Repsol International Finance B.V.

Annual report 2011

Deloitte.

Deloitte Accountants B.V.

For identification purposes.
Related to the independent auditor's report dated :
March 12, 2012

Management report

The Managing Directors present their report together with the audited financial statements for the year ended December 31, 2011.

Introduction

The company is part of to the Repsol YPF Group, a Spanish integrated oil company engaged in all aspects of the petroleum business and one of the largest industrial groups in Spain. The company is a wholly owned subsidiary of Repsol YPF, S.A., Madrid, Spain.

The issued and paid-in share capital of the company amounts to USD 389 million.

Activities

Its principal activities consist of financing and investing in subsidiaries and affiliated companies.

Funds denominated in U.S. Dollars and in Euros are raised on the international capital markets by using a short-term commercial paper programme and a medium and long-term notes programme, which are lent to subsidiaries and affiliated companies, also in other currencies than U.S. Dollars. In this case the company hedges the foreign currency exposure by entering into foreign exchange contracts with major international banks.

Currently, as part of the required Repsol Group financing needs the company is engaged in a Euro Medium Term Note Programme and a Euro Commercial Paper Programme.

The existing bonds are the following, maturing in 2012 for an amount of EUR 750 million (USD 970.4 million), maturing in 2013 for an amount of EUR 1,000 million (USD 1,293.9 million), maturing in 2014 for an amount of EUR 2,000 million (USD 2,587.8 million), maturing in 2016 for an amount of EUR 850 million (USD 1,099.8 million) and maturing in 2017 for an amount of EUR 885.8 million (USD 1,146.1 million).

On December 2011 the Company closed a 850 million euro 4 year and 2 months bond at 99.642 per cent with a coupon of 4.25 per cent to be listed on the regulated market of the Luxembourg Stock Exchange. This bond, guaranteed by Repsol YPF, S.A., is issued under the Euro 10,000,000,000 Guaranteed Euro Medium Term Note Programme, approved by the Luxembourg Commission de Surveillance du Secteur Financier.

The company is the holder of shares in subsidiaries. These investments have been valued at cost or if permanently impaired at lower recoverable value.

Result for the Year

The company made a profit of USD 203.9 million (2010: USD 173.5 million profit). This profit is primarily caused by a positive result from dividends from subsidiaries and the financial interest result.

Audit committee

The board took into consideration the enactment of the EU Directive 2006/43/EU by a Royal Decree of July 2008 and the obligations from the fact that the company, because of its listed securities, is a public interest organisation. It was decided to delegate the public governance compliance obligations as regards the company in respect to article 2, section 3, sub a to d of the Decree to the audit committee of its parent company, Repsol YPF S.A.

Future Outlook

It is envisaged that the company will continue to provide loan capital to subsidiaries and affiliated companies. The future level of profits will be dependent on developments of the investments and financing activities.

The company does not foresee changes in the number of personnel in the future and does not perform any R&D activities.

The Hague, The Netherlands,

12th March, 2012

THE MANAGING DIRECTORS

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March 12, 2012

Balance Sheet at December 31, 2011

(Before appropriation of net result)

(Amounts in thousands of U.S. Dollars)

ASSETS	Notes	31.12.2011	31.12.2010
Financial Fixed Assets			
Investments	3	609,031	609,031
Loans to affilitiated companies	4	6,113,729	6,701,001
Other long term receivable from third parties		4,105	7,702
Guarantees and deposits		34	35
		6,726,899	**7,317,769**
Deferred expenses	5	21,582	18,925
		6,748,481	**7,336,694**
Current assets			
Short-term loans to affiliated companies		4,033,070	3,090,400
Other receivable from affiliated companies		20,835	125,275
Short-term portion of other receivable from third parties		6,203	17,478
Interest receivable from affiliated companies		172,186	174,855
Other receivables and prepayments		57,690	1,218
		4,289,984	**3,409,226**
Short term Deposits		3,290	11,419
Cash and Banks		9,868	1,053
		13,158	**12,472**
		4,303,142	**3,421,698**
		11,051,623	**10,758,392**

The accompanying notes from 1 to 16 form an integral part of the financial statements.

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Balance Sheet at December 31, 2011

(Before appropriation of net result)
(Amounts in thousands of U.S. Dollars)

SHAREHOLDER'S EQUITY AND LIABILITIES	Notes	31.12.2011	31.12.2010
Shareholder's equity	6		
Issued and paid-in capital		388,917	401,631
Additional paid-in capital		337,272	337,272
Other Reserves		(32,601)	(45,315)
Retained earnings		1,085,793	912,245
Net result for the year		203,871	173,548
		1,983,252	**1,779,381**
Long-term liabilities			
Deferred income		1,428	1,566
Euronotes	7	6,127,682	6,194,421
Long term loans from affiliates			200
		6,129,110	**6,196,187**
Short-term liabilities			
Loans from affiliates	8	728,801	576,487
Commercial Paper and Medium term bonds	7	1,882,545	1,906,456
Interest payable on Medium Term Notes and Euronotes		161,641	165,563
Interest payable to affiliated companies		268	35
Other payable to affiliated companies and subsidiaries		146,047	126,266
Accrued liabilities		1,416	226
Taxes		17,176	6,280
Other payables		1,367	1,511
		2,939,261	**2,782,824**
		11,051,623	**10,758,392**

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Income Statement for the year ended December 31, 2011

(Amounts in thousands of U.S. Dollars)

INCOME STATEMENT	Notes	31.12.2011	31.12.2010
Financial income and expense			
Income from investments	3	166,552	80,067
Change in carrying value investments	3		53,750
Interest income	10	385,120	359,933
Interest expense	10	(322,163)	(319,615)
Exchange gain (loss)		(6,363)	16,897
Other financial incomes (expenses)		1,652	3,732
		224,798	**194,764**
Amortization deferred expenses	5	(4,726)	(4,891)
General and administrative expenses	11	(3,136)	(2,093)
Income before provision for income taxes		**216,936**	**187,780**
Provision for income taxes	12	(13,065)	(14,232)
Net result		**203,871**	**173,548**

The accompanying notes from 1 to 16 form an integral part of the financial statements.

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Notes to financial statements at December 31, 2011

(Amounts in thousands of U.S. Dollars)

1 General

Repsol International Finance B.V. ("the company"), having its legal seat in The Hague, is a wholly owned subsidiary of Repsol YPF, S.A., located in Madrid, Spain. Companies in which Repsol YPF, S.A. participates are referred to as affiliated companies.

The company's principal activities consist of investing in and financing of subsidiaries and affiliated companies, and the company is the holder of shares in subsidiaries.

Based upon Article 2:408 of the Dutch Civil Code no consolidated financial statements have been presented. The financial statements of the company and its subsidiaries are included in the consolidated financial statements of Repsol YPF, S.A.

A significant part of the company's transactions is denominated in U.S. Dollars. Consequently, the company's financial statements are reported in U.S. Dollars.

Based on the DAS 360.106, no statement of cash flow has been included, since a consolidated statement of cash flows is included in the consolidated financial statements of Repsol YPF.

2 Accounting Principles

General

The accompanying accounts have been prepared in accordance with Part 9, Book 2 of the Dutch Civil Code.

The financial statements are prepared under the historical cost convention. Unless stated otherwise, assets and liabilities are stated at face value.

Income and expenses are accounted for on an accrual basis. Profit is only included when realized on the end of the reporting period. Losses and risks originating before the end of the financial year are taken into account if they have become known before preparation of the financial statements.

Assets and liabilities denominated in foreign currencies are translated into U.S. Dollars at the year-end exchange rate unless indicated otherwise. Transactions in foreign currencies are translated at the exchange rate in effect at the time of the transaction. The exchange results are recorded under financial income and expense in the Income Statement.

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Financial fixed assets

Based upon Article 2:408 of the Dutch Civil Code, the company accounts for its investments in subsidiaries and other investments at cost or, if permanently impaired, at lower recoverable value.

Deferred expenses

Deferred expenses relate to the Guaranteed Euronote issues raised between 2003 and 2011.

Aforementioned expenses are capitalised and recognised in profit or loss over the period of the duration of the note.

Financial Instruments

Financial instruments are used to hedge exposures to movements in currency exchange rates. These financial instruments include currency forward contracts.

These financial instruments are stated at fair value.

The results on these instruments are recognised as other financial income (expense) in the Income Statement.

Recognition of income

Revenues and expenses are recorded in the period in which they originate.

Taxation

The company belongs to a fiscal unity along with certain Dutch subsidiaries and affiliated companies. Taxes for the fiscal unity have been fully allocated to each subsidiary. The company is several and jointly liable for the total corporate income tax payable within the fiscal unity.

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Notes to specific items of the balance sheet

3. Investments

For the year ended December 31, 2011, the company has the following investments:

Name and Legal Seat	Percentage Ownership
Gaviota RE, Luxembourg	*99.88%*
Occidental de Colombia LLC., Delaware	*25.00%*
Repsol International Capital Ltd., Cayman Islands	*100.00%*
Repsol Netherlands Finance B.V., The Hague	*66.50%*
Repsol Investeringen B.V., The Hague	*100.00%*
Repsol LNG Port Spain B.V., The Hague	*100.00%*
Repsol YPF Capital S.L., Madrid	*99.99%*

Key financial information of the investments for the year ended December 31, 2011 is as follows:

(Amounts in thousands)	Carrying Value	Acquisition Cost
Subsidiary	USD	USD
Gaviota RE, S.A.	18,088	18,088
Repsol International Capital Ltd.	53,750	518,900
Repsol Netherlands Finance B.V.	14	14
Repsol Investeringen B.V.		22
Repsol LNG Port Spain B.V.	27	27
Repsol YPF Capital, S.L.	473,407	473,407
Other participations		
Occidental de Colombia LLC.	63,745	63,745
Total	**609,031**	**1,074,203**

The movement in investments at carrying value is as follows:

(Amounts in thousands)	2011 USD	2010 USD
Balance January 1	609,031	680,781
Proceeds from investments		(125,500)
Reversal of impairment		53,750
Balance December 31	609,031	609,031
Distributed dividend from investments	166,552	80,067

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The main variations during the year ended December 31, 2011 are as follows.

During 2011 the company has received USD 166,551 thousand dividends, from which USD 75,301 thousand were received from Repsol YPF Capital S.A., and USD 91,250 thousand from Occidental de Colombia LLC.

4 Long-term loans to Affiliated Companies

Long term loans to affiliated companies expire over more than one year. The loans bear an average interest rate of 5.19% per annum.

Long term loans with a fixed interest rate and a book value of USD 6,102.9 million have a fair value of USD 6,572.2 million. All other long term and short term loans have floating interest rates. Therefore their book values approach their fair values.

5 Deferred Expenses

The deferred expenses related to the Guaranteed Euronotes issues raised during 2003, 2004, 2007, 2009 and 2011 are capitalized and amortized to the Income statement over the period of the duration of the notes.

The movement of deferred expenses is as follows:

(Amounts in thousands)	USD
Balance January 1, 2011	18,925
Additions	7,383
Amortization	(4,726)
Balance December 31, 2011	**21,582**

The part of amortization of deferred expenses related to the difference between face value and issue price for each Euronote issued is recorded under caption "Amortization deferred expenses".

6 Shareholder's Equity

(Amounts in thousands)	Issued and Paid in Capital USD	Additional Paid in Capital USD	Other Reserves USD	Retained earnings USD	Net Result for the year USD	Total USD
Balance December 31, 2010	401,631	337,272	(45,315)	912,245	173,548	1,779,381
Currency translation - adj.	(12,714)		12,714			
Dividend paid to shareholder						
Appropiation of result				173,548	(173,548)	
Net result 2011					203,871	203,871
Balance December 31, 2011	**388,917**	**337,272**	**(32,601)**	**1,085,793**	**203,871**	**1,983,252**

The issued and paid-in capital consists of 300,577 shares with a par value of 1,000 Euros, translated to U.S. Dollars at an exchange rate of EUR 0.7728 per U.S. dollar as at December 31, 2011.

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7 Euronotes

Long Term

The different issues of guaranteed medium term notes are summarized as follows:

Maturity	Nominal in €	Amount in $	Coupon	Yield	Fair Value in €	Fixed / Floating Rate
July 22, 2013	1,000 million	1,293.9 million	Annual	5.000%	1,032.3 million	Fixed
March 27, 2014	1,000 million	1,293.9 million	Annual	4.625%	1,039 million	Fixed
October 8, 2014	1,000 million	1,293.9 million	Annual	6.500%	1,068.3 million	Fixed
February 12, 2016	850 million	1,099.8 million	Annual	4.250%	855.5 million	Fixed
February 16, 2017	886 million	1,146.1 million	Annual	4.750%	912.1 million	Fixed
	4,735.8 million	**6,127.7 million**				

Short Term

On February 16, 2012 the EUR 750 million (USD 970.4 million) floating rate – three month EURIBOR plus 0.25 per cent per annum - will be redeemed on a par basis. Fair value of short term floating interest rate bonds approach their fair value.

The Euronotes are listed at the stock exchange of Luxembourg.

Under the Euro-Commercial Paper Programme the company has issue several notes, at December 31, 2011 the outstanding balance amounts USD 912 million, being issued in EUR 686 million, and in USD 24 million. All the notes are repayable in the first quarter 2012.

8 Short term loans from affiliates

Liabilities with a remaining period up to 1 year, including the short-term portion of long-term liabilities, are presented under short-term liabilities.

The short-term liabilities comprise credit facilities denominated in U.S. Dollar, received from affiliated companies for an amount of USD 729 million at an average interest rate of 0.28%.

9 Covenants in Repsol International Finance B.V.'s Indebtedness

The bank loans generally contain customary covenants for contracts of this nature, including negative pledge and cross-default clauses.

The issues of unsecured and unsubordinated Euronotes representing a nominal of EUR 5,486 million guaranteed by Repsol YPF, S.A., contain clauses whereby the company undertakes to pay interest when due and the liabilities at maturity and the guarantor, subject to certain exceptions, undertakes not to create encumbrances on its assets in relation to these issues or to future issues of debt securities.

In the event of a default under any series of the bonds, the trustee, at his sole discretion or at the request of the holders of at least one-fifth or one quarter of the bonds, depending upon the series, can declare the bonds of that series to be due and payable.

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Almost all of our total outstanding debt is subject to cross-default provisions. These provisions may be triggered if an event of default occurs with respect to indebtedness equal to or exceeding a range between USD 20 million and USD 50 million or 0.25% of Repsol YPF's shareholders' equity.

As a result of these cross-default provisions, a default on the part of Repsol YPF, YPF or any subsidiary covered by such provisions could result in a substantial portion of our debt being declared in default or accelerated. Repsol YPF believes that none of its debt or that of any of its subsidiaries is currently in default.

Regarding bonds issued March 2009 and December 2011 each holder of the notes will have the option to require the Issuer to redeem such notes if a change of control occurs and, during the change of control period a rating downgrade, as defined in the final terms, occurs to Repsol YPF.

So long as any of the notes remain outstanding the Company will not create of have outstanding any mortgage, charge, pledge, lien or other security interest upon the whole or any part of its undertaking, assets or revenues or to secure any guarantee of or indemnity in respect to any relevant indebtedness.

The company's directors believe that at the date of this writing there are no reasons, nor there will be foreseeable reasons in the future, which will make it necessary to apply the clauses providing for early maturity of the debt.

10 Interest Income and Expense

The following table shows the analysis of the Interest Income for 2011 and 2010.

Interest Income

(Amounts in thousands)	**2011 USD**	**2010 USD**
Interest Income from affiliated companies	384,678	358,754
Interest Income from third parties	442	1,179
	385,120	359,933

The following table shows the analysis of the Interest Expense for 2011 and 2010.

Interest Expense

(Amounts in thousands)	**2011 USD**	**2010 USD**
Interest Expense to affiliated companies	1,069	2,518
Interest Expense to third parties	171	47
Interest Expense of debentures and bonds	320,923	317,050
	322,163	**319,615**

11 General and administrative expenses

Under general and administrative expenses, an amount of USD 702 thousand has been recorded for salary costs, an amount of USD 37 thousand has been recorded for social security charges and an amount of USD 12 thousand has been recorded for pension costs.

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Based on the Civil Code Book 2 Article 2.382a.3 the auditors' remuneration of Deloitte Accountants B.V.is not separately included.

12 Income Taxes

The effective tax amounts to 6% which differs from the applicable corporate income tax rate of 25% in The Netherlands as a result of the application of the participation exemption.

The company, Repsol Netherlands Finance B.V. and Repsol Investeringen B.V constitute a fiscal unity. Taxes for the fiscal unity have been fully allocated to each subsidiary. The company is severally and jointly liable for the total corporate income tax payable of the fiscal unity.

13 Financial Instruments

In the normal course of business the company uses forward exchange contracts, to hedge currency exchange rate risks resulting from financing arrangements in foreign currencies.
The estimated fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair values are determined from listed market prices, price quotations from banks or pricing models.

The company has procedures and policies in place to control risks related to financial instruments. These policies and procedures include a clear segregation of duties between operating, settlement, accounting and controlling of all financial instruments used. The company's management is involved in the risk management process.

The company attempts to minimize the counterparty credit risk associated with the financial instruments used by selecting counterparties that it assumes to be creditworthy, given their high credit ratings.

The table below summarises by major currency the contractual amounts of the company's foreign exchange contracts in U.S. Dollars as of December 31, 2011. Foreign currency amounts are translated at rates prevailing at the balance sheet date. The "buy" amounts represent the USD equivalent of commitments to purchase foreign currencies, and the "sell" amounts represent the USD equivalent of commitments to sell foreign currencies. These commitments expire in the first quarter of 2012.

(Amounts in thousands)	BUY	SELL
U.S. Dollar	1.956.849	(248.528)
Canadian Dollar	22.060	
Euro	226.549	(1.899.626)

The fair value of these forwards amount to USD 56,308 thousand.

14 Personnel

As of December 31, 2011, the company has five employees.

15 Statutory and Supervisory Directors

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Based on Article 383.1 of Book 2, Title 9 of the Dutch Civil Code the remuneration of the sole remunerated statutory director is not disclosed. The company does not have supervisory directors.

16 Subsequent events

On January 12, 2012 the company, with the Guarantee of Repsol YPF S.A., closed a EUR 750 million 7 year and 1 month bond at 99.937 per cent with a coupon of 4.875 percent to be listed on the regulated market of the Luxembourg Stock Exchange.

On February 7, 2012 the company closed a EUR 250 million tap issue, at 103.166 per cent, with a coupon of 4.875%. This issue has been consolidated in a single series with the EUR 750,000,000 4.875 per cent Guaranteed Notes due February 19, 2019, issued by the Issuer on January 19, 2012. After this issue, the aggregate nominal amount of the 4.875% EUR Feb-2019 Fixed Rate Notes is EUR 1 billion, due on 19 February 2019. This issue is made under the Euro 10,000,000,000 Guaranteed Euro Medium Term Note Programme, approved by the Luxembourg Commission de Surveillance du Secteur Financier.

The Hague, The Netherlands,

12th March, 2012

STATUTORY DIRECTORS:

G. A. L. R. Diepenhorst

F. J. Sanz Cedrón

F. Bonastre Capell

J.M. Pérez Garrido

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Additional information

1 Independent auditors' report

Reference is made to the independent auditor´s report included hereafter.

2 Appropriation of Net Result 2010

The Annual report 2010 was determined in the Annual General Meeting of Shareholders held on June 7, 2011. The General Meeting of Shareholders determined the appropriation of the Net Result 2010 in accordance with the proposal being made to that end.

3. Appropriation of Net Result 2011

The Articles of Incorporation provide that the appropriation of income for the year is decided upon at the Annual General Meeting of Shareholders. Awaiting the decision by the shareholder, the net result for the year is separately included in the shareholder equity as net result for the year.

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Independent auditor's report

To: The shareholder of Repsol International Finance B.V.

Report on the financial statements

We have audited the accompanying financial statements 2011 of Repsol International Finance B.V., The Hague, which comprise the balance sheet as at December 31, 2011, the profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements and for the preparation of the management report, both in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Deloitte.

Opinion with respect to the financial statements

In our opinion, the financial statements give a true and fair view of the financial position of Repsol International Finance B.V. as at December 31, 2011 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the management report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the management report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Rotterdam, March 12, 2012

Deloitte Accountants B.V.

J. Penon

STATEMENT

The members of the Board of Directors of REPSOL INTERNATIONAL FINANCE B.V. ("The Company") state that, to the best of our knowledge, the Financial Statements for the year ended on the 31^{st} of December 2011, approved by the Board of Directors on 12^{th} of March 2012 and prepared in accordance with the applicable accounting principles give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and that the management reports include a fair view of the development and performance of the business and the position of the Company, as well as a description of the principal risk and uncertainties facing it.

José María Pérez Garrido Director	G.A.L.R Diepenhorst Director
Javier Sanz Cedrón Director	Fernando Bonastre Capell Director