

REPSOL INTERNATIONAL CAPITAL Ltd.

Management Report– For the half year ended June 2011

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 half year ended June 30th 2011 was EUR 2.6 million compared with a net loss of EUR 4.4 million for the half year ended June 30th 2010. Most of the improvement 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 collars. Also the evolution of the exchange rate between the EUR and the USD and the lower charge for amortization of issuance cost had a positive effect in the result.
- 1.3 The company redeemed on February 8th 2011 100% of the outstanding Series A Preference Shares. Funds were obtained by the repayment of the USD Repsol Netherlands Finance B.V.'s loan.
- 1.4 Until June 30th 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 1st, 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 matured on June 30th 2011.
- 1.5 Until December 31st 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 1st 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 31st 2011.
- 1.6 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 2011

- Tenants of Preference Share A received a dividend of USD 5.8 million. (EUR 4.3 million).
- Tenants of Preference Share B received a dividend of EUR 19.7 million.
- Tenants of Preference Share C received a dividend of EUR 39.4 million.
- During 2011 Repsol International Capital Ltd. continues to grant loans to Repsol Netherlands Finance BV. As per June 30, 2011 the amount granted to RNF reached EUR 3,036.8 million, all of them denominated in EUR at an interest rate of 3,56%.

4. Financial risk management

I. Law

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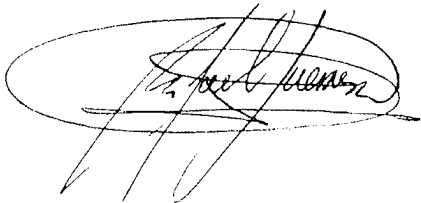
- 4.1 The Company's activities expose it primarily to the market risks of changes in foreign currency exchange rates and interest rates. The redemption of Series A Preference Shares and the amortization of the USD loan to RNF have reduced virtually to nothing the currency risk exposure of the company. 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 11 of the 2010 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 2011.

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 2011.



J. Carlos Llanusa

