

**REPSOL INTERNATIONAL CAPITAL LIMITED**

**INTERIM FINANCIAL STATEMENTS**

**AS OF JUNE 30, 2011**

**UNAUDITED**

REPSOL INTERNATIONAL CAPITAL LIMITED

BALANCE SHEET

JUNE 30, 2011

Thousand of Euros			Current Period	Previous Period
ASSETS		Note	6/30/2011	12/31/2010
<b>A)</b>	<b>NON-CURRENT ASSETS</b>		<b>3,036,783</b>	<b>3,027,641</b>
	Long term loans to related parties	8	3,036,783	3,027,641
	Other non-current financial assets		-	-
<b>B)</b>	<b>CURRENT ASSETS</b>		<b>11,460</b>	<b>580,312</b>
	Other debtors		-	-
	Short term loans and accrued interest receivable from related parties	8	300	537,350
	Other current financial assets	7	11,147	42,589
	Cash and cash equivalents		13	373
<b>TOTAL ASSETS (A+B)</b>			<b>3,048,243</b>	<b>3,607,953</b>

The accompanying notes 1 to 10 are an integral part of the financial statements.

REPSOL INTERNATIONAL CAPITAL LIMITED

BALANCE SHEET

(Continued)

JUNE 30, 2011

*Before appropriation of net result*

Thousand of Euros			Current Period	Previous Period
			6/30/2011	12/31/2010
<b>LIABILITIES</b>				
<b>A)</b>	<b>SHAREHOLDER'S EQUITY (A.1 + A.2)</b>	Note	<b>44,462</b>	<b>40,227</b>
<b>A.1)</b>	<b>EQUITY</b>		<b>79,415</b>	<b>76,822</b>
	Common stock US\$1 par value, 518,900,000 shares authorized, issued, fully paid and outstanding		347,057	347,057
	Other reserves		(47,900)	(47,900)
	Accumulated deficits		(222,335)	(221,657)
	Net profit (loss)		2,593	(678)
<b>A.2)</b>	<b>REVALUATION CHANGES</b>		<b>(34,953)</b>	<b>(36,595)</b>
	Revaluation reserve		(34,953)	(36,595)
<b>B)</b>	<b>NON-CURRENT LIABILITIES</b>		<b>2,992,674</b>	<b>2,982,697</b>
	a) Non-cumulative Warranted Non-voting (Preference Shares):	4	2,992,674	2,982,697
	i) Series B – 1,000,000 shares authorized, issued and outstanding at June 30, 2011, 4%-7%, €1,000 par value.		1,000,000	997,773
	ii) Series C – 2,000,000 shares authorized, issued and outstanding at June 30, 2011, 4%-7%, €1,000 par value.		1,992,674	1,984,924
<b>C)</b>	<b>CURRENT LIABILITIES</b>		<b>11,107</b>	<b>585,029</b>
	Non-cumulative Warranted Non-voting (Preference Shares): Series A – 29,000,000 shares authorized, issued and outstanding at December 31, 2010, 7.45%, US\$25 par value	4	-	542,590
	Other current financial liabilities	7	11,080	42,385
	Creditors		22	49
	Other current liabilities		5	5
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY (A+B+C)</b>			<b>3,048,243</b>	<b>3,607,953</b>

The accompanying notes 1 to 10 are an integral part of the financial statements.

REPSOL INTERNATIONAL CAPITAL LIMITED

INCOME STATEMENT

FOR THE HALF YEAR ENDED JUNE 30, 2011

Thousand of Euros

			CURRENT PERIOD	PREVIOUS PERIOD
		Note	6/30/2011	6/30/2011
	<b>OPERATIONAL RESULT</b>		<b>(68)</b>	<b>(49)</b>
(+)	Financial income		85,887	96,315
	Interest income from related parties	<b>8</b>	57,743	63,243
	Other financial income		28,144	33,072
(-)	Financial expenses		(83,352)	(100,333)
	Preference shares dividend	<b>5</b>	(63,482)	(79,358)
	Amortization of issuance cost	<b>6</b>	(9,978)	(11,000)
	Amortization of revaluation reserve		(1,642)	(1,725)
	Other financial expenses		(8,250)	(8,250)
(+/-)	Unrealized fair value changes:	<b>7</b>	-	-
	Collar fair value increase		(31,305)	(11,954)
	Embedded collar fair value decrease		31,305	11,954
(+/-)	Exchange gain (loss)		126	(354)
=	<b>FINANCIAL RESULT</b>		<b>2,661</b>	<b>(4,372)</b>
=	PRE-TAX RESULT		2,593	(4,421)
(+/-)	Tax expense		-	-
=	<b>NET RESULT</b>		<b>2,593</b>	<b>(4,421)</b>

The accompanying notes 1 to 10 are an integral part of the financial statements.

**REPSOL INTERNATIONAL CAPITAL LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE HALF YEAR ENDED JUNE 30, 2011**

Thousand of Euros

		Current period	Previous period
		6/30/2011	6/30/2010
<b>A)</b>	<b>Net result</b>	2,593	(4,421)
<b>B)</b>	<b>Income and expenses charged directly to Equity</b>	-	-
<b>C)</b>	<b>Transfers to the Profit and Loss account</b>	1,642	1,725
1	Due to valuation of financial instruments	-	-
	a) Available for sale financial assets	-	-
	b) Other income / (expenses)	-	-
2	Cash flow hedges	1,642	1,725
3	Other comprehensive income	-	-
<b>TOTAL COMPREHENSIVE INCOME (A+B+C)</b>		4,235	(2,696)

The accompanying notes 1 to 10 are an integral part of the financial statements.

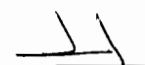


**REPSOL INTERNATIONAL CAPITAL LIMITED**  
**STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY**  
**FOR THE HALF YEAR ENDED JUNE 30, 2011**

Thousand of Euros		Equity			Revaluation	Total
		Common Stock	Reserves	Net Profit (Loss)	Changes	
<b>CURRENT PERIOD</b>						
<b>December 31, 2010</b>		347,057	(269,557)	(678)	(36,595)	40,227
I.	<b>Comprehensive income (loss)</b>	-	-	2,593	1,642	4,235
II.	<b>Capital transactions with owners</b>	-	-	-	-	-
III.	<b>Other changes in Shareholder's Equity</b>	-	(678)	678	-	-
	Appropriation of net result	-	(678)	678	-	-
	Other changes	-	-	-	-	-
<b>June 30, 2011</b>		347,057	(270,235)	2,593	(34,953)	44,462

		Equity			Revaluation	Total
		Common Stock	Reserves	Net Profit (Loss)	Changes	
<b>PREVIOUS PERIOD</b>						
<b>December 31, 2009</b>		347,057	(259,472)	(10,086)	(39,984)	37,516
I.	<b>Comprehensive income (loss)</b>	-	-	(4,421)	1,725	(2,696)
II.	<b>Capital transactions with owners</b>	-	-	-	-	-
III.	<b>Other changes in Shareholder's Equity</b>	-	(10,086)	10,086	-	-
	Appropriation of net result	-	(10,086)	10,086	-	-
	Other changes	-	-	-	-	-
<b>June 30, 2011</b>		347,057	(269,558)	(4,421)	(38,259)	34,819

The accompanying notes 1 to 10 are an integral part of the financial statements.



STATEMENT OF CASH FLOWS

FOR THE HALFYEAR ENDED JUNE 30, 2011

Thousand of Euros	Current Period	Previous Period
	6/30/2011	6/30/2010
<b>A) Cash flow from operating activities (1+2+3)</b>	<b>14,418</b>	<b>8,028</b>
1 Net result	2,593	(4,421)
2 Adjustments to net result	17,495	28,515
(+) Amortization of fixed assets	-	-
(+/-) Other adjustments to net result	17,495	28,515
Amortization of revaluation reserve	1,642	1,725
Amortization of issuance costs	9,978	11,000
Unrealized foreign exchange	-	207
Interest income from related parties companies	(57,743)	(63,243)
Dividends on Preference Shares	63,482	79,358
Other changes	136	(532)
3 Other cash flows from operating activities:	(5,670)	(16,066)
(-) Dividend on preference shares payments	(63,482)	(79,461)
(+) Interest collections	57,839	63,227
(+/-) Other inflows / (outflows) from operating activities	(27)	168
<b>B) Cash flow from investing activities</b>	<b>477,715</b>	<b>(8,028)</b>
1 1. Payment of investments	-	(8,028)
(-) Loans to related parties	-	(8,028)
2 2. Proceeds from investments	477,715	-
(+) Loans to related parties	477,715	-
(+) Other financial assets	-	-
<b>C) Cash flow from financing activities</b>	<b>(492,493)</b>	<b>-</b>
Capital increase	-	-
Proceeds (payments) from financial instruments	(492,493)	-
<b>D) Effects of exchange rate changes on the balance of cash held in foreign currencies</b>	<b>-</b>	<b>-</b>
<b>E) Net increase / (decrease) in cash and cash equivalents (A+B+C+D)</b>	<b>(360)</b>	<b>-</b>
<b>F) Cash and cash equivalents, beginning of year</b>	<b>373</b>	<b>16</b>
<b>G) Cash and cash equivalents, end of year (E+F)</b>	<b>13</b>	<b>16</b>

The accompanying notes 1 to 10 are an integral part of the financial statements.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

(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 Landmark Square 3<sup>rd</sup> Floor, 64 Earth Close, Grand Cayman, Cayman Islands (P.O. Box 30592).

As of June 30, 2011, the capital stock of the Company consisted of 518,900,000 ordinary shares of USD 1 par value each, fully subscribed by Repsol International Finance B.V.

These interim financial statements are unaudited.

### *Note 2: Basis of Presentation and Accounting Principles*

#### *a) Basis of presentation*

This condensed interim financial information for the six months ended June 30<sup>th</sup> 2011 has been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed interim financial information should be read in conjunction with the annual financial statements for the year ended December 31<sup>st</sup> 2010, which have been prepared in accordance with IFRS.

The accompanying financial statements were prepared from the Company's accounting records as of June 30<sup>th</sup> 2011.



*b) First time adoption of standards*

The following new standards, amendments to standards and interpretations, that could affect to the Company, are mandatory for the first time for the financial year beginning January 1<sup>st</sup> 2011, none of them have had any relevant impact for the Company:

- Amendments to IAS 24 'Related Party Transactions'
- Amendments to IAS 32 'Financial Instruments: Presentation'
- Amendments to IFRIC 14 'Prepayments of a Minimum Funding Requirement'
- Improvements to IFRS 2008-2010
- Amendments to IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' an interpretation that provides guidance on how to account for the extinguishment of a financial liability by the issue of equity instruments (debt for equity swaps).

*c) Accounting principles*

The accounting policies applied are consistent with those of the annual financial statements for the year ended December 31<sup>st</sup> 2010, as described in those annual financial statements.

The company is not taxable in Cayman Island consequently there is no charge for income tax in these financial statements.

**Note 3: Seasonality**

The Company does not present any seasonality in the normal course of its business.

**Note 4: Redemption of Preference Shares and loans to related parties**

On December 30<sup>th</sup> 2010, the Company Board of Directors resolved to carry out on February 8<sup>th</sup> the redemption of 100% of the outstanding Series A Preference Shares listed on the NYSE. Preference shares were redeemed at USD 25.00 (total amount USD 725,000 thousand corresponding to EUR 492,493 thousand) plus accrued and unpaid dividends for an amount of EUR 4,322 thousand (USD 5,800 thousand). Until June 2010 Dividends Series amounted EUR 20,198 thousand.

Repsol Netherlands Finance B.V.'s loan denominated in USD was cancelled on February 2011 from an amount of EUR 477,715 thousand. Proceeds from the loan where used to redeemed Series A Preference Shares.

#### *Note 5: 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.

Till June 30<sup>th</sup> 2011 and 2010, the Company's Board of Directors declared the following dividends on each of Series B and C Preference Shares to holders:

#### **Thousands of Euros**

Series	Date of payment	Dividend per share %	30/06/2011		30/06/2010	
			Effective rate per share %	Total Amount	Effective rate per share %	Total Amount
B	Quarterly at March 31, June 30.	Floating rate	3.944% annual (floor)	€19,720	3.944% annual (floor)	€19,720
C	Quarterly at March 31, June 30.	Floating rate	3.944 % annual (floor)	€ 39,440	3.944 % annual (floor)	€ 39,440
				<b>€59,160</b>		<b>€59,160</b>

#### *Note 6: Preference Shares Issuance Cost*

The issuance costs linked to Series B Preference Shares were completed amortized during the semester and those linked to Series C Preference Shares will be during the second semester of the year. The amortization of issuance cost amounted EUR 9,978 thousand compared to EUR 11,000 thousand in the same period of last year.

#### *Note 7: Derivative Financial Instruments*

Until June 30<sup>th</sup> 2011, the dividend on each Series B Preference Share has been a floating rate per annum equal to three month Euribor with a cap of 7% and a floor of 4%. Starting July 1<sup>st</sup> 2011, and for the following years the dividend on each Series B Preference Share will be three month Euribor plus a margin equal to 3.5%. Consequently the Collar linked to the Series B Preference Shares with a notional amount of EUR 1,000 million expired June 30<sup>th</sup> 2011.

Until December 31<sup>st</sup> 2011, the dividend on each Series C Preference Share has been a floating rate per annum equal to three month Euribor with a cap of 7% and a floor of 4%. Starting January 1<sup>st</sup> 2012, and for the following years the dividend on each Series C preference Share will be three month Euribor plus a margin equal to 3.5%. Consequently the Collar linked to the Series C Preference Shares with a notional amount of EUR 1,000 million will mature on December 31<sup>st</sup> 2011.

**Note 8: Related Party Transactions**

The balance sheet captions "Long term loans to related parties" and "Short term loans and accrued interest receivable from related parties" recognize the principal and interest accrued, and the caption of the profit and loss "Interest income from related parties" (EUR 57,743) shows the interest charges of the loan granted by the Company to Repsol Netherlands Finance B.V., which bears arm length interest.

During the six months to June 30<sup>th</sup> 2011, the Company has recorded interest income from "Caja de Ahorros y Pensiones de Barcelona", a Repsol YPF Group related party, connected to the collar for an amount of EUR 6,989 thousand which is recorded under the caption "Other financial income". Under the caption "Other financial Expenses" are recorded a liquidity commission and a success commission for the Preference Shares of which EUR 4,125 thousand were paid to "Caja de Ahorros y Pensiones de Barcelona".

**Note 9: Events Occurring after the Reporting Period**

There has not been any significant event occurring after the balance sheet date.

**Note 10: Statutory and Supervisory Board**

The Statutory Directors do not receive any remuneration. The company does not have supervisory directors.


July 31<sup>st</sup>, 2011

STATUTORY DIRECTORS:

Benjamin Booker

  
Rafael Guerrero Mendoza

  
José María Pérez Garrido

  
Javier Sanz Cedrón

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