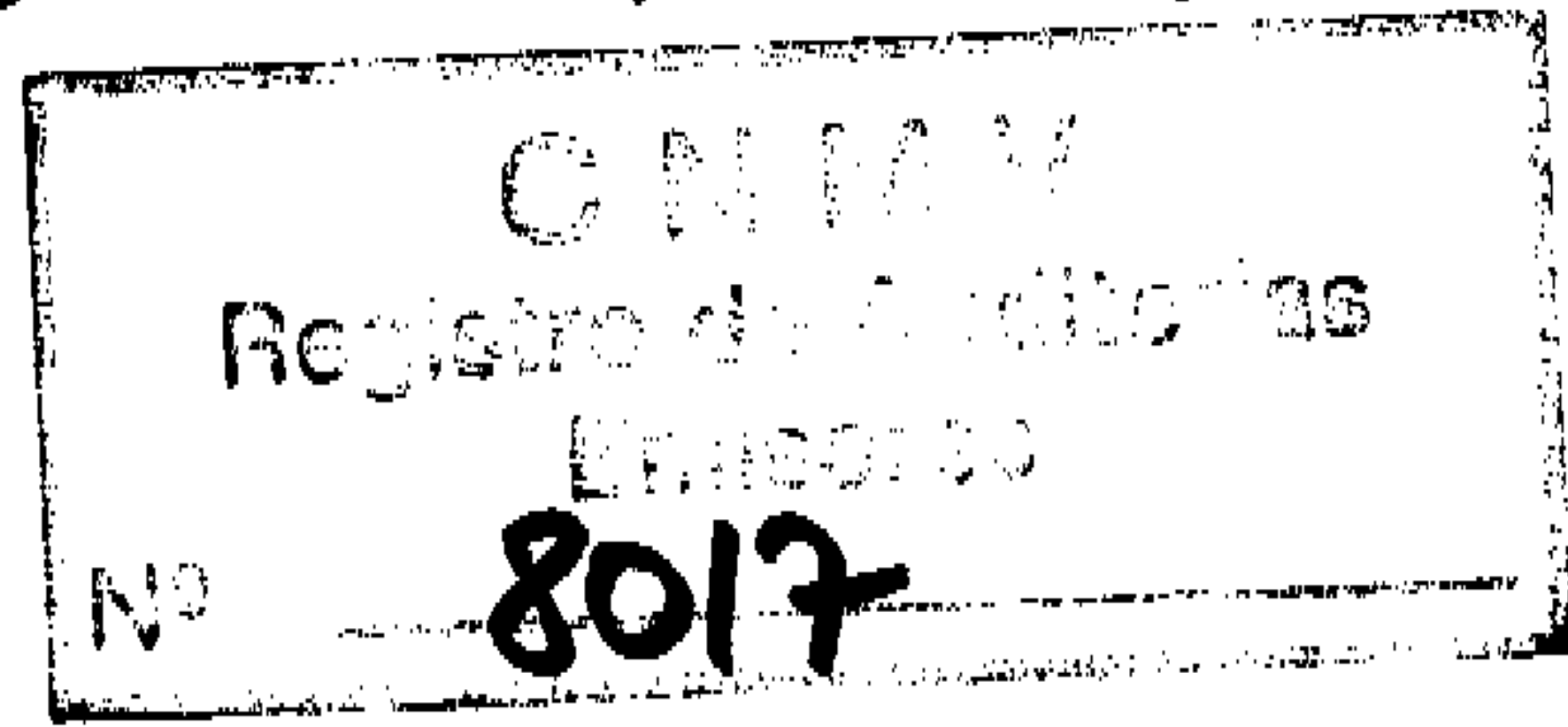


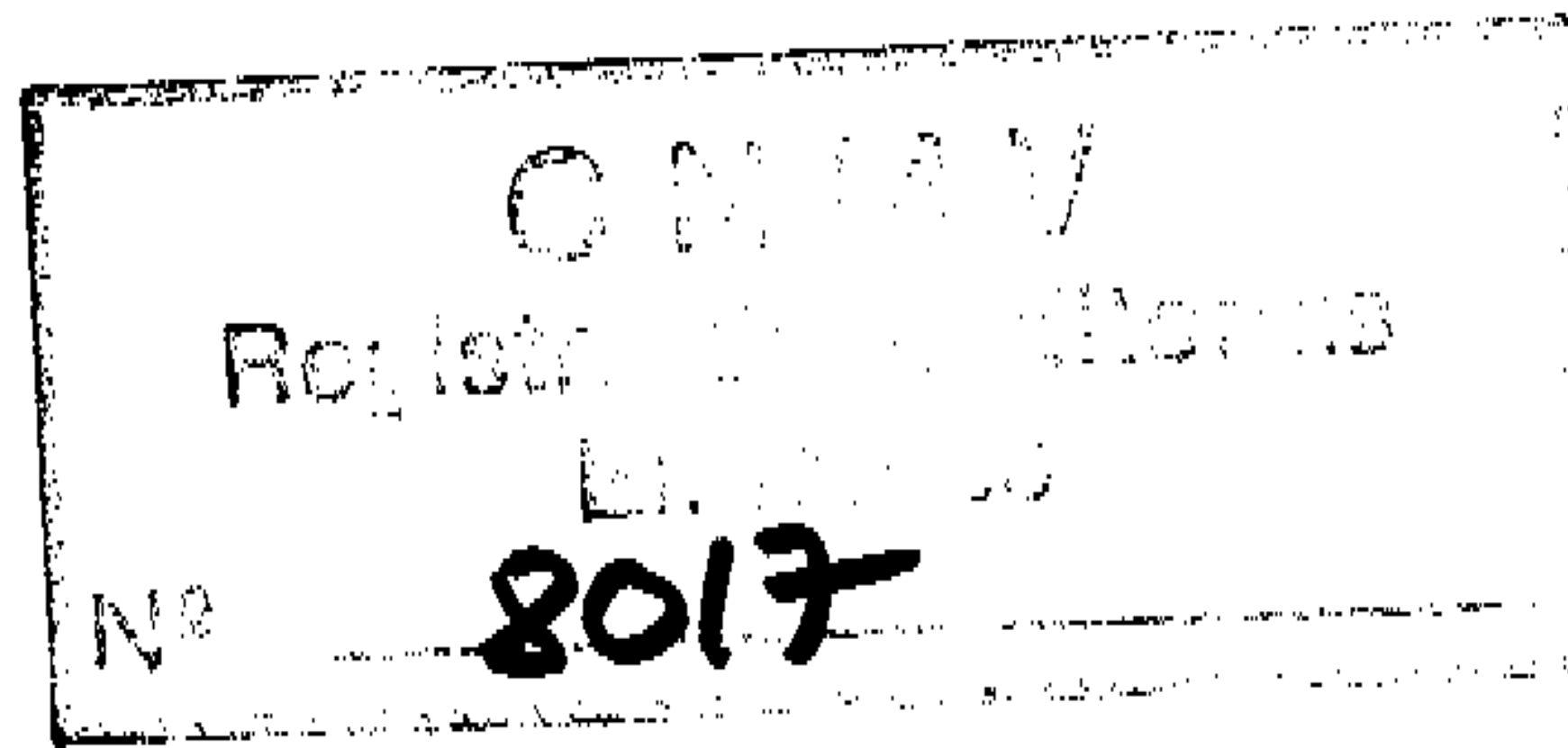
Repsol International Capital Limited

Financial statements as of December 31, 2002 together with report of independent auditors



Deloitte & Touche
One Capital Place
P.O. Box 1787 GT
Grand Cayman
Cayman Islands

Tel: 1 (345) 949 7500
Fax: 1 (345) 949 8238
mail@deloitte.com.ky
www.deloitte.com.ky



**Deloitte
& Touche**

INDEPENDENT AUDITORS' REPORT

To the Shareholder of
Repsol International Capital Limited:

We have audited the accompanying balance sheet of Repsol International Capital Limited as of December 31, 2002 and the related statements of income, changes in equity and cash flows for the year then ended (all expressed in Euros). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Repsol International Capital Limited as of December 31, 2002, and the results of its operations and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Without qualifying our opinion we draw attention to Note 10 to the financial statements. As explained in this note, the parent company has confirmed that it intends to continue its financial support to the Company to enable it to operate as a going concern and to meet its financial obligations during 2003.

Deloitte & Touche

October 15, 2003

**Deloitte
Touche
Tohmatsu**

REPSOL INTERNATIONAL CAPITAL LIMITED

**FINANCIAL STATEMENTS AS OF DECEMBER 31, 2002
TOGETHER WITH REPORT OF INDEPENDENT AUDITORS**

K. Laniel

K. Laniel

K. Laniel

REPSOL INTERNATIONAL CAPITAL LIMITED

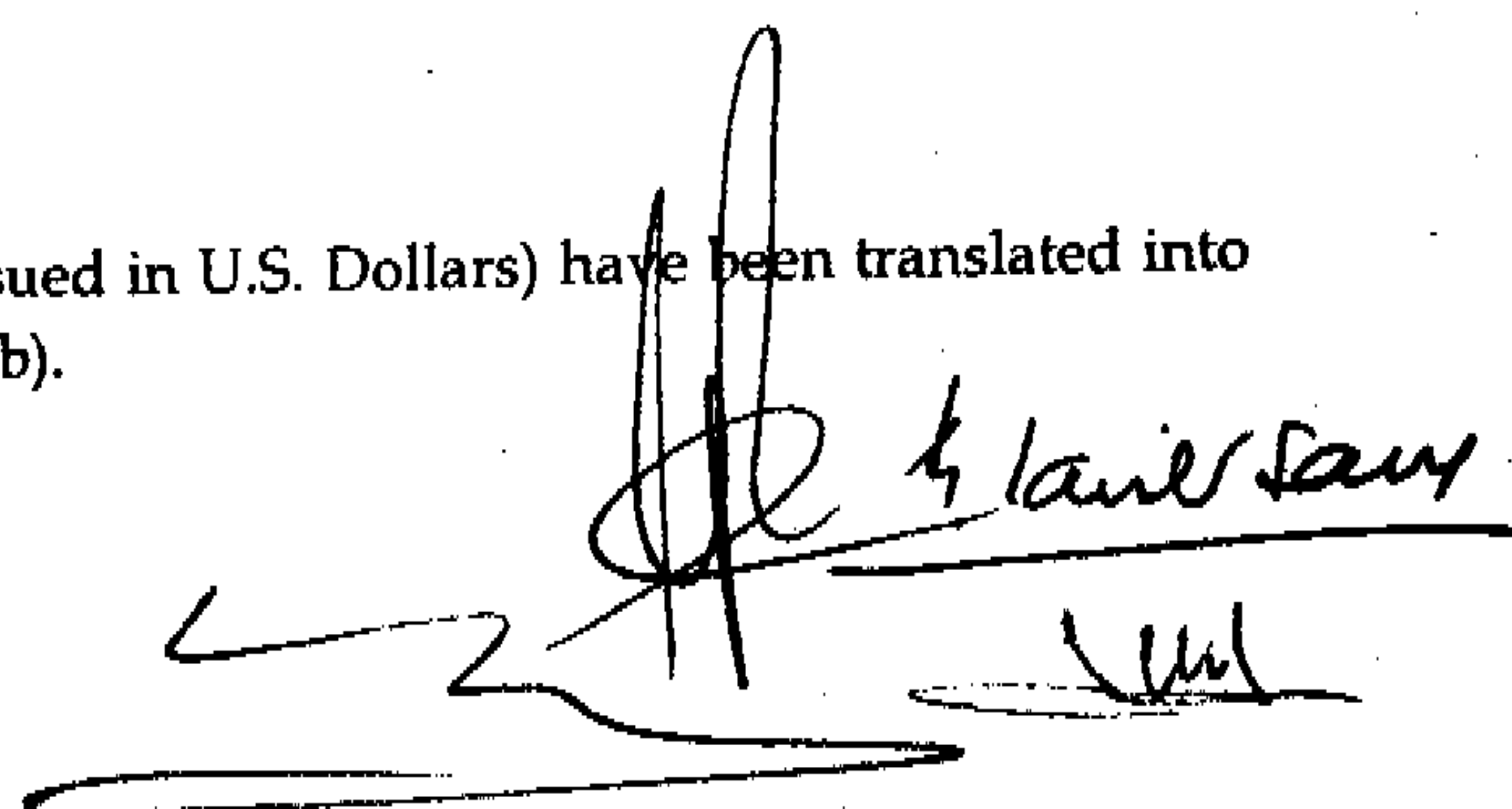
BALANCE SHEET

DECEMBER 31, 2002

	Thousands of Euros	
	2002	2001 ¹
ASSETS:		
Accrued interest receivable from affiliates	305	318
Debtors	213	18
Cash and cash equivalents (Note 2.c.1. and 3)	1,782,519	1,512,010
Total current assets	1,783,037	1,512,346
Long term loans to affiliates (Note 4)	1,687,829	2,148,366
Other non-current assets (Note 6)	125,994	4,657
Total non-current assets	1,813,823	2,153,023
Total assets	3,596,860	3,665,369

The accompanying notes to financial statements are an integral part of the balance sheet as of December 31, 2002.

¹ For comparative purposes, the 2001 figures (originally issued in U.S. Dollars) have been translated into Euros pursuant to guidance provided by SIC 30 (See Note 2.b).



REPSOL INTERNATIONAL CAPITAL LIMITED

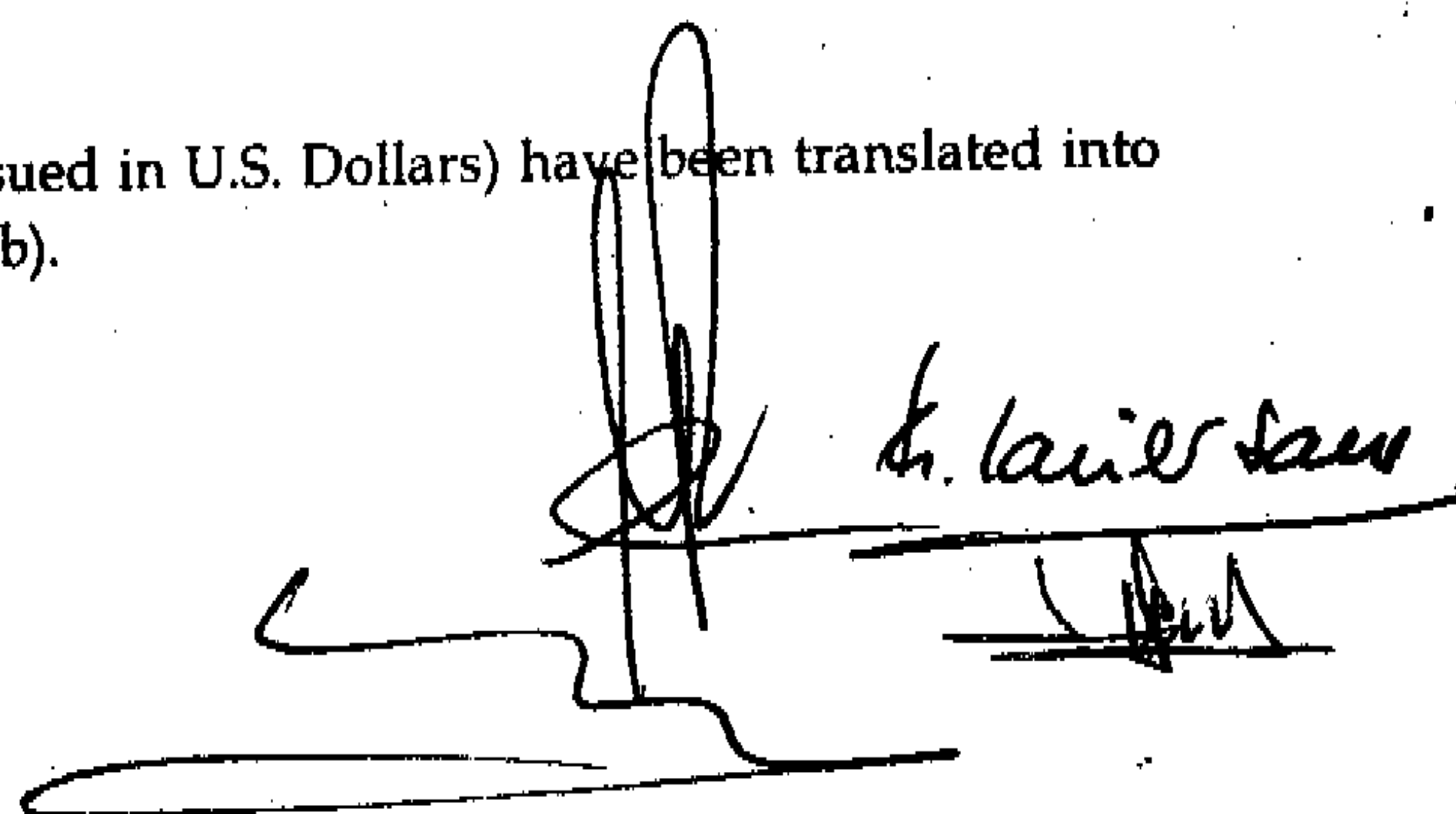
BALANCE SHEET

DECEMBER 31, 2002

	Thousands of Euros	
	2002	2001 ¹
LIABILITIES:		
Creditors	108	30
Payable to affiliates (Note 5)	43	6,122
Accruals	9	109
Total current liabilities	160	6,261
Non-cumulative Guaranteed Non-voting Preference Shares (Note 7):		
Series A - 29,000,000 shares authorized, issued and outstanding at December 31, 2002, 7.45%, \$25 par value.	691,462	810,258
Series B - 1,000,000 shares authorized, issued and outstanding at December 31, 2002, 4%-7%, €1,000 par value.	945,667	939,168
Series C - 2,000,000 shares authorized, issued and outstanding at December 31, 2002, 4%-7%, €1,000 par value.	1,860,925	1,845,424
Other non-current liabilities (Note 6)	192,965	97,600
Total Preference Shares	3,691,019	3,692,450
Common stock, US\$1 par value, 900,000 shares authorized, issued and outstanding	656	656
Retained earnings	(32,298)	(37,824)
Net income	(62,677)	5,526
Currency translation difference	-	(1,700)
Shareholder's equity	(94,319)	(33,342)
Total liabilities and shareholder's equity	3,596,860	3,665,369

The accompanying notes to financial statements are an integral part of the balance sheet as of December 31, 2002.

¹ For comparative purposes, the 2001 figures (originally issued in U.S. Dollars) have been translated into Euros pursuant to guidance provided by SIC 30 (See Note 2.b).



G. Lauer Saw

REPSOL INTERNATIONAL CAPITAL LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2002

	Thousands of Euros	
	2002	2001 ¹
Financial Income:		
Interest income from affiliates (Note 4)	142,927	93,127
Unrealized fair value changes:		
Swaption fair value increase (Note 6)	-	7,856
Collar fair value increase (Note 6)	67,881	4,631
Exchange gain (Note 8)	303,557	122,638
Other financial income	55,160	2,559
	569,525	230,811
Financial Expense:		
Preference Shares dividend (Note 9)	(175,712)	(89,746)
Amortization of Issuance costs (Note 7)	(26,257)	(9,989)
Unrealized fair value changes:		
Swaption fair value decrease (Note 6)	(110,110)	-
Exchange loss (Note 8)	(295,469)	(122,489)
Other financial expenses	(24,654)	(3,061)
	(632,202)	(225,285)
Net income (loss)	(62,677)	5,526

The accompanying notes to financial statements are an integral part of the income statement for the year ended December 31, 2002.

¹ For comparative purposes, the 2001 figures (originally issued in U.S. Dollars) have been translated into Euros pursuant to guidance provided by SIC 30 (See Note 2.b).

REPSOL INTERNATIONAL CAPITAL LIMITED

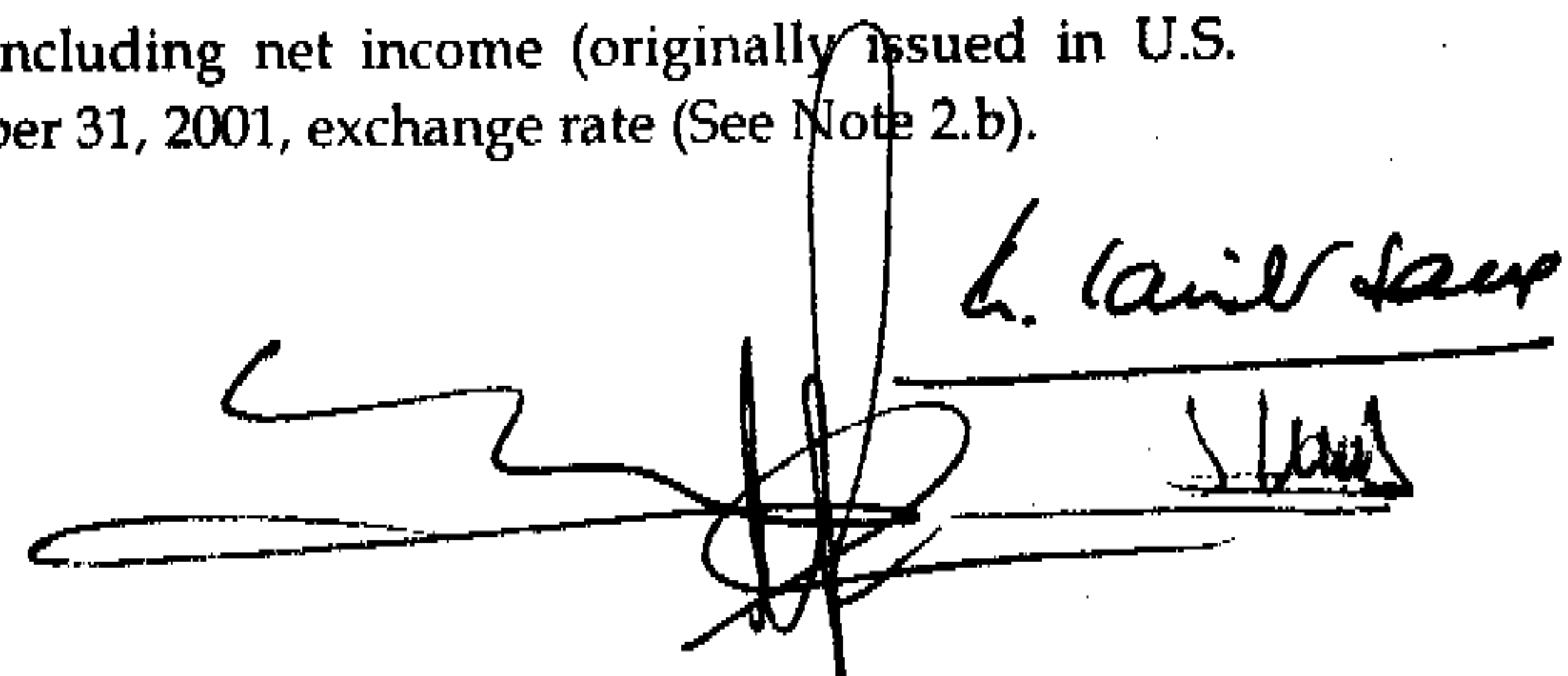
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2002

	Thousands of Euros	
	2002	2001 ¹
Cash flows from operating activities:		
Net income	(62,677)	5,557
Changes in fair values	42,230	(12,556)
Recognition of transaction costs	26,257	10,044
Deferred income credited to income	-	-
Unrealized foreign exchange gains/losses	(136,098)	-
Profit before changes in working capital	(130,288)	3,045
Adjustments to reconcile net income to net cash provided by operating activities:		
Decrease in interest receivable from affiliates	13	(156)
Increase in debtors	(195)	-
Increase in creditors	78	(15)
Decrease in Accruals	(100)	109
Decrease in payable to affiliates	(6,079)	6,122
Net cash provided by operating activities	(136,571)	9,105
Cash flows from investing activities:		
Decrease in loans to affiliates	460,537	(1,277,012)
Increase in long term deposits	(53,457)	-
Net cash used in investing activities	407,080	(1,277,012)
Cash flows from financing activities:		
Preference Share Issuance	-	2,779,917
Net cash provided by financing activities	-	2,779,917
Cash and cash equivalents, beginning of year	1,512,010	-
Net increase in cash and cash equivalents	270,509	1,512,010
Cash and cash equivalents, end of year	1,782,519	1,512,010

The accompanying notes to financial statements are an integral part of the statement of cash flows for the year ended December 31, 2002.

¹ For the convenience of the reader, the 2001 figures including net income (originally issued in U.S. Dollars) have been translated into Euros using the December 31, 2001, exchange rate (See Note 2.b).



 L. Caril

REPSOL INTERNATIONAL CAPITAL LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2002

Note 1: Company Description

Repsol International Capital Limited (the "Company"), formerly N.W.J.P.S.C. Limited, was incorporated on August 14, 1989, under the laws of the Cayman Islands. All the ordinary shares of the Company are owned directly by Repsol International Finance B.V., a limited liability company organized under the laws of The Netherlands, all the ordinary shares of which are owned by Repsol YPF, S.A., a limited liability company organized under the laws of Spain. Repsol YPF, S.A. is an integrated oil and gas company engaged in all aspects of the petroleum business.

The sole business of the Company is to issue preference shares in various markets and advance the net proceeds to various non-Spanish members of the Repsol YPF Group (the "Group"). The Company engages in no activities other than those related to the borrowing and lending of such funds.

The Company's registered office is located at Cayside, 2nd floor, Harbour Drive, George Town, Grand Cayman, Cayman Islands, BWI (P.O. Box 30592 SMB).

As of December 31, 2002, the capital stock of the Company consisted of 900,000 ordinary shares of US\$1 par value each, fully subscribed by Repsol International Finance B.V.

Note 2: Basis Of Presentation and Accounting Principles

a) Basis of presentation-

These financial statements have been prepared in accordance with International Financial Reporting Standards. They are prepared under the historical cost convention, except for financial instruments that, according to IAS 39, are carried at fair value.

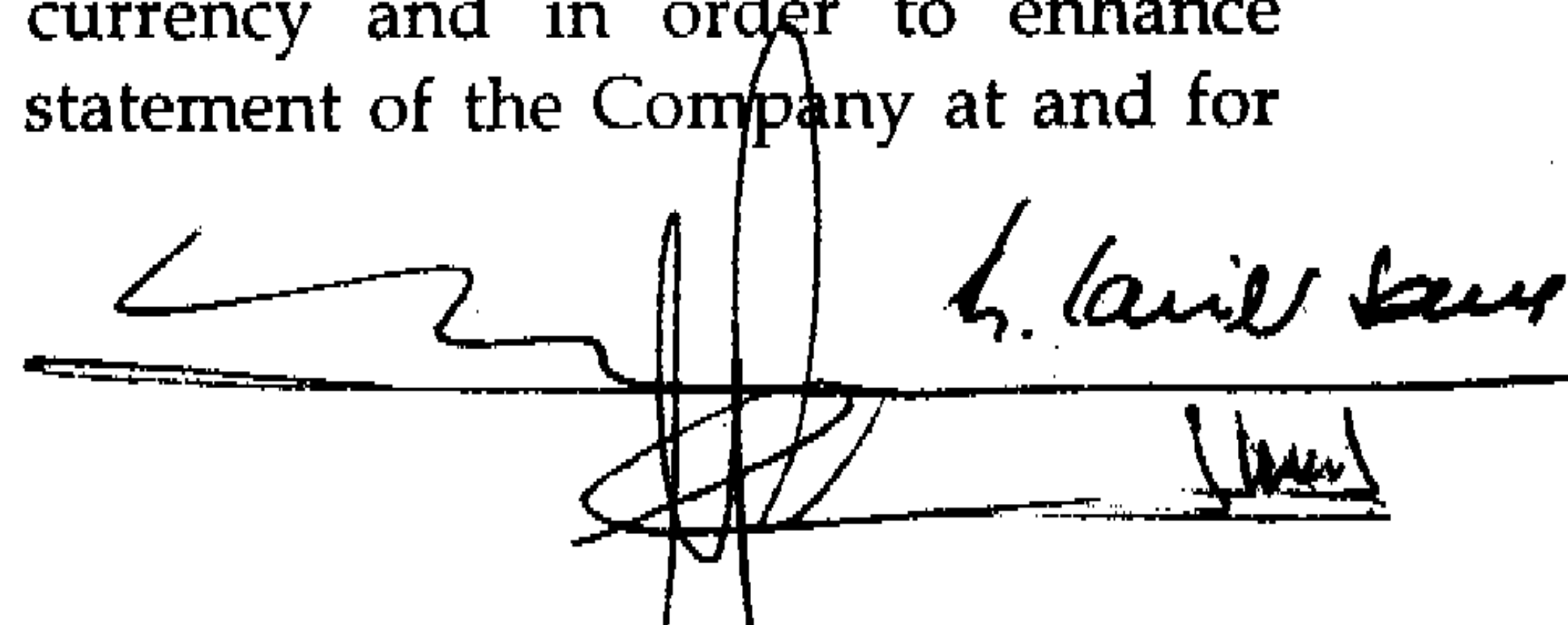
The accompanying financial statements were prepared from the Company's accounting records as of December 31, 2002.

b) Measurement currency-

Effective January 1, 2002, and pursuant to changes in the economic substance of the underlying events and circumstances relevant to the Company, the measurement currency (which up to that date had been the U.S. Dollar) changed to the Euro.

The exchange gains and losses resulting from this change in the measurement currency have been recorded as financial income/expense in the income statement of the year ended December 31, 2002 (see Note 8).

As a result of this change in measurement currency and in order to enhance comparability, the balance sheet and the income statement of the Company at and for

A handwritten signature in black ink is written over a horizontal line. To the right of the signature, there is a rectangular stamp containing the name "L. Garcia" and a date "1/1/02".

REPSOL INTERNATIONAL CAPITAL LIMITED

the year ended December 31, 2001, which were originally issued in U.S. Dollars, have been translated to Euros following the guidance provided in Paragraph 6 of SIC 30, that is:

- (a) the assets and liabilities have been translated using at the closing exchange rate as of December 31, 2001;
- (b) the income and expense items have been translated at the average exchange rate for the year ended December 31, 2001;
- (c) equity items other than the net profit or loss for the period that is included in the balance of accumulated profit or loss have been translated at the historical exchange rates; and
- (d) all exchange differences resulting from translation in accordance with paragraphs (a) - (c) above have been recognised directly in equity.

Also, for the convenience of the reader, the figures in the statement of cash flows including net income for the year ended December 31, 2001, have been translated from U.S. Dollars to Euros using the closing exchange rate as of December 31, 2001.

c) Accounting principles-

The main accounting principles applied in preparing the accompanying financial statements are summarized as follows:

1. Cash and Cash Equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value (see Note 3).

2. Derivative financial instruments

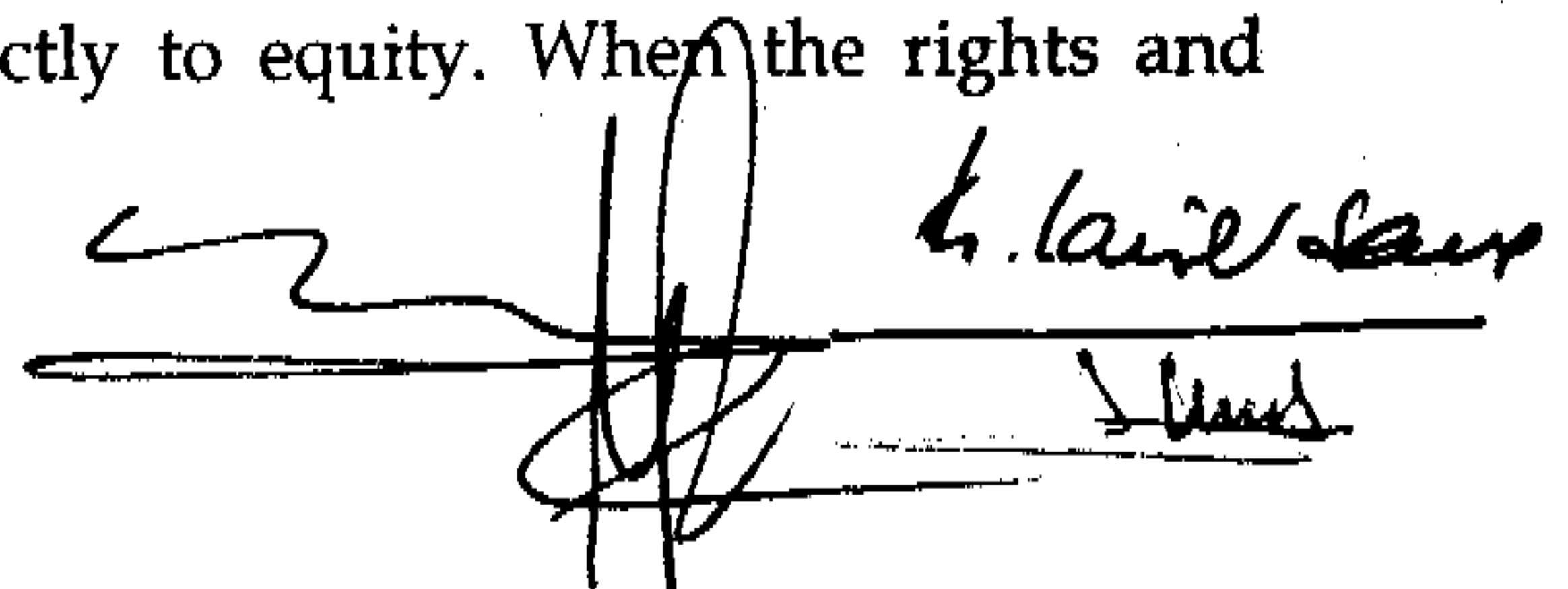
Pursuant to the provisions of IAS 39, all derivative financial instruments are carried at fair value, with changes in fair value included in the net profit or loss for the year (see Note 6).

3. Equity

Liabilities vs. equity classification

Financial instruments are classified as liabilities or equity in accordance with the substance of the respective contractual arrangement on initial recognition.

Interest, dividends, gains, and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. When the rights and


L. Laine
L. Laine

REPSOL INTERNATIONAL CAPITAL LIMITED

obligations regarding the manner of settlement of financial instruments depend on the occurrence or non-occurrence of uncertain future events or on the outcome of uncertain circumstances that are beyond the control of both the issuer and the holder, the financial instrument is classified as a liability unless the possibility of the issuer being required to settle in cash or another financial asset is remote at the time of issuance, in which case the instrument is classified as equity (see Note 7).

4. Revenue Recognition

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

Interest is recognized on a time proportion basis that reflects the effective yield on the asset.

5. Foreign Currency transactions

The Company translates its foreign currency transactions into its measurement currency by applying to the foreign currency amount the exchange rate between the measurement currency and the foreign currency at the date of the transaction. At year-end, the amounts payable or receivable in foreign currencies are translated to Euros at the official exchange rate on the last business day of the period, and the resulting gains or losses are recognized in the income statement in the period in which they arise.

6. Income Taxes

No income tax is levied on corporations by the Cayman Islands and, therefore, no income tax provision has been reflected in the accompanying financial statements.

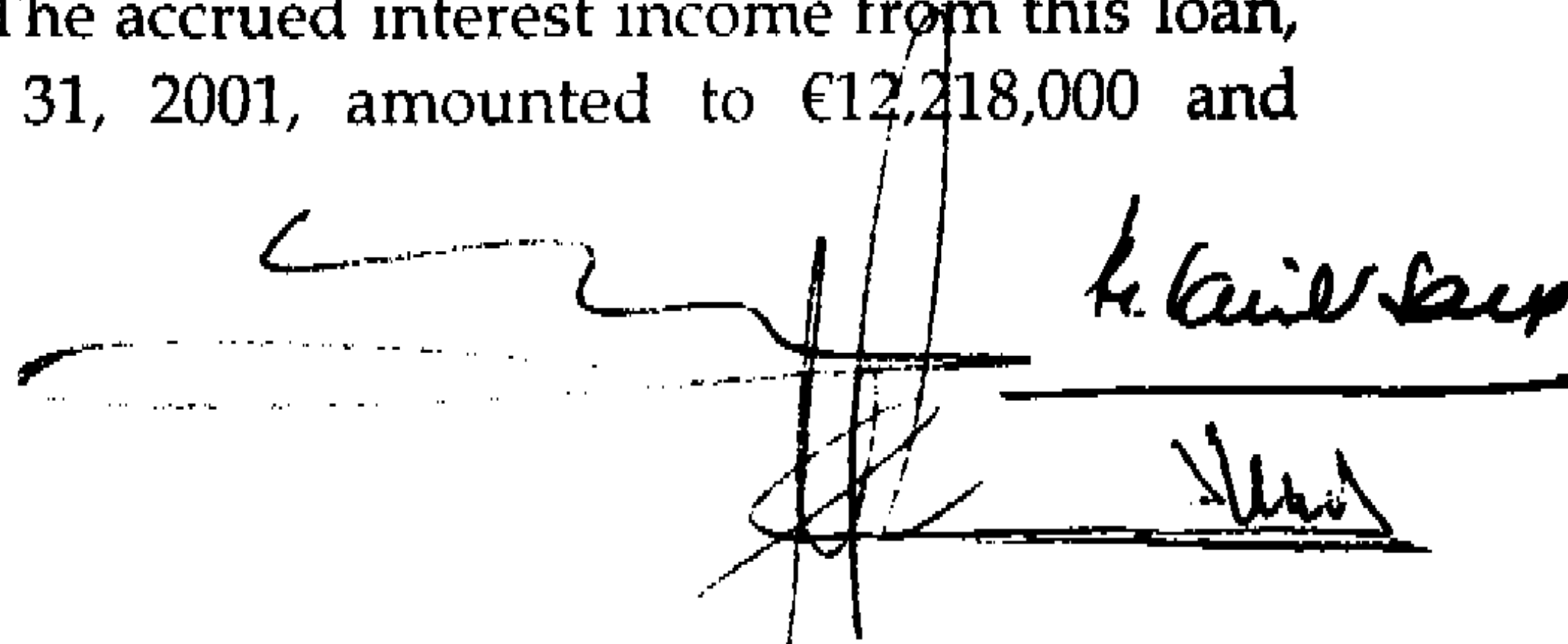
Note 3: Cash and Cash Equivalents

The caption "Cash and Cash Equivalents" refers mainly to short-term deposits kept with financial institutions at December 31, 2002, and relates to the funds obtained from the issuance of preference shares. All such deposits mature in January 2003.

Note 4: Loans to Affiliates

As of December 31, 1997, the proceeds from the issuance of the Series A Preference Shares were granted to Repsol Netherlands Finance B.V., a limited liability company organized under the laws of The Netherlands.

During 2002 and 2001, the loan granted by the Company to Repsol Netherlands Finance B.V. in 1997, accrued interest at the annual rate of 6.7%, payable on the same date as the dividend on the Series A Preference Shares. The accrued interest income from this loan, as of December 31, 2002, and December 31, 2001, amounted to €12,218,000 and €58,711,000, respectively.



REPSOL INTERNATIONAL CAPITAL LIMITED

The proceeds from the Series B and Series C Preference Shares issuance were also granted to Repsol Netherlands Finance B.V. in May 2001 and in December 2001, respectively. These loans accrue interest income at a floating rate of Euribor plus a margin (2.0462%) that amounted as of December 31, 2002, and December 31, 2001, to €130,709,000 and €34,416,000, respectively.

Note 5: Payable to Affiliates

The caption "Payable to Affiliates" refers to the balance of a current account with Group companies.

Note 6: Derivative Financial Instruments

The Company has entered into the following derivative financial instruments:

- (i) In May 2001, the Company entered into a collar with a notional amount of € 1,000 million linked to the Series B Preference Shares issued on that date (see Note 7). The main characteristics of this collar are as follows:

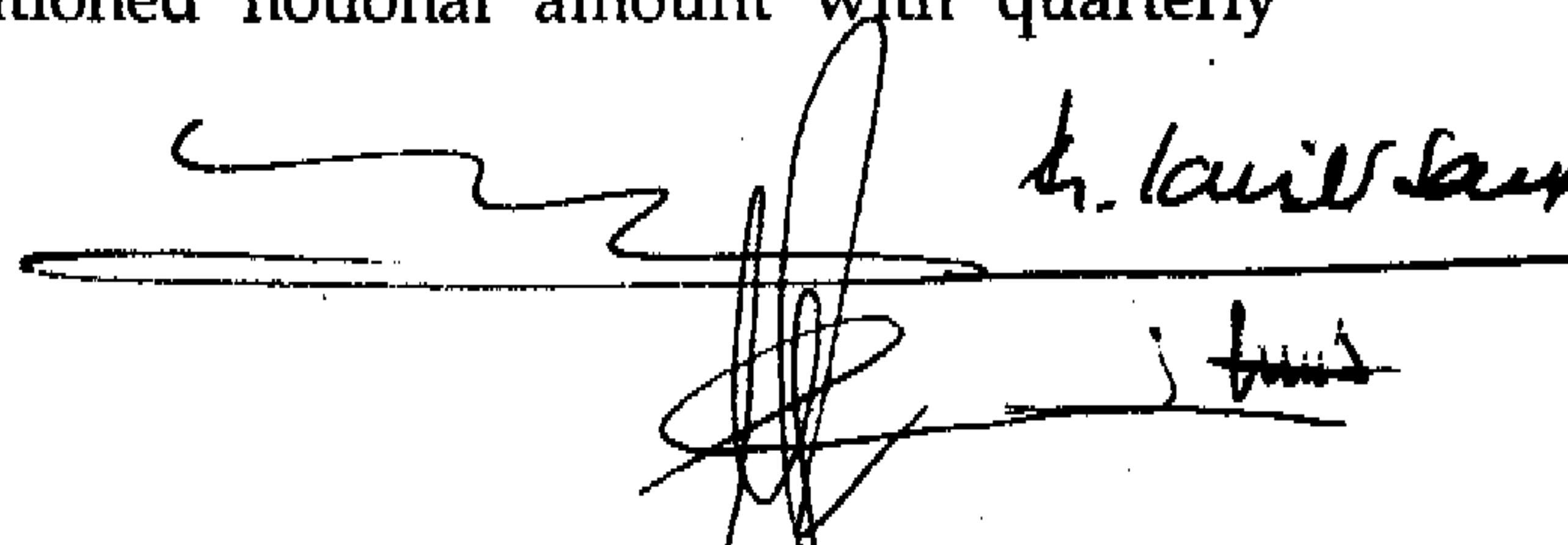
- The Company sold a right by virtue of which it would pay 3-month Euribor and receive 7% on the aforementioned notional amount with quarterly settlement periods beginning on June 30, 2001, the first maturity being on October 1, 2001, and the last on June 30, 2011.
- The Company acquired a right by virtue of which it would pay 3-month Euribor and receive 4% on the aforementioned notional amount, with the same quarterly settlement periods and maturity dates as those mentioned in the previous paragraph.

As a result of this zero-cost collar structure altogether with the economic terms of the Series B of the Preferred Shares, including the collar implicit on this issuance, the final cost to be assumed by the Company, as a consequence of the preferred issuance and the collars inside and outside of it, will be for the first ten years a floating rate of 3-month EURIBOR flat. However, from the eleventh year on the rate will be a floating rate of 3-month EURIBOR plus 3.5% to be paid by the Company.

According to IAS 39, this financial instrument is recorded at fair value as a non-current asset as of December 31, 2002, with changes in its fair value during the period recorded in the income statement under the caption "Other Financial Income" in the accompanying financial statements.

- (ii) In April 2002, the Company entered into a collar with a notional amount of €1,000 million relating to the € 2,000 million Series C Preference Shares issued in December 2001 (see Note 7). The characteristics of this collar are as follows:

- The Company sold a right by virtue of which it would pay 3-month Euribor and receive 7% on the aforementioned notional amount with quarterly



REPSOL INTERNATIONAL CAPITAL LIMITED

settlement periods beginning on June 30, 2002, the first maturity being on September 30, 2002, and the last on December 31, 2011.

- The Company acquired a right by virtue of which it would pay 3-month Euribor and receive 4% on the aforementioned notional amount, with the same quarterly settlement periods and maturity dates as those mentioned in the previous paragraph.

As a result of this zero-cost collar structure dealt only for a half of the notional amount of the Series C Preferred Shares altogether with the economic terms of the Series C of the Preferred Shares, including the collar implicit on this issuance, the final cost to be assumed by the Company, as a consequence of the preferred issuance and the collars inside and outside of it, will be:

- for half of the notional amount of the issue € 1,000 million, the one that has the collar aforementioned outside the issuance, and during the first ten years a floating rate of 3-month EURIBOR flat. From the eleventh year on the rate will be a floating rate of 3-month EURIBOR plus 3.5% to be paid by the Company.
- for the other half of the issue € 1,000 million, the one that has no collar outside the issuance, during the first ten years, a floating rate of 3-month EURIBOR flat always between 4% and 7%, as minimum and maximum cost to be paid by the Company. From the eleventh year on the rate will be a floating rate of 3-month EURIBOR plus 3.5% to be paid by the Company.

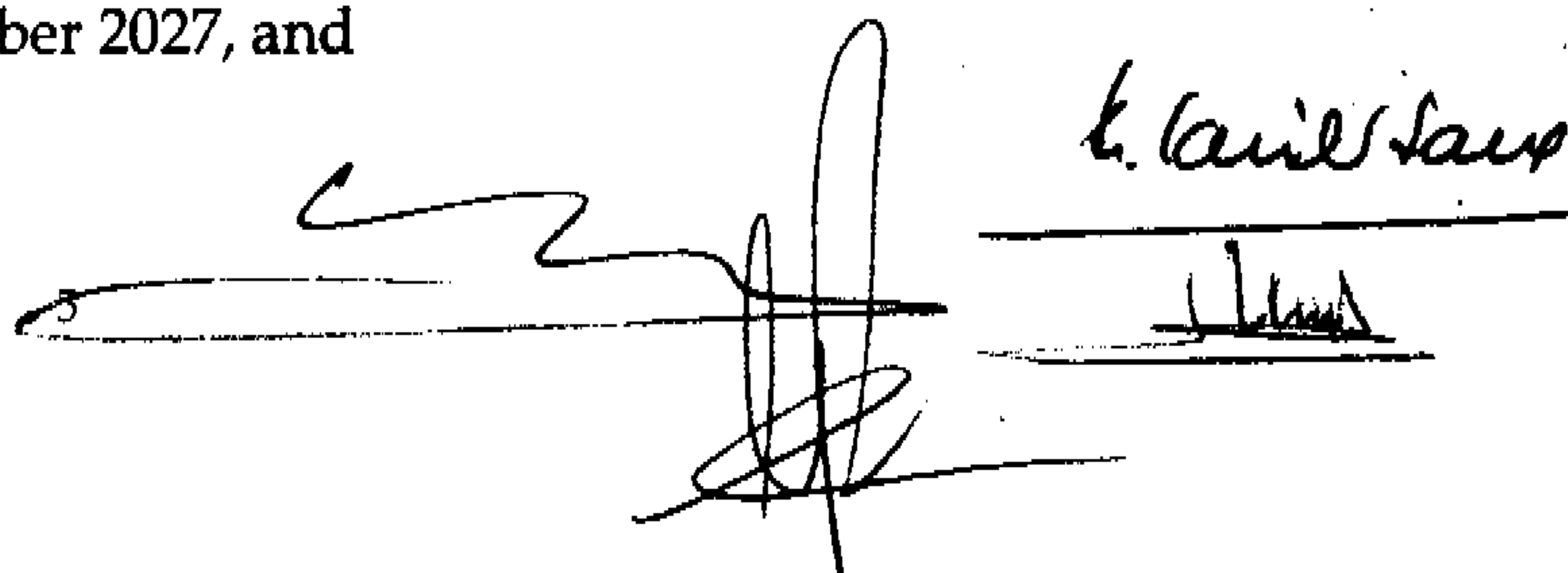
According to IAS 39, this financial instrument is recorded at fair value as a non-current asset as of December 31, 2002, with changes in its fair value during the period recorded in the income statement under the caption "Other Financial Income" in the accompanying financial statements.

- (iii) In December 1997, the Company implemented a strategy consisting on the sale of options on an interest rate swap (Swaption) which reflected the implicit option underlying the issuance of the Series A Preference Shares in October 1997. This implicit option enables the Company to redeem the issue early, totally or partially, in October 2002 or thereafter.

The description of this transaction is as follows:

The Company sold the right, exercisable from October 2002 to October 2007 for a notional amount of US\$ 725,000,000 to carry out an interest rate swap transaction, under which:

- The Company would pay a fixed quarterly interest of 7.45% (the same interest rate as that to be paid on the Series A Preference Shares) from the effective exercise date to October 2027, and



Handwritten signatures and lines, including a large signature on the left and a smaller signature on the right, possibly indicating approval or execution of the document.

REPSOL INTERNATIONAL CAPITAL LIMITED

- The Company would receive a quarterly interest of 3-month LIBOR plus a margin of 0.45% during the same period as that indicated above.

According to IAS 39, this financial instrument was recorded at fair value as a non-current liability.

In October and November 2002, the acquirers exercised their right to carry out the aforementioned swap transaction. In accordance with IAS 39, the resulting swap transactions are being recorded at fair value as a non-current liability.

Subsequent to December 31, 2002, the Company entered into an agreement with the counterparties (effective February 28, 2003, and March 3, 2003) to transform the swaps from U.S. Dollars into Euros. The notional amounts of the two swaps resulting from such conversion are: €337,209,302.33 and €336,739,433, respectively. Under the new swap agreements, the Company will pay 6,7% and 6,8%, respectively, on such notional amounts from the effective exercise date to December 31, 2027, and it will receive three month Euribor flat from the counterparties.

The fair value of the options has been determined in accordance with option pricing models as determined by knowledgeable financial institutions.

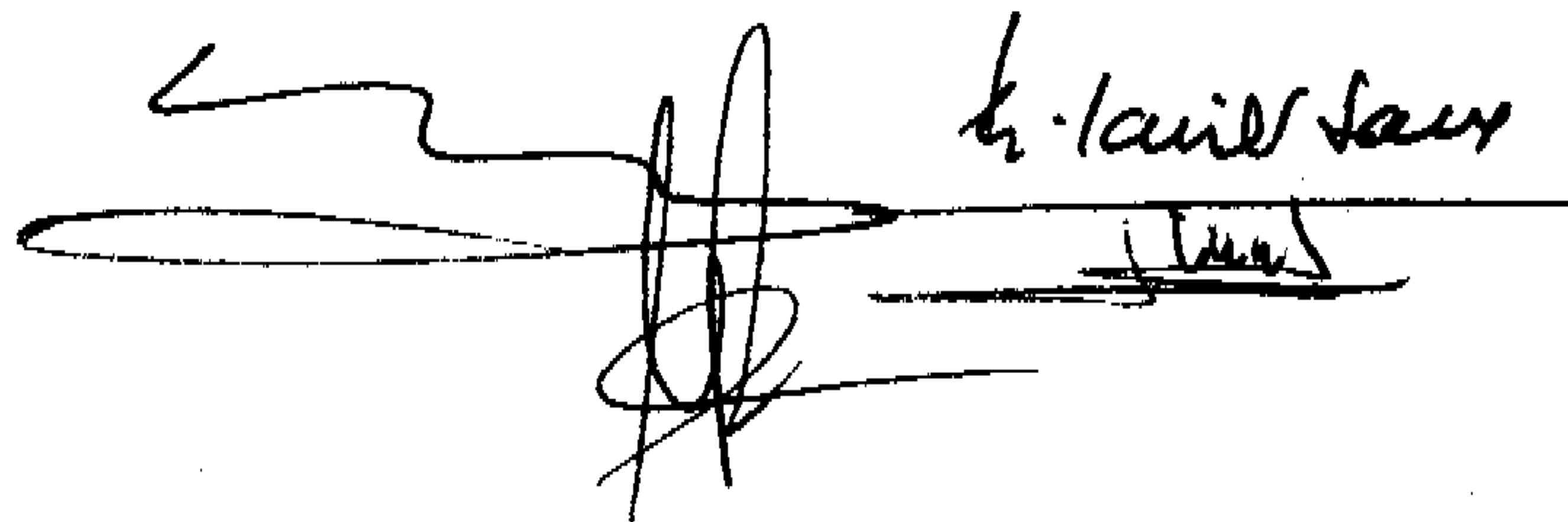
The Company's principal financial instruments not carried at fair value are cash and cash equivalents, trade receivables, other current assets and trade and other payables. The carrying amount of cash and cash equivalents approximates their fair value due to the short-term maturity of these financial instruments. Similarly, the historical cost carrying amounts of receivables and payables, which are all subject to normal trade credit terms approximate their fair values.

Note 7: Preference Shares

SERIES A

In October 1997, the Company issued 29,000,000 Non-cumulative Guaranteed Non-voting Preference Shares, each of US\$25 par value, for US\$725,000,000 (the "Series A Preference Shares"). The dividend on each Series A Preference Share was fixed at a rate per annum equal to 7.45%, accruing from the date of the original issuance, and payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year, commencing December 31, 1997.

Dividends are payable only to the extent that the Distributable Profits of Repsol YPF, S.A. for the preceding fiscal year are sufficient to cover the payment of dividends on the Series A Preference Shares, together with any dividends previously paid in the current fiscal year and any dividends proposed to be paid during the current calendar quarter, on either the Series A Preference Shares or any other preference shares of Repsol YPF or any affiliate ranking *pari passu* with the Series A Preference Shares. Holders of the Series A Preference Shares will have no other right to participate in any profits of the Company.


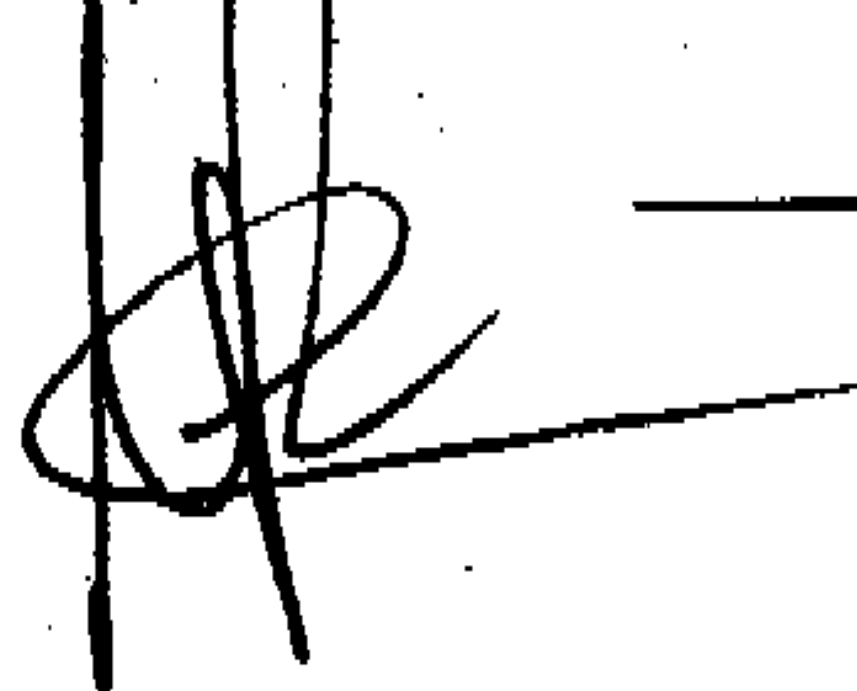
A large, stylized handwritten signature or scribble is present at the bottom right of the page, overlapping the page number. It appears to be a signature, possibly "L. Luis Saez", written in black ink.

REPSOL INTERNATIONAL CAPITAL LIMITED

The Series A Preference Shares are redeemable, at the option of the Company, in whole or in part, from time to time on or after October 21, 2002, at US\$25 per share, plus accrued and unpaid dividends for the then-current quarterly dividend period to the date fixed for redemption.

In the event of liquidation, the holders of Series A Preference Shares will be entitled to receive out of the assets of the Company, before any distribution to holders of ordinary shares, a liquidation preference of US\$25 for each share, plus accrued and unpaid dividends for the then-current dividend period to the date of payment.

The payment of dividends and payments upon redemption, as well as any distribution upon liquidation of the Company, are unconditionally guaranteed by Repsol YPF, S.A.


 L. Villar
VP

REPSOL INTERNATIONAL CAPITAL LIMITED

SERIES B

On October 4, 1999, the Board of Directors resolved to issue and sell bearer preference shares with an aggregate liquidation preference of up to €1,000,000,000, referred to as the Series B Preference Shares, to be guaranteed by Repsol YPF, S.A.

In May 2001, the Company issued 1,000,000 Non-cumulative Guaranteed Non-voting Preference Shares, each of €1,000 par value, for €1,000,000,000 (the "Series B Preference Shares"). The dividend on each Series B Preference Share will be a floating rate per annum equal to three month Euribor with a cap of 7% and a floor of 4% for the first 10 years, and for the following years three month Euribor plus a margin equal to 3.5%. The dividend will be accrued from the date of the original issuance, and payable quarterly in arrears on March 31, June 30, September 30 and December 31, of each year, commencing on June 30, 2001. Nevertheless, for the first dividend period, from May 11, 2001 to June 30, 2001, the rate was 4.8%.

Dividends are payable only to the extent that the Distributable Profits of Repsol YPF, S.A. for the preceding fiscal year are sufficient to cover the payment of dividends on the Series B Preference Shares, together with any dividends previously paid in the current fiscal year and any dividends proposed to be paid during the current calendar quarter, on either the Series B Preference Shares or any other preference shares of Repsol YPF or any affiliate ranking *pari passu* with the Series B Preference Shares. Holders of the Series B Preference Shares will have no other right to participate in any profits of the Company.

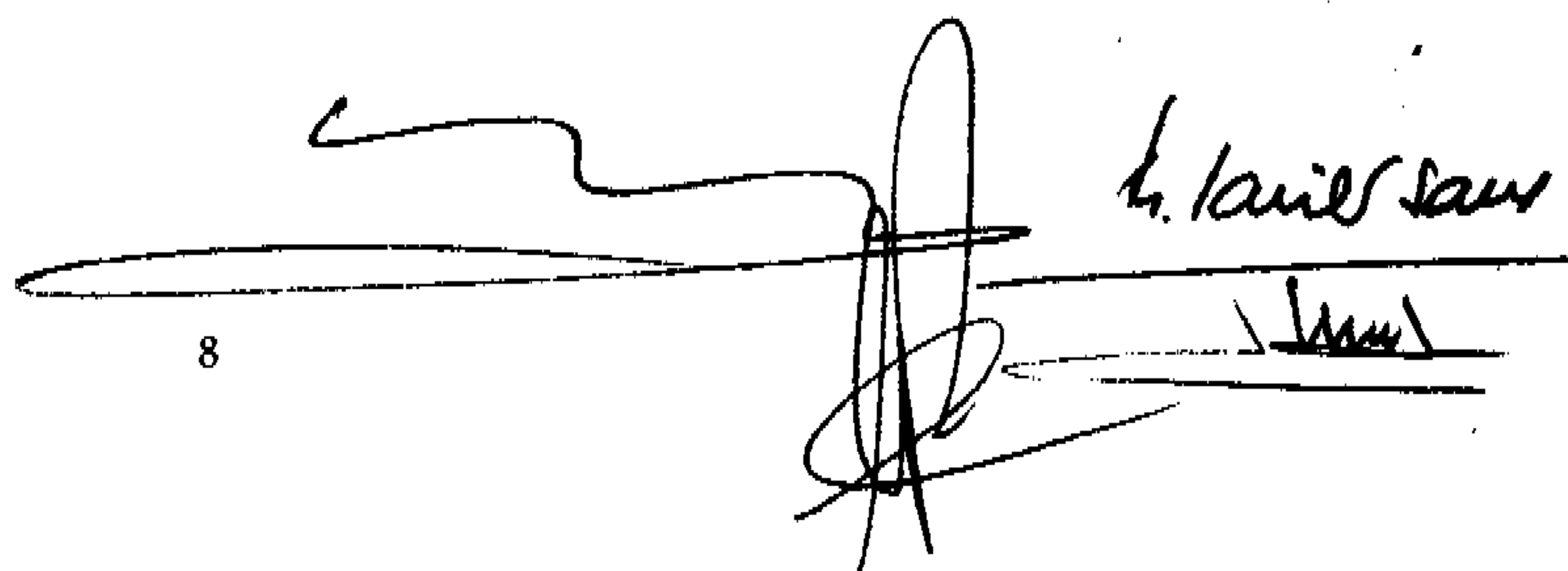
The Series B Preference Shares are redeemable, at the option of the Company, in whole or in part, from time to time on or after May 11, 2011 at € 1,000 per share, plus accrued and unpaid dividends for the then-current quarterly dividend period to the date fixed for redemption.

The payment of dividends and payments upon redemption, as well as any distribution upon liquidation of the Company, are unconditionally guaranteed by Repsol YPF, S.A.

SERIES C

In December 2001, the Company issued 2,000,000 Non-cumulative Guaranteed Non-voting Preference Shares, each of €1,000 par value, for €2,000,000,000 (the "Series C Preference Shares"). The dividend on each Series C Preference Share will be a floating rate per annum equal to three month Euribor with a cap of 7% and a floor of 4% for the first 10 years and for the following years three month Euribor plus a margin equal to 3.5%. The dividend will be accrued from the date of the original issuance, and payable quarterly in arrears on March 31, June 30, September 30 and December 31, of each year. Nevertheless, for the first dividend period, from December 21, 2001 to December 31, 2001, the rate was 3.944%.

8

A handwritten signature in black ink is written over a horizontal line. To the right of the signature, there is a circular stamp containing the name "L. Larios" and a date "1/11/01".

REPSOL INTERNATIONAL CAPITAL LIMITED

Dividends are payable only to the extent that the Distributable Profits of Repsol YPF, S.A. for the preceding fiscal year are sufficient to cover the payment of dividends on the Series C Preference Shares, together with any dividends previously paid in the current fiscal year and any dividends proposed to be paid during the current calendar quarter, on either the Series C Preference Shares or any other preference shares of Repsol YPF or any affiliate ranking *pari passu* with the Series C Preference Shares. Holders of the Series C Preference Shares will have no other right to participate in any profits of the Company.

The Series C Preference Shares are redeemable, at the option of the Company, in whole or in part, from time to time on or after December 21, 2011, at € 1,000 per share, plus accrued and unpaid dividends for the then-current quarterly dividend period to the date fixed for redemption.

The payment of dividends and payments upon redemption, as well as any distribution upon liquidation of the Company, are unconditionally guaranteed by Repsol YPF, S.A.

ISSUANCE COSTS

In accordance with IAS 39, transaction costs directly related to the issuance of debt instruments are deducted from the amount of debt originally recognized, and they are subsequently amortized through the income statement over the life of the instrument using the effective interest method. For such purposes, transaction costs are being amortized over five years for Series A, and over ten years for Series B and C.

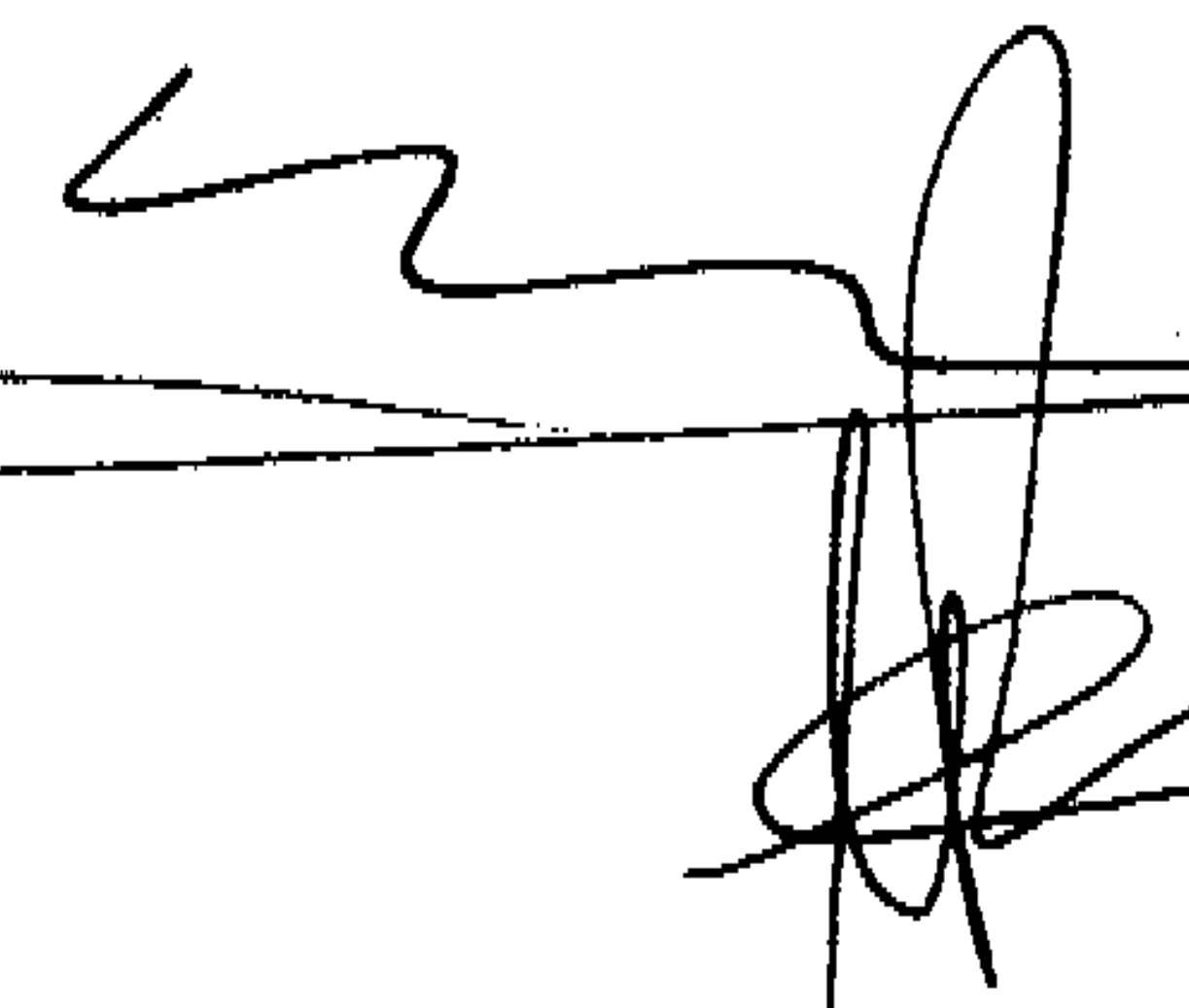
Transaction costs related to the issuance of the Series A Preference Shares, as of December 31, 2002, have been completely amortized, so that the amount in the accompanying balance sheet, regarding this issuance, is the reimbursement value of these preference shares.

Note 8: Exchange gains and losses

The amount registered as exchange gain in the accompanying statement of income is composed as follows:

	<u>Thousands of Euros</u>	
	<u>2002</u>	<u>2001</u>
Change in measurement currency exchange gain	3,761	-
Realized Exchange gain	161,997	89,992
Revaluation Exchange gain	<u>137,799</u>	<u>32,646</u>
Total Exchange Gain	303,557	122,638

The amount recorded as exchange loss in the accompanying statement of income is composed as follows:

 *L. Guindon*

9

REPSOL INTERNATIONAL CAPITAL LIMITED

	<u>Thousands of Euros</u>	
	<u>2002</u>	<u>2001</u>
Change in measurement currency exchange loss	5,493	-
Realized Exchange loss	278,884	48,057
Revaluation exchange loss	<u>11,092</u>	<u>74,432</u>
Total Exchange Loss	295,469	122,489

Note 9: Payment of Dividends

Pursuant to the classification of the preference shares as a financial liability the dividends paid to the holders of these preference shares are recorded as financial expense.

During 2002 and 2001, the Company's Board of Directors declared the following dividends on each of Series A, B and C Preference Shares to holders:

Series	Date of payment	Dividend per share %	2002		2001	
			Effective rate per share %	Total Amount	Effective rate per share %	Total Amount
A	Quarterly at March 31, June 30, September 30, and December 31.	7.45% annual	7.99% annual	€ 57,392,000	8.11% annual	€ 60,346,000
B	Quarterly at March 31, June 30, September 30, and December 31.	Floating rate	4.61% annual	€ 39,440,000	5.17% annual	€ 27,257,000
C	Quarterly at March 31, June 30, September 30, and December 31.	Floating rate	4.73% annual	€ 78,880,000	4.68% annual	€ 2,143,000

The effective rate per share includes the dividend accrued during the year and the amortization of the preference shares' issuance costs for such year.

Note 10: Going Concern

The Parent Company (Repsol YPF, S.A.) has confirmed that it intends to continue its financial support to the Company to enable it to operate as a going concern and to meet its financial obligations at least during the year 2003.

