

REPSOL INTERNATIONAL CAPITAL Ltd.

Management Report– For the half year ended June 2012

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 Group. The Company engages in no activities other than those related to the borrowing and lending of such funds.
- 1.2 The net loss for the half year ended June 30th 2012 was EUR 16.8 million compared with a net profit of EUR 2.6 million for the half year ended June 30th 2011. Most of the deterioration is explained by the reduction of the differential between the interest income that yields on the loan granted to Repsol Netherlands Finance B.V. and the dividends expense for the Preference Shares together with the Collar and IRS that were not compensate by the reduction in the amortization of the issuance cost.
- 1.3 The dividends on each Series B Preference Share was 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, starting June 30, 2011, 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 matured on June 30th 2011. The Company contracted from June 30, 2011, several interest rate swaps for a notional amount of EUR 1,000 million to hedge the interest rate risk arising from the floating rate preference shares Series B.
- 1.4 The dividends on each Series C Preference Share was 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, starting December 31, 2011, 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 matured on December 31st 2011.
- 1.5 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 2012

- Tenants of Preference Share B have accrued a dividend of EUR 22,9 million.
- Tenants of Preference Share C have accrued a dividend of EUR 45,9 million.
- During 2012 Repsol International Capital Ltd. continues to grant loans to Repsol Netherlands Finance BV. As per June 30, 2012 the amount granted to RNF reached EUR 3,031.7 million, all of them denominated in EUR at an interest rate of 4.4%.

4. Financial risk management

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 11 of the 2011 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 2012.

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 2012.