of euros	
	06/30/2012	06/30/2011⁽¹⁾
Spain	15,230	14,196
Other in the European Union	4,254	3,452
Others in the O.E.C.D. countries	2,713	2,533
Other countries	6,508	5,169
TOTAL	28,705	25,350

- (1) The information relating to the first six months of 2011 has been restated to make it comparable with respect to the information published in the interim condensed consolidated financial statements for the period ended June 30, 2011, taking into account that YPF and Repsol YPF Gas are considered discontinued operations at June 30, 2012. At June 30, 2011 the contributions made by the aforementioned companies, excluded in the previous table, amounted to €1 million in Spain, €45 million in the rest of the European Union, €72 million in the rest of O.E.C.D countries, and €4,738 million in other countries.

(6) DISCLOSURE OF FINANCIAL INSTRUMENTS BY NATURE AND CATEGORY

a) Financial assets

This note discloses the following concepts included on the balance sheet headlines, as follows:

	Millions of euros	
	<u>06/30/2012</u>	<u>12/31/2011</u>
Non-current financial assets	1,269	2,450
Derivatives on non-current commercial transactions (1)	2	-
Other current financial assets	473	674
Derivatives on current commercial transactions (2)	69	68
Cash and cash equivalents	3,953	2,677
	<u>5,766</u>	<u>5,869</u>

(1) Recognized under “*Other non-current assets*” on the balance sheet.

(2) Recognized under the “*Other receivables*” on the balance sheet.

The detail of the Group's financial assets by categories at June 30, 2012 and December 31, 2011, is as follows:

Nature/Category	June 30, 2012						Total
	Financial assets held for trading	Other financial assets at fair value through profit or loss	Financial assets available for sale	Loans and receivables	Held to maturity investments	Hedging derivatives	
Equity instruments	-	-	381	-	-	-	381
Derivatives	2	-	-	-	-	-	2
Other financial assets	-	65	-	813	10	-	888
Long Term / Non-current	2	65	381	813	10	-	1,271
Derivatives	101	-	-	-	-	-	101
Other financial assets	-	16	-	416	3,962	-	4,394
Short term / Current	101	16	-	416	3,962	-	4,495
TOTAL (1)	103	81	381	1,229	3,972	-	5,766

Millions of euros

December 31, 2011

Nature/Category	Financial assets held for trading	Other financial assets at fair value through profit or loss	Financial assets available for sale	Loans and receivables	Held to maturity investments	Hedging derivatives	Total
Equity instruments	-	-	128	-	-	-	128
Derivatives	-	-	-	-	-	-	-
Other financial assets	-	65	-	2,212	45	-	2,322
Long Term / Non-current	-	65	128	2,212	45	-	2,450
Derivatives	176	-	-	-	-	58	234
Other financial assets	-	84	-	463	2,638	-	3,185
Short term / Current	176	84	-	463	2,638	58	3,419
TOTAL (1)	176	149	128	2,675	2,683	58	5,869

- (1) These amounts do not include trade receivables that are recognized under "Other non-current assets" and under the headings "Trade receivables" and "Other receivables" in the balance sheet, totaling €49 million in the long term and €7,386 million short term. At December 31, 2011 the aforementioned long term and short term trade receivables amounted to €344 million and €8,634 million, respectively. At June 30, 2012 this likewise does not include €5,653 million classified under "Non-current assets held for sale subject to expropriation."

Heading "Equity instruments" in column "Financial assets available for sale", at June 30, 2012, includes €269 million corresponding to 6.43% of YPF, S.A. shares and 33.997% of Repsol YPF Gas, S.A. shares held by Repsol not subject to expropriation by the Argentinean government (Note 3).

At December 31, 2011, "Non-current loans and receivables" includes €1,542 million corresponding to the loans granted to the Petersen Group in February 2008 and May 2011 for the acquisition of their interest in YPF, S.A. An impairment loss of €1,402 million on these loans was recognized in the first six months of 2012. The net amount recognized in connection with these loans at June 30, 2012 amounted to €208 million, corresponding to the market value of the YPF, S.A. pledged shares which the Group is holding as a financial collateral guarantee for the loans (Note 3, Accounting treatment in section a) Expropriation of the Repsol Group shares in YPF, S.A. and Repsol YPF Gas, S.A.).

The column "Current loans and receivables" includes €320 million and €370 million at June 30, 2012 and December 31, 2011 respectively, corresponding to the Group's share of the funding of the electricity tariff deficit through its ownership interest in Gas Natural Fenosa. During the first six months of 2012, Spain's electricity tariff deficit securitization fund completed eleven issueances, with Gas Natural Fenosa collecting €10 million as a result. The figures stated correspond to the Repsol Group's proportionate interest in Gas Natural Fenosa.

In June 2012, Repsol Sinopec Brasil, in which the Group has a 60% stake, acquired Spanish sovereign debt amounting to €23 million and maturing in September 2012. This transaction was recognized at June 30, 2012 under "Cash and cash equivalents" and classified as "Other financial assets held to maturity" in the previous table.

b) Financial Liabilities

This note discloses the financial liabilities, included in the following headings of the consolidated balance sheet and that corresponds to:

	Millions of euros	
	<u>06/30/2012</u>	<u>12/31/2011</u>
Non-current financial liabilities (1)	15,357	15,345
Derivatives on non-current commercial transactions (2)	6	3
Current financial liabilities (1)	3,020	4,985
Derivatives on current commercial transactions (3)	27	42
	<u>18,410</u>	<u>20,375</u>

- (1) As a consequence of the expropriation process of YPF and Repsol YPF Gas shares held by the Group (Note 3, *Accounting treatment* in section *a) Expropriation of the Repsol Group shares in YPF, S.A. and Repsol YPF Gas, S.A.*), the non-current and current financial liabilities of both companies, amounting to €38 million and €1,468 million respectively at December 31, have been derecognized.
- (2) Recognized under the heading “*Other non-current liabilities*” on the balance sheet.
- (3) Recognized under the heading “*Other payables*” on the balance sheet.

The detail of the financial liabilities as of June 30, 2012 and December 31, 2011 is as follows:

Millions of euros	<u>June 30, 2012</u>			
	Financial liabilities held for trading	Debts and payable items	Hedging derivatives	Total
Bank borrowings	-	3,656	-	3,656
Bonds and other securities (1)	-	11,459	-	11,459
Derivates	13	-	235	248
Long term debts / Non-current financial liabilities	13	15,115	235	15,363
Bank borrowings	-	2,152	-	2,152
Bonds and other securities (1)	-	815	-	815
Derivates	71	-	9	80
Short term debts / Current financial liabilities	71	2,967	9	3,047
TOTAL (2)	84	18,082	244	18,410

Millions of euros

December 31, 2011

Nature/Category	Financial			Total
	liabilities held for trading	Debts and payable items	Hedging derivatives	
Bank borrowings	-	4,806	-	4,806
Bonds and other securities (1)	-	10,331	-	10,331
Derivatives	6	-	203	209
Long term debts / Non-current financial liabilities	6	15,137	203	15,346
Bank borrowings	-	2,896	-	2,896
Bonds and other securities (1)	-	2,006	-	2,006
Derivatives	115	-	12	127
Short term debts / Current financial liabilities	115	4,902	12	5,029
TOTAL (2)	121	20,039	215	20,375

- (1) Includes preference shares amounting to €3,211 million and €3,179 million at June 30, 2012 and December 31, 2011, respectively, of which €32 million were recognized as current financial liabilities at June 30, 2012.
- (2) At June 30, 2012 and December 31, 2011, €2,892 million and €2,864 million were shown in the balance sheet under "Other non-current liabilities", and €230 million and €223 million, respectively under "Other payables" corresponding to finance leases recorded under the amortized cost method and not included in the above table.

In June 2012 the Group closed two financing transactions for a total €750 million, both independent of each other, via the contracting of certain derivative instruments maturing in 12 months, recognized under "Bank borrowings, bonds, and other securities" in the Group's balance sheet. The Group has granted financial collateral guarantees, regulated by Royal Decree Law 5/2005, for the payment obligations associated with the aforementioned derivative instruments. The guarantee is in the form of 78,135,484 Gas Natural SDG pledged shares held by the Repsol Group, representing 7.81% of said entity's share capital. The abovementioned operations do not imply any transfer of ownership with respect to the Gas Natural SDG, S.A. shares, retaining Repsol the inherent voting and economic rights.

Below is a disclosure of issues, repurchases, and redemptions of debt securities (recognized under current and non-current "Bonds and other securities" in the previous table) which have taken place during the six-month periods ended June 30, 2012 and 2011:

Millions of euros	Balance at 12/31/2011	(+) Issues	(-) Repurchases or redemptions	(+/-) Exchange rate and other adjustments	(-) Deconsolidation of YPF and R. YPF Gas	Balance 06/30/2012
Bonds and other debt securities issued in the European Union with Prospectus	11,836	3,916	(3,856)	52	-	11,948
Bonds and other debt securities issued in the European Union without Prospectus	-	-	-	-	-	-
Bonds and other debt securities issued outside of the European Union	501	-	-	5	(180)	326
TOTAL	12,337	3,916	(3,856)	57	(180)	12,274

Millions of euros	Balance at 12/31/2010	(+) Issues	(-) Repurchases or redemptions	(+/-) Exchange rate and other adjustments	Balance 06/30/2011
Bonds an other debt securities issued in the European Union with Prospectus	11,453	2,493	(2,846)	41	11,141
Bonds an other debt securities issued in the European Union without Prospectus	-	-	-	-	-
Bonds and other debt securities issued outside of the European Union	988	128	(578)	(31)	507
TOTAL	12,441	2,621	(3,424)	10	11,648

Main debt issues and cancellations in the first six months of 2012.

On January 29, 2012, the Group, through Repsol International Finance, B.V made a €750 million 7 year and 1 month bond issue at a fixed interest rate of 4.875%. This issue, was increased on February 7, 2012 with another bond issue amounting to €250 million, with the same interest rate and maturity. Both bond issues, guaranteed by Repsol, S.A. were consolidated in the same serie, amounting to €1,000 million and listed on the Luxemburg Stock Exchange under the program “Euro 10,000,000,000 *Guaranteed Euro Medium Term Program* (EMTN)” registered on October 27, 2011 and approved by the *Comission de Surveillance du Secteur Financier* (CSSF) of Luxemburg with a maximum amount of €10,000 million.

In January 2012, Gas Natural Fenosa issued €225 million (amounts stated at the Group’s proportionate interest in Gas Natural Fenosa) of bonds in the Eurobond market under its *Euro Medium Term Notes*, a medium-term debt issuance program (EMTN). The limit of this program at June 30, 2012 amounted to €12,000 million.

In addition, in the first six months of 2012 Gas Natural Fenosa continued issuing debt under its *Euro Commercial Paper* program (ECP) and its promissory note program, amounting to an aggregate total of €389 million (€397 million at June 30, 2011) (amounts stated at the Group’s proportionate interest in Gas Natural Fenosa).

Since 2010, the Group held, through its subsidiary, Repsol International Finance, B.V, an *Euro Commercial Paper* program (ECP), guaranteed by Repsol, S.A. amounting to €2.000 million. During the first six months of 2012, Repsol International Finance, B.V. issued nominal amounts of €1,843 million and \$5 million under the ECP program. During the first six months of 2011, ECP issues amounted to €1,748 million and \$25 million under this program. The effective balance outstanding under this program stood at €235 million and €765 million at June 30, 2012 and 2011, respectively.

On June 7, 2011 Repsol, S.A. signed a promissory note issue program for an amount of €500 million. During the first six months of 2012, Repsol issued promissory notes for a nominal amount of €455 million under this program. The nominal balance outstanding under this program amounted to €50 million at June 30, 2012.

Other relevant debt issues and cancellations in the first six months of 2011

On February 8, 2011, the \$725 million of Series A preference shares issued by Repsol International Capital Ltd. and guaranteed by Repsol S.A. were redeemed.

On January 25 and May 10, 2011, Gas Natural Fenosa issued €180 million and €150 million of bonds in the euromarket under its *Euro Medium Term Notes* (EMTN) program which were due 6 and 8 years respectively, (amounts stated at the Group's proportionate interest in Gas Natural Fenosa).

In May 2011, Gas Natural Fenosa, through its subsidiary Gas Natural México, S.A. de C.V., registered a 3,001 million Mexican peso (€163 million) security issuance program (*certificados bursátiles*) with the Mexican Stock Exchange. In May 20, 2012, a total of 1,200 million Mexican pesos (€72 million) of four and seven year debt, secured by Gas Natural SDG, S.A., have been issued under this program (amounts stated at the Group's proportionate interest in Gas Natural Fenosa).

The amounts guaranteed by Group companies in the interim periods ending June 30, 2012 and 2011 for issues, repurchases, or redemptions made by associates, jointly controlled entities (for the percentage not included in the consolidation process) or non-Group companies, are detailed below:

GUARANTEED ISSUES

Millions of euros

	Balance at 12/31/2011	(+) Granted	(-) Cancelled	(+/-) Exchange rate and other	Balance at 06/30/2012
Debt security issues guaranteed by the Group (amount guaranteed)	31	-	(2)	1	30

	Balance at 12/31/2010	(+) Granted	(-) Cancelled	(+/-) Exchange rate and other	Balance at 06/30/2011
Debt security issues guaranteed by the Group (amount guaranteed)	30	-	-	(2)	28

(7) DIVIDENS PAID

Dividends paid by Repsol, S.A. in the six-month period ended June 30, 2012 and 2011 were as follows:

	06/30/2012			06/30/2011		
	% on nominal amount	Euros per share	Amount (1)	% on nominal amount	Euros per share	Amount (2)
Ordinary shares	57.75%	0.5775	635	52.50%	0.525	641
Remaining shares (without vote, redeemable, etc)	-	-	-	-	-	-
Total dividends paid						
a) Dividends charged to profits	57.75%	0.5775	635	52.50%	0.525	641
b) Dividends charged to reserves or share premium issues	-	-	-	-	-	-
c) Dividends in kind	-	-	-	-	-	-

(1) This amount relates to the 2011 interim dividend that has been paid on January 10, 2012. Corresponds to the payment for each of the Company's outstanding shares with remuneration rights.

(2) This amount relates to the 2010 interim dividend payment, paid to the shareholders on January 13, 2011.

Repsol implemented for the first time a shareholder compensation scheme known as "Flexible Dividend Programme" (Note 4, section *d*) *Equity – 1.Share Capital and reserves*) instead of the traditional final dividend payment of 2011.

(8) TAX SITUATION

For the calculation of this period's corporate income tax, the effective tax rate that would be applicable to the total profits expected for the yearly period was used, so that the tax expense for the interim period is the result of applying the estimated average effective tax rate for the year to the result before taxes in the interim period. However, the tax effects derived from occasional events or unique transactions undertaken during the period are fully taken into account in the period.

The effective tax rate for the first half of 2012 applicable to continuing operations was estimated at 44%, which is over the estimate for the same period of the previous year (37.2%); this is mainly due to increased profits in areas with higher tax burdens, such as Upstream businesses, and especially the Libyan operation.

(9) RELATED PARTIES TRANSACTIONS

Repsol undertakes transactions with related parties under general market conditions. For purposes of presenting this information, related parties are considered to be the following:

- a. Major shareholders: according to the latest information available, the major shareholders in the company that are considered related parties of Repsol are:
 - Caixa Bank, S.A. (belonging to the Caixa Group) has a total direct and indirect interest of 12.53% in Repsol's share capital.
 - Sacyr Vallehermoso, S.A. which has a total interest of 9.73% in Repsol's share capital through its subsidiary Sacyr Vallehermoso Participaciones Mobiliarias, S.L.;
 - Petróleos Mexicanos (Pemex) has a total interest of 9.43% in Repsol's share capital, through PMI Holdings, B.V., Pemex Internacional España, S.A., through various financial instruments which entitle Pemex to exercise dividend and voting rights.

Repsol, S.A. shares are represented by the book entry method, and therefore it is not possible to ascertain its precise shareholder structure. As a result, the figures provided reflect the information in the hands of Repsol, S.A. at June 30, 2012 on the basis of the latest reports provided by Spain's central clearing house, IBERCLEAR (Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U.) and the information submitted by the Company's shareholders at General Shareholders' Meetings and to Spain's securities market regulator (the CNMV for its acronym in Spanish) in compliance with its transparency requirements.

- b. Directors and Executives: includes members of the Board of Directors and of the Executive Committee.
- c. Group companies for the part not owned by the Group: includes transactions with Group companies or entities for the part not eliminated in the consolidation process (corresponding to the part not owned in the proportionately consolidated companies and the transactions undertaken with companies accounted for using

the equity method). When control of YPF, S.A. and Repsol YPF Gas, S.A. was lost (see Note 3 a. *The Expropriation of Repsol Group Shares in YPF, S.A. and Repsol YPF Gas, S.A.*), they ceased to be considered Group companies.

Income and expenses, as well as other transactions, recorded during the first half of 2012 in respect of transactions with related parties have been as follows:

June 30, 2012				
EXPENSES AND INCOME:				
Thousands of euros				
	Major shareholders	Directors and executives (1)	Persons, companies or entities within the Group (2)	Total
Finance expenses	8,497	-	-	8,497
Management or cooperation agreements	-	-	283	283
Transfer of R&D and licenses agreements	-	-	51	51
Operating leases	971	-	12,190	13,161
Receipts from services	1,317	-	195,569	196,886
Purchase of goods (finished or in progress) (3)	1,852,000	-	2,909,374	4,761,374
Loss from the removal or sale of assets	-	-	275	275
Other expenses	7,724	-	9,022	16,746
EXPENSES	1,870,509	-	3,126,764	4,997,273
Finance income	13,875	2	8,979	22,856
Management or cooperation agreements	-	-	1,148	1,148
Transfer of R&D and licenses agreements	-	-	949	949
Dividends received	-	-	-	-
Operating leases	392	-	-	392
Services rendered	20,200	-	23,044	43,244
Sale of goods (finished or in progress)	129,677	-	682,640	812,317
Profit from the removal or sale of assets	-	-	1,424	1,424
Other income	2,567	-	34,845	37,412
INCOME	166,711	2	753,029	919,742

June 30, 2012				
OTHER TRANSACTIONS				
Thousands of euros				
	Major shareholders	Directors and executives (1)	Persons, companies or entities within the Group (2)	Total
Purchases of tangible, intangible or other assets	60,600	-	30	60,630
Finance agreements: credits and capital contribution (lender)	-	156	264,065	264,221
Amortization or cancellation of credits and lease agreements (lessor)	-	-	-	-
Sale of tangible, intangible or other assets	104,732	-	828	105,560
Finance agreements: credits and capital contributions (borrower) (4)	801,818	-	6,192	808,010
Amortization or cancellation of loans and lease agreements (lessee)	-	-	-	-
Guaranteed given	162,420	-	201,239	363,659
Guarantees received	57,927	-	268	58,195
Commitments acquired (5)	698,378	-	14,302,142	15,000,520
Commitments/ guaranties cancelled	3,020	-	26,764	29,784
Dividends and other profit distributed (6)	315,117	319	-	315,436
Other transactions (7)	1,621,428	-	-	1,621,428

(1) Includes those transactions with Directors and Executives not included in note 12 on Compensations received by Directors and Executives, which corresponded to the present outstanding balance of the loans granted to senior management and the corresponding interest accrued, as well as dividends received from group companies, as well as dividends received from holding shares in the Group.

(2) The Income and Expenses table includes transactions carried out by Group companies with YPF, Repsol YPF Gas, and their respective group companies until control was lost (see Note 3). On the contrary Other transactions table does not include any balances with those companies.

- (3) These purchases include those made under the provisions of a crude oil purchase contract signed for an indeterminate period with the Pemex Group, which in 2012 amounts of 100,000 barrels per day.
- (4) This includes credit facilities for the maximum amount granted, totaling €563 million.
- (5) Correspond to firm purchase commitments outstanding at the reporting date, net of firm sales commitments.
- (6) Amounts recognized as dividends and other profits distributed to significant shareholders, executives and directors include payment of a 2011 interim dividend on January 10, 2012. The amount collected in July 2012 by significant shareholders related to free bonus share rights from the capital increase authorized by the Company's Board of Directors on May 31, 2012 under "Flexible Dividend Programme" shareholder compensation scheme, in cases which such rights were sold to Repsol at a guaranteed fixed price in accordance with the conditions of the abovementioned capital increase (see Note 4 section d), amounted to €152 million are not included. These rights were recognized under "Other payables" on June 30, 2012.
- (7) Corresponds mainly to:
- (a) Temporary financial investments: €1,084 million.
 - (b) Exchange-rate hedging transactions: €141 million.
 - (c) Interest-rate hedging transactions: €184 million.

Income and expenses, as well as other transactions, recorded during the first half of 2011 in respect of transactions with related parties were as follows:

EXPENSES AND INCOME:	June 30, 2011				
	Thousands of euros	Major shareholders	Directors and executives (1)	Persons, companies or entities within the Group (2)	Total
Finance expenses	7,148	-	-	281	7,429
Management or cooperation agreements	-	-	-	1,258	1,258
Transfer of R&D and licenses agreements	-	-	-	47	47
Operation leases (2)	271	-	-	16,639	16,910
Receipts from services (2)	1,298	-	-	181,326	182,624
Purchase of goods (finished or in progress) (2) (3)	1,251,341	-	-	2,755,374	4,006,715
Losses from the removal or sale of assets	-	-	-	202	202
Other expenses	7,398	-	-	7,389	14,787
EXPENSES	1,267,456	-	-	2,962,516	4,229,972
Finance income (2)	21,783	-	3	9,328	31,114
Management or cooperation agreements	-	-	-	2,135	2,135
Transfer of R&D and licenses agreements	-	-	-	522	522
Dividends received	-	-	-	-	-
Operations leases	2	-	-	-	2
Services rendered (2)	17,124	-	-	12,691	29,815
Sales of goods (finished or in progress) (2)	62,190	-	-	576,704	638,894
Profit from the removal or sales of assets	-	-	-	-	-
Other income (2)	17,134	-	-	39,908	57,042
INCOME	118,233	3	3	641,288	759,524

June 30, 2011

OTHER TRANSACTIONS

Thousands of euros

	Major shareholders	Directors and executives (1)	Persons, companies or entities within the Group (2)	Total
Purchase of tangible, intangible or other assets	47,216	-	117	47,333
Finance agreements: credits and capital contributions (lender) (2)	621	203	277,191	278,015
Amortization or cancellation of credits and lease agreements (lessor)	-	-	-	-
Sale of tangible, intangible or other assets	76,609	-	106	76,715
Finance agreements: credits and capital contributions (borrower) (2) (4)	662,772	-	5,774	668,546
Amortization or cancellation of loans and lease agreements (lessee)	-	-	-	-
Guarantees given (2)	114,744	-	605,688	720,432
Guarantees received	60,549	-	150	60,699
Commitments acquired (5)	558,193	-	19,415,211	19,973,404
Commitments/guaranties cancelled	14,393	-	666,562	680,955
Dividends and other profit distributed (6)	278,086	237	-	278,323
Other transactions (7)	2,632,113	-	-	2,632,113

- (1) Included those transactions with Directors and Executives not included in note 12 on Compensations received by Directors and Executives, which correspond to the outstanding balance of the loans granted to senior management and the corresponding interest accrued, as well as dividends received from holding shares in the Group.
- (2) Amounts corresponding to the transactions carried out with YPF, Repsol YPF Gas, and its group companies recognized under column "*Persons, companies or entities within the perimeter*" are: (i) Operating lease expenses: €6,636 thousand, (ii) Service-related expenses: €4,212 thousand, (iii) Purchase of goods: €2,749 thousand, (iv) Finance income: €1,054 thousand, (v) Revenue from services rendered: €2,186 thousand, (vi) Revenue from the sale of goods: €135,243 thousand, (vii) Other income: €1,460 thousand, (viii) Financing agreements as lender: €40,378 thousand, (ix) Financing agreements as borrower: €23 thousand, and (x) Guarantees and sureties provided by the Repsol Group backing companies consolidated using the equity method in the YPF Group amounting to €10,227 thousand. An additional €9,815 thousand corresponding to sales commitments net of firm purchase commitments were also recognized under Commitments with persons, companies or entities within the Group.
- (3) These purchases included those made under the provisions of a crude oil purchase contract signed for an indeterminate period with the Pemex Group, which in 2011 were fixed at 85,000 barrels per day.
- (4) This includes credit facilities for the maximum amount granted, totaling €462 million.
- (5) Corresponds to firm purchase commitments outstanding, net of sales commitments.
- (6) This includes 2010 interim dividends which were paid during January 2011.
- (7) Corresponds mainly to:
 - (a) Temporary financial investments: €1,337 million
 - (b) Exchange-rate hedging transactions: €312 million.
 - (c) Interest-rate hedging transactions: €705 million.

(10) CONTINGENT LIABILITIES

Litigation

The information herein updates the status of certain legal and arbitration proceedings having undergone relevant changes since the preparation of the 2011 consolidated financial statements, in which this information is included under Note 34 "Contingent liabilities and commitments".

Under the hedging YPF and Repsol YPF Gas Intervention Decree and Expropriation Decree in Note 3, section *a) The Expropriation of the Repsol Group Shares in YPF, S.A. and Repsol YPF Gas, S.A.* is discussed events taking place in Argentina; the relevant information regarding the abovementioned proceedings included in the 2011 consolidated

financial statements must be revised to include only the legal proceedings currently underway in Argentina and in the US naming Repsol as defendant (discussed in the following Sections A and B), excluding procedures in which YPF, S.A. or YPF subsidiaries are named as defendants.

A) Argentina

Claims brought by ex YPF employees (Share Ownership Plan)

A former employee of YPF before its privatization (1992) who was excluded from the National YPF employee share ownership plan (PPP its acronym in Spanish) set up by the Argentine Government has filed a claim in Bell Ville (Province of Cordoba, Argentina) against YPF, S.A. and Repsol to seek recognition of his status as a shareholder of YPF. In addition, the “Federation of Former Employees of YPF” has joined the proceedings acting on behalf of other former employees excluded from the PPP. Repsol acquired its ownership interest in the capital of YPF in 1999.

Pursuant to the plaintiff’s request, the Bell Ville Federal Court of First Instance initially granted a preliminary injunction (the “*Preliminary Injunction*”), ordering that any sale of shares of YPF or any other transaction involving the sale, assignment or transfer of shares of YPF, carried out either by Repsol or by YPF be suspended, unless the plaintiff and other beneficiaries of the PPP (organized in the Federation of Former Employees of YPF) are involved or participate in such transactions. YPF, S.A. and Repsol filed an appeal against this decision in the Cordoba Federal Court, requesting that the Preliminary Injunction be revoked. The Federal Court of First Instance allowed the appeal and suspended the effects of the Preliminary Injunction. In addition, in March 2011, the Federal Judge responsible for the Buenos Aires Administrative Disputes Court reduced the Preliminary Injunction to only 10% of the ownership interest held by Repsol in the capital of YPF. Accordingly, Repsol may freely dispose of its shares in YPF provided that Repsol continues directly or indirectly to own at least 10% of the share capital of YPF. Under the jurisprudence of the Federal Supreme Court of Argentina (upholding numerous decisions of the relevant Courts of Appeals), neither company is likely to be held liable for claims of this nature related with the PPP. In accordance with Law 25,471, the National Government of Argentina assumed sole responsibility for the matter and for any compensation that may be payable to former employees of YPF, S.A. who were excluded from the PPP under the procedure established in it. On 21, July 2011, the judge of the First Instance upheld the claim of lack of jurisdiction made by of YPF S.A. and Repsol and ordered to transfer the case to the Federal Courts in the autonomous city of Buenos Aires. This decision was confirmed by the Appeals Chamber on December 15, 2011. The aforementioned Chamber overruled the decision handed down by the judge in the Court of First Instance of Bell Ville, limiting it to only 10% of the shares controlled by Repsol, S.A. claimed by the plaintiffs. The sentence is final. In April 2012, the dossier was filed at the Federal Court n° 12 of Appeals on Commercial Matters, overseen by Dr. Guillermo Rossi.

Claim filed against Repsol and YPF by the Union of Consumers and Users

The plaintiff claims the reimbursement of all the amounts the consumers of bottled LPG were allegedly charged in excess from 1993-2001, corresponding to a surcharge for said product. With respect to the period from 1993 to 1997, the claim is based on the fine imposed on YPF by the Secretariat of Industry and Commerce through its resolution of March 19, 1999. It should be noted that Repsol has never participated in the LPG market in Argentina and that the fine for abusing a dominant position was imposed on YPF. In addition, YPF, S.A. has alleged that charges are barred by the applicable statute of limitations. Hearings have commenced and are in process. The claim amounts to

Argentinean Ps.91 million (€17 million) for the 1993-1997 period. Adding interest, this amount would increase to Argentinean Ps.365 million (€66 million), to which the amount corresponding to the 1997-2001 period should be added, as well as accrued interest and expenses.

Preliminary injunction filed by López, Osvaldo Federico and others against Repsol, S.A. (Dossier n° 4444)

Through receipt of a significant event notification published by YPF, S.A. on April 26, 2012, Repsol became aware of the existence of a preliminary injunction of no innovation regarding which YPF received notification on April 20, 2012, filed before the Employment Court of First Instance of Rio Grande (Tierra de Fuego province). Under the aforementioned resolution, provided for the suspension of the exercise of the political and economic rights provided for in YPF S.A.'s bylaws with respect to the 45,215,888 ADSs, each of which represents one ordinary Class D share of YPF, S.A., sold by Repsol during March 2011, is no longer in effect. On May 30, 2012, Repsol spontaneously filed a motion to reverse the injunction.

Subsequently, through a relevant event published by YPF on June 1, 2012, Repsol became aware of a sentence handed down on May 14, 2012 which modified the abovementioned injunction substituting it with another according to which Repsol may not dispose of the funds it could receive as payment from the expropriation of the shares of YPF, S.A. that may be awarded by the National Appraisal Tribunal. The ruling rendered the previous injunction null and void, and therefore, the shareholders are permitted to freely exercise their inherent rights. On June 18, 2012, Repsol filed a subsidy appeal against the modification of the abovementioned injunction.

On June 25, 2012, Repsol received notification of the filed claim.

B) The United States of America

The Passaic River and Newark Bay lawsuit

This section discusses certain environmental contingencies as well as the sale by Maxus Energy Corporation ("Maxus") of its former chemicals subsidiary, Diamond Shamrock Chemical Company ("Chemicals") to a subsidiary of Occidental Petroleum Corporation ("Occidental"). Maxus agreed to indemnify Chemicals and Occidental for certain liabilities relating to the business and activities of Chemicals prior to the September 4, 1986, Closing Date, including certain environmental liabilities relating to certain chemical plants and waste disposal sites used by Chemicals prior to the Closing Date. In 1995, YPF acquired Maxus, and in 1999, Repsol acquired YPF.

In December 2005, the Department of Environmental Protection (DEP) and the New Jersey Spill Compensation Fund sued Repsol YPF S.A. (currently denominated Repsol S.A.), YPF S.A., YPF Holdings Inc., CLH Holdings Inc., Tierra Solutions Inc., Maxus Energy Corporation, as well as Occidental Chemical Corporation. In August 2010, the lawsuit was extended to YPF International S.A. and Maxus International Energy Company. This is a claim for damages in connection with the contamination allegedly emanating from the former facility of Diamond Shamrock Chemical Company in Newark and allegedly contaminating the Passaic River, Newark Bay, and other nearby water bodies and properties (the Passaic River/Newark Bay litigation).

In February 2009, Maxus and Tierra included another 300 companies in the suit (including certain municipalities) as third parties since they are potentially liable.

The DEP did not quantify damages in its claims but it did:

- a) maintain that the US\$50 million (€37 million) cap on damages under New Jersey legislation should not be applied;
- b) claim it had incurred approximately US\$113 million (€85 million) in costs in the past in cleanup and removal work and that it is looking for additional compensation of between US\$10 and US\$20 million (between €7 and €15 million) to finance a study to assess damages to the natural resources (Natural Resources Damages Assessment); and
- c) indicate that it is working on financial models outlining costs and other financial impacts, unknown at the time of the claims.

In October 2010, some of the defendants presented several motions to sever and stay, which would have had the effect of allowing the New Jersey DEP to take their case against the direct defendants. However, these motions were dismissed. Furthermore, other third parties presented motions to dismiss to be excluded from the proceedings. However, these motions were also dismissed in January 2011.

In May 2011, the court issued Case Management Order XVII (“CMO XVII”), which set forth the trial plans, dividing them in different trial tracks.

In accordance with the expected Trial Plan, the State and Occidental filed the corresponding motions (“*motions for summary judgment*”). On these motions, the Court ruled as follows: (i) Occidental is the *legal* successor of any liabilities incurred by the corporation previously known as Diamond Alkali Corporation, Diamond Shamrock Corporation and Diamond Shamrock Chemicals Company; (ii) the Court denied the State’s motion, without prejudice, insofar as it sought a ruling that factual findings made in the *Aetna* litigation should be binding in this case on Occidental and Maxus based on the doctrine of *collateral estoppel*; (iii) the Court ruled that Tierra has *Spill Act* liability to the State based merely on its current ownership of the Lister Avenue site; and (iv) the Court ruled that Maxus has an obligation under the 1986 *Stock Purchase Agreement* to indemnify Occidental for any *Spill Act* liability arising from contaminants discharged from the Lister Avenue site.

Subsequently, and in accordance with the Trial Plan, the State and Occidental presented new motions for summary judgment against Maxus. On May 21, 2012, the Court ruled the following on these motions: (i) Maxus could not respond as successor to Old Diamond Shamrock. In its findings, the Court determined Occidental as the true successor; however, it is open to a subsequent analysis of succession, if the existence of punitive damages is determined later in the process; (ii) the terms of the Indemnity Agreement between Maxus and Occidental cannot be reinterpreted, and therefore, as the State of New Jersey is not a party in the contract such Agreement, it may not claim indemnity directly from Maxus; and (iii) Maxus may be considered Tierra's alter ego. In order to reach this conclusion, the Court pointed out that to all effects and purposes, Tierra is a corporate shell designed to avoid historical responsibility. Accordingly, since Maxus is considered Tierra's alter ego, the Court determined Maxus as equally responsible as Tierra under the Spill Act.

Based on the best available information at the date of these interim financial statements, and considering the estimated time remaining for conclusion of the lawsuit and the results

of investigations and/or proof obtained, it is not possible to reasonably estimate the amount of the eventual liabilities arising from the lawsuit.

C) Ecuador

Complaint filed by Ecuador TLC (Petrobras)

On May 14, 2012, Ecuador TLC (Petrobras) filed with the International Centre for Dispute Resolution (ICDR), a claim against Repsol Ecuador S.A. (Ecuador Branch), Murphy Ecuador Ltd. (Amodaimi) and Canam Offshore Ltd, based on the following: (i) infringement of the Transportation Agreement between the plaintiff company and Murphy Ecuador Limited and Canam Offshore Ltd., for not comprising the total production; (ii) lack of compliance with payment of the tariff corresponding to said volume; and, (iii) disclosure of confidential information to Repsol related to the Oleoducto de Crudos Pesados pipeline. Ecuador TLC S.A. requested that the arbitrators: a) rule in its favor and order the payment in its favour of damages arising from the Transportation Agreement, including interest and attorney fees; b) grant emergency assistance considering that Murphy and Canam are jointly and severally responsible for all the amounts claimed by Ecuador TLC in this arbitration proceeding, and that Repsol is likewise fully responsible for all the amounts incurred by Canam according to the petition filed by Ecuador TLC in this arbitration proceeding; Murphy exercised its right to extend the Transportation Agreement deadline to December 2018, and is therefore liable for the related damages, including interest and attorney fees incurred from February 2012 through December 2018; and c) pay any additional general or specific expenses or assistance costs, in law and equity, to which Ecuador TLC is entitled. The claim would amount to approximately \$82 million (€65 million).

D) Procedures initiated as a consequence of the expropriation of the Group's YPF shares

On April 16, 2012, the Argentinean President announced the expropriation of 51% of YPF, S.A. Class D shares which were held by the Spanish company, Repsol. YPF, S.A. is Argentina's main oil company. Days later, the expropriation process was extended to 60% of Repsol's participation in the Argentinean Repsol YPF Gas, S.A., a butane and propane gas distribution company. This shareholding represents 51% of the share capital of Repsol YPF Gas, S.A. In addition, on April 16, 2012 the President ordered the intervention of YPF, S.A. and expelled by force the Directors and Members of the Management Committee, while the government took control of company management (530 and 557 Decrees). At the same time, an exceptional Law for the expropriation of YPF, S.A. and Repsol YPF Gas, S.A. shares held by the Repsol Group was passed in record time (21 days). Thus, the Argentinean State, via the National Executive Power, declared the aforementioned shares a public utility and subject to expropriation, while also temporarily seizing all the inherent rights associated with the shares held by Repsol and subject to expropriation without waiting for any court sentence, and without compensation for the value of the affected shares.

Said "temporary occupation" and the subsequent expropriation only affect YPF, S.A. and no other oil companies in Argentina. Furthermore, Repsol, with its 57.4% shareholding, is the only damaged shareholder of YPF, S.A. The same applies to Repsol YPF Gas, S.A.

Under the Agreement for the Reciprocal Promotion and Protection of Investments signed by Spain and Argentina in 1991, the Argentinean State agrees to protect investments made by investors from the other country, Spain (article III - Section 1), and not disrupt

the management, maintenance, and use of such investments through unjustified or discriminatory measures. The Agreement further guaranteed fair and equitable treatment of investments made by Spanish investors (IV-1), obliging the Argentinean State not to act in a discriminatory manner against Spanish investors in the case of nationalization or expropriation and to pay the expropriated investor adequate compensation in convertible currency (V) without any delay. In addition, the Agreement obliged the Argentinean State to concede the Spanish investors the most favorable regulations it had applied to other foreign investors (IV-2; VII).

In addition, the Argentinean Constitution establishes in article 17 that "*property is inviolable, and no inhabitant of the State can be deprived of it except by virtue of a sentence grounded in law. Expropriation for purposes of public utility must be qualified by law and compensated prior to the expropriation. [...]. No armed body may make requisitions, or demand assistance of any kind.*" Furthermore, article 20 states that "*Foreigners enjoy in the territory of the Nation all the civil rights of a citizen; they may engage in their industry, trade or profession, own, purchase or transfer real estate property [...].*"

What is more, in 1993, for the purpose of attracting foreign investors at the time of the privatization of YPF, articles 7 and 28 of the Statutes of YPF, published in the prospectus of YPF filed at the US *Securities and Exchange Commission* (SEC), established the obligation for the Argentinean State, and concomitant right for shareholders, to repurchase shares at a price set in the Statutes in the event of renationalization. In addition, the repurchase would have to be verified by a takeover bid tendered by the Argentinean State for 100% of share capital. Should this not occur, the YPF Statutes establish that the Argentinean State's interest in YPF cannot be counted for purposes of reaching a quorum in the shareholder meetings of YPF and that no voting or economic rights will accrue to the Argentinean State either.

Repsol considers the abovementioned expropriation process illegitimate and intends to take all corresponding and pertinent legal steps to defend its rights and interests as well as obtain full compensation for the grave damages suffered.

The most relevant legal steps taken are as follows:

1. *Dispute under the jurisdiction of the Agreement for the Reciprocal Promotion and Protection of Investments.*

On May 10, 2012, Repsol formally notified the President of the Argentinean Republic of a dispute and the start of a negotiation period for reaching an out-of-court settlement regarding the Agreement on the Reciprocal Promotion and Protection of Investments which took effect on September 28, 1992. This written notification was followed by another on May 28, 2012 in which Repsol invited the Argentinean government to initiate the negotiations foreseen in the Agreement. These letters were answered by the Procurator of the Argentinean Treasury presenting formal pretexts. Following the negotiation period, which should last at least 6 months, if the parties do not reach an agreement, the ICSID could be involved to settle the issue.

Repsol considers that it has solid legal arguments for its claims to be recognized and to be compensated by the Argentinean State.

2. Lawsuit claiming unconstitutionality of the intervention in YPF by the Argentinean government and the "temporary occupation" of rights over 51% of Class D YPF, S.A. shares held by Repsol.

On June 1, 2012 Repsol filed a lawsuit before the Argentinean Courts requesting the declaration of unconstitutionality: (i) of articles 13 and 14 of Law N° 26,741 (the "Expropriation Law") and any other regulation, resolution, act, investigation and/or action issued and/or performed under these regulations as being in clear violation of articles 14, 16, 17, 18, and 28 of the Argentinean Constitution; (ii) of NEP Decree N° 530/2012, NEP Decree N° 532/2012, and NEP Decree N° 732/2012 (taken together, the "Decrees"), and any other regulation, resolution, act, investigation and/or action issued and/or performed under the Decrees as standing in violation of articles 1, 14, 16, 17, 18, 28, 75, 99, and 109 of the Argentinean Constitution. Certain precautionary measures that were also requested were dismissed. The next stage with respect to this action is resolution of the conflict regarding competence, followed by the competent body ruling on the issue. With respect to the precautionary measures, the next stage is that the Appeals Chamber decide upon the appeal filed by Repsol against the first instance dismissal of the requested precautionary measures.

Repsol considers it has solid arguments for the Buenos Aires courts to rule the intervention and temporary occupation of YPF unconstitutional.

3. "Class Action Complaint" filed before the New York Southern District Court regarding the Argentinean State's failure to comply with its obligation to launch a tender offer for YPF shares before taking control of the company.

On May 15, 2012, Repsol and Texas Yale Capital Corp filed a *class action complaint* in the South District of New York (in defense of interests of holders of Class D YPF shares, excluding those shares subject to expropriation by the Argentinean State). The purpose of the lawsuit is: (i) to establish the obligation of the Argentinean State to launch a tender offer for Class D shares on the terms defined in the YPF Statutes, (ii) to declare that the shares seized without the tender offer are void of voting and economic rights; (iii) to order the Argentinean State to refrain from exercising voting or economic rights on the seized shares until it launches a tender offer; and (iv) that the Argentinean State indemnify the damages caused by failure to comply with its obligation to launch a tender offer (the damages claimed have not been quantified yet in the Proceedings).

This lawsuit against the Argentinean State is currently in the notification stage.

Repsol considers that it has solid arguments for the recognition of its corresponding rights to the YPF shares that have not been expropriated.

4. Lawsuit filed with the New York Southern District Court for the failure of YPF to present form 13D as obliged by the Securities and Exchange Commission (SEC) due to intervention by the Argentinean State.

On May 12, 2012 Repsol filed a lawsuit with the New York Southern District Court requesting that the Argentinean State be ordered to comply with its reporting requirements in conformity with section 13 (d) of the U.S. *Securities Exchange Act*. This section requires that whoever acquires direct or indirect control over more than 5% of a share class in a company listed in the USA, report certain information (through a 13D form) including the number of shares controlled; the source and amount of funds to be used for the acquisition of these shares; information on any contracts, agreements, or

understandings with any third party regarding the shares of the company in question; and the business and governance plans the controlling entity has with respect to this company.

This lawsuit against the Argentinean State is currently in the notification stage.

Guarantees

With respect to the loan granted to Petersen by the Banco Santander in 2008, guaranteed by Repsol by virtue of the guarantee contract signed on June 6, 2008, the financial statements at June 30, 2012 recognize a provision of €54 million (Note 3 *section a) Expropriation of YPF, S.A. and Repsol YPF Gas, S.A. shares held by the Repsol Group*).

The Group has granted financial collateral guarantees, regulated by Royal Decree Law 5/2002, in the form of Gas Natural SDG shares owned by the Repsol Group, in connection with the financing received from various financial entities as described in the section on *Financial liabilities* in Note 6 and in Note 14 *Subsequent Events*.

(11) AVERAGE HEADCOUNT

The average employee headcount at June 30, 2012 and 2011 was:

	<u>06/30/2012</u>	<u>06/30/2011</u>
AVERAGE HEADCOUNT		
Men	20,925	33,717
Women	9,196	12,354
	<u>30,121</u>	<u>46,071</u>

The headcount at June 30, 2011 included employees from YPF and Repsol YPF Gas's companies, which totaled 12,926 men and 3,626 women.

(12) COMPENSATIONS

A) Directors' and executives' compensation

During the first half of 2012, the Board of Directors has being integrated by fifteen directors (two Executive Directors, five Institutional External Directors and eight Independent External Directors). A total of ten people were members of the Group's Executive Committee at some point during the same period. For reporting purposes, in this section Repsol deems "executive personnel" to be the members of the Executive Committee. This consideration, made purely for reporting purposes, herein, neither substitutes nor comprises a benchmark for interpreting other senior management pay concepts applicable to the Company under prevailing legislation (such as Royal Decree 1382/1985), nor does it have the effect of creating, recognizing, amending or extinguishing any existing legal or contractual rights or obligations.

The following is a breakdown of compensation paid during the first six months of 2012 to Board Members and executives who at some point, belonged to the Group's Executive Committee. For comparative purposes 2011 data is included, with similar criteria.

DIRECTORS:

Compensation:	Thousands of euros	
	06/30/2012	06/30/2011
Fixed compensation	1,936	1,982
Variable compensation (a)	1,538	5,941
Bylaw stipulated remunerations	2,406	2,509
Others (b)	29	28
TOTAL	5,909	10,460

EXECUTIVES: (c)

	Thousands of euros	
	06/30/2012	06/30/2011
Total compensation received by executives (a) (b)	5,669	11,394

- (a) The variable compensation corresponding to the first six months of 2011 includes a one-off bonus associated to 2010 profits, which was accrued and paid in full in the first half of 2011.
- (b) In-kind benefits and contributions to life insurance and pension plans include the corresponding tax payments on account.
- (c) The composition and number of members of the Executive Committee varied between 2011 and 2012.

In the first half of 2012 the accrued cost of the retirement, disability, and death insurance policies for Board members, including the corresponding tax payments on account, amounts to €184 thousand (€159 thousand in the first half of the previous year); and the contributions to pension plans and long-service bonuses amounts to €1,347 thousand (€1,325 thousand for the same period in the previous year).

The contributions made by the Group in the first half of 2012 to the executives' pension plans, the contributions to executives' prevision plans, and insurance policy premiums covering disability and death (in this case including the corresponding tax payments on account) totaled €977 thousand (€1,012 thousand in the first half of the previous year).

B) Share-based payments plans

The following is an update during the first six months of 2012 of Repsol, S.A.'s share-based payment scheme approved at the Ordinary General Meeting, and included in the 2011 consolidated financial statements:

i.) *“Plan for Delivery of Shares to Beneficiaries of the Pluri-Annual Remuneration Programs”*

Repsol has a *“Plan for Delivery of Shares to Beneficiaries of the Pluri-Annual Remuneration Program.”* On May 31, 2012, 187 employees and executives took part in the Second Cycle of the Plan (2012-2015), having acquired a total of 294,689 shares representing 0.023% of the share capital recognized at June 30, 2012, with an average price of €12.2640 per share. The Group is committed to delivering 98,161 shares (representative of 0.008% of share capital) to those employees who fulfill the Plan requirements after the three-year vesting period ends.

During this Second Cycle, the current Board members had acquired a total of 131,395 shares. Considering the total number of shares acquired during the First Cycle, which amounted to 79,611 shares, Repsol would be committed to delivering 26,534 shares once the First Cycle's vesting period ends, and 43,795 shares when the second would

be finished. This commitment is subject to the compliance with the remaining Plan requirements.

At June 30, 2012, has been recognized expenses totaling €0.24 million under “*Personnel expenses*” with a counterbalancing entry under “*Retained earnings and other reserves*” in equity related to the First and Second Cycles.

ii.) “*2011-2012 Share Acquisition Plan*”

During the first half of 2012, and in accordance with in the information included in Note 4, section d) “*Equity - 2. Treasury shares*” the Group has purchased 264,398 treasury shares for €4.4 million, to be delivered to Group employees. These shares represented 0.021% of the shares issued by Repsol, S.A. at June 30, 2012.

The shares to be delivered under both schemes, i) and ii), may consist of directly or indirectly held treasury shares of Repsol, new issuance shares or shares acquired from third parties under agreements entered into to cover the delivery commitments assumed.

At the Ordinary General Shareholders Meeting held on May 31, 2012, the 2013-2015 Share Acquisition Plan was approved to cover Repsol Group management and other employees in Spain who voluntarily choose to participate. According to the Plan, beneficiaries may receive part of the compensation corresponding to all or any of 2013, 2014, and 2015 in Repsol shares, with a yearly limit equivalent to a maximum equivalent monetary amount established by tax legislation prevailing each of the years and for each territory, which is not subject to personal income tax withholdings. These shares will be valued at the closing price of the Repsol shares on the continuous market (SIBE) of the Spanish stock exchanges on the date they are delivered to the beneficiaries.

(13) OTHER INFORMATION

On February 28, 2012, Repsol, S.A. and Petróleos Mexicanos (“Pemex”) communicated their respective Boards’ approval of a strategic industrial alliance, which will allow to generate profits in the short and medium term and achieve positive synergies for both companies, and is to last 10 years. The Alliance covers the Upstream and LNG business areas in America, and the Downstream business area in America, Spain, and Portugal, as well as cooperation in joint training programs. Repsol or Pemex will respectively evaluate the business and cooperation opportunities that arise in the course of the Alliance. The constitutional and legal framework regulating the hydrocarbons sector in Mexico allows Pemex to count on Repsol as an ally, as per the Alliance, for evaluation and promotion of business opportunities that may be of mutual interest.

Pemex has ratified its commitment to stability and will not increase its interest in Repsol beyond 10% or reduce it to below 5%. Notwithstanding the above, after one year has elapsed from the Alliance signature date, Pemex can reduce its interest to below 5%. Should this occur, Repsol could dissolve the Alliance.

(14) SUBSEQUENT EVENTS

Repsol has reached an agreement with a consortium of Chilean investors for the sale of 100% of its subsidiary Repsol Butano Chile subsidiary for an approximate amount of \$540 million. Aside from other financial assets, Repsol Butano Chile owns a 45% stake in Lipigas, an LPG commercialization company in the Chilean market. The finalization of this transaction is contingent upon fulfilling the usual conditions for this type of transaction. At June 30, 2012, the assets and liabilities of companies that are going to be

sold were classified under *Non-current assets and liabilities held for sale* in the consolidated balance sheet (See Note 4.c).

A €250 million financing transaction via derivative instruments, maturing in 12 months, was implemented in July 2012. This transaction is independent of the two that were closed in June 2012, described in Note 6, section (b) *Financial Liabilities*. This third transaction is also accompanied by financial collateral guarantees regulated by Royal Decree Law 5/2005. Thus, at the date of preparation of the accompanying interim condensed consolidated financial statements the aforementioned guarantee is in the form of 104,762,387 Gas Natural SDG, S.A. pledged shares owned by Repsol, corresponding to 10.47% of said entity's share capital. The abovementioned transactions do not imply transfer of ownership with respect to the Gas Natural SDG, S.A. shares, retaining Repsol the inherent voting and economic rights.

(15) EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

These interim condensed consolidated financial statements are prepared on the basis of IFRSs, as endorsed by the European Union, and Article 12 of Royal Decree 1362/2007. Consequently, certain accounting practices applied by the Group may not conform with other generally accepted accounting principles.

APPENDIX I: CHANGES IN THE SCOPE OF CONSOLIDATION

a) *Business combinations, other acquisitions and acquisitions of interest in subsidiaries, joint ventures and/or associates.*

Name of the entity (or business activity) acquired/absorbed	Type of transaction	Transaction close date	Cost of the business combination (net) (millions of euros)		% of voting rights acquired (2)	% of total voting rights acquired in the entity post - acquisition
			Consideration (net) paid + other costs directly attributable to the business combination	Fair value of the equity instruments issued to acquire the acquiree		
Capital Telecom Honduras, S.A. (1)	Acquisition	feb-12			100.0%	100.0%
Distribuidora de Electricidad del Norte, S.A. (1)	Acquisition	feb-12	2	-	11.4%	83.7%
Distribuidora de Electricidad del Sur, S.A. (1)	Acquisition	feb-12	0	-	10.0%	83.7%
Energías Especiales de Extremadura, S.A. (1)	Acquisition	mar-12	2	-	20.6%	99.0%
U.F. Telecomunicación El Salvador, S.A. de C.V. (1)	Acquisition	mar-12	-	-	100.0%	100.0%
Fenosa Wind, S.L. (1)	Acquisition	apr-12	-	-	15.0%	100.0%
Repsol Comercial de Productos Petrolíferos S.A.	Increase shareholding	may-12	-	-	0.0%	99.8%
Repsol Trading USA Corporation	Incorporation	jun-12	-	-	100.0%	100.0%
Windplus, S.A.	Acquisition	jun-12	4	-	31.0%	31.0%

(1) Investments held through Gas Natural Fenosa.

(2) Corresponds to the equity shareholding in the acquired company.

b) *Reduction in interests in subsidiaries, joint ventures and/or associates and other similar transactions (1)*

Name of the entity (or business activity) sold, splitted or retired	Type of transaction	Effective date of the operation	% of voting rights sold or retired	% of voting rights acquired in the entity post-acquisition	Income / Loss generated (Millions of euros) (3)
Transnatural, SRL de CV (2)	Disposal	jan-12	50.00%	-	(1)
GEM Suministro de Gas, 3, S.L (2)	Disposal	feb-12	100.00%	-	6
GEM Suministro de Gas SUR 3, S.L (2)	Disposal	feb-12	100.00%	-	-
Eólica de Cordales, S.L.U. (2)	Disposal	apr-12	100.00%	-	-
Eólica de Cordales Bis, S.L.U. (2)	Disposal	apr-12	100.00%	-	-
Gas Natural International, Ltd. (2)	Liquidation	apr-12	100.00%	-	-
Eólicos Singulares 2005, S.A. (2)	Liquidation	may-12	49.00%	-	-
Andaluza de Energía Solar Cuarta, S.L. (2)	Liquidation	jun-12	76.00%	-	-
Zao Eurotek-Yamal	Disposal	may-12	100.00%	-	-
OOO Eurotek-ND	Disposal	may-12	100.00%	-	-

- (1) In this section is not included YPF or Repsol YPF Gas or the companies of their respective groups, which are no longer considered group companies (Note 3 *Expropriation of Repsol Group shares in YPF, S.A. and Repsol YPF Gas, S.A.*).
- (2) Investments held through Gas Natural.
- (3) Corresponds to recognized pre-tax profit.