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STATEMENT

The members of the Board of Directors of Repsol International Capital, Limited (the "Company") state that, to the best of our knowledge, the Financial Statements for the fiscal year ended on December 31st 2007 approved by the Board on March 7th, 2008 and prepared in accordance with the applicable accounting principles, give a true and fair view of the net worth, of the financial situation and of the results of the Company, and that the Management Report includes a fair analysis of the Company's performance, results and position, as well as a description of the principal risks and uncertainties facing it.

Luis Pieltain Álvarez Arenas
Director

Tomás García Recio
Director

Javier Sanz Cedrón
Director

Peter Goddard
Director

COMISION NACIONAL DEL
MERCADO DE VALORES
24 ABR. 2008
REGISTRO DE ENTRADA
Nº 2008 34992

C.N.M.V.
Registro de Entradas
Nº 10437

REPSOL INTERNATIONAL CAPITAL LIMITED

**FINANCIAL STATEMENTS AS OF DECEMBER 31, 2007
TOGETHER WITH REPORT OF INDEPENDENT AUDITORS**

REPSOL INTERNATIONAL CAPITAL Ltd.

Management Report– Annual Report 2007

1. General comments and results

- 1.1 The sole business of Repsol International Capital Limited is to issue preference shares in various markets and advance the net proceeds to various non-Spanish members of the Repsol YPF Group. The Company engages in no activities other than those related to the borrowing and lending of such funds.
- 1.2 The net profit for the year ended 31 December 2007 was EUR 35.7 million compared with a net loss of EUR 12.9 million for the year ended 31 December 2006. The treatment as speculative of the Swap during 2007 accounts for most of the Company's earnings increase in 2007 (EUR 62.5 million). This increase was partially offset by the increase in the three months Euribor during the period.
- 1.3 The Balance Sheets maintains a similar structure to that it showed at 2006 showing a decrease of 2%.
- 1.4 It is not expected any significant change in the foreseeable future.

2. Events after Balance Sheet date

There have been no significant events after the balance sheet date.

3. Main activities perform during 2007

- Shareholder's deficit was reduced from EUR 296.5 million to EUR 256.8 million a decrease of 13.4%. The decrease is due to the income for the year (EUR 35.7 million) but also to the revaluation reserve amortization (EUR 4 million) following the treatment as speculative of the swap.
- Tenants of Preference Share A received a dividend of USD 54.0 million.
- Tenants of Preference Share B received a dividend of EUR 42.1 million.
- Tenants of Preference Share C received a dividend of EUR 84.2 million.
- During 2007 Repsol International Capital Ltd. continue to granted loans to Repsol Netherlands Finance BV. As per 31.12.2007 the amount granted to RNF arrived to EUR 3,188.8 million of which EUR 2,720.6 million were denominated in euros at an interest rate of 5.5% and EUR 468.2 million were denominated at USD at an interest rate of 6.44%

4. Financial risk management

- 4.1 The Company's activities expose it primarily to the market risks of changes in foreign currency exchange rates and interest rates. Market risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.
- 4.2 The Group's Corporate Risk function provides services to manage the financial risk relating to the Company's operations. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.


4.3 Note 10 of the annual accounts provide a detailed description of the nature and extent of risk arising from the financial instruments to which the entity is exposed at the reporting date. The disclosure includes a sensitivity analysis in order for the users of the financial statements to evaluate the risks

5. **Research and development activities**

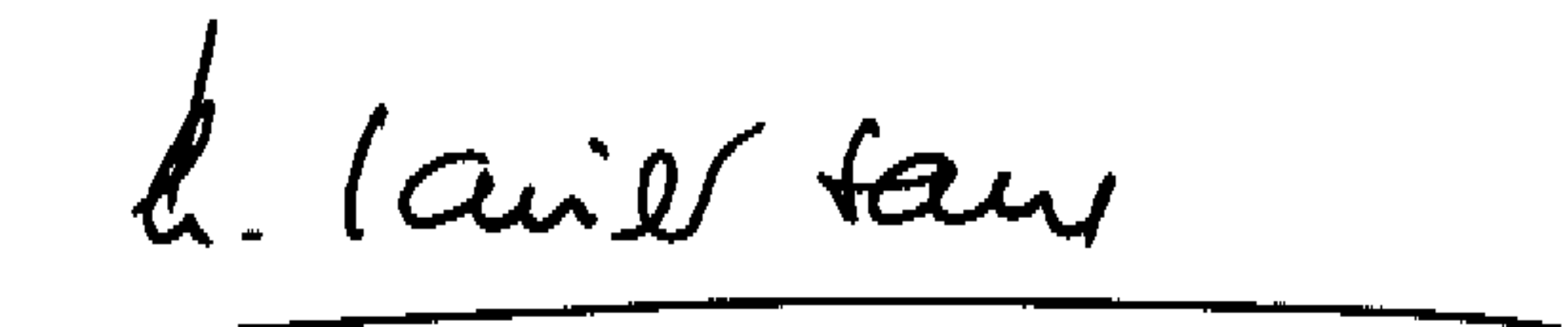
Repsol International Capital Ltd has not carried out any research and development activities during 2007.

6. **Operations with treasury shares**


Repsol International Capital Ltd has not carried out neither any own's shares operations nor any parent company share operations in 2007.



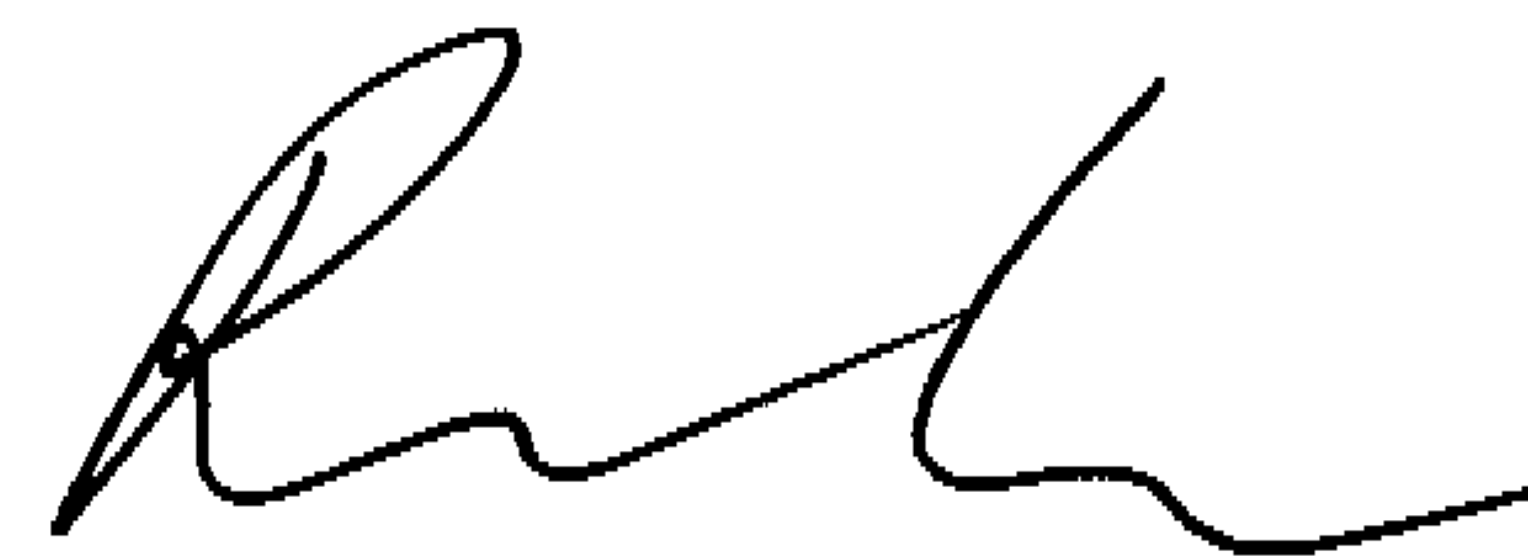
LUIS PIELTAIN
DIRECTOR



DIRECTOR
Luis Pieltain



Tomás García Rees
Director.



Director
Peter Goddard

REPSOL INTERNATIONAL CAPITAL LIMITED

BALANCE SHEET

DECEMBER 31, 2007

	Note	Thousands of Euros	
		12/31/2007	12/31/2006
ASSETS:			
Accrued interest receivable from affiliates		499	497
Debtors		498	711
Cash and cash equivalents	3	81	2
Total current assets		1,078	1,210
Long-term loans to affiliates	4	3,188,761	3,163,276
Other non-current assets	6	141,208	247,460
Total non-current assets		3,329,969	3,410,736
Total assets		3,331,047	3,411,946

The accompanying notes are an integral part of the financial statements.



Angela A. Lavelle
Angela A. Lavelle
PhD

REPSOL INTERNATIONAL CAPITAL LIMITED

BALANCE SHEET

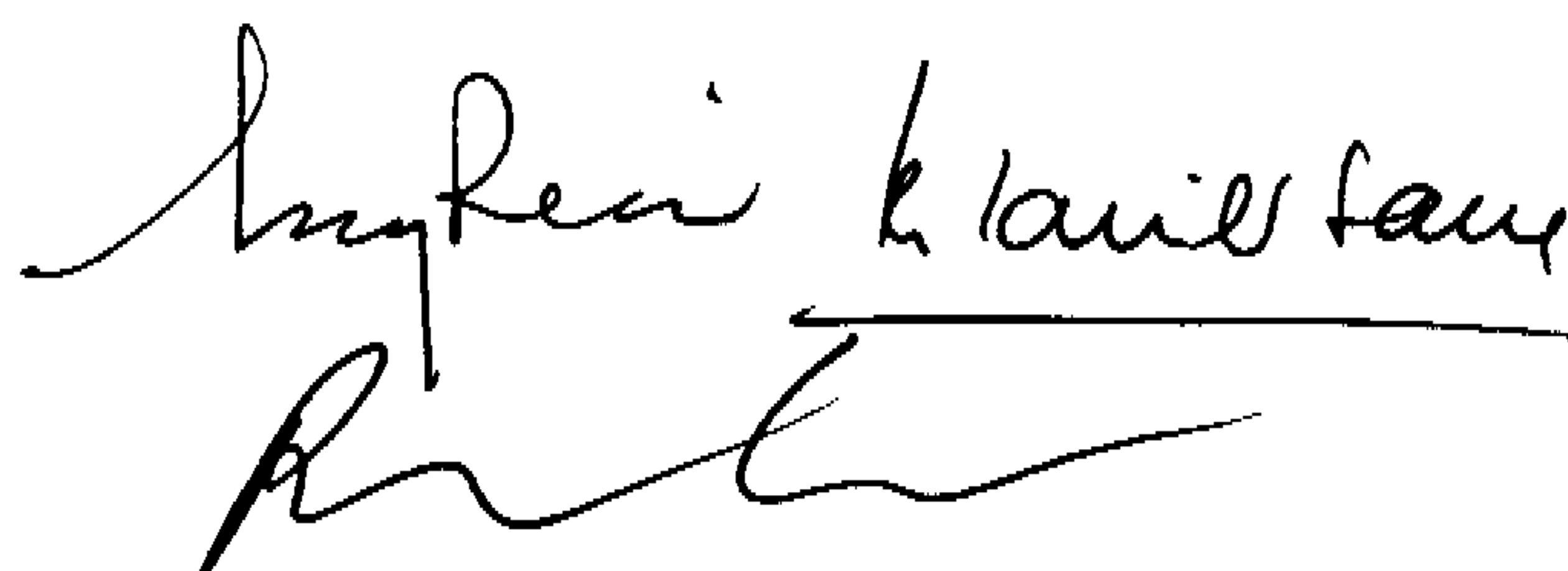
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DECEMBER 31, 2007

Before appropriation of net profit

	Note	Thousands of Euros	
		12/31/2007	12/31/2006
LIABILITIES:			
Creditors		113	6
Payable to affiliates	5	8	8
Total current liabilities		121	14
Non-cumulative Guaranteed Non-voting (Preference Shares):	7		
Series A – 29,000,000 shares authorized, issued and outstanding at December 31, 2007, 7.45%, US\$25 par value.		492,492	550,492
Series B – 1,000,000 shares authorized, issued and outstanding at December 31, 2007, 4%-7%, €1,000 par value.		978,272	971,772
Series C – 2,000,000 shares authorized, issued and outstanding at December 31, 2007, 4%-7%, €1,000 par value.		1,938,424	1,922,924
Other non-current liabilities	6	178,578	263,250
Total non-current liabilities		3,587,766	3,708,438
Common stock, US\$1 par value, 900,000 shares authorized, issued and outstanding		656	656
Accumulated deficits		(246,166)	(233,258)
Revaluation reserve	6	(47,031)	(50,996)
Net profit (loss)		35,701	(12,908)
Shareholder's deficit		(256,840)	(296,506)
Total liabilities and shareholder's deficit		3,331,047	3,411,946

The accompanying notes are an integral part of the financial statements.

REPSOL INTERNATIONAL CAPITAL LIMITED

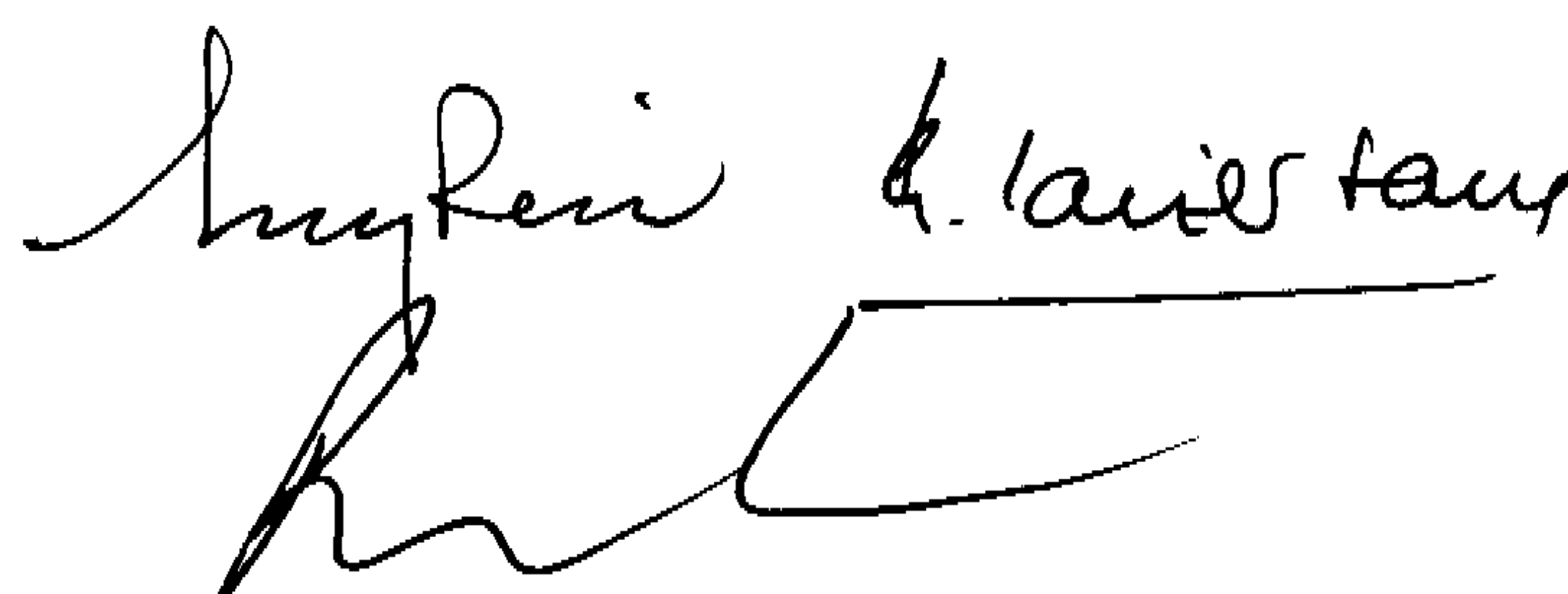
INCOME STATEMENT

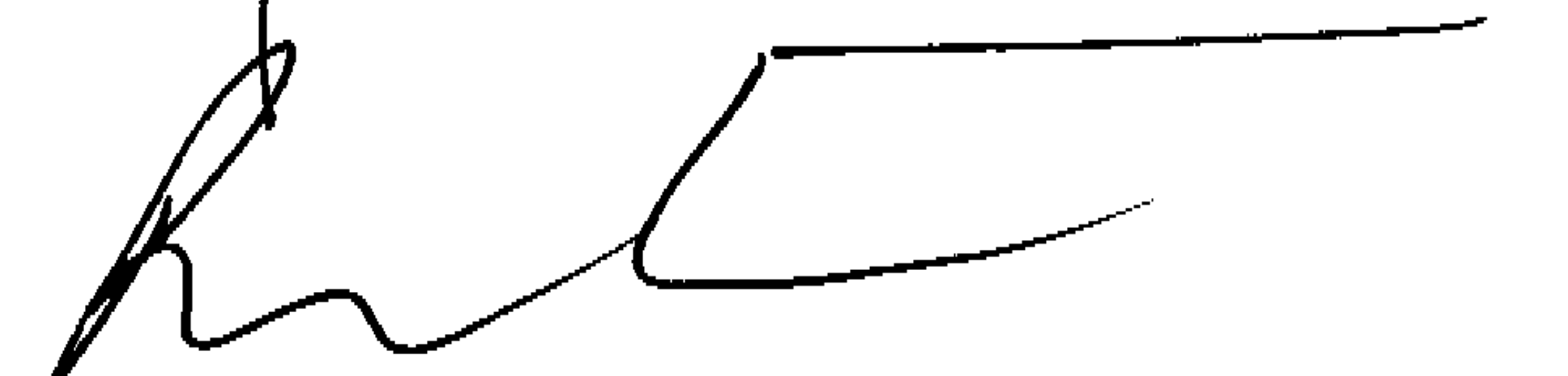
FOR THE YEAR ENDED DECEMBER 31, 2007

	Note	Thousands of Euros	
		12/31/2007	12/31/2006
Financial Income:			
Interest income from affiliates	4	183,851	183,400
Unrealized fair value changes:			
Collar fair value increase	6	17,502	74,027
Swap fair value decrease	6	67,171	686
Exchange gain	8	58,716	63,578
Other financial income		35,851	46,278
		363,091	367,969
Financial Expense:			
Preference Shares dividend	9	(165,819)	(161,400)
Amortization of issuance costs	7	(22,000)	(22,002)
Amortization of revaluation reserve	6	(3,965)	
Unrealized fair value changes:			
Embedded collar fair value decrease	6	(17,502)	(74,027)
Exchange loss	8	(56,109)	(61,610)
Other financial expenses		(61,995)	(61,838)
		(327,390)	(380,877)
Net profit (loss)		35,701	(12,908)

The accompanying notes are an integral part of the financial statements.







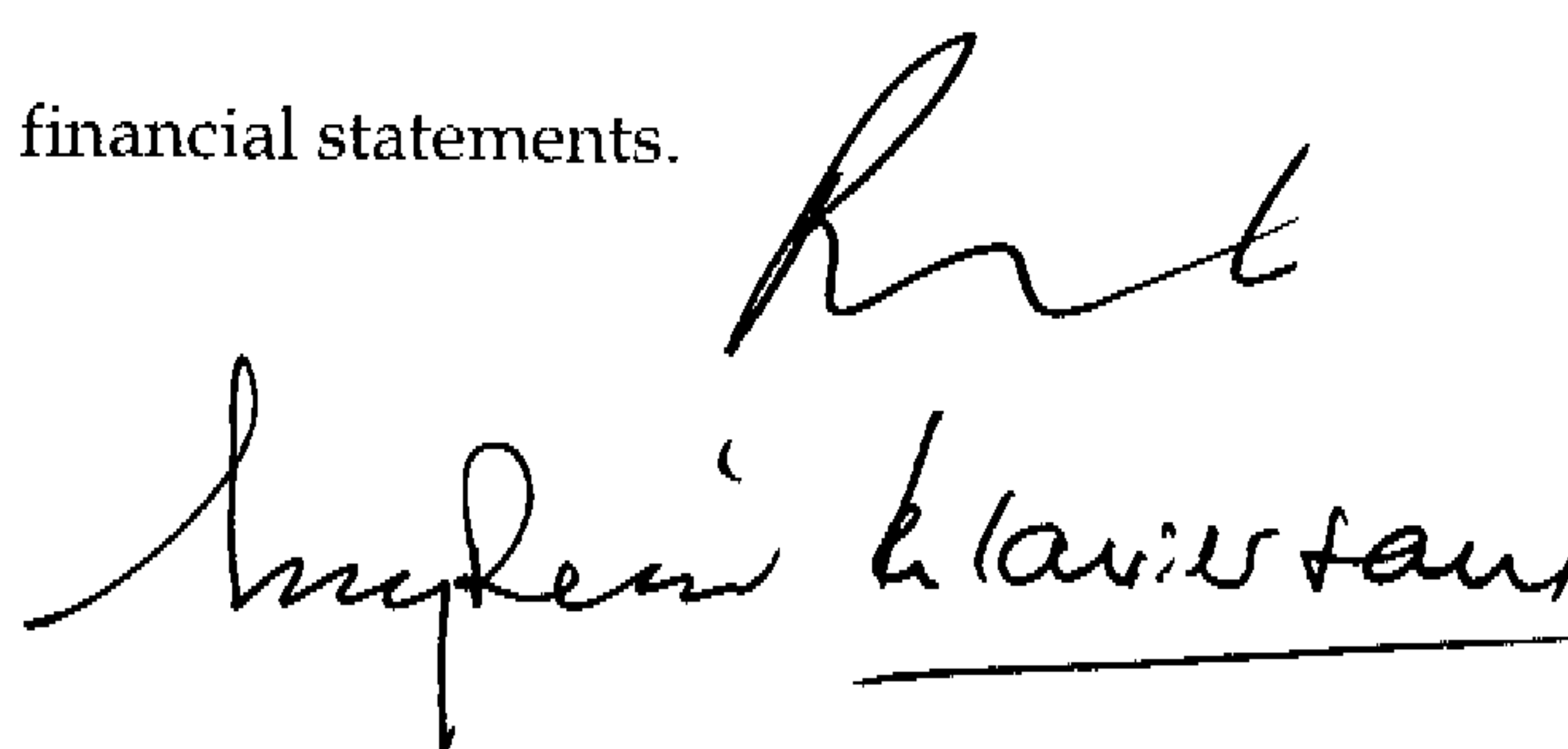
REPSOL INTERNATIONAL CAPITAL LIMITED
STATEMENT OF CHANGES IN SHAREHOLDER'S DEFICIT

FOR THE YEAR ENDED DECEMBER 31, 2007

	Thousands of euros				
	Common Stock	Accumulated Deficit	Revaluation Reserve	Net Loss	Total
December 31, 2005	656	(221,185)	(125,699)	(12,073)	(358,301)
Appropriation of net result	-	(12,073)	-	12,073	-
Unrealized fair value changes	-	-	74,703	-	74,703
Net loss 2006	-	-	-	(12,908)	(12,908)
December 31, 2006	656	(233,258)	(50,996)	(12,908)	(296,506)

	Thousands of euros				
	Common Stock	Accumulated Deficit	Revaluation Reserve	Net Profit	Total
December 31, 2006	656	(233,258)	(50,996)	(12,908)	(296,506)
Appropriation of net result	-	(12,908)	-	12,908	-
Amortization of revaluation reserve	-	-	3,965	-	3,965
Net profit 2007	-	-	-	35,701	35,701
December 31, 2007	656	(246,166)	(47,031)	35,701	(256,840)

The accompanying notes are an integral part of the financial statements.

REPSOL INTERNATIONAL CAPITAL LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2007

	Thousands of Euros	
	12/31/2007	12/31/2006
Cash flows from operating activities:		
Net profit (loss)	35,701	(12,908)
Unrealized fair value changes	(67,171)	(686)
Amortization of revaluation reserve	3,965	-
Amortization of issuance costs	22,000	22,002
Unrealized foreign exchange gains	(58,000)	(61,757)
Profit before changes in working capital	(63,505)	(53,349)
Adjustments to reconcile net profit to net cash provided by operating activities:		
Increase / (decrease) in interest receivable from affiliates	(2)	504
(Increase) / decrease in debtors	213	10
Increase / (decrease) in creditors	107	(54)
Net cash provided by operating activities	318	460
Cash flows from investing activities:		
(Increase) / decrease in loans to affiliates	(25,485)	9,243
(Increase) / decrease in long-term deposits	88,751	43,643
Net cash provided by investing activities	63,266	52,886
Cash and cash equivalents, beginning of year	2	5
Net increase / (decrease) in cash and cash equivalents	79	(3)
Cash and cash equivalents, end of year	81	2

The accompanying notes are an integral part of the financial statements.

REPSOL INTERNATIONAL CAPITAL LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

(Expressed in Euros)

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., ("The Parent") 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 (P.O. Box 30592).

As of December 31, 2007, 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-

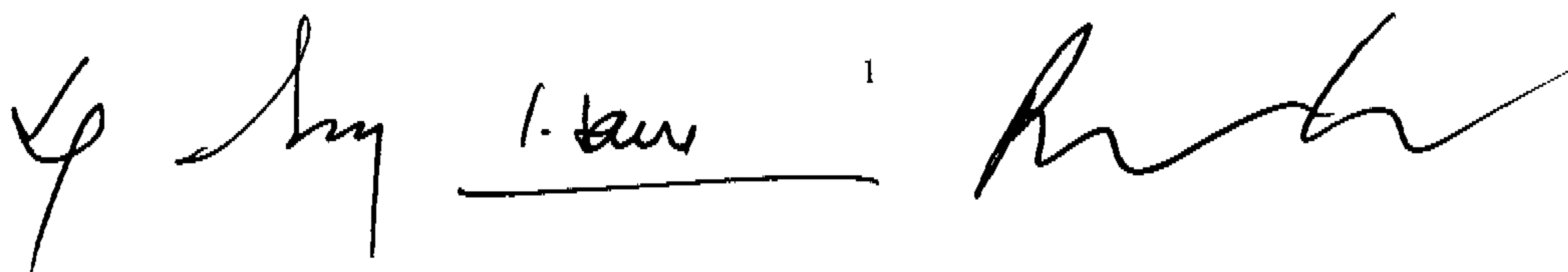
These financial statements have been prepared in accordance with International Financial Reporting Standards.

The accompanying financial statements were prepared from the Company's accounting records as of December 31, 2007.

b) Initial application of standards-

In the current year the Company has applied the following:

International Financial Reporting Standard 7, Financial Instruments: Disclosures (IFRS7). IFRS 7 supersedes IAS 30 Disclosures in Financial Statements of Bank and Similar Financial Institutions and the disclosure requirements of IAS 32 Financial Instruments: Disclosure and Presentation. This Standard is applicable for annual periods beginning

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REPSOL INTERNATIONAL CAPITAL LIMITED

on or after 1 January 2007. The impact of IFRS 7 has been to expand the disclosures provided in these financial statements regarding the Company's financial instruments.

International Accounting Standard 1 Amendment, Capital Disclosures (IAS 1 Amendment). This Amendment is applicable for annual periods beginning on or after 1 January 2007. These financial statements present information regarding the Company's objectives, policies and processes for managing capital as required by this Amendment.

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.

2. Derivative financial instruments

For the year ended December 31, 2007, the outstanding derivative instruments were as follows:

- o Collar
- o Swap



In the case of the Collar, it is accounted as a fair value hedge. The Company records the gain or profit from re-measuring the hedging instrument at fair value under the caption "Unrealized fair value changes" in the accompanying income statement. Also, the gain or profit on hedged items attributable to the hedged risk will adjust the carrying amount of the hedged items and be taken to period income under the caption "Unrealized fair value changes" in the accompanying income statement. This applies even if the hedged item is otherwise measured at cost. Recognition of the gain or profit attributable to the hedged risk in the income statement would also apply if the hedged items were available-for-sale financial assets.

In the case of the Swap, hedge accounting is not applied. The Company recognizes the gain or profit on the variations in its fair value under the caption "Unrealized fair value changes", in the accompanying income statement.

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.

 1. Arroyave ² 

REPSOL INTERNATIONAL CAPITAL LIMITED

The proceeds from 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 floor of Euribor plus a margin never less than 1.3612%. Accrued interest as of December 31, 2007, and December 31, 2006, amounted to €150,715,000 and €146,842,000, respectively.

Note 5: Payable to Affiliates

The caption "Payable to affiliates" refers to the balance of a current account with companies within the Repsol YPF group.

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 together with the economic terms of 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, 2007 with changes in its fair value during the year recorded in the income statement under the caption "Unrealized fair value changes" 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 settlement periods beginning on June 30, 2002, the first maturity being on September 30, 2002, and the last on December 31, 2011.

 1. June ⁴ 

REPSOL INTERNATIONAL CAPITAL LIMITED

Until 2006 the swap qualified as a cash flow hedge. According to IAS 39, this financial instrument was measured at fair value with changes in its fair value during the period that were determined to be an effective hedge recorded in the statement of changes in Shareholder's deficit, under the caption "Revaluation Reserve" and changes that were determined to be ineffective recorded in the income statement.

During the first quarter of 2007 the Swap failed the effectiveness test and accordingly the Company proceeded with its discontinuance starting December 31st 2006. The cumulative loss deferred in equity continues to be separately recognized in equity under the caption "Revaluation Reserve" (2007 - €47,031,000 , 2006 - €50,996,000) being amortized as the swap matures. The financial instrument is recorded at fair value as a non-current liability as of December 31, 2007 for an amount of €170,079,000 (2006 €237,250,000) with changes in the fair value recorded in the income statement under the caption "Unrealized fair value changes" in the accompanying financial statements.

The fair value of the interest rate swap at the reporting date is determined by discounting the future cash flows using the Euro Swap curve at reporting date.

In addition The Company has a collateral recorded as a non-current asset (2007 - €132,710,000, 2006 - €221,460,000) to secure the swap. This collateral is pledged.

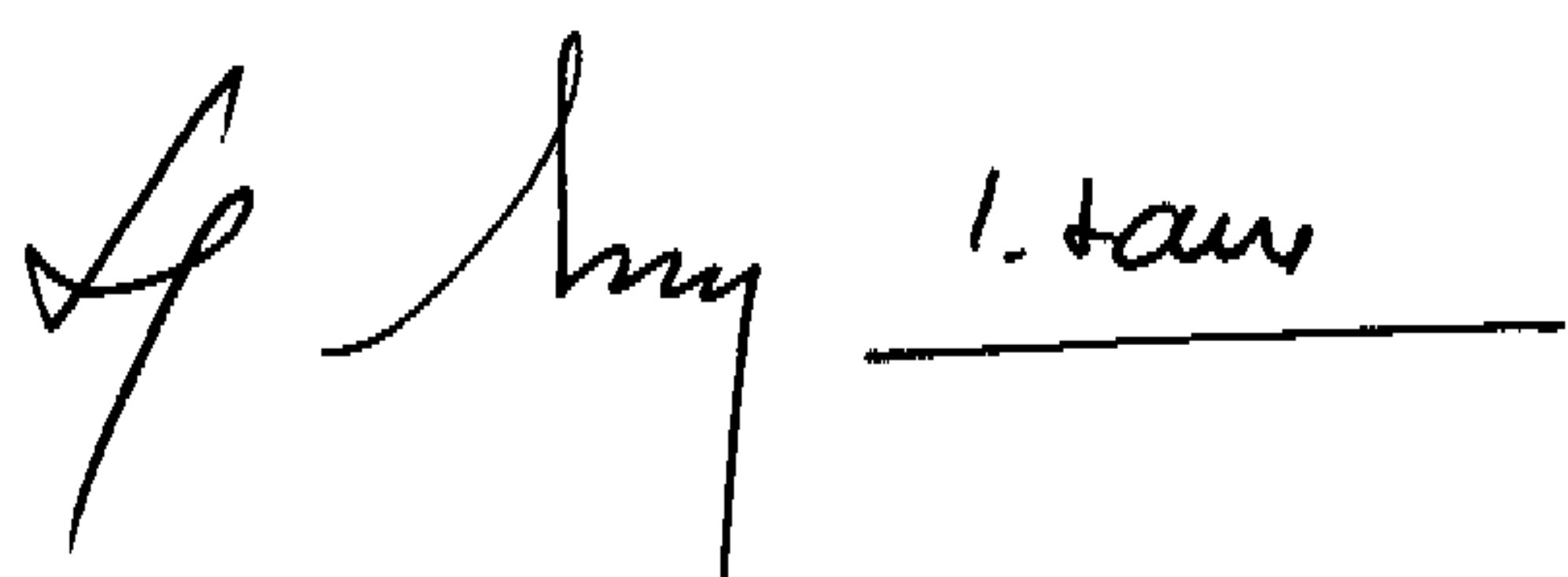
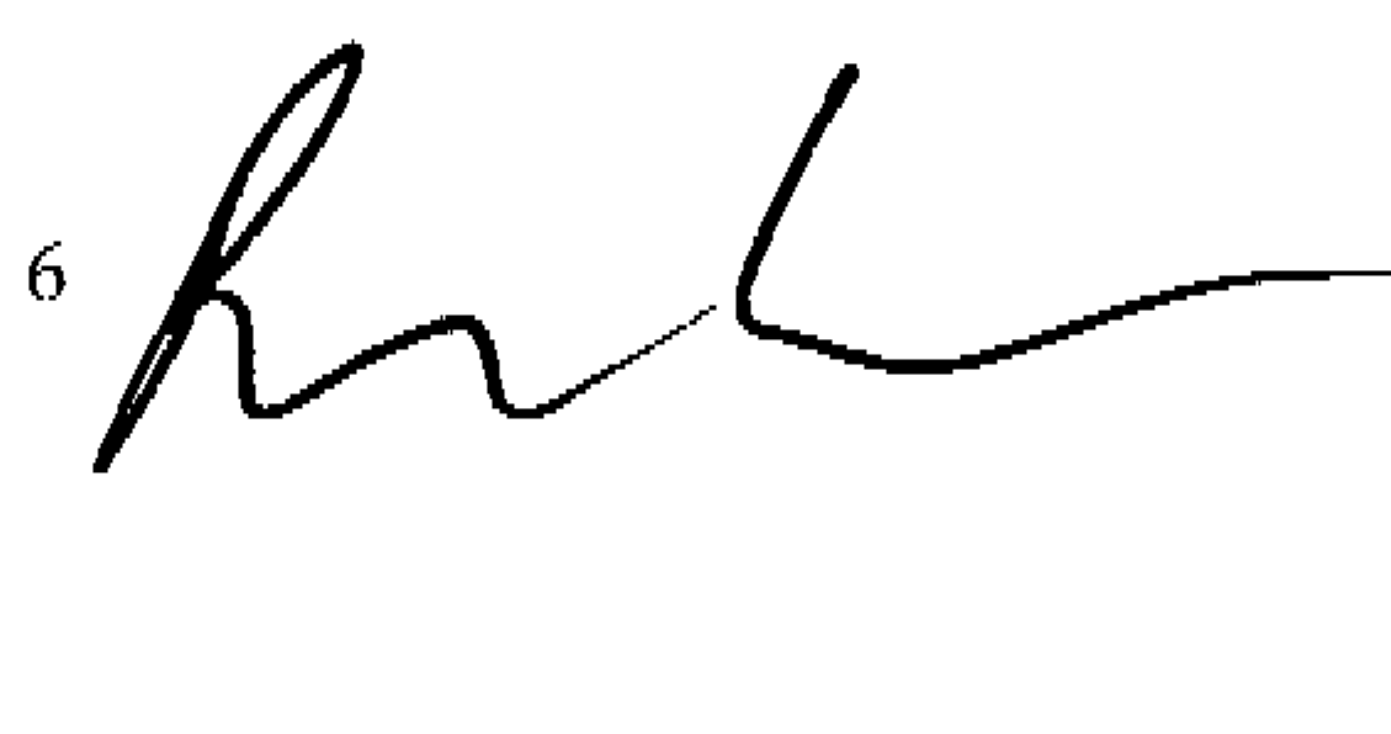
The Company's principal financial instruments not carried at fair value are cash and cash equivalents, trade receivables, other current assets and trade and other payables. The carrying amount of cash and cash equivalents approximates their fair value due to the short-term maturity of these financial 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"). 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.

 J. Arroyave
 R. Ruiz

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.

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.

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.

 1. June 7 

REPSOL INTERNATIONAL CAPITAL LIMITED

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.

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 amortized over five years for Series A, and 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 income statement is composed as follows:

 1. Jan 

REPSOL INTERNATIONAL CAPITAL LIMITED

	<u>Thousands of Euros</u>	
	<u>2007</u>	<u>2006</u>
Realized exchange gain	716	1,821
Revaluation exchange gain	<u>58,000</u>	<u>61,757</u>
Total exchange gain	<u>58,716</u>	<u>63,578</u>

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

	<u>Thousands of Euros</u>	
	<u>2007</u>	<u>2006</u>
Realized exchange loss	<u>56,109</u>	<u>61,610</u>

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 a financial expense.

During 2007 and 2006, 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 %	2007		2006	
			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	7.45% annual	€ 39,459,000	7.45% annual	€ 43,080,000
B	Quarterly at March 31, June 30, September 30, and December 31.	Floating rate	4.86% annual (floor)	€ 42,120,000	4.59% annual (floor)	€ 39,440,000
C	Quarterly at March 31, June 30, September 30, and December 31.	Floating rate	4.96 % annual (floor)	€ 84,240,000	4.72% annual (floor)	€ 78,880,000
				€ 165,819,000		€ 161,400,000

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

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REPSOL INTERNATIONAL CAPITAL LIMITED

Note 10: Financial Risk Management

The Company identifies, evaluates and hedges financial risks in close co-operation with its Parent Company's Financial Risk Department.

The Parent Company's Financial Risk Department, with the aim to promote best practices, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyse exposures by degree and magnitude of risks.

The Company's activities expose it primarily to the market risks of changes in foreign currency exchange rates and interest rates. Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

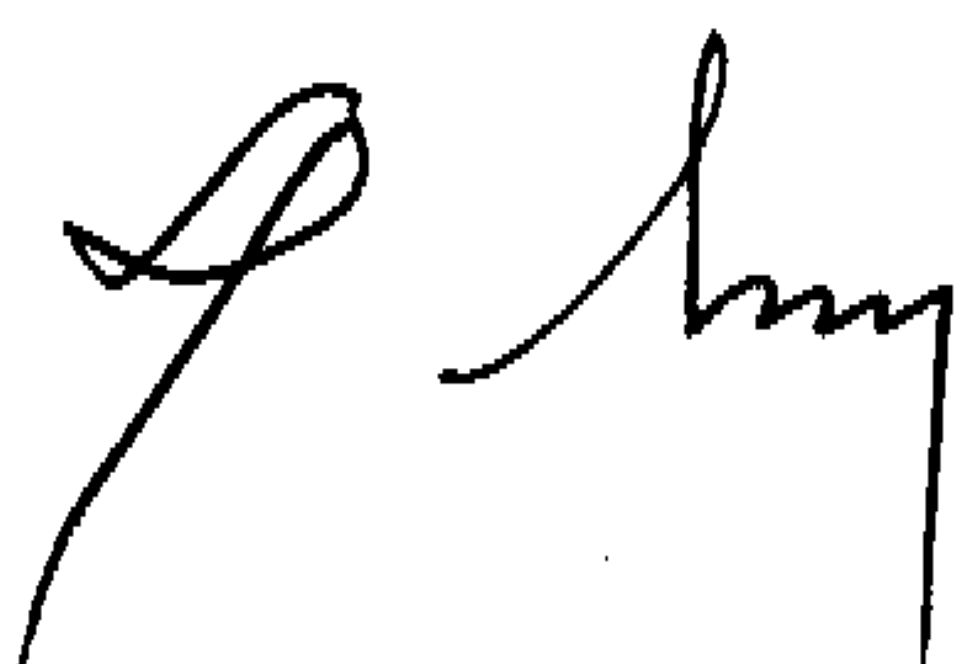
Currency risk

Exposures to currency risk arise from the Series A Preference Shares which are denominated in US Dollars, a currency other than its functional currency. The Company hedges this risk by granting to Repsol Netherlands Finance B.V. a US Dollar denominated loan that largely offset the exposure. Dividends payables on Series A match the cash flows generated by the US Dollar denominated loan granted to Repsol Netherlands Finance B.V., this provides an economic hedge and no further hedging activity is undertaken.

Foreign currency denominated financial assets and liabilities, translated into Euros at the closing rate are as follows:

	<u>Thousands of Euros</u>	
	<u>2007</u>	<u>2006</u>
US Dollar denominated loan to affiliate company	468,250	530,022
Preference shares - Series A	(492,492)	(550,492)
Net exposure	(24,242)	(20,470)

A 10 percent strengthening of the Euro against the US dollar at 31 December would increase equity and profit or loss by EUR 2,204,000 in 2007 and EUR 1,861,000 in 2006 as a result of foreign exchange gains/losses on translation of US Dollar denominated financial assets and liabilities. This analysis assumes that all other variables, in particular interest rates, remain constant. A 10 percent weakening of the Euro against the US Dollar would decrease equity and profit or loss by EUR 2,694,000 in 2007 and EUR 2,274,000 in 2006.

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REPSOL INTERNATIONAL CAPITAL LIMITED

Interest rate risk

The Company is exposed to changes in market interest rates. The risk is managed by the Company by maintaining an appropriate mix between fixed and floating rates both in the Preference Shares and the loan granted to Repsol Netherlands Finance B.V. This is achieved by the use of interest rate swap contracts and collars.

The Company uses a Value at Risk (VaR) model and a sensibility analysis to measure the impact of the market risk relating to its financial instruments.

At 31 December 2007, if interest had been 50 basis points higher all along the yield curve with all other variables held constant, profit for the year would have been EUR 49,082,000 higher mainly as a result of the revaluation of the fair value of the swap. At 31 December 2006 with the same movement in interest rates profit and equity would have been EUR 5,394,000 and EUR 58,406,000 respectively.

Note 11 Going Concern

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 at least until a year after the date of these financial statements.

LUIZ FELTAIN
DIRECTOR

Tomás García Recio
Director.

Eco. Javier Sanz
DIRECTOR

Peter Goddard
Director

Independent Auditors' report

To the Shareholder and Board of Directors of
Repsol International Capital Limited

We have audited the accompanying financial statements of Repsol International Capital Limited, Cayman Islands, ("the Company"), which comprise the balance sheet as at December 31, 2007, the statements of income, changes in shareholder's deficit and cash flows for the year then ended (all expressed in Euros), and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 judgement, 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 evaluation 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

In our opinion, the financial statements give a true and fair view of the financial position of Repsol International Capital Limited as at December 31, 2007 and the results of its operations, changes in shareholder's deficit and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted in the European Union.

Emphasis of matter

Without qualifying our opinion above, we draw attention to Note 11 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 2008.

Deloitte & Touche

March 21, 2008